AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

RECEIVED-FPSC
04 APR -8 PM 2:51
COMMISSION CLERK

April 8, 2004

HAND DELIVERED

Ms. Blanca S. Bayo, Director
Division of Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Review of Tampa Electric Company's waterborne transportation contract with TECO Transport and associated benchmark; FPSC Docket No. 031033-EI

TRANSMITTAL OF CONFIDENTIAL INFORMATION

Dear Ms. Bayo:

Pursuant to a Notice of Intent to Seek Confidential Classification Tampa Electric is simultaneously filing with your office, we enclose a single unredacted confidential version of Tampa Electric's responses to Staff's Fourth Request for Production of Documents (Nos. 28-33). The confidential information contained in this filing is highlighted in yellow or printed on yellow paper stock and stamped "CONFIDENTIAL." We would appreciate your maintaining confidential treatment of the enclosed materials.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter. AHK 11.26.05 (entire DN)

DECLASSIFIED
CONFIDENTIAL

Sincerely,

James D. Beasley

JDB/pp
Enclosures

cc: Wm. Cochran Keating IV
All Parties of Record

This docketed notice of intent was filed with Confidential Document No. 04417-04. The document has been placed in confidential storage pending timely receipt of a request for confidentiality.

RECEIVED & FILED
JH
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
04417 APR-8 04
FPSC-COMMISSION CLERK

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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Tampa Electric Company's 2004-2008 Waterborne Transportation Contract with TECO Transport and Associated Benchmark.	)))))	**DOCKET NO. 031033-EI** **FILED: APRIL 8, 2004**

DECLASSIFIED

CONFIDENTIAL

TAMPA ELECTRIC COMPANY'S

ANSWERS TO FOURTH REQUEST FOR

PRODUCTION OF DOCUMENTS (NOS. 28 - 33)

OF

THE FLORIDA PUBLIC SERVICE COMMISSION STAFF

Tampa Electric files this its Answers to Production of Documents (Nos. 28 - 33) propounded and served on March 24, 2004, by Florida Public Service Commission Staff.

TAMPA ELECTRIC COMPANY

DOCKET NO. 031033-EI

INDEX TO STAFF'S FOURTH REQUEST FOR PRODUCTION OF DOCUMENTS (NOS. 28-33)

Number	Sponsor	Subject	Page Number
28	Dibner	In its response to Staff's Second Set of Interrogatories, No. 12, Tampa Electric stated that "Mr. Dibner focused on the costs of capital that would be used by a bidder on this contract." Please provide all source documents (reports, analyses, studies, etc.) that Mr. Dibner relied upon to estimate the cost of capital used in developing the cost of capital incorporated into the "all-in barge hire rate" used in the Inland River Model.	1
29	Dibner	In its response to Staff's Second Set of Interrogatories, No. 12, Tampa Electric stated that "Mr. Dibner focused on the costs of capital that would be used by a bidder on this contract." Please provide all source documents (reports, analyses, studies, etc.) that Mr. Dibner relied upon to estimate the cost of capital used in developing the cost of capital inputs used in the Ocean Model.	2
30	Dibner	In its response to Staff's Second Set of Interrogatories, No. 12, Tampa Electric stated that "Mr. Dibner based the costs of capital used in his models on the typical objectives and financing positions of the industry and the costs of capital that are incurred and expected by companies that would bid on the contract." Please provide all source documents (reports, analyses, studies, etc.) that Mr. Dibner relied upon to determine the "typical objectives and financing positions of the industry" in general and "the companies that would bid on the contract" in particular.	3
31	Dibner	In its response to Staff's Second Set of Interrogatories, No. 12, Tampa Electric stated that "Mr. Dibner based the costs of capital used in his models on the typical objectives and financing positions of the industry and the costs of capital that are incurred and expected by companies that would bid on the contract." Please provide all source documents (reports, analyses, studies, etc.) that Mr. Dibner relied upon to determine "the costs of capital that are incurred and expected by companies that would bid on the contract."	4
32	Dibner	Please provide all source documents (reports, analyses, studies, etc.) relied upon in the	19

		determination of the average cost of capital included in Tampa Electric's response to Staff's Second Set of Interrogatories, No. 36.	
33	Dibner	Please provide all source documents (reports, analyses, studies, etc.) relied upon in the determination of the cost of equity, cost of debt, capital structure, and overall cost of capital indicated in Tampa Electric's response to Staff's Second Set of Interrogatories, No. 38.	20

Brent Dibner, President
Dibner Maritime Associates, LLC
151 Laurel Road
Chestnut Hill, Massachusetts 02467

28. In its response to Staff's Second Set of Interrogatories, No. 12, Tampa Electric stated that "Mr. Dibner focused on the costs of capital that would be used by a bidder on this contract." Please provide all source documents (reports, analyses, studies, etc.) that Mr. Dibner relied upon to estimate the cost of capital used in developing the cost of capital incorporated into the "all-in barge hire rate" used in the Inland River Model.

A. As discussed in Mr. Dibner's report at pages 20 and 75, during his October 20, 2003 deposition and in Tampa Electric's responses to Staff's Second Set of Interrogatories, No. 36 and 37, the portion of the inland river barge daily rate that covers capital cost was derived from estimated prevailing open hopper barge time charter rates. Thus the barge hire rate is not derived from cost of capital analysis. The documents relied upon were previously provided in Tampa Electric's response to Staff's First Request for Production of Documents, No. 10.

