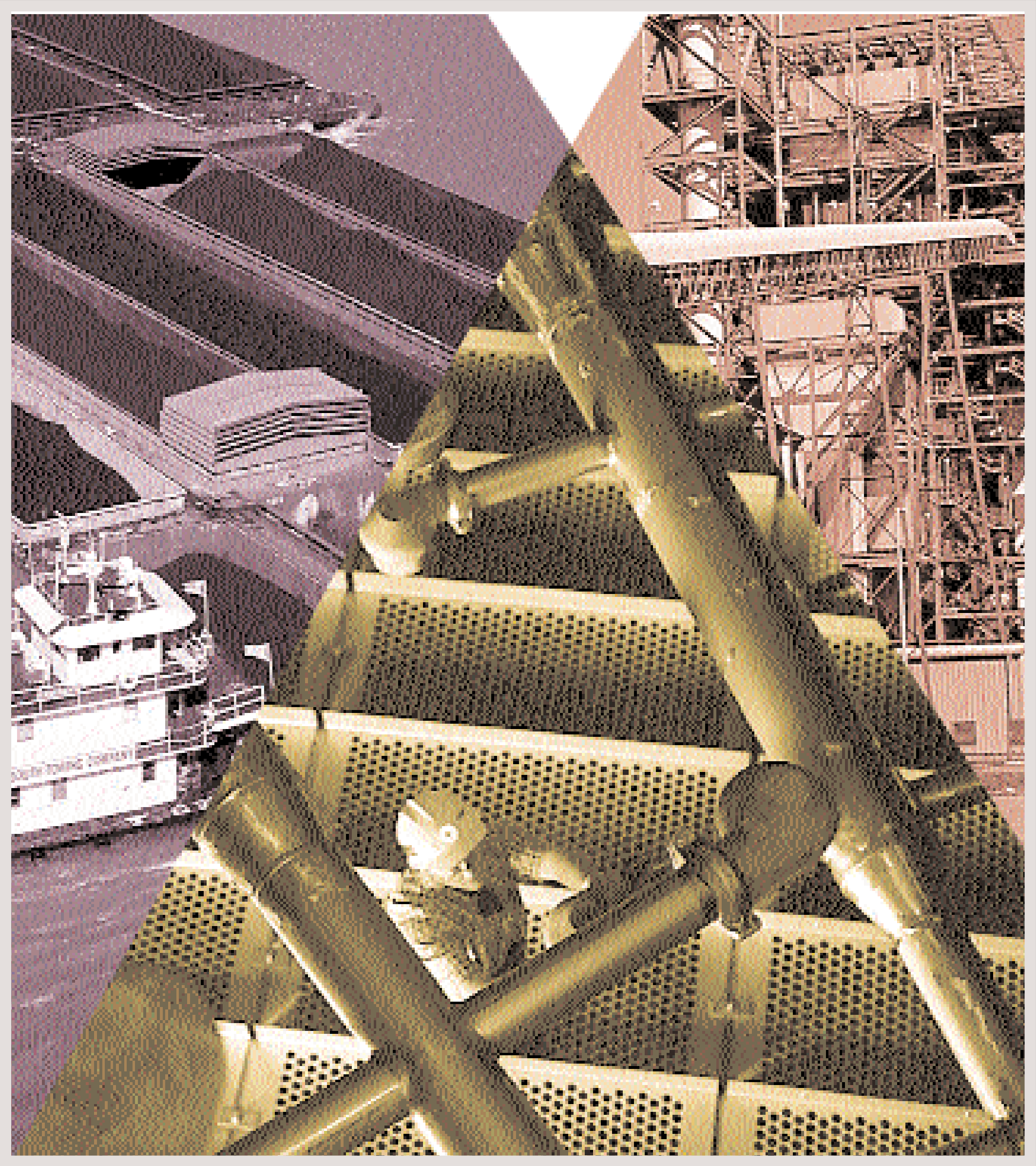
TECO ENERGY℠

1999 Annual Report



CONSOLIDATED BALANCE SHEETS

ASSETS

(MILLIONS)	Dec. 31, 1999	1998
Current assets		
Cash and cash equivalents	**$ 97.5**	$ 16.9
Receivables, less allowance for uncollectibles	**261.9**	224.6
Inventories, at average cost		
Fuel	**84.0**	93.2
Materials and supplies	**69.5**	64.1
Prepayments	**18.9**	15.1
Total current assets	**531.8**	413.9
Property, plant and equipment (at original cost)		
Utility plant in service		
Electric	**4,140.9**	3,991.3
Gas	**590.0**	518.5
Construction work in progress	**291.1**	101.1
Other property	**1,042.4**	989.6
	6,064.4	5,600.5
Accumulated depreciation	**2,436.6**	2,292.9
Total property, plant and equipment (net)	**3,627.8**	3,307.6
Other assets		
Other investments	**117.2**	93.6
Investment in unconsolidated affiliates	**103.3**	124.5
Deferred income taxes	**106.8**	99.1
Deferred charges and other assets	**203.2**	140.6
Total other assets	**530.5**	457.8
Total assets	**$4,690.1**	$4,179.3

LIABILITIES AND CAPITAL

(MILLIONS)	Dec. 31, 1999	1998
Current liabilities		
Long-term debt due within one year	**$ 155.8**	$ 36.0
Notes payable	**813.7**	319.0
Accounts payable	**218.1**	208.1
Customer deposits	**80.7**	78.3
Interest accrued	**16.4**	14.2
Taxes accrued	**36.9**	5.1
Total current liabilities	**1,321.6**	660.7
Other liabilities		
Deferred income taxes	**509.4**	499.9
Investment tax credits	**41.7**	46.7
Regulatory liability – tax related	**13.3**	34.0
Other deferred credits	**178.5**	150.6
Long-term debt, less amount due within one year	**1,207.8**	1,279.6
Capital		
Common equity	**1,472.5**	1,569.2
Unearned compensation	**(54.7)**	(61.4)
Total liabilities and capital	**$4,690.1**	$4,179.3

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(MILLIONS)	1999	Year Ended Dec. 31, 1998	1997
Revenues	**$1,983.0**	$1,955.7	$1,860.8
Expenses			
Operation	**1,053.0**	1,043.1	958.7
Maintenance	**125.3**	128.9	114.2
Depreciation	**232.2**	233.0	231.7
Taxes, other than income	**148.9**	149.4	143.5
Total expenses	**1,559.4**	1,554.4	1,448.1
Income from operations	**423.6**	401.3	412.7
Other income (expense)			
Allowance for other funds used during construction	**1.3**	—	0.1
Other income (expense)	**(13.3)**	(9.5)	(0.1)
Preferred dividend requirements of Tampa Electric	**—**	—	(0.5)
Total other income (expense)	**(12.0)**	(9.5)	(0.5)
Income before interest and income taxes	**411.6**	391.8	412.2
Interest charges			
Interest expense	**124.2**	104.3	105.9
Allowance for borrowed funds used during construction	**(0.5)**	—	(0.1)
Total interest charges	**123.7**	104.3	105.8
Income before provision for income taxes	**287.9**	287.5	306.4
Provision for income taxes	**87.0**	83.3	94.9
Net income from continuing operations	**200.9**	204.2	211.5
Net loss from discontinued operations, net of income tax benefit of $1.4 million, $2.3 million and $3.7 million for 1999, 1998 and 1997, respectively	**(2.5)**	(3.8)	(6.6)
Gain (Loss) on disposal of discontinued operations, net of income tax benefit of $7.4 million for 1999 and $1.6 million for 1997 and income tax expense of $3.9 million for 1998	**(12.3)**	6.1	(3.0)
Net income	**$ 186.1**	$ 206.5	$ 201.9
Average common shares outstanding during year	**131.0**	131.7	130.8
Earnings per average common share outstanding			
From continuing operations			
– Basic	**$1.53**	$1.55	$1.62
– Diluted	**$1.53**	$1.54	$1.61
Net Income			
– Basic	**$1.42**	$1.57	$1.54
– Diluted	**$1.42**	$1.56	$1.54

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(MILLIONS)	1999	Year Ended Dec. 31, 1998	1997
Cash flows from operating activities			
Net income	**$186.1**	$206.5	$201.9
Adjustments to reconcile net income to net cash from operating activities			
Depreciation	**232.2**	233.0	231.7
Deferred income taxes	**(15.3)**	14.6	(1.9)
Investment tax credits, net	**(5.0)**	(5.0)	(5.0)
Allowance for funds used during construction	**(1.8)**	—	(0.2)
Amortization of unearned compensation	**9.1**	7.8	5.9
Loss (gain) on disposal of discontinued operations, pretax	**19.8**	(10.0)	—
Deferred revenue	**11.9**	(38.3)	(30.5)
Deferred recovery clause	**(38.2)**	17.4	2.7
Refund to customers	**—**	—	(19.8)
Charges (discussed in Note L)	**21.1**	31.1	—
Receivables, less allowance for uncollectibles	**(25.3)**	(2.0)	6.4
Inventories	**5.0**	(13.5)	(21.4)
Taxes accrued	**31.7**	(8.8)	(0.9)
Interest accrued	**(7.2)**	(7.7)	1.6
Accounts payable	**(25.3)**	47.3	(2.8)
Other	**(17.5)**	23.0	(16.9)
	381.3	495.4	350.8
Cash flows from investing activities			
Capital expenditures	**(426.1)**	(296.1)	(212.6)
Allowance for funds used during construction	**1.8**	—	0.2
Purchase of minority interest	**(49.1)**	—	—
Net proceeds from sale of assets	**1.0**	37.5	—
Investment in unconsolidated affiliates	**(2.6)**	(135.1)	(4.9)
Other non-current investments	**(29.9)**	2.8	6.9
	(504.9)	(390.9)	(210.4)
Cash flows from financing activities			
Common stock	**0.3**	6.7	5.1
Purchase of treasury stock	**(114.8)**	—	—
Proceeds from long-term debt	**28.0**	201.2	29.3
Repayment of long-term debt	**(35.2)**	(16.2)	(103.8)
Net decrease in credit lines	**—**	—	(49.8)
Net increase (decrease) in short-term debt	**494.7**	(128.5)	141.2
Redemption of preferred stock	**—**	—	(20.4)
Dividends	**(168.8)**	(161.4)	(147.3)
	204.2	(98.2)	(145.7)
Net increase (decrease) in cash and cash equivalents	**80.6**	6.3	(5.3)
Cash and cash equivalents at beginning of year	**16.9**	10.6	15.9
Cash and cash equivalents at end of year	**$ 97.5**	$ 16.9	$ 10.6
Supplemental disclosure of cash flow information			
Cash paid during the year for			
Interest (net of amounts capitalized)	**$116.9**	$ 99.3	$115.5
Income taxes	**$ 62.1**	$ 66.2	$ 97.4

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMMON EQUITY

(MILLIONS)	Shares[1]	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Other Comprehensive Income	Unearned Compensation	Total Common Equity
Balance, Dec. 31, 1996	129.7	$129.7	$350.4	$—	$ 962.1	$—	$(70.7)	$1,371.5
Net income for 1997					201.9			201.9
Common stock issued	0.4	0.4	7.3				(2.7)	5.0
Common stock issued —								
West Florida Gas Inc. merger	0.8	0.8	(1.1)		5.8			5.5
Cash dividends declared					(147.3)			(147.3)
Amortization of unearned compensation							5.9	5.9
Tax benefits–ESOP dividends and stock options			0.1		2.1			2.2
Balance, Dec. 31, 1997	130.9	130.9	356.7	—	1,024.6	—	(67.5)	1,444.7
Net income for 1998					206.5			206.5
Common stock issued	0.5	0.5	7.2				(1.7)	6.0
Common stock issued —								
Griffis, Inc. merger	0.6	0.6			0.8			1.4
Cash dividends declared					(161.4)			(161.4)
Amortization of unearned compensation							7.8	7.8
Tax benefits–ESOP dividends and stock options			0.7		2.1			2.8
Balance, Dec. 31, 1998	132.0	132.0	364.6	—	1,072.6	—	(61.4)	1,507.8
Net income for 1999					186.1			186.1
Other comprehensive income (loss), after tax						(5.5)		(5.5)
Common stock issued	0.1	0.1	2.6				(2.4)	0.3
Treasury shares purchased	(5.4)			(114.8)				(114.8)
Cash dividends declared					(168.8)			(168.8)
Amortization of unearned compensation							9.1	9.1
Tax benefits–ESOP dividends and stock options			1.7		1.9			3.6
Balance, Dec. 31, 1999	**126.7**	**$132.1**	**$368.9**	**$(114.8)**	**$1,091.8**	**($5.5)**	**$(54.7)**	**$1,417.8**

The accompanying notes are an integral part of the consolidated financial statements.

