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Public Service Commission

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COMMISSION CLERK

DATE: August 1, 2003

TO: Kay Flynn, Division of the Commission and Administrative Services

FROM: Cochran Keating, Office of the General Counsel *WCK*

RE: Docket No. 030001-EI - Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor

On July 18, 2003, staff forwarded a copy of a letter, with attachments, dated July 16, 2003, from James D. Beasley, attorney for Tampa Electric Company, to be placed in the docket file for the above-referenced docket. The letter, with attachments, was given Document No. 06441-03.

In forwarding the letter, staff inadvertently included a document that was not an attachment to the July 16 letter. To correct this error, please replace Document No. 06441-03 with the attached document which consists of a correct copy of the original letter and attachments.

WCK
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July 16, 2003

HAND DELIVERED

Mr. Wm. Cochran Keating, IV
Senior Attorney
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance
Incentive Factor; FPSC Docket No. 030001-EI

Dear Cochran:

This letter will serve as Tampa Electric Company's ("Tampa Electric's" or "the company's") responses to the following requests for documents and data to TECO Energy, Inc. and its affiliates, put forth in your letter to me dated July 14, 2003:

Staff Request No. 1

Please provide all materials that TECO Energy, Inc., or any affiliate thereof has provided to any potential buyer(s) of TECO Transport in order to provide information concerning TECO Transport and/or its potential sale.

Tampa Electric's Response: Tampa Electric has verified, and I am authorized to confirm on the company's behalf, that only one document was provided to potential purchasers of TECO Transport. A copy of that document, prepared by Merrill Lynch and circulated by that organization to entities it believed might have an interest in TECO Transport, is attached hereto as Exhibit "A".

Staff Request No. 2

Please describe TECO Energy's current plans with respect to the potential sale of TECO Transport.

Tampa Electric's Response: In April of this year, TECO Energy announced that TECO Transport and certain other assets have been identified as valuable non-

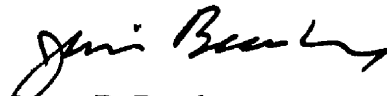
Mr. Wm. Cochran Keating, IV
July 16, 2003
Page Two

core assets that could be considered for sale to enhance the corporation's liquidity position. Currently, however, TECO Transport is not for sale.

In providing the above responses, Tampa Electric has not raised an issue as to the relevance of the requested information or as to whether it is the type of information intended to be addressed by Section 366.05(9), Florida Statutes. Instead, the company has provided its responses in an effort to be cooperative and to accommodate Staff's request for responses at the earliest possible time. The company's willingness to accommodate the Staff in this regard is not intended to effect, nor should it be construed to serve as, a waiver of its right to raise such issues by way of objection in response to any future requests, which right is hereby reserved.

I trust the foregoing satisfies the Staff's requests set forth in your July 14 letter.

Sincerely,



James D. Beasley

JDB/pp
Attachment

cc: All Parties of Record
Division of Commission Clerk and Administrative Services (Docket File)

TECO Transport

A wholly-owned subsidiary of

TECO

May 2003

 **Merrill Lynch**

Exhibit "A"

Overview

TECO Transport is a leading provider of inland, coastwise and international dry-bulk marine transportation, as well as storage and transfer services along the Mississippi River. Through a diverse fleet of high quality, well-maintained barges, U.S.-flag vessels and related assets, the Company transports a wide variety of dry-bulk commodities primarily consisting of coal, grain and phosphate. A high percentage of TECO Transport's customers (including Tampa Electric) are subject to long-term (greater than 18 months) and evergreen (annually renewing) contracts which has resulted in a long history of profitability and attractive returns on investment. Approximately 43% of TECO Transport's 2002 revenues were derived from its contract with Tampa Electric, for whom the Company provides essentially all of Tampa Electric's domestic coal transportation needs.

TECO Transport is uniquely positioned as the only company providing full-service, bundled transportation, transfer and storage facilities for water-borne bulk cargo along the Mississippi River. These integrated services offer customers cost and time efficiencies, and provide TECO Transport with the ability to create tailored solutions to meet customer specific transportation and storage needs. TECO Transport supports this fully-integrated transportation system with a strong and experienced management team and superior customer service.