Mr. Dibner has used cost of capital concepts with respect to inland barge hire solely to respond to questions asked by Staff or the parties to this proceeding during his deposition or in interrogatory responses. In answering these questions, Mr. Dibner linked the daily time charter rate to an amount of monies that would be generated annually. He then used assumptions to explain how one might translate the daily time charter rate into an approximate barge value and related this barge value to new construction costs. This was done only by way of example to illustrate the reasonableness of the capital component amount in response to deposition questions and interrogatories.

29. In its response to Staff's Second Set of Interrogatories, No. 12, Tampa Electric stated that "Mr. Dibner focused on the costs of capital that would be used by a bidder on this contract." Please provide all source documents (reports, analyses, studies, etc.) that Mr. Dibner relied upon to estimate the cost of capital used in developing the cost of capital inputs used in the Ocean Model.

A. See the response to Request for Production of Documents No. 31.

30. In its response to Staff's Second Set of Interrogatories, No. 12, Tampa Electric stated that "Mr. Dibner based the costs of capital used in his models on the typical objectives and financing positions of the industry and the costs of capital that are incurred and expected by companies that would bid on the contract." Please provide all source documents (reports, analyses, studies, etc.) that Mr. Dibner relied upon to determine the "typical objectives and financing positions of the industry" in general and "the companies that would bid on the contract" in particular.

A. See the responses to Request for Production of Documents, No. 28 and 31.

TAMPA ELECTRIC COMPANY
DOCKET NO. 031033-EI
STAFF'S FOURTH REQUEST FOR PRODUCTION OF DOCUMENTS
DOCUMENT NO. 31
BATES STAMPED PAGES: 4 - 18
FILED: APRIL 8, 2004

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31. In its response to Staff's Second Set of Interrogatories, No. 12, Tampa Electric stated that "Mr. Dibner based the costs of capital used in his models on the typical objectives and financing positions of the industry and the costs of capital that are incurred and expected by companies that would bid on the contract." Please provide all source documents (reports, analyses, studies, etc.) that Mr. Dibner relied upon to determine "the costs of capital that are incurred and expected by companies that would bid on the contract."

A. The cost of capital calculations used by Mr. Dibner pertain exclusively to the ocean model, and the portion of the time charter determinations that relate to the market-based costs of the towing and transportation industry. This was averaged with the observed time charter rates in the preference trade. The analysis was guided by the insights drawn from exposure to many private shipping companies, as well as the relevant public information described below.

With respect to the ocean model, Mr. Dibner considered financing of vessels on a project basis, with the 50 percent debt and 50 percent equity "advance rate" as being typical of financing available to operators of equipment that is not recently constructed. In U.S. experience, the overall availability of long term debt is generally limited by the banks, particularly if a long term and full-use commitment for the loan duration is not provided. Data sources that support this type of financing include the attached *Marine Money* article on the Royal Bank of Scotland and its reference to U.S. marine finance

The RMA (formerly Robert Morris Associates) report on SIC Code 4449, "Water Transportation of Freight, NEC," also supports the debt-equity ratio used by Mr. Dibner. RMA found that, for the larger companies with approximately $10 to 50 million in revenues, long term debt due beyond one year amounted to 46 percent of total assets and that long term debt due within one year amounts to about four to five percent of total assets. This totals 50 percent. The equity component is also evident at 33 percent, with an additional amount of net working capital of current assets less current liabilities (excluding current portion of long term debt) of 13.5 percent. Thus equity plus net working capital represents 46.5 percent of total assets. This suggests that shareholder equity and working capital are approximately equal to long term debt. The RMA data is both attached and summarized on the following page.

RMA Analysis of Larger Carriers in SIC 4449, 2002
All Ratios are as Percent of Total Assets (or Total Liabilities)

	Equity		Debt	Total
Raw Ratio				
Equity	0.326	Long Term Debt	0.46	0.786
Percent	41%		59%	100%
Adjusted Ratio				
Current Assets	0.255			
Current Liabilities	0.169			
Net Capital	0.086			
Plus Current Long Term Debt	0.049	Current Long Term Debt	0.049	
Net Capital	0.135			
Total	0.461		0.509	0.97
Percent	**48%**		**52%**	**100%**

Source: DMA Analysis

Note: Equity is shown at cost, while valuation of equity at market and earnings raises equity weighting.

Crowley Maritime Corporation financial data also supports the debt-equity ratio used by Mr. Dibner. The financial data of Crowley Maritime, one of the nation's largest tug-barge companies, are available although the company is privately-owned and financially healthy and mature, *i.e.*, not highly leveraged through an initial public offering. This company is diversified with various tug-barge operations. It does not have ocean-going dry bulk tug-barge units, but it does operate tank-barge units. The financial data is both attached and summarized on the following page.

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Crowley Maritime Corporation
All figures are in millions as of September 30th, 2003

	Equity		Debt	Total
Raw Ratio				
Equity	292.3	Long Term Debt	298.4	590.7
Percent	49%		51%	100%
Adjusted Ratio				
Current Assets	240.5			
Current Liabilities	188.3			
Net Capital	52.2			
Plus Current Long Term Debt	28.8	Current Long Term Debt	29.8	
Net Capital	81			
Total	373.3		328.2	701.5
Percent	**53%**		**47%**	**100%**

Source: DMA Analysis

The 10 percent interest rate used in Mr. Dibner's ocean model is supported by data from *Marine Money*. The "blue page" transaction watch for July/August 2003, attached, shows typical high yield rates applicable to U.S. marine companies engaged in towing and coastal/ dry bulk barging operations. These are indicative of the types of financing that might be secured for coastal tug-barge units of the types and ages that would compete for the Tampa Electric business. Both current and issue coupon yields have some relevance. Both are summarized below.