(1) TECO Energy had 400 million shares of $1 par value common stock authorized in 1999, 1998 and 1997.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The significant accounting policies for both utility and diversified operations are as follows:

The consolidated financial statements include the accounts of TECO Energy, Inc. (TECO Energy or the company) and its wholly owned subsidiaries, including the Peoples Gas companies acquired in 1997.

The equity method of accounting is used to account for investments in partnership arrangements in which TECO Energy or its subsidiary companies do not have majority ownership or exercise control.

The proportional share of expenses, revenues and assets reflecting TECO Coalbed Methane's undivided interest in joint venture property is included in the consolidated financial statements.

All significant intercompany balances and intercompany transactions have been eliminated in consolidation.

Basis of Accounting

Tampa Electric and Peoples Gas System (the regulated utilities) maintain their accounts in accordance with recognized policies prescribed or permitted by the Florida Public Service Commission (FPSC). In addition, Tampa Electric maintains its accounts in accordance with recognized policies prescribed or permitted by the Federal Energy Regulatory Commission (FERC). These policies conform with generally accepted accounting principles in all material respects.

The impact of Financial Accounting Standard (FAS) No. 71, Accounting for the Effects of Certain Types of Regulation, has been minimal in the experience of the regulated utilities, but when cost recovery is ordered over a period longer than a fiscal year, costs are recognized in the period that the regulatory agency recognizes them in accordance with FAS 71. Also as provided in FAS 71, Tampa Electric has deferred revenues in accordance with the various regulatory agreements approved by the FPSC in 1995, 1996 and 1999. Revenues are recognized as allowed in 1997, 1998 and 1999 under the terms of the agreements.

The regulated utilities' retail business is regulated by the FPSC, and Tampa Electric's wholesale business is regulated by FERC. Prices allowed, with respect to Tampa Electric, by both agencies are generally based on the recovery of prudent costs incurred plus a reasonable return on invested capital.

The use of estimates is inherent in the preparation of financial statements in accordance with generally accepted accounting principles.

Revenues and Fuel Costs

Revenues include amounts resulting from cost recovery clauses which provide for monthly billing charges to reflect increases or decreases in fuel, purchased capacity, conservation and environmental costs for Tampa Electric and purchased gas, interstate pipeline capacity and conservation costs for Peoples Gas System. These adjustment factors are based on costs projected for a specific recovery period. Any over-recovery or under-recovery of costs plus an interest factor are taken into account in the process of setting adjustment factors for subsequent recovery periods. Over-recoveries of costs are recorded as deferred credits, and under-recoveries of costs are recorded as deferred charges.

In August 1996, the FPSC approved Tampa Electric's petition for recovery of certain environmental compliance costs through the Environmental Cost Recovery Clause.

In December 1994, Tampa Electric bought out a long-term coal supply contract which would have expired in 2004 for a lump sum payment of $25.5 million and entered into two new contracts with the supplier. The coal supplied under the new contracts is competitive in price with coal of comparable quality. As a result of this buyout, Tampa Electric customers will benefit from anticipated net fuel savings of more than $40 million through the year 2004. In February 1995, the FPSC authorized the recovery of the $25.5-million buy-out amount plus carrying costs through the Fuel and Purchased Power Cost Recovery Clause over the 10-year period beginning April 1, 1995. In each of the years 1999, 1998 and 1997, $2.7 million of buy-out costs were amortized to expense.

Certain other costs incurred by the regulated utilities are allowed to be recovered from customers through prices approved in the regulatory process. These costs are recognized as the associated revenues are billed.

The regulated utilities accrue base revenues for services rendered but unbilled to provide a closer matching of revenues and expenses.

In May 1996, the FPSC issued an order approving an agreement among Tampa Electric, the Office of Public Council (OPC) and the Florida Industrial Power Users Group (FIPUG) regarding 1996 earnings. This agreement provided for a $25-million revenue refund to customers to be made over the 12-month period beginning Oct. 1, 1996. This refund consisted of $15 million of revenues deferred from 1996 and $10 million of revenues deferred from 1995, plus accrued interest.

In October 1996, the FPSC approved an agreement among Tampa Electric, OPC and FIPUG that resolved all pending regulatory issues associated with the Polk Power Station. The agreement allowed the full recovery of the capital costs incurred in the construction of the Polk Power Station project, and called for an extension of the base rate freeze established in the May agreement through 1999. The October agreement also established a $25-million temporary base rate reduction reflected as a credit on customer bills over a 15-month period. The reduction began Oct. 1, 1997 which immediately followed the $25-million refund in the May agreement.

Depreciation

TECO Energy provides for depreciation primarily by the straight-line method at annual rates that amortize the original cost, less net salvage, of depreciable property over its estimated service life. The provision for utility plant in service, expressed as a percentage of the original cost of depreciable property, was 4.0% for 1999, 4.1% for 1998 and 4.0% for 1997.

The original cost of utility plant retired or otherwise disposed of and the cost of removal less salvage are charged to accumulated depreciation.

Goodwill

Goodwill, classified as deferred charges on the consolidated balance sheet, represents the excess of the purchase price over the fair value of the net assets acquired in purchase transactions. Goodwill is being amortized on a straight-line method over various periods not exceeding 40 years. Goodwill at Dec. 31, 1999 and 1998, was $44.5 million and $7.4 million, respectively. Goodwill increased by $32.6 million in December 1999 primarily due to TECO Power Services' (TPS) increased ownership interest in the San José Power Station. Accumulated amortization at Dec. 31, 1999 and 1998, was $2.0 million and $1.4 million, respectively. Amortization of goodwill included in the consolidated statements of income in 1999, 1998 and 1997 was $0.6 million, $0.5 million and $0.5 million, respectively.

Asset Impairment

The company periodically assesses whether there has been a permanent impairment of its long-lived assets and certain intangibles held and used by the company, in accordance with FAS 121, Accounting for the Impairment of Long-lived Assets and Long-Lived Assets to be Disposed of. In 1998, TECO Coal Corporation recorded an after-tax charge of $8.9 million to adjust asset values of certain mining operations. No write-down of assets due to impairment was required in 1999 or 1997.

Reporting Comprehensive Income

The company has adopted FAS 130, Reporting Comprehensive Income. This standard requires that comprehensive income, which includes net income as well as certain changes in assets and liabilities recorded in common equity, be reported in the financial statements. TECO Energy reported $5.5 million, after tax, of comprehensive loss in 1999 related to an adjustment to the minimum pension liability associated with the company's supplemental executive retirement plan. There were no components of comprehensive income other than net income for the years ended Dec. 31, 1998 and 1997.

Reporting on the Costs of Start-up Activities

In 1999, the company adopted AICPA Statement of Position (SOP) 98-5, Reporting on the Costs of Start-up Activities. It requires costs of start-up activities and organization costs to be expensed as incurred. Start-up activities are broadly defined as those one-time activities related to events such as opening a new facility, conducting business in a new territory and organizing a new entity. Some costs, such as the costs of acquiring or constructing long-lived assets and bringing them into service, are not subject to SOP 98-5. The costs expensed in 1999 in accordance with SOP 98-5 were not significant.

Accounting for Contracts Involved in Energy Trading and Risk Management Activities

In 1998, the FASB's Emerging Issues Task Force (EITF) released Issue 98-10, Accounting for Contracts Involved in Energy Trading and Risk Management Activities, effective for fiscal years beginning after Dec. 15, 1998. EITF 98-10 requires contracts for the purchase and sale of energy commodities that are determined to be trading activities or contracts as defined in the Issue, be valued at market on the balance sheet date, and the resulting gain or loss reflected in earnings. At Dec. 31, 1999, the company does not have any contracts for the purchase or sale of energy that would be classified as trading activities as defined in EITF 98-10.

Foreign Operations

The functional currency of the company's foreign investments is primarily the U.S. dollar. Transactions in the local currency are remeasured to the U.S. dollar for financial reporting purposes with aggregate transaction gains or losses included in net income. The aggregate transaction gains or losses included in net income in 1999, 1998 and 1997 were not significant.

The investments are generally protected from any significant currency gains or losses by the terms of the power sales agreements and other related contracts, in which payments are defined in U.S. dollars.

Deferred Income Taxes

TECO Energy utilizes the liability method in the measurement of deferred income taxes. Under the liability method, the temporary differences between the financial statement and tax bases of assets and liabilities are reported as deferred taxes measured at current tax rates. Tampa Electric and Peoples Gas System are regulated, and their books and records reflect approved regulatory treatment, including certain adjustments to accumulated deferred income taxes and the establishment of a corresponding regulatory tax liability reflecting the amount payable to customers through future rates.

Investment Tax Credits

Investment tax credits have been recorded as deferred credits and are being amortized to income tax expense over the service lives of the related property.

Other Deferred Credits

Other deferred credits primarily include the accrued postretirement benefit liability, the pension liability and minority interest.

Allowance for Funds Used During Construction (AFUDC)

AFUDC is a non-cash credit to income with a corresponding charge to utility plant which represents the cost of borrowed funds and a reasonable return on other funds used for construction. The rate used to calculate AFUDC is revised periodically to reflect significant changes in Tampa Electric's cost of capital. The rate was 7.79% for 1999, 1998 and 1997. Total AFUDC for 1999 and 1997 was $1.8 million and $0.2 million, respectively. There were no qualifying projects in 1998. The base on which AFUDC is calculated excludes construction work in progress which has been included in rate base.

Capitalized Development Costs

TeCom, a subsidiary of TECO Energy, was developing for market advanced energy management and automation systems for commercial and residential applications. On Nov. 4, 1999, TECO Energy completed the sale of the assets of TeCom for $1.0 million in cash to Invensys Intelligent Building Systems, a division of the Barber-Colman Company. TECO Energy decided to exit the automated energy management systems business because it lacked the distribution channels necessary to effectively reach the markets for its products. The capitalized development costs of $14.7 million were part of the asset sale. TeCom had capitalized product development costs of $1.6 million in 1999, $6.8 million in 1998, and $6.5 million in 1997. Amortization expense, which began in late 1998, for products that reached general availability was $1.5 million in 1999, and $0.8 million in 1998. TeCom's operating results for all years have been reclassified to be included in discontinued operations. See Note I.

