It's all in the execution. The business strategy outlined by TECO Energy in the fall of 1999 was just the beginning.

Now, the company has spent the past 6 months carrying out this vision. The result? Earnings are better than forecasted and expected to continue climbing.

Earnings per share climbed to 42 cents during the first quarter of 2000, compared with 38 cents during the first quarter of 1999. Second quarter saw a bigger increase to 46 cents, compared with 40 cents during the second quarter of 1999. Both quarters combined represent earnings growth of almost 13 percent.

Reflecting this growth, TECO Energy's stock price outperformed the electric utility industry median during the first half of 2000.
Even the most thoughtful plan in the world requires solid execution to be successful. During the first half of the year 2000, the employees of TECO Energy and its subsidiaries have proven their commitment to this belief.

When I first joined TECO Energy just over a year ago, we took a long, hard look at our company's performance and set an aggressive plan to stimulate earnings growth.

Last fall, we announced our three-pronged strategy, and we made a commitment to the investment community and our shareholders.

We announced that we would grow TECO Energy’s earnings per share by at least 7 percent through growing our Florida operations, our independent power business and our transportation business. We were right.

Moving from planning into execution, our earnings have grown 13 percent during the first half of the year. In fact, we now expect 2000 earnings per share growth of around 10 percent, ahead of our original 7-percent target. I am confident that we will see similar growth in 2001.

Hard work in core areas made this possible. Tampa Electric Company has had an excellent year with net income well ahead of last year, thanks to healthy customer growth, favorable weather conditions and strong energy sales.

Tampa Electric has put a number of key issues behind it this year, including settlement of the Environmental Protection Agency (EPA)/Department of Justice lawsuit and achievement of a series of fair regulatory decisions.

Our Peoples Gas businesses have also contributed to earnings growth through solid net income. The natural gas expansion to Southwest Florida is now complete and generating income in the fifth-fastest growing region of the country.

In addition, we are turning our Florida propane business into a major stake in one of the nation’s largest propane companies, Heritage Propane, while retaining our local presence.

TECO Power Services, our independent power business, added almost 450 megawatts of new generating capacity during the first half of the year.

A business opportunity announced in early 2000 has also favorably impacted our earnings. One of our key accomplishments during the second quarter was bringing into service two synthetic fuel facilities well ahead of schedule.

TECO Energy’s share repurchase program is nearly complete. More than 7 million shares have been repurchased to date, totaling approximately $145 million of the $150-million program.

These developments are just highlights of the hard work everyone at TECO Energy has done to achieve the outstanding financial performance you’ll read about in this report. With all eyes on execution, this is only the beginning.

Robert D. Fagan
Chairman of the Board, President and Chief Executive Officer
Certain factors that could cause actual results to differ materially from those projected in these forward-looking statements include the following:

- General economic conditions, particularly those in Tampa Electric's service area affecting energy sales;
- Weather variations affecting energy sales and operating costs;
- Potential competitive changes in the electric and gas industries, particularly in the area of retail competition;
- Regulatory actions affecting Tampa Electric and Peoples Gas System;
- Commodity price changes affecting the competitive positions of Tampa Electric and the Peoples Gas System;
- Imposing additional costs or curtailing some activities; and
- TECO Power Services' ability to successfully develop and operate its projects and TECO Coal's ability to recover costs in its regulated businesses.

This document contains forward-looking statements, which are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results to differ materially from those projected in these forward-looking statements include the following:

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- Commodity price changes affecting the competitive positions of Tampa Electric and the Peoples Gas System;
- Imposing additional costs or curtailing some activities; and
- TECO Power Services' ability to successfully develop and operate its projects and TECO Coal's ability to successfully operate its synthetic fuel production facilities in a manner qualifying for Section 29 federal income tax credits. Some of these factors are discussed more fully under "Investment Considerations" in the company's Annual Report on Form 10-K for the year ended December 31, 1999, and reference is made thereto.

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TAMPA ELECTRIC

Strong customer growth, favorable weather, and better-than-expected energy sales all contributed to excellent first and second quarters for TECO Energy’s principal business. At a time when electricity is in short supply throughout many regions of the country, Tampa Electric’s aggressive efforts to grow its system have paid off.

To serve the growing needs of its customers, Tampa Electric’s Polk Power Station Unit 2 began commercial operation in July, adding 180 megawatts of power to the Tampa Electric system. The commercial operation of Polk Unit 2 began three months ahead of schedule and six months ahead of Tampa Electric’s original plan.

Another development that will add capacity to the system also began to take shape during the first half of the year. The powering of Gannon/Bayside Station from coal to natural gas will add as much as 500 megawatts to the existing 1,200 megawatts of capacity in 2003 and 2004.

Planning for the conversion is already well underway, utilizing the skills of a cross-functional team of experts throughout the company. This conversion is the centerpiece of Tampa Electric’s sweeping environmental improvement plan, which settled the EPA/Department of Justice lawsuit against the company filed in November 1999.

PEOPLES GAS

While its natural gas business was completing a $35-million capital expansion to serve Southwest Florida, Peoples Gas’ propane business was making national news through US Propane, a joint venture combining the propane interests of four regional energy companies.

In June, US Propane announced plans to merge its operations with Heritage Propane (NYSE: HPG), a publicly traded entity headquartered in Oklahoma. The merger is designed to help the companies achieve economies of scale and compete in the national marketplace.

Through a series of transactions, US Propane will be the general partner of the master limited partnership that will deliver propane to nearly 500,000 customers in 28 states and rank fourth in size among retail propane distributors nationwide.

TECO POWER SERVICES

TECO Power Services continues to succeed in the independent power market, and several projects came to fruition during the first half of the year.

In January, TECO Power Services began commercial operation of its wholly owned 120-megawatt San José Power Station in Guatemala.

Later in the first quarter, TM Power Ventures, TECO Power Services’ partnership with Mosbacher Power Partners, energized its 344-megawatt ECKG Project in the Czech Republic.

TECO Power Services has also demonstrated a renewed focus on the domestic market, with three projects totaling almost 450 megawatts.

The first 135-megawatt phase of TM Power Ventures’ Commonwealth Chesapeake Power Station is scheduled to begin commercial operation this summer.

The Commonwealth Chesapeake Power Station is located on the Delmarva Peninsula in Accomack County, Virginia, and serves the Pennsylvania/New Jersey/Maryland Interconnection power pool’s wholesale market.

TECO Energy entered the national branding arena with a high-visibility sponsorship in its home city of Tampa. In May, the company became a Pewter Partner and the Official Energy Provider for the NFC Central Division Champion Tampa Bay Buccaneers, hosts to the 2001 Super Bowl.

The seven-year promotional contract entitles TECO Energy and its businesses the opportunity to promote specialized marketing and conservation programs through association with the Buccaneers.

The in-service date for phase two of the Hamakua Energy Project is slated for November 2003. The facility will serve Hawaii Electric Light Company under a 30-year purchased power agreement.

In its home state of Florida, TECO Power Services has brought additional capacity on-line. The second phase of the company’s Hardee Power Station began commercial operation in May.

The 75-megawatt second phase adds to the existing 295-megawatt, combined cycle facility. Both phases are fueled by natural gas.

The new Hardee unit will provide peaking electric power to TPS affiliates, Tampa Electric, through a long-term purchased power contract.

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