American High Yield Shipping Bonds

	Coupon	Yield to Maturity
American Commercial Lines	11.250	Not reported
American Commercial Lines	9.750	Not reported
Great Lakes Dredge	11.250	9.770
Hornbeck Offshore	10.625	8.980
Oglebay Norton	10.000	Not reported
Seabulk International	9.500	9.740
Average Above	10.396	9.497

Source: Marine Money "blue pages," September 2003, page XIV, in percent

The 18 percent equity return used in Mr. Dibner's ocean model is based on the targeted return in the tug and barge industry that is used by investors who are acquiring companies or equipment. In determining the appropriate return on equity for the ocean model, Mr. Dibner relied upon his experience with numerous client projects. The attached pages pertaining to Return on Equity targets depict

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the targeted rates of return that investors seek. In general, target equity IRR's are in the 18 percent range on an after tax free cash flow basis, which is equivalent to the return used in Mr. Dibner's model. Many acquisitions of equipment seek even higher returns. Recently, a client advised Mr. Dibner that "returns of (only) 43 percent targeted equity IRR are the ones that get us into trouble." The cost of equity is also set forth in the attached table from *Marine Money* titled "Sources of Capital for Shipping", which shows that private equity targets 20 to 30 percent returns.

The historical realization of equity returns is shown in the table below. Private equity in total has consistently received 13 to 14 percent returns.

Performance of private equity vs. public equity
Period ending December 31, 2003

Asset Class	Index/Proxy	Annualized Rate of Return (%)			
		1 Year	5 Year	10 Year	20 Year
Canadian public equity	S&P TSX Composite	26.72	6.54	8.59	8.79
U.S. public equity	S&P 500	5.26	-3.95	10.79	13.21
	NASDAQ	24.03	-4.94	9.77	10.63
	Russell 3000	7.81	-2.89	10.59	12.84
	Russell 2000	21.14	3.54	9.23	10.42
Private equity*	Buyouts	9.9	1.4	8.1	12.0
	Venture capital	-17.8	25.7	25.4	15.7
	All private equity	1.3	6.7	13.3	13.6

* Venture Economics US Private Equity Performance Index in USD as of September 30, 2003

Source: CPP Website of Canada

A major recent investor in the U.S. maritime industry has been the combined private equity firms of Carlyle and Riverstone. They have invested in U.S. flag marine holdings with the expectation of earning returns consistent with their return targets and past performance. As shown below, returns in the 26 percent to 32 percent range have been achieved.

CARLYLE/RIVERSTONE INVESTMENTS

Seabulk Intl
Ft. Lauderdale, FL

Carlyle/Riverstone Energy

Acquired: September 2002
Status: Unrealized

Seabulk International, Inc. is a leading provider of marine support and transportation services. Seabulk is principally engaged in three main businesses: offshore energy support, marine transportation and towing

Source: Carlyle Website

Fund Description	Vintage Year	Capital Committed	Cash In	Cash Out	Cash Out & Remaining Value	Net IRR	Foot-notes	Investment Multiple
Carlyle Partners II, L.P.	1996	80,000,000	84,587,433	115,764,307	178,794,780	26.39%		2.11x
Carlyle/Riverstone Global Energy & Power II	2003	75,000,000	19,475,611	2,070,979	21,545,272	32.48%	N/M	1.11x

Source: CALPERS Website

N/M: Internal rates of return ("IRR") and multiples are not meaningful in the early years of a fund (those established in or since 1998) nor are they indicative of performance.

The Royal Bank of Scotland plc in Greece

By Kevin Oates

Introduction

Speak to most banks these days involved in ship financing and you definitely get the feeling that plain vanilla is... well...just too plain. The trend is definitely towards bigger, sexier deals which will result in arrangement fees as well as margins, as little perceived risk as possible either by lending on the back of a strong balance sheet or against secure long-term employment and essentially using as minute a portion as possible of their own balance sheet. That is why some of the big boys of shipping finance like Citibank and JP Morgan Chase, and many of the large European lenders, are heard of less these days but are nonetheless participating in the big deals as much as ever. Not so much as prime lender but as prime arranger.

It makes a change therefore that one major shipping bank with a global portfolio of about $4 billion is quite happy continuing to lend on a bilateral basis and surviving basically on margin, fee and direct ancillary business from the lending relationships. Not only that but over 60% of the shipping portfolio concerns Greek related lending. This too is something which is not near the top of the list of most major lenders. Over the years the bank has had various advertising slogans including "The Twenty Year Men" reflecting the fact that a number of the senior shipping executives in the bank have worked within the shipping department for over 20 years, and "The Shipowners Club" giving the impression that membership to the clientele is somewhat restricted. The bank is, of course, The Royal Bank of Scotland.

This article will consider the growth and development of the bank and it's shipping presence in the Greek market and comment on lending strategy now and in the future. Known Greek clients include instantly recognisable names such as Angelopoulos, the Procopiou brothers, the Angelicoussis family, Frangos, Laliotis, Mylonas, Hadjioannou, Kyriakou, Kulukundis, the Lemos family, the Goulandris family, Embiricos and many more.

Not to be forgotten is that the bank is very active in shipping in other geographical markets

RBS in Shipping

In two years the Royal Bank of Scotland (hereafter "RBS") will celebrate 250 years since records suggest it entered into it's first shipping transaction. A long time later, but still a century ago, William Deacon's Bank opened a branch in St Mary Axe close to the Baltic Exchange in the City of London. The proximity to the Exchange led to the Bank starting to handle shipping accounts. This connection was the catalyst which led to the close association with the London Greek and Greek shipping fraternity. By the late 1930's there were 17 Greek shipping agencies in London representing over 45% of the Greek controlled fleet. William Deacon's Bank in St Mary Axe virtually cornered the market and grew strong customer relations at that time which remain loyal today.