Interest Capitalized

Interest costs for the construction of non-utility facilities are capitalized and depreciated over the service lives of the related property.

Cash Equivalents

Cash equivalents are highly liquid, high-quality debt instruments purchased with an original maturity of three months or less. The carrying amount of cash equivalents approximated fair market value because of the short maturity of these instruments. The amount of cash equivalents outstanding at Dec. 31, 1999 was $94.2 million. There were no cash equivalents outstanding at Dec. 31, 1998.

Other Investments

Other investments include longer-term passive investments. At Dec. 31, 1999, other investments included leverage leases, TPS investments in the form of loans to Energía Global International, Ltd. (EGI) and Mosbacher Power Partners L.P. (MPP), and TPS' investment in TM Power Ventures' (TMPV) 13.35-percent

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ownership interest in the Czech Republic project. At Dec. 31, 1998, other investments included the continuing investment in leveraged leases and TPS' loan to MPP.

The $25-million loan to EGI is evidenced by a 10% subordinated promissory note that matures on Dec. 31, 2000. The $13-million unsecured loan to MPP bears interest at 12% and matures in 2008. These financial instruments have no quoted market prices and, accordingly, a reasonable estimate of fair market value could not be made without incurring excessive costs. However, the company believes by reference to stated interest rates and security description, the fair value of these assets would not differ significantly from the carrying value.

Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates are accounted for using the equity method of accounting. At Dec. 31, 1999, these investments included TPS' 24-percent ownership interest in EEGSA, the Guatemalan electric utility, and its 50-percent ownership interest in the Hamakua Power Station in Hawaii. At Dec. 31, 1998, the investment in unconsolidated affiliates included the EEGSA investment and the then current 46-percent ownership interest in the San José Power Station in Guatemala.

On Dec. 30, 1999 TPS increased its ownership in the San José Power Station to 67 percent and this investment was consolidated for financial statement purposes. Net cash for the purchase of minority interest reflected:

	(millions)
Current Assets	$ 14.3
Construction Work in Progress	124.4
Goodwill	26.5
Other Assets (liabilities)	(22.2)
Current Liabilities	(17.9)
Long-term debt	(55.4)
Remaining minority interest	(20.6)
Net cash paid	$ 49.1

Coalbed Methane Gas Properties

TECO Coalbed Methane, a subsidiary of TECO Energy, has developed jointly the natural gas potential in a portion of Alabama's Black Warrior Basin.

TECO Coalbed Methane utilizes the successful efforts method to account for its gas operations. Under this method, expenditures for unsuccessful exploration activities are expensed currently.

Capitalized costs are amortized on the unit-of-production method using estimates of proven reserves. Investments in unproven properties and major development projects are not amortized until proven reserves associated with the projects can be determined or until impairment occurs.

Aggregate capitalized costs related to wells producing and under development at Dec. 31, 1999 and 1998 were $212.5 million and $210.3 million, respectively. Net proven reserves at Dec. 31, 1999 and 1998 were as follows:

Net Proven Reserves - Coalbed Methane Gas
(billion cubic feet)

	1999	1998
Proven reserves, beginning of year	**161.8**	195.0
Production	**(16.6)**	(17.6)
Revisions of previous estimates	**13.9**	(15.6)
Proven reserves, end of year	**159.1**	161.8
Number of wells	**615**	655

Accounting for Derivative Instruments and Hedging

In 1998, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standard (FAS) 133, Accounting for Derivative Instruments and Hedging. This standard was initially to be effective for fiscal years beginning after June 15, 1999. In July 1999, the FASB delayed the effective date of this pronouncement until fiscal years beginning after June 15, 2000. The new standard requires an entity to recognize derivatives as either assets or liabilities in the financial statements, to measure those instruments at fair value and to reflect the changes in fair value of those instruments as either components of comprehensive income or in net income, depending on the types of those instruments.

In preparation for adoption of this Statement effective Jan. 1, 2001, the company has completed an initial review of business activities and contracts, and has developed a preliminary inventory of derivative instruments encompassed by FAS 133. The company has found that such activity has been minimal and relatively short-term in duration. From time to time, TECO Energy has entered into futures, swaps and options contracts to hedge the selling price for its physical production at TECO Coalbed Methane, to limit exposure to gas price increases at both the regulated natural gas utility and unregulated propane business, and to limit exposure to fuel price increases at TECO Transport. As of Dec. 31, 1999, TECO Energy had hedging transactions in place to protect against selling price variability at TECO Coalbed Methane and purchase price variability of natural gas at Peoples Gas. TECO Energy has not used derivatives or other financial products for speculative purposes. At this point, the company does not anticipate that the adoption of FAS 133 will significantly impact its financial statements. Management will continue to document all current and possible future uses of derivatives, evaluate their effectiveness for hedging treatment, and develop procedures and methods for measuring them.

Reclassifications

Certain prior year amounts were reclassified to conform with current year presentation.

B. COMMON EQUITY

Stock-Based Compensation

In April 1996, the shareholders approved the 1996 Equity Incentive Plan (the "1996 Plan"). The 1996 Plan superseded the 1990 Equity Incentive Plan (the "1990 Plan") which superseded the 1980 Stock Option and Appreciation Rights Plan (the "1980 Plan"), and no additional grants will be made under the superseded Plans. The rights of the holders of outstanding options under the 1990 Plan and the 1980 Plan were not affected. The purpose of the 1996 Plan is to attract and retain key employees of the company, to provide an incentive for them to achieve long-range performance goals and to enable them to participate in the long-term growth of the company. The 1996 Plan amended the 1990 Plan to increase the number of shares of common stock subject to grants by 3,750,000 shares, expand the types of awards available to be granted and specify a limit on the maximum number of shares with respect to which stock options and stock appreciation rights may be made to any participant under the plan. Under the 1996 Plan, the Compensation Committee of the Board of Directors may award stock grants, stock options and/or stock equivalents to officers and key employees of TECO Energy and its subsidiaries. The Compensation Committee has discretion to determine the terms and conditions of each award, which may be subject to conditions relating to continued employment, restrictions on transfer or performance criteria.

In April 1999, under the 1996 Plan, 1,157,800 stock options were granted, with a weighted average option price of $21.54 and a maximum term of 10 years. In addition, 113,742 shares of restricted stock were awarded, each with a weighted average fair value of $21.41. Compensation expense recognized for stock grants awarded under the 1996 Plan was $1.6 million, $2.3 million and $1.3 million in 1999, 1998 and 1997, respectively. The stock grants awarded in 1999 are primarily restricted subject to meeting specified total shareholder return goals, vesting in three years if goals are met. The remaining stock grants are restricted subject generally to continued employment, with the 1998 stock grants vesting in five years and the 1997 and 1996 stock grants vesting at normal retirement age.

Stock option transactions during the last three years under the 1996 Plan, the 1990 Plan and the 1980 Plan (collectively referred to as the "Equity Plans") are summarized as follows:

Stock Options - Equity Plans

	1999		1998		1997	
	Option Shares (thousands)	Weighted Avg. Option Price	Option Shares (thousands)	Weighted Avg. Option Price	Option Shares (thousands)	Weighted Avg. Option Price
Outstanding, beginning of year	**2,732**	**$23.06**	2,372	$20.70	2,286	$19.77
Granted	**1,158**	**$21.54**	750	$27.56	352	$24.38
Exercised	**32**	**$16.58**	385	$17.26	265	$17.53
Canceled	**31**	**$24.32**	5	$26.48	1	$24.38
Outstanding, end of year	**3,827**	**$22.64**	2,732	$23.06	2,372	$20.70
Exercisable, end of year	**171**	**$16.51**	2,732	$23.06	2,372	$20.70
Available for grant	**2,806**		4,047		4,852	

As of Dec. 31, 1999, the 3.8 million options outstanding and currently exercisable under the Equity Plans are summarized below. Of the 3.8 million options outstanding, 0.2 million options were currently exercisable with option prices of $14.56-$17.38, a weighted average option price of $16.51 and a weighted average remaining contractual life of one year.

Stock Options Outstanding at Dec. 31, 1999

Option Shares (thousands)	Range of Option Prices	Weighted Avg. Option Price	Weighted Avg. Remaining Contractual Life
640	$14.56-$19.44	$18.49	3 Years
1,517	$20.00-$22.48	$21.27	8 Years
1,670	$23.55-$27.56	$25.48	7 Years

In April 1997, the Shareholders approved the 1997 Director Equity Plan (the "1997 Plan"), as an amendment and restatement of the 1991 Director Stock Option Plan (the "1991 Plan"). The 1997 Plan supersedes the 1991 Plan, and no additional grants will be made under the 1991 Plan. The rights of the holders of outstanding options under the 1991 Plan will not be affected. The purpose of the 1997 Plan is to attract and retain highly qualified non-employee directors of the company and to encourage them to own shares of TECO Energy common stock. The 1997 Plan is administered by the Board of Directors. The 1997 Plan amended the 1991 Plan to increase the number of shares of common stock subject to grants by 250,000 shares, expanded the types of awards available to be granted and replaced the current fixed formula grant by giving the Board discretionary authority to determine the amount and timing of awards under the Plan.

In 1999, 32,000 options were granted, with a weighted average option price of $21.51. Transactions during the last three years under the 1997 Plan are summarized as follows:

Director Equity Plan

	1999		1998		1997	
	Option Shares (thousands)	Weighted Avg. Option Price	Option Shares (thousands)	Weighted Avg. Option Price	Option Shares (thousands)	Weighted Avg. Option Price
Outstanding, beginning of year	**241**	**$21.22**	249	$20.59	215	$19.96
Granted	**32**	**$21.51**	24	$27.56	34	$24.60
Exercised	**—**	**—**	32	$21.10	—	—
Canceled	**—**	**—**	—	—	—	—
Outstanding, end of year	**273**	**$21.25**	241	$21.22	249	$20.59
Exercisable, end of year	**103**	**$18.00**	241	$21.22	249	$20.59
Available for grant	**364**		400		428	

As of Dec. 31, 1999, the 273,000 options outstanding under the 1997 Plan with option prices of $17.72-$27.56, had a weighted average option price of $21.25 and a weighted average remaining contractual life of five years. Of the 273,000 options outstanding, 103,000 options were currently exercisable with option prices of $17.72-$18.53, a weighted average option price of $18.00 and a weighted average remaining contractual life of 2 years.

TECO Energy has adopted the disclosure-only provisions of FAS 123, Accounting for Stock-Based Compensation, but applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans. Therefore, since stock options are granted with an option price greater than or equal to the fair value on date of grant, no compensation expense has been recognized for stock options granted under the 1996 Plan and the 1997 Plan. If the company had elected to recognize compensation expense for stock options based on the fair value at grant date, consistent with the method prescribed by FAS 123, net income and earnings per share would have been reduced to the pro forma

B. COMMON EQUITY, continued

amounts shown below. These pro forma amounts were determined using the Black-Scholes valuation model with weighted average assumptions as shown below.

		1999	1998	1997
Net Income from continuing operations (millions)	As reported	**$200.9**	$204.2	$211.5
	Pro forma	**$198.5**	$202.6	$210.8
Net Income (millions)	As reported	**$186.1**	$206.5	$201.9
	Pro forma	**$183.7**	$204.9	$201.1
Net Income from continuing operations – EPS basic	As reported	**$1.53**	$1.55	$1.62
	Pro forma	**$1.52**	$1.54	$1.61
Net Income – EPS basic	As reported	**$1.42**	$1.57	$1.54
	Pro forma	**$1.40**	$1.56	$1.54
Assumptions				
Risk-free interest rate		**5.26%**	5.64%	6.81%
Expected lives (in years)		**6**	6	6
Expected stock volatility		**19.14%**	14.01%	12.60%
Dividend yield		**4.55%**	4.61%	4.79%

Dividend Reinvestment Plan

In 1992, TECO Energy implemented a Dividend Reinvestment and Common Stock Purchase Plan (DRP). The DRP purchased shares of TECO Energy common stock on the open market for plan participants.