Through the Company's three operating subsidiaries, TECO Transport offers its customers the following array of services:

- TECO Ocean Shipping, Inc. ("Ocean Shipping") is the largest oceangoing, coastwise U.S.-flag dry-bulk carrier. Ocean Shipping's fleet of 12 vessels transports dry-bulk commodities domestically and to numerous ports of call throughout the world.
- TECO Barge Line, Inc. ("TECO Barge") is the 7th largest inland marine transportation provider with approximately 740 barges and 18 towboats, serving the Ohio, Illinois and Mississippi rivers and their major tributaries.
- TECO Bulk Terminal, LLC ("Bulk Terminal") is the largest full-service storage and transfer terminal on the Gulf Coast and benefits from being the first bulk terminal on the Mississippi

inbound from the Gulf of Mexico (located just south of New Orleans at Mile Post 55).

Investment Highlights

Valuable Long-Term Contracts

Approximately 60% of TECO Transport's 2003 revenues will be derived from profitable long-term or evergreen contracts. TECO Transport's high percentage of contracted business with long-term customers provides the Company with more stable and predictable revenue streams, greater capacity utilization and more consistent traffic patterns.

High Asset Utilization

TECO Transport is uniquely positioned with a high degree of both "fronthaul" and "backhaul" contracted movements that allows the Company to optimize its fleet capacity which improves operational efficiencies and financial returns. "Fronthaul" movements primarily consist of TECO Barge transporting coal down the Mississippi River, then utilizing storage facilities at Bulk Terminal before Ocean Shipping delivers the coal to Tampa Electric (or moved by others to international destinations).

"Backhaul" contracted movements primarily consist of phosphate moving from the Florida Gulf Coast through the Gulf of Mexico to various terminals along the Mississippi River via Ocean Shipping with other commodities subsequently travelling up-river via TECO Barge.

Ability to Competitively and Profitably Pursue Opportunities

The stability and profitability of coal and phosphate tonnage and revenue streams due to long-term contracts provides TECO Transport with the flexibility to transport many other commodities in the opposite direction at competitive (and profitable) prices. The Company maintains high utilization rates by supplementing their dominant share of coal and phosphate movements with a diverse mix of other dry-bulk commodities including grain, petcoke, steel and steel related products. This flexibility allows TECO Transport to focus "backhaul" movements on only those commodities that currently offer the best financial returns.

High Quality, Above Industry Standard Maintained Assets

TECO Transports maintains a fleet of high-quality barges and vessels due to its focus on maintenance and customer movement patterns. TECO Transport's barges and vessels are loaded and unloaded less

frequently due to longer than industry average customer movements along the river system which results in lower maintenance needs and longer useful lives.

TECO Barge is certified by the Responsible Carrier Program and Ocean Shipping's fleet is certified by all major class societies, including ISM, ABS and DNV.

***Integrated Services Provide
Customized Client Solutions***

TECO Transport is uniquely positioned as the only company along the Mississippi River providing full-service transportation, transfer and storage for dry-bulk cargo, which provides the flexibility for the Company to create tailored solutions to meet each client's specific transportation needs. The combination of these services at a bundled price provides customers with cost, logistical and time benefits relative to the Company's competitors.

Non-Unionized Workforce

TECO Transport's 100% non-unionized workforce maintains an exemplary operational, environmental and safety record resulting in lower costs, superior customer service and low employee turnover.

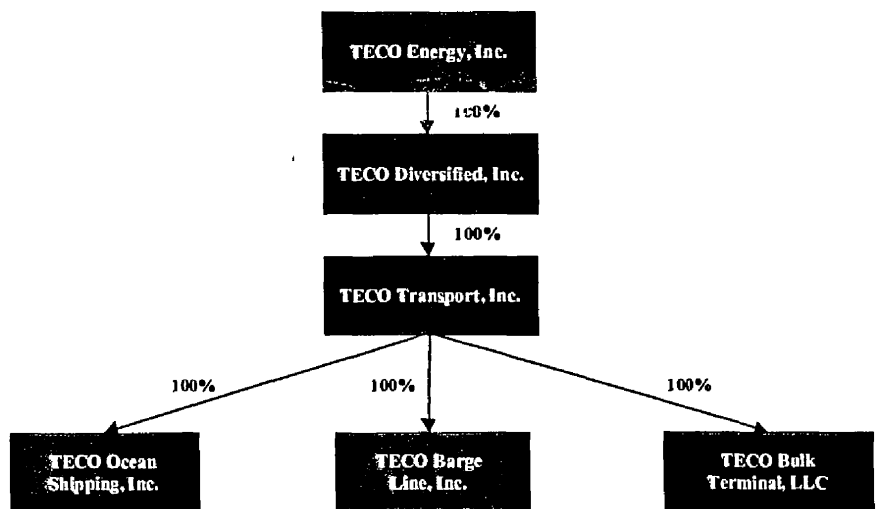
***Strong and Experienced
Management Team***

TECO Transport is led by 5 senior executives, including D. Jeffrey Rankin as President and Tim M. Bresnahan as Vice President - Controller. Each of the Company's three operating divisions is lead by a Group Vice President - Sal Litrico (Ocean Shipping), Michael Monahan (TECO Barge) and Rodney Palmer (Bulk Terminal) - who are located at each division's respective headquarters. Each member of the senior management team has over 20 years of experience in the marine transportation industry.