In the 1950's and 1960's London and then New York remained the centre of Greek related shipping and William Deacon's Bank continued to actively market these customers. Also in the 1960's the Greek marketing drive was taking senior shipping staff to Piraeus where the domestic Greeks were becoming increasingly active.

RBS in Greece

In the early 1970's more and more Piraeus based Greek ship owners were becoming clients of the bank and it was becoming clear to the bank (then Williams & Glyn's Bnak) that there was considerable potential in Greece not only from lending but also from operational business. Thus, in 1973 a representative office was opened. The success of the office was such that in 1974 a branch was opened in Xylas House (still the same location today) with a staff of 25.

After being courted and courting others during the early 1980's The Royal Bank of Scotland merged with Williams & Glyn's Bank in 1985 and the bank in general and the branch in Greece was renamed RBS as it remains today. Since the branch opened some 27 years ago there have been only 6 managers. Prior to the present manager the previous five served an average of five years. The current manager, the first Greek to occupy this post, took office in 1998. Of the staff of 65 at the branch today, eleven joined during the first year of operation.

Growth of the Greek Portfolio

RBS is active in a number of geographical markets but the predominance is Greek related business. Of a total shipping portfolio of about $ 4billion, in the region of $ 2.5 billion is Greek related and about $ 1.2 billion is actively managed from the Piraeus branch. The other markets in which the bank lends are Scandinavia, Italy, being the second most important market in dollar terms after Greece, North America, France and India. Noticeably absent is the Far East where the bank believes it does not have the in situ expertise which other banks have built over the years. Also there is a strong tendency to avoid specialised tonnage. There are few container operators and the vast bulk of the portfolio is standard wet and dry bulk tonnage.

As far as the branch in Greece is concerned there has been over 300% growth in portfolio size since 1994 when about $ 300 million was lent to local customers of the Piraeus branch. The increase to approximately $ 1.2 billion since has been due to a strong focus on younger tonnage to stronger owners thus resulting in bigger loans. The newbuilding spree of the strong Greeks since 1998 has certainly served RBS well in building the portfolio. Not only were the vessels being contracted at historically low prices, but the category of owner being courted by RBS did not require overly high gearing and had cash besides to operate the vessel in a soft market. The fact that during 2001 and through into 2002 many of these committed newbuilds will be delivered into far from perfect market conditions causes no alarm for RBS. When you have lent $15 million on a newbuild panamax bulk carrier to an owner who has been around for a long time with a respected reputation, another dozen or more vessels and plenty spare cash in the kitty, a period of $ 8,000 per day time charter equivalent will not cause sleepness nights.

Back in 1994 the target portfolio for the branch was indeed $ 1 billion. This having been exceeded, a new target has presumably been set but RBS are keeping this close to their chest. Interestingly, and unlike other banks involved in shipping, RBS does not favour syndicated loans, either as lead or as participant. In the Piraeus portfolio there is not a single syndicated loan. Not that that restricts capacity though because RBS is able and willing to accommodate over $100 million to the right client and for the right transaction.

Typical Client Shipping Policy

RBS has always had a preference for modern vessels and bigger owners in terms of number of vessels. In age terms the cut off for RBS was and is 15 years at loan draw-down. Vessels older than this, except for exceptional cases for long trusted clients, are categorised at scrap value. For the Greek market in particular this is quite a drastic evaluation when one considers that a panamax bulk carrier built 1986 is even in today's softening market worth over 4x scrap value. And for tankers the ratio is currently even more than this. But it has worked well for RBS over the years for a number of reasons. Clearly by having strict age restrictions you can by and large weed out the weaker owners who are unable to bridge the financial cost of moving from post 20 year to pre 15 year tonnage. Additionally in the event of a problem the bank has many more options available to it with a younger vessel than with an older vessel. This is especially the case if the problem occurs part way through a weak cycle.

Many RBS clients, including some of the names listed in the first paragraph, took advantage of the historically low newbuilding prices seen for first bulk carriers and subsequently tankers in 1998 through 2000. These owners generally had sizeable fleets and on the whole had substantial cash reserves. RBS was not there to compete on percentage financing but was willing to be competitive with pricing and other terms and many of the owners ordering tonnage at that time financed with the bank. This caused a massive increase in the portfolio in terms of drawn and committed loans from 1998 to 2000.

Typical loan terms include 70% to 75% financing for newbuilds and a touch less for modern vessels up to 10 years old. During the period 1998 to 2000 this percentage financing for low priced newbuilds and to strong credits provided attractive finance opportunities for the bank. The typical RBS client has equity and generally prefers preferential pricing rather than higher gearing. This certainly differentiates from clients of some other banks in the Greek market who push for high gearing with the historically low building prices being the justification. Also RBS have no requirement for term employment. The motto is that if the bank is content with the client and the transaction it is up to the shipowner to run his business in the way he sees fit. Again this is a far cry from some predominantly US based finance providers who require long-term cash flow comfort in order to lend these days.

Clearly RBS in Greece has the benefit, perhaps the luxury, of a large portfolio of well tested clients and also a large database of information from the branch presence over the past 27 years. This permits the relationship factor to be much stronger than for newcomers to the lending market. The current shipping strategy of RBS in Greece has been tried and tested with great success. It is unlikely to be changed and more of the same is projected in the future.

Ancillary Business

Over the years it has been said that RBS can compete on margin because it makes just as much again from the ancillary business provided by both borrowing and non-borrowing clients. Indeed for many a year it was said that RBS had cash on deposit from it's clients as much as it was lending. The bank is unwilling to comment on this but with the recent addition of Coutts & Co after the takeover of National Westminster Bank it can reasonably be assumed that the level of deposit or cash investment by clients of RBS within the umbrella of the RBS group is very substantial.