Treasury Stock

In September 1999, TECO Energy announced a program to repurchase up to $150 million of its outstanding common stock. Shares acquired are considered treasury shares. During 1999, the company acquired 5.4 million shares of its outstanding common stock at a cost of $114.8 million; the average per share price was $21.12. Earnings per share results were not significantly affected due to the timing of the purchases.

Shareholder Rights Plan

In accordance with the company's Shareholder Rights Plan, a Right to purchase one additional share of the company's common stock at a price of $90 per share is attached to each outstanding share of the company's common stock. The Rights expire in May 2009, subject to extension. The Rights will become exercisable 10 business days after a person acquires 10 percent or more of the company's outstanding common stock or commences a tender offer that would result in such person owning 10 percent or more of such stock. If any person acquires 10 percent or more of the outstanding common stock, the rights of holders, other than the acquiring person, become rights to buy shares of common stock of the company (or of the acquiring company if the company is involved in a merger or other business combination and is not the surviving corporation) having a market value of twice the exercise price of each Right.

The company may redeem the Rights at a nominal price per Right until 10 business days after a person acquires 10 percent or more of the outstanding common stock.

Employee Stock Ownership Plan

Effective Jan. 1, 1990, TECO Energy amended the TECO Energy Group Retirement Savings Plan, a tax-qualified benefit plan available to substantially all employees, to include an employee stock ownership plan (ESOP). During 1990, the ESOP purchased 7 million shares of TECO Energy common stock on the open market for $100 million. The share purchase was financed through a loan from TECO Energy to the ESOP. This loan is at a fixed interest rate of 9.3% and will be repaid from dividends on ESOP shares and from TECO Energy's contributions to the ESOP.

TECO Energy's contributions to the ESOP were $7.5 million, $4.3 million, and $3.4 million in 1999, 1998 and 1997, respectively. TECO Energy's annual contribution equals the interest accrued on the loan during the year plus additional principal payments needed to meet the matching allocation requirements under the plan, less dividends received on the ESOP shares. The components of net ESOP expense recognized for the past three years are as follows:

(MILLIONS)	1999	1998	1997
Interest expense	**$6.9**	$7.3	$7.7
Compensation expense	**7.5**	5.5	4.7
Dividends	**(8.4)**	(8.1)	(7.8)
Net ESOP expense	**$6.0**	$4.7	$4.6

Compensation expense was determined by the shares allocated method.

At Dec. 31, 1999, the ESOP had 2.7 million allocated shares, .2 million committed-to-be-released shares, and 3.6 million unallocated shares. Shares are released to provide employees with the company match in accordance with the terms of the TECO Energy Group Retirement Savings Plan and in lieu of dividends on allocated ESOP shares. The dividends received by the ESOP are used to pay debt service.

For financial statement purposes, the unallocated shares of TECO Energy stock are reflected as a reduction of common equity, classified as unearned compensation. Dividends on all ESOP shares are recorded as a reduction of retained earnings, as are dividends on all TECO Energy common stock. The tax benefit related to the dividends paid to the ESOP for allocated shares is a reduction of income tax expense and for unallocated shares is an increase in retained earnings. All ESOP shares are considered outstanding for earnings per share computations.

C. PREFERRED STOCK

Preferred stock of TECO Energy – $1 par
10 million shares authorized, none outstanding.

Preference stock of Tampa Electric – no par
2.5 million shares authorized, none outstanding.

In July 1997, Tampa Electric retired all of its outstanding shares ($20 million aggregate par value) of 4.32% Series A, 4.16% Series B and 4.58% Series D preferred stock at redemption prices of $103.75, $102.875 and $101.00 per share, respectively.

Preferred stock of Tampa Electric – no par
2.5 million shares authorized, none outstanding.

Preferred Stock of Tampa Electric — $100 par value
1.5 million shares authorized, none outstanding.

Cash dividends paid in 1997 were $0.2 million, $0.1 million and $0.3 million for Series A, Series B and Series D, respectively. These amounts reflect dividends paid through July 16, 1997, the date that these series were redeemed.

D. LONG-TERM DEBT

(MILLIONS)	Due	Dec. 31, 1999	1998
TECO Energy			
Medium-term notes payable: 9.29%[1]	2000	**$ 50.0**	$ 50.0
Medium-term notes payable: 5.35%[1][2]	2001	**150.0**	150.0
		200.0	200.0
Tampa Electric			
First mortgage bonds (issuable in series):			
7 3⁄4%	2022	**75.0**	75.0
5 3⁄4%	2000	**80.0**	80.0
6 1⁄8%	2003	**75.0**	75.0
Installment contracts payable[3]:			
5 3⁄4%	2007	**23.2**	23.5
7 7⁄8% Refunding bonds[4]	2021	**25.0**	25.0
8% Refunding bonds[4]	2022	**100.0**	100.0
6 1⁄4% Refunding bonds[5]	2034	**86.0**	86.0
5.85%	2030	**75.0**	75.0
Variable rate: 3.21% for 1999 and 3.06% for 1998[1]	2025	**51.6**	51.6
Variable rate: 3.46% for 1999 and 3.17% for 1998[1]	2018	**54.2**	54.2
Variable rate: 3.69% for 1999 and 3.39% for 1998[1]	2020	**20.0**	20.0
Medium-term notes payable: 5.11%[1][6]	2001	**38.0**	38.0
		703.0	703.3
Peoples Gas System			
Senior Notes[7]			
10.35%	2007	**6.2**	6.8
10.33%	2008	**8.0**	8.6
10.3%	2009	**8.8**	9.2
9.93%	2010	**9.0**	9.4
8.0%	2012	**30.5**	32.0
Medium-term notes payable: 5.11%[1][6]	2001	**12.0**	12.0
		74.5	78.0
Diversified companies			
Dock and wharf bonds, variable rate: 3.77% for 1999 and 3.15% for 1998[1][3]	2007	**110.6**	110.6
Mortgage notes payable: 7.6%	1999	**—**	0.2
Non-recourse secured facility notes, Series A: 7.8%	2000–2012	**131.9**	137.9
Non-recourse secured facility note: 9.875%	2000–2008	**22.0**	24.4
Construction financing, variable rate: 6.97% for 1999[8]	2000-2009	**73.3**	—
Capital lease: implicit rate of 8.5%	2000–2003	**31.6**	33.4
Construction financing, 7.82%	2009	**10.1**	—
		379.5	306.5
TECO Finance			
Medium-term notes payable, various rates: 7.54% for 1999 and 7.26% for 1998[1]	2002	**9.0**	30.0
Unamortized debt premium (discount), net		**(2.4)**	(2.2)
		1,363.6	1,315.6
Less amount due within one year[9]		**155.8**	36.0
Total long-term debt		**$1,207.8**	$1,279.6

(1) Composite year-end interest rate.

(2) These notes are subject to mandatory tender on Sept. 15, 2001, at which time they will be redeemed or remarketed.

(3) Tax-exempt securities.

(4) Proceeds of these bonds were used to refund bonds with interest rates of 11 5⁄8%–12 5⁄8%. For accounting purposes, interest expense has been recorded using blended rates of 8.28%–8.66% on the original and refunding bonds, consistent with regulatory treatment.

(5) Proceeds of these bonds were used to refund bonds with an interest rate of 9.9% in February 1995. For accounting purposes, interest expense has been recorded using a blended rate of 6.52% on the original and refunding bonds, consistent with regulatory treatment.

(6) These notes are subject to mandatory tender on July 15, 2001, at which time they will be redeemed or remarketed.

(7) These long-term debt agreements contain various restrictive covenants, including provisions related to interest coverage, maximum levels of debt to total capitalization and limitations on dividends.

(8) This construction financing will convert to long-term, non-recourse financing, with a variable interest rate in early 2000, after the San José Power Station begins commercial operation.

(9) Of the amount due in 2000, $0.8 million may be satisfied by the substitution of property in lieu of cash payments.

D. LONG-TERM DEBT, continued

TECO Transport entered into a capital lease agreement with Midwest Marine Management Company in March 1998 for the charter of additional capacity. This lease covers 110 river barges and three towboats, classified as property, plant and equipment on the balance sheet; the corresponding $35 million five-year lease commitment was recorded as long-term debt on the balance sheet. The following is a schedule of future minimum lease payments under the capitalized lease together with the present value of the net minimum lease payments as of Dec. 31, 1999:

Year ended Dec. 31:	Amount (millions)
2000	$ 4.6
2001	4.6
2002	4.6
2003	25.0
Total minimum lease payments	38.8
Less: Amount representing interest	7.2
Present value of net minimum lease payments, including current maturities of $2.0 million	$31.6

Substantially all of the property, plant and equipment of Tampa Electric is pledged as collateral to secure its long-term debt. Maturities and annual sinking fund requirements of long-term debt for the years 2001, 2002, 2003 and 2004 are $227.8 million, $39.7 million, $235.5 million and $32.7 million, respectively. Of these amounts $0.8 million per year for 2001 through 2004 may be satisfied by the substitution of property in lieu of cash payments.

At Dec. 31, 1999, total long-term debt had a carrying amount of $1,207.8 million and an estimated fair market value of $1,234.3 million. The estimated fair market value of long-term debt was based on quoted market prices for the same or similar issues, on the current rates offered for debt of the same remaining maturities, or for long-term debt issues with variable rates that approximate market rates, at carrying amounts. The carrying amount of long-term debt due within one year approximated fair market value because of the short maturity of these instruments.

E. SHORT-TERM DEBT

Notes payable consisted primarily of commercial paper with weighted average interest rates of 6.00% and 5.16%, at Dec. 31, 1999 and 1998, respectively. The carrying amount of notes payable approximated fair market value because of the short maturity of these instruments. Consolidated unused lines of credit at Dec. 31, 1999 were $485 million. Certain lines of credit require commitment fees ranging from .05% to .075% on the unused balances.

During 1995, TECO Finance entered into an interest rate exchange agreement to moderate its exposure to interest rate changes. This three-year agreement, which ended June 26, 1998, effectively converted the interest rate on $100 million of short-term debt from a floating rate to a fixed rate. TECO Finance paid a fixed rate of 5.8% and received a floating rate based on a 30-day commercial paper index. The costs of this agreement did not have a significant impact on interest expense in 1998 or 1997.

F. RETIREMENT PLAN

TECO Energy has a non-contributory defined benefit retirement plan which covers substantially all employees. Benefits are based on employees' years of service and average final salary.

The company's policy is to fund the plan within the guidelines set by ERISA for the minimum annual contribution and the maximum allowable as a tax deduction by the IRS. About 73 percent of plan assets were invested in common stock and 27 percent in fixed income investments at Dec. 31, 1999.

The Peoples Gas System retirement plan was merged with the TECO Energy retirement plan effective Jan. 1, 1998. As of Dec. 31, 1997, Peoples Gas System had a non-contributory defined benefit retirement plan which covered substantially all employees. Benefits were based on employees' years of service and average compensation during specified years of employment.