Ownership Structure

TECO Transport, a wholly-owned subsidiary of TECO, owns all of the outstanding stock of each of its three operating subsidiaries.

TECO Transport's Ownership Structure Diagram



TECO Ocean Shipping



TECO Ocean Shipping is the largest oceangoing, U.S.-flag dry-bulk carrier with a fleet of 9 oceangoing tug/barge units and 3 oceangoing geared and gearless ships having a combined cargo capacity of over 403,000 deadweight tons.

Ocean Shipping transports Jones Act shipments of coal and phosphate, as well as petcoke, scrap metal, ores, grains and steel pipe throughout both U.S. coasts and the Gulf of Mexico. Ocean Shipping's fleet offers a wide range of shipping capacity, ranging from 19,200 to 42,800 tons. Coal and phosphate are the division's two largest commodities based on tonnage transported.

Ocean Shipping is also an active participant in various U.S. government cargo preference programs to transport shipments of U.S. government surplus grain and other project cargoes. These programs stipulate that 75% of Food for Peace shipments must be transported by U.S.-flag carriers when available. Destinations for these shipments include Central America, Mexico and the Caribbean, Europe, Africa and Asia and are done on a spot basis.

TECO Barge



BARGE LINE

TECO Barge, with approximately 740 barges in operation, is the 7th largest provider of barge transportation services in the U.S. TECO Barge is a full-service barge line that also provides fleeting, docking, repairing and cleaning services. Specifically, TECO Barge operates a fleet of 18 towboats, 4 harbor tugs, 523 open hopper and 218 covered river barges on the Mississippi, Ohio and Illinois rivers. TECO Barge's primary transportation lanes are between Davant, LA on the Lower Mississippi River south of New Orleans to Pittsburgh on the Ohio River and Chicago on the Illinois River.

Key products transported by TECO Barge are coal, petroleum coke and grain. TECO Barge also transports iron ore, aluminum, steel related products, ferrous scrap, metallurgical and petroleum coke, pig iron, steel slabs and coils and wood chips. Additionally, TECO Barge transports high value, weather-sensitive products such as finished phosphate fertilizers.

Bulk Terminal



BULK TERMINAL

Bulk Terminal is the largest transfer and storage terminal on the Gulf Coast and benefits from being the first dry-bulk terminal inbound from the Gulf of Mexico along the Mississippi River. Located forty miles south of New Orleans (Mile Post 55), Bulk Terminal handles multiple products including coal, fertilizers, petcoke, furnace coke, grains and steel-related products. Bulk Terminal has an annual throughput capacity of 18 million tons and on-site storage capacity of five million tons. The terminal is on a 1,138-acre site.

Bulk Terminal plays an important role in supplying TECO Transport's customers with integrated transportation and storage solutions. For example, cargo travelling southbound via TECO Barge is delivered to Bulk Terminal for transfer and loading on to Ocean Shipping vessels, and cargo travelling northbound up the Mississippi River can be stored at Bulk Terminal before being loaded onto TECO Barge vessels.

Business Strategy

TECO Transport's business strategy is driven by its strong base of long-term contracts and its unique ability to offer integrated coastwise, international and inland transportation, as well as storage and transfer services, to its customers. Because TECO Transport has both a strong southbound river movement and eastbound/westbound bulk Gulf

movement, the Company can bid aggressively on contracts for moving products in the opposite direction (westbound/eastbound on the Gulf and northbound on the Mississippi).

TECO Transport also leverages off its existing long-term base load contracts to aggressively bid its remaining capacity for margin enhancing spot transport opportunities.