The bank has a strong treasury capacity and has over the years tried with varying degrees of success to develop hedging products for shipowners which cater for the cyclicality of the business. Despite these more complex products it remains

Want to become a shipping client of RBS???

Have a pedigree background in shipping for 20 years
Have a fleet of over 5 vessels with average age well below 15 years
Having ordered a newbuilding or two would help
Be able to accept gearing of not more than 70%
Have a tidy cash availability and be prepared to show it to the Bank

4449 Water Transportation of Freight. Not Elsewhere Classified

Establishments primarily engaged in the transportation of freight on all inland waterways, including the intracoastal waterways on the Atlantic and Gulf Coasts. Transportation of freight on the Great Lakes and the St. Lawrence Seaway is classified in Industry 4432. Establishments primarily engaged in providing lighterage and towing or tugboat services are classified in Industry Group 449.

- Canal barge operations
- Canal freight transportation
- Intracoastal freight transportation
- Lake freight transportation, except on the Great Lakes
- Log rafting and towing
- River freight transportation, except on the St. Lawrence Seaway
- Transportation of freight on bays and sounds of the oceans

TRANSPORTATION—WATER TRANSPORTATION OF FREIGHT, NEC SIC# 4449 (NAICS 483211)

Current Data Sorted By Assets

		3	4	2	5	**Type of Statement**
						Unqualified
	1	1	2			Reviewed
1	2	6	3			Compiled
	3	1				Tax Returns
1	3	6	6	2	2	Other
	7 (4/1-9/30/01)		47 (10/1/01-3/31/02)			
0-500M	**500M-2MM**	**2-10MM**	**10-50MM**	**50-100MM**	**100-250MM**	
2	9	17	15	4	7	**NUMBER OF STATEMENTS**
%	%	%	%	%	%	**ASSETS**
		16.8	9.7			Cash & Equivalents
		20.1	12.2			Trade Receivables (net)
		.2	1.3			Inventory
		2.3	2.4			All Other Current
		39.4	25.5			Total Current
		50.2	67.9			Fixed Assets (net)
		2.8	.6			Intangibles (net)
		7.6	5.9			All Other Non-Current
		100.0	100.0			Total
						LIABILITIES
		3.3	1.4			Notes Payable-Short Term
		5.0	4.9			Cur. Mat.-L/T/D
		12.2	4.1			Trade Payables
		1.6	.1			Income Taxes Payable
		4.4	6.3			All Other Current
		26.5	16.9			Total Current
		19.4	46.0			Long Term Debt
		1.1	1.5			Deferred Taxes
		9.5	3.1			All Other Non-Current
		43.5	32.6			Net Worth
		100.0	100.0			Total Liabilities & Net Worth
						INCOME DATA
		100.0	100.0			Net Sales
						Gross Profit
		85.5	82.4			Operating Expenses
		14.5	17.6			Operating Profit
		1.7	5.8			All Other Expenses (net)
		12.7	11.8			Profit Before Taxes
						RATIOS
		3.0	2.3			
		1.2	1.2			Current
		7	.8			
		3.0	1.8			
		1.0	1.2			Quick
		.6	.5			
		31 11.9	24 14.9			
		52 7.1	41 8.9			Sales/Receivables
		96 3.8	56 6.5			
						Cost of Sales/Inventory
						Cost of Sales/Payables
		6.0	4.7			
		21.5	40.1			Sales/Working Capital
		-15.0	-24.7			
		35.9	3.5			
		(15) 4.5	(13) 2.3			EBIT/Interest
		1.0	1.8			
						Net Profit + Depr., Dep., Amort./Cur. Mat. L/T/D
		4	1.3			
		1 4	2.5			Fixed/Worth
		3.2	7 4			
		.5	1.0			
		1.9	1.8			Debt/Worth
		5 1	6.8			
		65.2	44.6			
		23.8	(14) 22.5			% Profit Before Taxes/Tangible Net Worth
		3.9	15.5			
		18.7	12.8			
		11.5	6.5			% Profit Before Taxes/Total Assets
		1.3	3.5			
		7 7	3.8			
		1 3	1 1			Sales/Net Fixed Assets
		7	.8			
		1.6	1.7			
		.7	.8			Sales/Total Assets
		.5	.6			
		1 7	5.2			
		(14) 7.9	(14) 6.6			% Depr., Dep., Amort./Sales
		30.1	10.1			
						% Officers', Directors', Owners' Comp/Sales
1113M	26904M	137448M	386564M	238493M	1162382M	Net Sales ($)
386M	9964M	97217M	396403M	268991M	1119702M	Total Assets ($)

M = $ thousand MM = $ million

See Pages 11 through 20 for Explanation of Ratios

<PAGE>

CROWLEY MARITIME CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2003 AND DECEMBER 31, 2002
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