Peoples Gas System's retirement plan was funded annually by the company within the guidelines set by ERISA for the minimum annual contribution and the maximum allowable as a tax deduction by the IRS. Plan assets were invested primarily in a collective investment trust consisting of equity securities, fixed income securities and cash equivalents.

All information prior to 1998 has been restated to include the Peoples Gas System Retirement Plan.

Prior period amounts have also been restated to include the unfunded obligations for the supplemental executive retirement plan, a non-qualified, non-contributory defined benefit retirement plan available to certain senior management. Inclusion of these obligations resulted in the recognition in 1999 of $5.5 million, after tax, of comprehensive loss related to minimum pension liability.

In 1997, the Financial Accounting Standards Board issued FAS 132, Employers' Disclosures about Pensions and Other Post Retirement Benefits. FAS 132 standardizes the disclosure requirements for pensions and other postretirement benefits with additional information required on changes in the benefit obligations and fair values of plan assets.

(MILLIONS)	1999	1998	1997
Components of net pension expense			
Service cost (benefits earned during the period)	$12.9	$11.7	$10.4
Interest cost on projected benefit obligations	27.2	26.5	24.8
Expected return on assets	(34.6)	(31.5)	(28.4)
Amortization of:			
Unrecognized transition asset	(0.9)	(0.9)	(0.9)
Prior service cost	1.2	1.2	1.2
Actuarial (gain) loss	5.2	1.2	0.2
Net pension expense	11.0	8.2	7.3
Special termination benefit charge	—	0.7	—
Curtailment charge	—	(0.8)	—
Net pension expense recognized in the Consolidated Statements of Income	$11.0	$ 8.1	$ 7.3

F. RETIREMENT PLAN, continued

(MILLIONS)	Dec. 31, 1999	Dec. 31, 1998
Reconciliation of the funded status of the retirement plan and the accrued pension prepayment/(liability)		
Projected benefit obligation, beginning of year	$414.9	$374.9
Change in benefit obligation due to:		
Service cost	12.9	11.7
Interest cost	27.2	26.5
Actuarial (gain) loss	(68.1)	29.5
Curtailments	—	(1.1)
Special termination benefits	—	0.7
Gross benefits paid	(26.5)	(27.3)
Projected benefit obligation, end of year	360.4	414.9
Fair value of plan assets, beginning of year	468.7	414.8
Change in plan assets due to:		
Actual return on plan assets	65.3	72.2
Employer contributions	7.6	9.0
Gross benefits paid (including expenses)	(29.5)	(27.3)
Fair value of plan assets, end of year	512.1	468.7
Funded status, end of year	151.7	53.8
Unrecognized net actuarial gain	(188.6)	(87.6)
Unrecognized prior service cost	11.3	12.5
Unrecognized net transition asset	(5.7)	(6.7)
Accrued pension liability	$(31.3)	$ (28.0)
Assumptions used in determining actuarial valuations		
Discount rate to determine projected benefit obligation	7.75%	6.75%
Rates of increase in compensation levels	3.3-5.3%	3.3-5.3%
Plan asset growth rate through time	9%	9%

G. POSTRETIREMENT BENEFIT PLAN

TECO Energy and its subsidiaries currently provide certain postretirement health care and life insurance benefits for substantially all employees retiring after age 55 meeting certain service requirements. The company contribution toward health care coverage for most employees retiring after Jan. 1, 1990 is limited to a defined dollar benefit based on years of service. Postretirement benefit levels are substantially unrelated to salary. The company reserves the right to terminate or modify the plans in whole or in part at any time. The prior period amounts have been restated to include life insurance benefits.

(MILLIONS)	1999	1998	1997
Components of postretirement benefit cost			
Service cost (benefits earned during the period)	$ 3.6	$ 2.9	$ 2.5
Interest cost on projected benefit obligations	6.9	6.8	6.7
Amortization of transition obligation (straight line over 20 years)	2.7	2.7	2.7
Amortization of prior service cost	0.6	0.6	0.6
Amortization of actuarial loss/(gain)	0.2	0.1	(0.1)
Net periodic postretirement benefit expense	$14.0	$13.1	$12.4

G. POSTRETIREMENT BENEFIT PLAN, continued

(MILLIONS)	Dec. 31, 1999	Dec. 31, 1998
Reconciliation of the funded status of the postretirement benefit plan and the accrued liability		
Accumulated postretirement benefit obligation, beginning of year	$104.3	$ 95.5
Change in benefit obligation due to:		
Service Cost	3.6	2.9
Interest cost	6.9	6.8
Plan participants' contributions	0.6	0.3
Actuarial (gain) loss	(16.3)	4.2
Gross benefits paid	(6.0)	(5.4)
Accumulated postretirement benefit obligation, end of year	93.1	104.3
Funded status, end of year	(93.1)	(104.3)
Unrecognized net loss from past experience	(2.1)	14.3
Unrecognized prior service cost	6.4	7.1
Unrecognized transition obligation	35.6	38.3
Liability for accrued postretirement benefit	$ (53.2)	$(44.6)
Assumptions used in determining actuarial valuations		
Discount rate to determine projected benefit obligation	7.75%	6.75%

The assumed health care cost trend rate for medical costs prior to age 65 was 8.00% in 1999 and decreases to 5.75% in 2002 and thereafter. The assumed health care cost trend rate for medical costs after age 65 was 6.50% in 1999 and decreases to 5.75% in 2002 and thereafter.

A 1-percent increase in the medical trend rates would produce a 5-percent ($0.6 million) increase in the aggregate service and interest cost for 1999 and a 6-percent ($4.1 million) increase in the accumulated postretirement benefit obligation as of Dec. 31, 1999.

A 1-percent decrease in the medical trend rates would produce a 5-percent ($0.5 million) decrease in the aggregate service and interest cost for 1999 and a 5-percent ($3.7 million) decrease in the accumulated postretirement benefit obligation as of Dec. 31, 1999.

H. INCOME TAX EXPENSE

Income tax expense consists of the following components:

(MILLIONS)	Federal	State	Total
1999			
Currently payable	**$89.6**	**$13.0**	**$102.6**
Deferred	**(11.5)**	**1.1**	**(10.4)**
Amortization of investment tax credits	**(5.2)**	**—**	**(5.2)**
Income tax expense from continuing operations	**72.9**	**14.1**	**87.0**
Currently payable	**(3.6)**	**(0.3)**	**(3.9)**
Deferred	**(4.4)**	**(0.5)**	**(4.9)**
Income tax expense from discontinued operations	**(8.0)**	**(0.8)**	**(8.8)**
Total income tax expense	**$64.9**	**$13.3**	**$ 78.2**
1998			
Currently payable	$61.0	$11.4	$ 72.4
Deferred	13.1	2.8	15.9
Amortization of investment tax credits	(5.0)	—	(5.0)
Income tax expense from continuing operations	69.1	14.2	83.3
Currently payable	2.8	0.1	2.9
Deferred	(1.5)	0.2	(1.3)
Income tax expense from discontinued operations	1.3	0.3	1.6
Total income tax expense	$70.4	$14.5	$ 84.9
1997			
Currently payable	$90.3	$10.2	$100.5
Deferred	(7.6)	7.0	(0.6)
Amortization of investment tax credits	(5.0)	—	(5.0)
Income tax expense from continuing operations	77.7	17.2	94.9
Currently payable	(5.9)	0.1	(5.8)
Deferred	0.6	(0.1)	0.5
Income tax benefit from discontinued operations	(5.3)	—	(5.3)
Total income tax expense	$72.4	$17.2	$ 89.6

H. INCOME TAX EXPENSE, continued

Deferred taxes result from temporary differences in the recognition of certain liabilities or assets for tax and financial reporting purposes. The principal components of the company's deferred tax assets and liabilities recognized in the balance sheet are as follows:

(MILLIONS)	Dec. 31, 1999	Dec. 31, 1998
Deferred income tax assets(1)		
Property related	**$ 71.1**	$ 63.0
Basis differences in oil and gas producing properties	**(2.5)**	(2.4)
Other	**38.2**	38.5
Total deferred income tax assets	**106.8**	99.1
Deferred income tax liabilities(1)		
Property related	**(562.0)**	(548.5)
Basis differences in oil and gas producing properties	**(13.4)**	(15.7)
Alternative minimum tax credit carryforward	**35.1**	39.3
Other	**30.9**	25.0
Total deferred income tax liabilities	**(509.4)**	(499.9)
Accumulated deferred income taxes	**$(402.6)**	$(400.8)

(1) Certain property related assets and liabilities have been netted.

The total income tax provisions differ from amounts computed by applying the federal statutory tax rate to income before income taxes for the following reasons:

(MILLIONS)	1999	1998	1997
Net income from continuing operations	**$200.9**	$204.2	$211.5
Total income tax provision	**87.0**	83.3	94.9
Preferred dividend requirements	**—**	—	0.5
Income from continuing operations before income taxes and preferred dividend requirements	**287.9**	$287.5	$306.9
Income taxes on above at federal statutory rate of 35%	**$100.8**	$100.6	$107.4
Increase (Decrease) due to:			
State income tax, net of federal income tax	**9.2**	9.3	11.2
Amortization of investment tax credits	**(5.2)**	(5.0)	(5.0)
Non-conventional fuels tax credit	**(17.2)**	(18.9)	(20.2)
Other	**(0.6)**	(2.7)	1.5
Total income tax provision from continuing operations	**$ 87.0**	$ 83.3	$ 94.9
Provision for income taxes as a percent of income from continuing operations, before income taxes	**30.2%**	29.0%	30.9%

The provision for income taxes as a percent of income from discontinued operations was 37.5%, 35.0% and 34.8% for 1999, 1998 and 1997, respectively. The total effective income tax rate differs from the federal statutory rate due to state income tax, net of federal income tax and other miscellaneous items.

I. DISCONTINUED OPERATIONS

TeCom

On Nov. 4, 1999, TECO Energy completed the sale of the assets of TeCom, Inc. for $1.0 million in cash to Invensys Intelligent Building Systems, a division of the Barber-Colman Company. The company decided to exit the automated energy management systems business because it lacked the distribution channels necessary to effectively reach the markets for its products.

As a result of the company's intention to sell this business, all activities of the subsidiary through Sept. 1, 1999, the measurement date, were reported as discontinued operations on the Consolidated Statements of Income, including amounts from prior years which have been reclassified from continuing operations to discontinued operations. After-tax losses from discontinued operations were $2.5 million, $3.8 million and $0.1 million, respectively, for the years ended Dec. 31, 1999, 1998 and 1997. The loss on the sale of the assets of TeCom, including an estimate of activities after the measurement date, was reported as a loss on disposal of discontinued operations. The net, after tax loss from TeCom's disposal of discontinued operations in 1999 was $12.9 million, or 10 cents per share.

I. DISCONTINUED OPERATIONS continued

A summary of the net assets of TeCom is as follows:

(MILLIONS)	Dec. 31, 1999	Dec. 31, 1998
Inventories, at average cost	**$0.1**	$ 1.3
Other current assets	**0.1**	0.6
Net property, plant and equipment	**0.2**	1.1
Capitalized development costs	**—**	14.6
Other assets	**—**	0.4
Total liabilities	**(0.8)**	(6.5)
Net assets	**$(0.4)**	$11.5

Total revenues from discontinued operations related to TeCom were $1.2 million, $2.1 million and $1.2 million, respectively, for the years ended Dec. 31, 1999, 1998 and 1997.