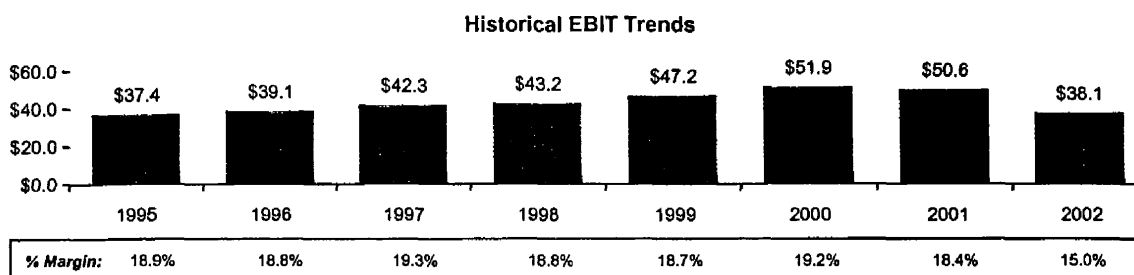
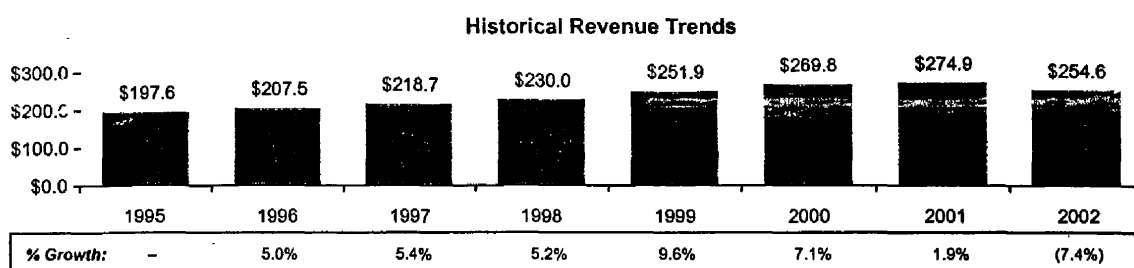
Additionally, TECO Transport has the unique ability to offer certain customers a single point of contact on ocean shipping and barge movements as well as demurrage free loadings and unloadings and logistics support. TECO Transport's ability to tie its diverse fleet of assets into all three of its businesses provides the Company with a valuable competitive advantage. Each of the three businesses' sales and operational organizations are efficiently and effectively intertwined with the other two businesses.

History

Tampa Electric created TECO Transport in 1959 primarily to secure the water-borne transportation services for the coal purchased as fuel for its generation facilities. TECO Transport provides essentially all of the domestic coal handling and transportation services for Tampa Electric under a long-term contract.

Summary Financial Information
(\$mm)

Historical Revenue and EBIT Summary (\$mm)



Historical Income and Cash Flow Statement Summary (\$mm)

Income Statement	2000	2001	2002
Revenues	\$269.8	\$274.9	\$254.6
EBITDA	73.9	74.7	60.3
D&A	(22.0)	(24.1)	(22.3)
EBIT	\$51.9	\$50.6	\$38.1
Cash Flow	2000	2001	2002
CapEx	\$18.5	\$39.3	\$25.3

Selected Balance Sheet Data (\$mm)

As of December 31, 2002 TECO Transport's balance sheet included the following:

Balance Sheet	2000	2001	2002
PP&E, Net	\$211.5	\$203.5	\$180.0
Other Assets	99.8	129.6	175.1
Total Assets	311.3	333.1	355.1
Other Liabilities	75.0	99.8	122.4
Total Debt	138.1	135.9	135.9
Equity	98.1	97.4	96.8
Total Liabilities & Equity	\$311.3	\$333.1	\$355.1

Summary of Existing Indebtedness

As of December 31, 2002, TECO Transport had \$110.6 million of Industrial Revenue Bonds outstanding as well as capital leases of approximately \$25 million.

Industrial Revenue Bonds

In September 1985, Plaquemines Port, Harbor and Terminal District (Louisiana) sold \$110.6 million of extendable tax-exempt commercial paper dock and wharf bonds for the benefit of Electro-Coal Transfer Corporation (predecessor to Bulk Terminal). The bonds are due in 2007 and are directly guaranteed by TECO Energy. Initially bearing interest at commercial paper rates, the Company exercised their option to convert the bonds to a fixed interest rate on April 5, 2001, at a fixed rate of 5% per annum.

Summary of Sale Leaseback Transactions

On December 30, 2002, TECO Transport completed a sale leaseback transaction (treated as an operating lease) covering 1 ocean-going tug and barge, 5 river tugboats and 49 river barges.

On December 21, 2001, TECO Transport sold 3 oceangoing barges and 1 oceangoing tugboat in a sale leaseback transaction (treated as an operating lease).

Both lease terms are 12 years with early buyout options after 5 years.