<Table>
<Caption>

<S>	SEPTEMBER 30, 2003 <C>	DECEMBER 31, 2002 <C>
ASSETS		
Cash and cash equivalents	$ 31,707	$ 43,575
Receivables, net	160,564	147,346
Prepaid expenses and other assets	48,213	41,805
TOTAL CURRENT ASSETS	240,484	232,726
Receivable from related party	17,012	16,936
Goodwill	44,786	45,097
Intangibles, net	15,586	14,211
Other assets	35,861	21,429
Property and equipment, net	539,581	552,895
TOTAL ASSETS	$893,310	$883,294
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$ 90,419	$102,971
Accrued payroll and related expenses	48,082	38,850
Insurance claims payable	15,332	11,370
Unearned revenue	5,644	9,529
Current portion of long-term debt	28,763	29,357
TOTAL CURRENT LIABILITIES	188,240	192,077
Deferred income taxes	85,578	76,770
Deferred gain	3,348	5,356
Other liabilities	14,021	14,176
Long-term liabilities of discontinued operations	5,875	6,398
Minority interests in consolidated subsidiaries	5,198	4,568
Long-term debt, net of current portion	298,355	296,019
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred class A convertible stock, $100 par value, 315,000 shares issued, authorized and outstanding	31,500	31,500
Common voting stock, $.01 par value, 4,485,000 shares authorized; 89,426 and 89,710 shares issued and outstanding at September 30, 2003 and December 31, 2002, respectively	1	1
Class N common non-voting stock, $.01 par value, 54,500 shares authorized; 46,138 shares outstanding	--	--
Additional paid-in capital	67,354	67,540
Retained earnings	200,239	195,994
Accumulated other comprehensive loss, net of tax benefit of $3,606 and $3,997, respectively	(6,399)	(7,105)
TOTAL STOCKHOLDERS' EQUITY	292,695	287,930
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$893,310	$883,294

Transaction Watch - July/August 2003

High Yield Shipping Bonds (Source: Jefferies & Co)

COMPANY	DESCRIPTION	ISSUE DATE	ISSUE PRICE	COUPON	MATURITY	INDICATED PRICE 7/1/03	INDICATED YIELD TO MATURITY	INDICATED CURRENT YIELD
American Commercial Lines	Sr Notes	6/3/98	100.000	11.250%	1/1/08	11.00	NM	NM
American Commercial Lines	Sr Sub Nts	NA	NA	12.000%	7/1/08	1.00	NM	NM
Cenargo International	1st Mtge Nts	6/12/98	98.450	9.750%	6/15/08	40.00	NM	24.38%
CP Ships	Sr Notes	NA	97.720	10.375%	7/15/12	109.00	8.89%	9.52%
General Maritime	Sr Notes	3/20/03	98.463	10.000%	3/15/13	109.50	8.53%	9.13%
Golden State Petroleum	1st Pfd Mtge Nts	7/23/97	100.000	8.040%	2/1/19	94.00	8.75%	8.55%
Great Lakes Dredge	Sr Sub Notes	8/14/98	100.000	11.250%	8/15/08	105.75	9.77%	10.64%
Gulfmark Offshore	Sr Notes	6/2/98	99.699	8.750%	6/1/08	101.50	8.36%	8.62%
Hornbeck Offshore Services	Sr Notes	7/19/01	98.193	10.625%	8/1/08	106.50	8.98%	9.98%
International Shipholding	Sr Notes	1/14/98	99.490	7.750%	10/15/07	99.00	8.03%	7.83%
MC Shipping	Sr Notes	3/5/98	100.000	11.250%	3/1/08	50.00	33.25%	22.50%
Navigator Gas	1st Mtge Nts	7/31/97	100.000	10.500%	6/30/07	32.00	NM	NM
Navigator Gas	2nd Mtge Nts	7/31/97	100.000	12.000%	6/30/07	1.00	NM	NM
Oglebay Norton	Sr Sub Notes	1/26/99	100.000	10.000%	2/1/09	25.00	NM	NM
Overseas Shipholding	Sr Notes	12/2/93	99.760	8.000%	12/1/03	101.00	4.78%	7.92%
Overseas Shipholding	Sr Notes	3/4/2003	99.16	8.250%	3/15/13	103.75	7.69%	7.95%
Overseas Shipholding	Sr Debs	12/2/93	99.680	8.750%	12/1/13	107.00	7.75%	8.18%
Sea Bulk	Sr Notes	7/29/03	100.000	9.500%	8/15/13	98.50	9.74%	9.64%
Sea Containers	Sr Notes	2/13/98	100.000	7.875%	2/15/08	81.00	13.63%	9.72%
Sea Containers	Sr Sub Debs	11/13/92	97.000	12.500%	12/1/04	100.50	12.04%	12.44%
Sea Containers	Sr Notes	10/13/99	98.805	10.750%	10/15/06	95.50	12.49%	11.26%
Stena AB	Sr Notes	9/25/97	100.000	8.750%	6/15/07	103.00	7.83%	8.50%
Stena AB	Sr Notes	11/22/02	100.000	9.625%	12/1/12	109.75	8.11%	8.77%
Teekay Shipping	1st Mtge Nts	35083	100.000	8.320%	2/1/08	108.00	6.25%	7.70%
Teekay Shipping	Sr Notes	June 2001	100.000	8.875%	7/15/11	110.00	7.20%	8.07%
Trico Marine Services	Sr Notes	5/23/02	99.196	8.875%	5/15/12	72.00	14.63%	12.33%
Ultrapetrol	1st Mtge Nts	3/24/98	100.000	10.500%	4/1/08	65.00	23.15%	[illegible]