TECO Oil & Gas

On Aug. 28, 1997, the Company announced its plan to discontinue operations of its conventional oil and gas subsidiary, TECO Oil & Gas, Inc. Since its formation in 1995, TECO Oil & Gas participated in joint ventures utilizing 3-D seismic imaging in the exploration for oil and gas. TECO Energy reported a net after-tax loss from discontinued oil and gas operations of $6.5 million in 1997, which represented the results of the subsidiary through Aug. 31, 1997, the measurement date. An estimate of activities after that date, including the sale of the assets at book value, was reported as a net after-tax loss on disposal of discontinued operations of $3.0 million in 1997.

In March 1998, TECO Oil & Gas sold its offshore assets to American Resources Offshore, Inc. (ARO) for $57.7 million, consisting of $39.2 million in cash and a subordinated note (the "ARO Note") in the principal amount of $18.5 million. TECO Energy reported a net after-tax gain of $22.2 million from the disposal of discontinued operations in the first quarter of 1998.

At Dec. 31, 1998, TECO Energy wrote off the recorded value of all assets associated with the discontinued oil and gas operation, including the $18.5-million ARO Note and associated accrued interest income and the remaining on-shore assets. The net after-tax gain reported from disposal of discontinued operations, including the original gain and this write-off, was $6.1 million in 1998.

In March 1999, TECO Oil & Gas sold the ARO Note to a third party for $500,000 in cash, and in a separate transaction ARO agreed to assume disputed joint billing payments of approximately $425,000. A $0.6 million after-tax gain from these transactions was recognized in 1999 as a gain on disposal of discontinued operations.

There were no significant revenues from the discontinued oil and gas operations in 1999 or 1998. Total revenues from the discontinued oil and gas operations in 1997 were $9.6 million.

A summary of the net assets of TECO Oil & Gas is as follows:

(MILLIONS)	Dec. 31, 1999	Dec. 31, 1998
Current assets	**$0.1**	$ 0.2
Net property, plant and equipment	**—**	—
Other assets	**—**	—
Taxes currently receivable	**—**	9.5
Deferred taxes	**1.6**	2.0
Total liabilities	**(0.2)**	(0.8)
Net assets	**$1.5**	$10.9

J. EARNINGS PER SHARE

In 1997, the Financial Accounting Standards Board issued FAS 128, Earnings per Share, which requires disclosure of basic and diluted earnings per share and a reconciliation (where different) of the numerator and denominator from basic to diluted earnings per share. The reconciliation of basic and diluted earnings per share is shown below:

	Year ended Dec. 31, 1999	1998	1997
Numerator (Basic and Diluted)			
Net income from continuing operations	**$200.9**	$204.2	$211.5
Net income	**$186.1**	$206.5	$201.9
Denominator			
Average number of shares outstanding - basic	**131.0**	131.7	130.8
Plus: incremental shares for assumed conversions:			
Stock options at end of period	**2.3**	3.0	2.6
Less: Treasury shares which could be purchased	**(2.1)**	(2.5)	(2.2)
Average number of shares outstanding - diluted	**131.2**	132.2	131.2
Earnings per share from continuing operations			
Basic	**$1.53**	$1.55	$1.62
Diluted	**$1.53**	$1.54	$1.61
Earnings per share			
Basic	**$1.42**	$1.57	$1.54
Diluted	**$1.42**	$1.56	$1.54

K. SEGMENT INFORMATION

TECO Energy is an electric and gas utility holding company with significant diversified activities. The management of TECO Energy determined its reportable segments based on each subsidiaries' contribution of revenues, operating income and total assets. All significant intercompany transactions are eliminated in the consolidated financial statements of TECO Energy but are included in determining reportable segments in accordance with FAS 131, Disclosures about Segments of an Enterprise and Related Information. In November 1999, TECO Energy sold the assets of TeCom, the company's advanced energy management technology subsidiary. All prior years presented here have been restated to exclude TeCom's results, which are now reflected in the consolidated financial statements as discontinued operations.

(MILLIONS)	Revenues[1]	Income From Operations[1]	Net Income	Depreciation[1]	Assets at Dec. 31,	Capital Expenditures for the Year
1999						
Tampa Electric	**$1,199.8[2][3][7]**	**$263.9[7]**	**$138.8[15]**	**$147.6**	**$2,827.3**	**$228.7**
Peoples Gas System	**251.7**	**43.2**	**19.8**	**23.1**	**433.1**	**84.5**
TECO Transport	**251.9[4]**	**46.8**	**26.2**	**21.9**	**312.0**	**18.6**
TECO Coal	**237.3[5]**	**21.5**	**16.0**	**16.1**	**193.2**	**23.4**
TECO Power Services	**109.5[6]**	**17.3[10]**	**14.6**	**9.3**	**700.4[12]**	**68.5**
Other diversified businesses	**109.8**	**33.0[11]**	**27.3**	**14.2**	**222.5**	**3.1**
	2,160.0	**425.7**	**242.7**	**232.2**	**4,688.5**	**426.8**
Other and eliminations	**(177.0)[13]**	**(2.1)[13]**	**(41.8)[16]**	**0.0**	**1.6**	**(0.7)**
TECO Energy consolidated	**$1,983.0**	**$423.6**	**$200.9**	**$232.2**	**$4,690.1**	**$426.1**
1998						
Tampa Electric	$1,234.6[2][3]	$279.7[8]	$141.2[15]	$146.1	$2,705.0	$176.2
Peoples Gas System	252.8	35.8	15.5	21.0	375.6	55.9
TECO Transport	230.0[4]	43.2	23.8	26.6	309.7	45.6
TECO Coal	232.4[5]	23.5[9]	17.5[17]	15.4	180.0	11.2
TECO Power Services	98.7[6]	13.0[10]	9.7	9.2	412.9[12]	0.4
Other diversified businesses	110.6	37.8[11]	30.8[18]	14.7	222.2	5.4
	2,159.1	433.0	238.5	233.0	4,205.4	294.7
Other and eliminations	(203.4)	(31.7)[14]	(34.3)[16]	0.0	(26.1)	1.4
TECO Energy consolidated	$1,955.7	$401.3	$204.2	$233.0	$4,179.3	$296.1
1997						
Tampa Electric	$1,189.2[2][3]	$271.5	$135.2[15]	$141.4	$2,678.4	$125.1
Peoples Gas System	249.6	33.6	14.3[19]	19.8	348.9	30.2
TECO Transport	218.7[4]	42.1	24.5	27.3	266.8	28.9
TECO Coal	215.6[5]	19.9	14.9	17.9	191.4	12.3
TECO Power Services	93.0[6]	15.2[10]	9.6	8.9	273.3[12]	2.1
Other diversified businesses	103.7	38.1[11]	31.6[18]	16.4	220.5	6.1
	2,069.8	420.4	230.1	231.7	3,979.3	204.7
Other and eliminations	(209.0)	(7.7)	(18.6)[16]	—	(18.9)	7.9
TECO Energy consolidated	$1,860.8	$412.7	$211.5	$231.7	$3,960.4	$212.6

(1) From continuing operations.
(2) Revenues from sales to affiliates were $24.8 million, $23.2 million and $22.3 million in 1999, 1998 and 1997, respectively.
(3) Revenues shown in 1999 are after the revenue deferral of $11.9 million.
Revenues shown in 1998 and 1997 include the recognition of previously deferred revenue of $38.3 million and $30.5 million, respectively.
(4) Revenues from sales to affiliates were $101.0 million, $112.8 million and $114.7 million in 1999, 1998 and 1997, respectively.
(5) Revenues from sales to affiliates were $23.1 million, $33.8 million and $44.3 million in 1999, 1998 and 1997, respectively.
(6) Revenues from sales to affiliates were $35.5 million, $32.7 million and $26.7 million in 1999, 1998 and 1997, respectively.
Revenues include income from unconsolidated equity investments of $2.6 million and $1.8 million in 1999 and 1998, respectively. There were no revenues from unconsolidated equity investments in 1997.
(7) Revenues and operating income as shown for 1999 exclude a $7.9 million credit resulting from a charge. See Note L.
(8) Operating income excludes a pretax charge of $9.6 million in 1998. See Note L.
(9) Operating income excludes a pretax charge of $13.6 million in 1998. See Note L.
(10) Operating income includes interest cost on the non-recourse debt related to independent power operations of $10.3 million, $13.4 million and $14.1 million in 1999, 1998 and 1997, respectively.
(11) Operating income includes a non-conventional fuels tax credit of $17.2 million, $18.9 million and $20.2 million in 1999, 1998 and 1997, respectively.
(12) Total assets include investment in unconsolidated affiliates of $103.3 million, $124.5 million and $5.8 million in 1999, 1998 and 1997, respectively.
(13) Revenues and operating income include a pretax credit of $7.9 million in 1999. See Note L.
(14) Operating income includes pretax charges totaling $23.2 million in 1998. See Note L.
(15) Net income excludes after-tax charges totaling $13.7 million, $10.4 million and $0.3 million in 1999, 1998 and 1997, respectively. See Note L.
(16) Net income includes after-tax charges totaling $19.6 million, $19.6 million and $2.2 million in 1999, 1998 and 1997, respectively. See Note L.
(17) Net income excludes an after-tax charge of $8.9 million in 1998. See Note L.
(18) Net income excludes after-tax charges of $0.3 million and $0.8 million in 1998 and 1997, respectively. See Note L.
(19) Net income excludes an after-tax charge of $1.1 million in 1997. See Note L.

K. SEGMENT INFORMATION, continued

Tampa Electric Company provides retail electric utility services to more than 552,000 customers in West Central Florida. Its Peoples Gas System division is engaged in the purchase, distribution and marketing of natural gas for more than 253,000 residential, commercial, industrial and electric power generation customers in the state of Florida.

TECO Transport Corporation, through its wholly owned subsidiaries, transports, stores and transfers coal and other dry bulk commodities for third parties and Tampa Electric. TECO Transport's subsidiaries operate on the Mississippi, Ohio and Illinois rivers, in the Gulf of Mexico and worldwide.

TECO Coal Corporation, through its wholly owned subsidiaries, owns mineral rights, and owns or operates surface and underground mines and coal processing and loading facilities in Kentucky, Tennessee and Virginia. TECO Coal's subsidiaries sell its coal production to third parties and to Tampa Electric. The contract with Tampa Electric expired at the end of 1999 and was not renewed.

TECO Power Services Corporation (TPS) has subsidiaries that have interests in independent power projects and transmission and distribution facilities in Florida, Virginia, Hawaii and Guatemala, and has investments in unconsolidated affiliates that participate in independent power projects in other parts of the U.S. and the world.

TECO Energy's other diversified operating businesses are engaged in natural gas production from coalbeds, the sale of propane gas, the marketing of natural gas, and energy services and engineering.

Foreign Operations

TPS has independent power operations and investments in Guatemala.

TPS, through its subsidiaries, owns and operates a 78-megawatt power station that supplies energy to Empresa Eléctrica de Guatemala, S.A.(EEGSA), an electric utility in Guatemala, under a U.S. dollar-denominated power sales agreement.

At Dec. 31, 1999, TPS, through a wholly owned subsidiary, had a 67 percent ownership interest in an entity that was completing construction of a 120-megawatt power station and transmission facilities in Guatemala. During January 2000, construction was completed and the project went into commercial operation, providing capacity under a U.S. dollar-denominated power sales agreement to EEGSA. TPS, through a buy-out of its partner, is expected to increase its ownership interest to 100 percent in this project in early 2000.

TPS, through a subsidiary, owns a 30 percent interest in a consortium that includes Iberdrola, an electric utility in Spain, and Electricidade de Portugal, an electric utility in Portugal. The consortium owns an 80 percent interest in EEGSA.

Total assets at Dec. 31, 1999, 1998 and 1997 included $379.4 million, $154.1 million and $34.7 million, respectively, related to these Guatemalan investments. Revenues included $19.5 million, $16.9 million and $15.8 million for the years ended Dec. 31, 1999, 1998 and 1997, respectively, and operating income included $10.1 million, $7.9 million and $6.5 million for the years ended Dec. 31, 1999, 1998 and 1997, respectively, from these Guatemalan operations and investments.

L. CHARGES TO EARNINGS

In 1999 and 1998 TECO Energy recognized certain charges that were unusual and nonrecurring in nature.

1999 Charges

The charges in 1999 totaled $21.1 million pretax ($19.6 million after tax) and consisted of the following:

Tampa Electric recorded a charge of $10.5 million ($6.4 million after tax) based on FPSC audits of its 1997 and 1998 earnings, which among other things, limited its equity ratio to 58.7 percent, a decrease of 91 basis points and 224 basis points from 1997's and 1998's ratios, respectively.

Tampa Electric also recorded a charge of $3.5 million after tax, representing management's estimate of additional expense to resolve the pending litigation filed by the United States Environmental Protection Agency.

After-tax charges totaling $6.1 million were also recognized reflecting corporate income tax provisions and settlements related to prior years' tax returns. These charges were recorded at Tampa Electric (a $3.8-million net after-tax charge, after recovery under the then current regulatory agreement), at TECO Investments (a $4.3-million after-tax charge) and at the TECO Energy corporate level (a $2.0-million after-tax benefit).

A charge of $6.0 million ($3.6 million after tax) was recorded to adjust the carrying value of certain investments in leveraged aircraft leases to reflect lower anticipated residual values.

1998 Charges

In 1998, TECO Energy recognized charges totaling $31.1 million, pretax ($19.6 million, after tax). These charges consisted of the following:

TECO Coal recorded a charge of $13.6 million ($8.9 million after tax) to adjust the asset values of certain mining facilities, primarily at its Gatliff mine, to reflect their expected value after the Tampa Electric contract expires in 1999. TECO Coal expects no further asset adjustments related to the expiration of the Tampa Electric contract.

The FPSC in September 1997 ruled that under the regulatory agreements effective through 1999 the costs associated with two long-term wholesale power sales contracts should be assigned to the wholesale jurisdiction and that for retail rate making purposes the costs transferred from retail to wholesale should reflect average costs rather than the lower incremental costs on which the two contracts are based. As a result of this decision and the related reduction of the retail rate base upon which Tampa Electric is allowed to earn a return, these contracts became uneconomic. One contract was terminated in 1997. As to the other contract, which expires in 2001, Tampa Electric entered into firm power purchase contracts with third parties to provide replacement power through 1999 and is no longer separating the associated generation assets from the retail jurisdiction. The cost of purchased power under these contracts exceeded the revenues expected through 1999. To reflect this difference, Tampa Electric recorded a $9.6 million charge ($5.9 million after tax) in 1998. In November 1999, the FPSC approved a company-proposed treatment for the remaining 14½ months of the contract that flows 100 percent of the revenues from the contract back to retail customers.

Tampa Electric also recorded a charge of $7.3 million ($4.4 million after tax) in other expense for an FPSC decision in 1998 denying recovery of certain BTU coal quality price adjustments for coal purchases since 1993.

TECO Energy recorded $0.4 million, after tax, of merger related costs in 1998 in connection with the Griffis, Inc. merger.

M. COMMITMENTS AND CONTINGENCIES

TECO Energy has made certain commitments in connection with its continuing capital improvements program. TECO Energy estimates that capital investments for ongoing businesses during 2000 will be about $615 million and approximately $1.6 billion for the years 2001 through 2004.

Tampa Electric's capital investments are estimated to be $141 million in 2000 and $540 million for 2001 through 2004 for equipment and facilities to meet customer growth and generation reliability programs. Additionally, Tampa Electric is also expecting to spend $51 million in 2000 and $554 million during 2001-2004 to repower the Gannon Power Station and is forecasting $42 million in 2000 and $114 million during 2001-2004 to construct additional generation expansion. At the end of 1999, Tampa Electric had outstanding commitments of about $66 million to repower the Gannon Power Station.

Peoples Gas System's capital investments are estimated to be $66 million for 2000 and $211 million for 2001 through 2004 for infrastructure expansion to grow the customer base and normal asset replacement.

At the diversified companies, capital investments are estimated at $315 million for 2000 and $206 million for the years 2001 through 2004, primarily for asset replacement and refurbishment at TECO Transport and TECO Coal, TECO Coal's acquisition of synthetic fuel production facilities, the construction of the Commonwealth Chesapeake Power Station and the Hamakua Energy Project and the Hardee Power Station expansion. This includes $158 million at the end of 1999, mainly for the construction of the Commonwealth Chesapeake Power Station in Virginia and for the acquisition of the remaining interest in the San José Power Station in early 2000.

Tampa Electric Company is a potentially responsible party for certain superfund sites and, through its Peoples Gas System division, for certain former manufactured gas plant sites. While the joint and several liability associated with these sites presents the potential for significant response costs, Tampa Electric Company estimates its ultimate financial liability at approximately $20 million over the next 10 years. The environmental remediation costs associated with these sites are not expected to have a significant impact on customer prices.

TECO Energy has commitments under long-term operating leases, primarily for building space, office equipment and heavy equipment. Total rental expense for these operating leases, included in the Consolidated Statements of Income for the years ended Dec. 31, 1999, 1998 and 1997 was $12.8 million, $9.4 million and $11.7 million, respectively. The following is a schedule of future minimum lease payments at Dec. 31, 1999 for all operating leases with noncancelable lease terms in excess of one year:

Year ended Dec. 31:	Amount (millions)
2000	$ 11.6
2001	8.3
2002	8.2
2003	8.1
2004	8.1
Later Years	51.2
Total minimum lease payments	$ 95.5

The company has outstanding letters of credit of $18.1 million at Dec. 31, 1999, which guarantee performance to third parties related to debt service, major maintenance requirements and various trade activities. The company also guarantees up to $71.2 million of debt, of which $38.7 million was outstanding at Dec. 31, 1999, related to projects in which TECO Power Services is a participant.

N. MERGERS

In June 1997, TECO Energy completed its merger with Lykes Energy, Inc. (the Peoples companies) and issued approximately 12.1 million shares of its common stock. Also in June 1997, TECO Energy completed its merger with West Florida Gas Inc. (West Florida) and issued approximately .8 million shares of its common stock. Concurrent with these mergers, Lyke's regulated gas distribution utility, Peoples Gas System, Inc., and West Florida's regulated gas distribution utility, West Florida Natural Gas Company, were merged into Tampa Electric Company and now operate as the Peoples Gas System division of Tampa Electric Company.

These mergers were accounted for as poolings of interests and, accordingly, the company's Consolidated Statements of Income and Cash Flows for the year ended Dec. 31, 1997 include the results of the Peoples companies and West Florida for the entire year.

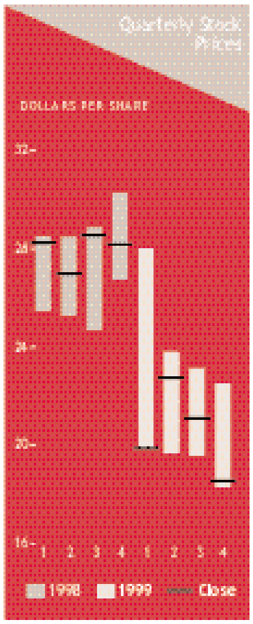
In January 1998, the company acquired an unregulated Florida propane business, Griffis, Inc. (Griffis) and its affiliate, U.S. Propane, Inc., in a merger transaction accounted for as a pooling of interest and issued approximately .6 million shares of its common stock. These acquired businesses were then merged into and now operate as part of Peoples Gas Company. Prior period financial statements have not been restated to reflect the operations and financial position of these businesses due to their size.

O. SUBSEQUENT EVENT

On Jan. 25, 2000, TM Power Ventures acquired an additional 13.35-percent ownership interest in the Czech Republic project from one of its partners, increasing TMPV's ownership interest in this project to 26.7 percent.

P. QUARTERLY DATA (UNAUDITED)

Financial data by quarter is as follows: (unaudited)



	Quarter ended			
	March 31	June 30	Sept. 30	Dec. 31
1999				
Revenues(1)	**$445.7**	**$491.4**	**$555.9**	**$490.0**
Income from operations(1)	**$ 96.1**	**$100.9**	**$138.8**	**$ 87.8**
Net income(1)				
Net income from continuing operations	**$ 49.5**	**$ 52.8**	**$ 55.9**	**$ 42.7**
Net income	**$ 49.2**	**$ 51.9**	**$ 42.3**	**$ 42.7**
Earnings per share (EPS) – basic				
EPS from continuing operations(2)	**$ 0.38**	**$ 0.40**	**$ 0.42**	**$ 0.33**
EPS	**$ 0.38**	**$ 0.39**	**$ 0.32**	**$ 0.33**
Earnings per share (EPS) - diluted				
EPS from continuing operations	**$ 0.38**	**$ 0.40**	**$ 0.42**	**$ 0.33**
EPS	**$ 0.38**	**$ 0.39**	**$ 0.32**	**$ 0.33**
Dividends paid per common share(3)	**$ 0.31**	**$0.325**	**$0.325**	**$0.325**
Stock price per common share(4)				
High	**$ 28**	**$ 23 13/16**	**$ 23 1/8**	**$ 22 1/2**
Low	**$ 19 7/8**	**$ 19 3/4**	**$ 19 5/8**	**$ 18 3/8**
Close	**$ 19 7/8**	**$ 22 3/4**	**$ 21 1/8**	**$ 18 9/16**
1998				
Revenues(1)	$466.2	$490.3	$525.3	$473.9
Income from operations(1)	$ 72.6	$110.5	$128.9	$ 89.3
Net income(1)				
Net income from continuing operations	$ 32.5	$ 58.0	$ 71.3	$ 42.4
Net income	$ 53.0	$ 57.9	$ 70.8	$ 24.8
Earnings per share (EPS) – basic				
EPS from continuing operations(2)	$ 0.25	$ 0.44	$ 0.54	$ 0.32
EPS	$ 0.40	$ 0.44	$ 0.54	$ 0.19
Earnings per share (EPS) - diluted				
EPS from continuing operations	$ 0.25	$ 0.44	$ 0.53	$ 0.32
EPS	$ 0.40	$ 0.44	$ 0.53	$ 0.19
Dividends paid per common share(3)	$0.295	$ 0.31	$ 0.31	$ 0.31
Stock price per common share(4)				
High	$ 28 1/2	$ 28 5/16	$ 28 7/8	$ 30 5/8
Low	$ 25 9/16	$ 25 3/16	$ 24 3/4	$ 26 3/4
Close	$ 28 1/4	$ 26 13/16	$ 28 9/16	$ 28 3/16

(1) Millions.
(2) Basic EPS from continuing operations before the charges discussed in Note L were $0.38, $0.40, $0.54 and $0.36 for the four quarters in 1999 and $0.36, $0.44, $0.54 and $0.36 for the four quarters in 1998.
(3) Dividend paid for TECO Energy common stock (not restated for Peoples Companies merger).
(4) Trading prices for common shares.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TECO ENERGY, INC.,

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, common equity and cash flows present fairly, in all material respects, the financial position of TECO Energy, Inc. and its subsidiaries at Dec. 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended Dec. 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Tampa, Florida

Jan. 14, 2000, except for the information in Note O for which the date is Jan. 25, 2000.