Transaction Watch - July/August 2003

Shipping Bond Status

ISSUER	COUPON	OUTSTANDING	DESCRIPTION	ISSUE DATE	SECTOR	DEFAULTED (?)
Alpha Shipping	9.25%	$175	Senior Notes '08	2/11/98	Multiple Sectors (5)	Yes
Amer Reefer Co. Ltd. (AMEREE)	10.25%	$100	First Mortgage Notes '08	2/27/98	Reefers	Yes
American Commercial Lines (VECTUR)	10.25%	$300	Senior Notes '08	6/23/98	Inland Barging	Yes
American President Lines (APS)	8.00%	$150	Senior Notes '24	1/5/94	Container Shipping	No
American President Lines (APS)	7.125%	$150	Senior Notes '03	11/18/93	Container Shipping	No
Cenargo Intl PLC (CENINT)	9.75%	$175	First Mortgage Notes '08	6/12/98	Ferry	Yes
CMA-CGM	10.00%	$100	Senior Notes '10	4/1/03	Container	No
CP Ships	10.38%	$150	Senior Notes '12	7/1/02	Container	No
Eletson Holdings (ELETSN)	9.25%	$140	First Mortgage Notes '03	11/19/93	Tanker	No
Enterprises Shipholding Inc. (ENTSHI)	8.88%	$175	Senior Notes '08	4/22/98	Reefers	Yes
Equimar Shipholdings Ltd. (EQUIMA)	9.88%	$124	First Mortgage Notes '07	6/20/97	Tanker	Yes
Ermis Maritime (ERMIS)	12.50%	$150	First Mortgage Notes '06	3/9/98	Tanker	Yes
Gearbulk Holding (GEAR)	11.25%	$175	Senior Notes '04	11/23/94	Specialized Bulk	No
General Maritime	10.00%	$250	Senior Notes '13	3/1/03	Tanker	No
Global Ocean Carriers (GLO)	10.25%	$126	Senior Notes '07	7/18/97	Dry Bulk, Containerships	Yes
Golden Ocean Group (GOLDOG)	10.00%	$291	Company Guarantee '01	8/26/97	Tankers	Yes
Gulfmark Offshore (GMRK)	8.75%	$130	Senior Notes '08	6/2/98	Offshore Support	No
Hide Marine (HMAR)	8.38%	$300	Senior Notes '08	2/13/98	Offshore Support	Yes
International Shipholding (ISH)	7.75%	$110	Senior Notes '07	3/13/98	Liner, Specialized	No
Kirby Corp.	120bps	$250	Senior Notes '13	3/1/03	Barges	No
MC Shipping (MCX)	11.25%	$85	Senior Notes '08	3/5/98	Gas Carriers	No (buy-back)
Millenium Seacarriers (MILSEA)	12.00%	$100	First Mortgage Notes '05	7/20/98	Drybulk	Yes
Navigator Gas Transport (NAVGAS)	10.50%	$217	First Mortgage Notes '07	7/31/97	Gas Carriers	Yes
Navigator Gas Transport (NAVGAS)	12.00%	$87	Second Priority Notes '07	7/31/97	Gas Carriers	Yes
Overseas Shipholding (OSG)	8.25%	$150	Senior Notes '03	3/1/03	Tankers	No
Pacific & Atlantic (PACATL)	11.50%	$128	First Mortgage Notes '08	5/21/98	Dry Bulk, Multi, Container	Yes
Pan Oceanic	12.00%	$100	First Mortgaine Notes '07	1997	Dry Bulk	Yes
Pegasus Shipping (PEGSHP)	11.88%	$150	First Mortgage Notes '04	11/19/97	Tankers	Yes
Premier Cruises (CRUISE)	11.00%	$160	Senior Notes '08	3/6/98	Cruise	Yes
Seabulk (SBLK)	9.50%	$150	Senior Notes '13	8/5/03	Offshore/Tanker	No
Sea Containers (SCR)	7.88%	$150	Senior Notes '08	2/13/98	Container Leasing	No
Sea Containers (SCR)	12.50%	$100	Senior Sub Notes '04	11/13/92	Container Leasing	No
Stena AB (STENA)	8.75%	$175	Senior Notes '07	9/25/97	Tankers, Rigs, Other	No
Stena AB (STENA)	10.50%	$175	Senior Notes '05	12/13/95	Tankers, Rigs, Other	No
Stena Line AB (STENA)	10.63%	$300	Senior Notes '08	5/28/98	Tankers, Rigs, Other	No
TBS Shipping (TBSSHP)	10.00%	$110	First Mortgage Notes '05	4/29/98	Breakbulk	Yes
Teekay Shipping Corp. (TK)	8.32%	$225	First Mortgage Notes '08	1/11/96	Tankers	No
Teekay Shipping Corp. (TK)	8.88%	$200	Senior Notes '11	6/1/01	Tankers	No
Transportacion Maritima Mexicana (TMM)	10.00%	$200	Senior Notes '06	11/21/96	Diversified/Container	No
Transportacion Maritima Mexicana (TMM)	8.50%	$142	Senior Notes '00	10/6/93	Diversified/Container	No
Trico Marine (TMAR)	8.50%	$280	Senior Notes '05	7/16/97	Offshore	No
Ultrapetrol (Bahamas) (ULTRAP)	10.50%	$135	First Mortgage Notes '08	1998	Tankers	No

70% leverage available for a new foreign-built vessel (see Royal Bank of Scotland article)

The Other 30%

By Matt McCleery

First mortgage financing will always account for 70% of the capital formation in the shipping industry. And why shouldn't it? It's dirt cheap, it's flexible and it's abundant. But in our view, financing the other 30% is where the business gets fun. Optimizing the other 30% allows for more leverage, higher returns on equity, lower operating break-even and frees up buying power to do more deals. The other 30% can transform a shipbroker into a shipowner, a spectator into a principal and, in the eyes of a banker, a toad into a prince. Put another way, the other 30% is what has attracted many of us to this industry.