SELECTED FINANCIAL DATA

	Year ended Dec. 31,				
(MILLIONS, except per share amounts)	**1999**	1998	1997	1996	1995
Revenues	**$1,983.0**	$1,955.7	$1,860.8	$1,773.2[4]	$1,656.6[4]
Net income from continuing operations	**$ 200.9[1]**	$ 204.2[2]	$ 211.5[3]	$ 217.6[4]	$ 201.9[4]
Net loss from discontinued operations	**(2.5)**	(3.8)	(6.6)	(1.1)	(1.6)
Loss on disposal of discontinued operations	**(12.3)**	6.1	(3.0)	—	—
Net income	**$ 186.1[1]**	$ 206.5[2]	$ 201.9[3]	$ 216.5[4]	$ 200.3[4]
Total assets	**$4,690.1**	$4,179.3	$3,960.4	$3,901.6[4]	$3,801.0[4]
Long-term debt	**$1,207.8**	$1,279.6	$1,080.2	$1,118.0[4]	$1,126.4[4]
Earnings per share (EPS) – basic					
From continuing operations	**$ 1.53[1]**	$ 1.55[2]	$ 1.62[3]	$ 1.68[4]	$ 1.57[4]
From discontinued operations	**(0.02)**	(.03)	(0.05)	(0.01)	(0.01)
Disposal of discontinued operations	**(0.09)**	.05	(0.03)	—	—
Net income	**$ 1.42[1]**	$ 1.57[2]	$ 1.54[3]	$ 1.67[4]	$ 1.56[4]
Dividends paid per common share[5]	**$ 1.285**	$ 1.225	$ 1.165	$ 1.105	$ 1.0475

(1) Includes the effect of charges discussed in Note L, which reduced net income by $19.6 million and earnings per share by $0.15 in 1999.
(2) Includes the effect of charges discussed in Note L, which reduced net income by $19.6 million and earnings per share by $0.15 in 1998.
(3) Includes the effect of merger-related transaction expenses, which reduced net income by $5.3 million and earnings per share by $0.04 in 1997.
(4) Amounts shown prior to 1997 have been restated to include the results of the Peoples companies merger.
(5) Dividend paid for TECO Energy Common Stock (not restated for Peoples companies merger).

Dec. 31,	1999	1998	1997
TECO Energy			
Common stock(1)(2)	**$ 386.2**	$ 496.6	$ 487.7
Retained earnings(1)(2)	**$ 1,086.3**	$1,072.6	$1,024.6
Book value per share(2)(3)	**$ 11.63**(4)	$ 11.89(4)	$ 11.55(4)
Year-end stock price per share(3)	**$ 18.5625**	$28.1875	$ 28.125
Average common shares outstanding(1)(2)(3)	**131.0**	131.7	130.8
Common shareholders	**26,359**	27,083	28,715
Employees(2)	**5,487**	5,470	5,643
Tampa Electric			
Plant investment(1)	**$ 3,973.7**	$3,814.0	$3,672.6
Accumulated depreciation(1)	**$ 1,608.1**	$1,527.9	$1,412.9
Plant additions, net(1)	**$ 149.7**	$ 141.4	$ 95.8
Long-term debt(1)	**$ 700.4**	$ 700.8	$ 662.1
Preferred stock(1)	**$ —**	$ —	$ —
Accumulated deferred income taxes, net(1)	**$ 313.4**	$ 310.3	$ 279.8
Regulatory liability – tax related(1)(6)	**$ 13.3**	$ 34.0	$ 34.8
Employees	**2,850**	2,833	2,771
Net system capability (megawatts)	**3,569**	3,615	3,600
Net system peak (megawatts)	**3,372**	3,266	3,118
Fuel cost per net kilowatt-hour generated	**2.18¢**	2.14¢	2.14¢
Gigawatt-hours sold – retail			
Residential	**6,967**	7,050	6,500
Commercial	**5,336**	5,173	4,901
Industrial	**2,223**	2,520	2,466
Other	**1,279**	1,284	1,223
	15,805	16,027	15,090
Retail Customers at year-end (thousands)			
Residential	**485.0**	472.1	462.2
Commercial	**61.0**	59.1	57.7
Industrial	**0.8**	0.7	0.7
Other	**5.3**	5.2	4.6
	552.1	537.1	525.2
Average per residential customer			
Kilowatt-hour usage	**14,590**	15,124	14,249
Revenue	**$ 1,167**	$ 1,208	$ 1,167
Peoples Gas System			
Plant investment(1)	**$ 590.2**	$ 518.7	$ 471.0
Accumulated depreciation(1)	**$ 210.6**	$ 194.3	$ 182.0
Plant additions, net(1)	**$ 77.2**	$ 55.5	$ 61.0
Long-term debt(1)	**$ 74.5**	$ 78.0	$ 69.0
Accumulated deferred income taxes, net(1)	**$ 27.9**	$ 21.2	$ 23.6
Employees	**845**	897	824
Therms sold (thousands)			
Firm	**300,022**	320,833	256,714
Transportation	**762,636**	591,151	643,118
	1,062,658	911,984	899,832
Number of Customers at year end	**253,124**	243,767	237,654
Diversified Companies			
Revenues(1)(2)(7)	**$ 708.5**	$ 671.7	$ 631.0
Operating income(1)(2)(8)	**$ 118.6**	$ 117.5(9)	$ 115.3
Operating assets (net of depreciation)(1)(2)(7)	**$ 1,441.4**	$1,148.8	$ 963.5
Employees	**1,651**	1,620	1,558

(1) Millions.
(2) Amounts shown prior to 1997 have been restated to include the results of the Peoples companies merger.
(3) Restated to reflect a two-for-one stock split on Aug. 30, 1993.
(4) Excludes the effect of unearned compensation which would reduce book value per share.
(5) Includes the effect of Jan. 1, 1995 retirements due to corporate restructuring.
(6) Results from the adoption of FAS 109, previously included in accumulated deferred income taxes.

1996	1995	1994	Five-Year Annual Growth Rate (%)	1989	10-Year Annual Growth Rate (%)
$ 480.1	$ 461.1	$ 449.9	- 3.0	$ 409.6	- 0.6
$ 962.1	$ 878.1	$ 801.9	6.3	$ 526.9	7.5
$ 11.12(4)	$ 10.40(4)	$ 9.80(4)	3.5	$ 7.40	4.6
$ 24.125	$ 25.625	$ 20.25	- 1.7	$ 14.750	2.3
129.3	128.6	128.1	0.4	125.7	0.4
30,280	31,577	32,668	– 4.2	29,482	– 1.1
5,564	5,634	5,618(5)	– 0.5	5,423	0.1
$3,576.8	$3,405.4	$3,100.3	5.1	$2,352.8	5.4
$1,298.5	$1,203.3	$1,115.2	7.6	$ 689.1	8.8
$ 171.4	$ 305.1	$ 175.4	– 3.1	$ 62.3	9.2
$ 662.1	$ 609.1	$ 608.5	2.9	$ 516.8	3.1
$ 20.0	$ 55.0	$ 55.0	–100.0	$ 61.0	–100.0
$ 256.6	$ 237.2	$ 241.1	5.4	$ 307.6	0.2
$ 35.8	$ 47.5	$ 57.5	– 25.4	$ —	—
2,798	2,836	2,828(5)	0.2	2,955	– 0.4
3,650	3,404	3,393	1.0	3,142	1.3
3,349	3,170	2,754	4.1	2,712	2.2
2.15¢	2.22¢	2.29¢	– 1.0	2.07¢	0.5
6,607	6,352	5,947	3.2	5,214	2.9
4,815	4,710	4,583	3.1	4,062	2.8
2,304	2,362	2,278	- 0.5	2,672	– 1.8
1,203	1,176	1,124	2.6	948	3.0
14,929	14,600	13,932	2.6	12,896	2.1
451.9	442.3	432.6	2.3	399.3	2.0
56.1	54.8	53.8	2.5	50.0	2.0
0.6	0.5	0.5	9.9	0.5	4.3
4.5	4.3	4.2	4.8	3.6	3.8
513.1	501.9	491.1	2.4	453.4	2.0
14,824	14,565	13,908	1.0	13,258	1.0
$ 1,211	$ 1,200	$ 1,182	- 0.3	$ 1,058	1.0
$ 410.0	$ 389.0	$ 365.0	10.1	$ 243.9	9.2
$ 158.0	$ 145.0	$ 134.0	9.5	$ 90.9	8.8
$ 22.0	$ 24.0	$ 24.0	26.3	$ 16.9	16.4
$ 82.0	$ 83.0	$ 83.0	– 2.1	$ 69.9	0.6
$ 22.9	$ 20.9	$ 20.0	6.9	$ 18.2	4.4
1,152	1,204	1,246.0	– 7.5	1,057	– 2.2
283,267	273,361	266,034	2.4	518,863	– 5.3
558,787	702,339	553,600	6.6	—	—
842,054	975,700	819,634	5.3	518,863	7.4
205,776	201,047	196,072	5.6	170,117	4.0
$ 604.1	$ 550.5	$ 514.1	6.6	$ 334.6	7.8
$ 114.2	$ 103.5	$ 73.8(10)	10.0	$ 40.3	11.4
$ 944.8	$ 914.9	$ 801.1	12.8	$ 306.7	16.9
1,495	1,532	1,538(5)	1.4	1,207	3.2

(7) Information provided before intercompany eliminations.

(8) Information provided before intercompany eliminations; 1989-1998 includes the effect of the non-conventional fuels tax credit; 1993-1998 includes the effect of interest costs on the non-recourse debt related to independent power operations.

(9) Excludes pretax charges of $16.3 million. Including such charges would result in operating income of $98.2 million.

(10) Excludes restructuring charge of $2.5 million, pretax. Including restructuring charge would result in operating income of $73.9 million.

Information for Investors

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702 N. Franklin Street
Tampa, Florida 33602
813/228-4111 Fax 813/228-1670

Auditors
PricewaterhouseCoopers LLP
Tampa, Florida

Annual Meeting
The Annual Meeting of Shareholders will be held on Wednesday, April 19, 2000, 11:30 a.m. at:

TECO Plaza, 702 N. Franklin Street
Tampa, FL 33602

Shareholder Inquiries
Communications concerning transfer requirements, lost certificates, dividends and change of address should be directed to the Transfer Agent.

Transfer Agent and Registrar
BankBoston, N.A. c/o EquiServe, L.P.
P.O. Box 8040
Boston, MA 02266-8040
800/650-9222
www.equiserve.com

Dividend Reinvestment
The company offers a Dividend Reinvestment and Common Stock Purchase Plan which allows common shareholders of record to purchase additional shares of common stock at the current market price.

All correspondence concerning this Plan should be directed to the Plan Agent:

BankBoston, N.A. c/o EquiServe, L.P.
P.O. Box 8040
Boston, MA 02266-8040

Form 10-K Available
TECO Energy's Annual Report on Form 10-K, which is filed with the Securities and Exchange Commission, is available to shareholders at no charge. Requests should be addressed to:

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Vice President - Finance
and Chief Financial Officer

Sandra W. Callahan
Vice President - Treasurer

Mark H. Tubb
Director - Investor Relations
813/228-4111

Internet
Current information about TECO Energy is on the Internet at www.tecoenergy.com

TECO Energy is listed on the New York Stock Exchange, symbol: TE