In this September issue of Marine Money, we celebrate the unofficial beginning of the new business year by looking at the various ways the other 30% can be financed. Urs Dur begins the issue with a look at Seaspan which achieved relatively unique junior mezzanine for which Fortis created an investment grade commercial paper product. Nicolai Heidenreich analyzes the American Bulker KS transaction completed by Lasco a few months ago, and explores the depth and breadth of liquidity for the other 30% in the Norwegian KS market. Kevin Oates provides insight into the Royal Bank of Scotland, one of the most reliable mortgage lenders in the business. Finally, Geoff Uttmark presents a case why we think Japan is the land of opportunity for ship financiers and shipowners.

While it is tempting to assume that the other 30% is just another way of saying "renting equity," we beg to differ: the other 30% is anything junior to senior debt and its sources are limited only by the imaginations of the dealmakers. In the olden days, shipping entrepreneurs sold cargo space before they had ships and used the cash as the other 30%. Aristotle Onassis obviated the need for the other 30% by arranging long-term, full payout charters with credit worthy counter parties – a practice now known as project finance. Clever, but now disreputable, financier Bjorn Aaserod and his Cambridge Partners built a machine that recycled address commissions and other fees into the other 30%. Peter Georgiopoulos of General Maritime charmed US hedge funds like Wexford to contribute the other 30% he needed. Alf Aanonsen of Sea Oil secured his other 30% from BT Shipping when he bought their panamax tankers with seller's credit – a variation on a reliable source of the other 30%, vendor financing. Most of the Hong Kong Chinese owners built their other 30% by participating in long-term Shikemusen deals and ending up with residual values in excess of balloon repayments. And, sadly, as we saw in the high yield market, some owners were able to fabricate their other 30% by getting shipbrokers to give appraisals that were, you guessed it, 30% higher than they should rightfully have been. Today, the half dozen banks and financial advisors included in Figure Two have increased their product offerings to include the other 30%. While most banks have always had subordinated funds available for good clients, they are now becoming more open about it. The most recent example of this is DVB Nedship's hiring of Bote de Vries away from NIB Capital to run its mezzanine efforts. We think that in five years time every one of the major ship mortgage players will have in-house mezzanine capability.

Shipping Investment Funds

Fund Name	Bank Affiliation	Fund Size	Ideal Rate of Return	Ideal Deal Size	Status
AMA Shipping Fund I	NIB/GATX	[illegible]	25%	$12	Open!
AMA Shipping Fund II (distress oriented)	NIB/GATX				Fundraising
DVB Nedship	DVB Nedship				Open!
Northern Navigation	None				Open!
[illegible] Capital	Fortis	$80m	15-20%	$17	Open!
[illegible]	None	$70m	25%	$15-$30m	Fundraising

Sources of Capital for Shipping

Type Senior and Secured	Arrangement Fees	Cost of Funds	Upside	Downside	Finance Provider Profile	Market	Recent Deal
Bilaterals	30-100bps	Depends	Cheap	Conservative	Mortgage Banks	Open	Countless
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mortgage Banks & Money Centers	Open	OMI
High Yield	3-4%	10-20%	Non-amortizing, unsecured, aggressive	Expensive	Funds	Open	Hornbeck Leevac
Investment Grade Bonds	2.50%	Treasuries +	Cheap	Investment grade guarantor	Insurance Co.'s, Funds	Open	Teekay
Private Placements	25-75bps	5-7%	Liquid	Need NAIC Rating	Insurance Co.'s, etc	Open	Stolt Nielsen ('98)
[illegible]	[illegible]	[illegible]	[illegible]	Headache	Usually govt. guaranteed bonds	Anemic	American Classic Voyages
Private Equity	7%	20-30% all-in return	Increased leverage, risk sharing	Hard to get, demanding investors	Hedge funds	Open	Pan Ocean
Commercial Paper	?	6%	Less expensive, unsecured	Need Investment Grade	Insurance cos.	Open	Seaspan
Mezzanine	5%	12-25%	Higher leverage	Expensive, short-term, hard to find	Banks/Hedge Funds	Open	Skaugen
[illegible]	[illegible]	[illegible]	[illegible]	Expensive/Dilutive	Individuals/funds	Closed	General Maritime
German KGs	Back end loaded	12.15%	100% financing/no residual value exposure	More expensive than bank debt	German investors	Open	Far East Silo
Norwegian KSs	3%	Depends	Off balance sheet deal	Loss control of residual value (unless purchase option)	Norwegian investors	Open	American Bulk KS
SMI	LIBOR + 150bps all-in		Deal lubricant	Need good charter	Chubb	Anemic	
[illegible]	[illegible]	[illegible]	High leverage – no residual value risk	Need long charter with good credit	Leasing companies	Open	NYK car carrier

or at the very least, formal relationships with providers of unsecured capital. One reason for this is that advance rates are dropping and mezzanine funds will be there to make up the difference. Another reason is that even the largest corporate credits want the highest possible leverage to maximize their margins. Mezzanine is also a profit center for banks on deals for which they already have credit comfort. Perhaps the most significant aspect of this trend is that commercial bankers are starting to think in terms of upside, rather than just downside.

In reality, offering the other 30% (and charging a 20% return for it) and finding the right deals to invest in are different things altogether. That shipping is considered among the worst of the asset classes is proven by Marine Money's database, which indicates that the

32. Please provide all source documents (reports, analyses, studies, etc.) relied upon in the determination of the average cost of capital included in Tampa Electric's response to Staff's Second Set of Interrogatories, No. 36.

A. See the responses to Request for Production of Documents, No. 28 and 31.

33. Please provide all source documents (reports, analyses, studies, etc.) relied upon in the determination of the cost of equity, cost of debt, capital structure, and overall cost of capital indicated in Tampa Electric's response to Staff's Second Set of Interrogatories, No. 38.

A. See the response to Request for Production of Documents, No. 31.