ORIGINAL

Florida Power CORPORATION

October 6, 1998

VIA OVERNIGHT MAIL

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

981268-EI

Re: Application of Florida Power Corporation for Authority to Issue and Sell Securities during the Twelve Months Ending December 31, 1999, Pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code

Dear Ms. Bayó:

Enclosed for filing are one (1) certified original, five (5) uncertified copies, and one copy on a 3.5 inch diskette of the above-referenced Application of Florida Power Corporation For Authority to Issue and Sell Securities. The diskette contains a copy of the Application and exhibits in the following file names and formats:

Document		Filename	Format
Application		Applic.doc	Wordperfect 5.1
Exhibit A	Form 10-K	10K-A.ExA	Wordperfect 5.1
	Form 10-Q	10Q.ExA	Wordperfect 5.1
Exhibit B		Exhibit.B	Wordperfect 5.1
Exhibit C		Exhibit.C	Wordperfect 5.1
Exhibit D		Exhibit.XLS	Excel 5.0
Exhibit E		Exhibit.E	Wordperfect 5.1

Please acknowledge your receipt of the above by date stamping the enclosed copy of this letter and returning it to me using the enclosed self-addressed envelope.

Very truly yours,

Douglas Wentz

Douglas E. Wentz

Enclosures
cc: Jack Shreve, Esq. (with enclosure)

DOCUMENT NUMBER-DATE
11004 OCT-7 98
FPSC-RECORDS/REPORTING

GENERAL OFFICE: 3201 Thirty-fourth Street South • P.O. Box 14042 • St. Petersburg, Florida 33733 • (813) 866-5151
A Florida Progress Company

ORIGINAL

DOCKET NO. ______

FLORIDA PUBLIC SERVICE COMMISSION

TALLAHASSEE, FLORIDA

APPLICATION OF FLORIDA POWER CORPORATION FOR AUTHORITY TO ISSUE AND SELL SECURITIES DURING THE TWELVE MONTHS ENDING DECEMBER 31, 1999 PURSUANT TO SECTION 366.04, FLORIDA STATUTES, AND CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE

Address communications in connection with this Application to:

Pamela A. Saari	Kenneth E. Armstrong
Treasurer	Vice President and General Counsel
Florida Power Corporation	Florida Power Corporation
One Progress Plaza	One Progress Plaza
St. Petersburg, FL 33701	St. Petersburg, FL 33701

Dated: October 5, 1998

DOCUMENT NUMBER-DATE

11004 OCT-7 98

FPSC-RECORDS/REPORTING

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

IN RE: APPLICATION OF FLORIDA POWER CORPORATION FOR AUTHORITY TO ISSUE AND SELL SECURITIES DURING THE TWELVE MONTHS ENDING DECEMBER 31, 1999 PURSUANT TO SECTION 366.04, FLORIDA STATUTES, AND CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE.

The Applicant, Florida Power Corporation (herein called the "Company"), respectfully represents to the Florida Public Service Commission (herein called the "Commission"), that it proposes to issue, sell or otherwise incur during 1999 any combination of additional equity securities and long-term debt securities and obligations, consisting of (i) up to $400 million outstanding at any time of commercial paper backed by, or borrowings under, the Company's long-term credit agreements, and (ii) $910 million of any combination of equity securities and other long-term debt securities and obligations. In addition, the Company proposes to issue, sell and have outstanding at any given time during 1999 short-term unsecured securities and debt obligations, including commercial paper classified as short-term debt for accounting purposes, in an aggregate amount not in excess of $500 million, which amount shall be in addition to and in excess of the authority conferred on the Company by Section 366.04, Florida Statutes, to issue short-term securities aggregating to more than five percent of the par value of the Company's other outstanding securities. The Company hereby applies for requisite authority for these proposed financings, pursuant to Section 366.04, Florida Statutes, by submitting the following information in the manner and form prescribed in Chapter 25-8, Florida Administrative Code, including the required Exhibits A-C and additional Exhibits D-E attached hereto.

CONTENTS OF APPLICATION

(1) The exact name of the Company and address of its principal business office is as follows:

Florida Power Corporation
One Progress Plaza
St. Petersburg, Florida 33701

(2) The Company was incorporated in Florida in 1899 and reincorporated in Florida in 1943. The Company is continuing its corporate existence pursuant to its Amended Articles of Incorporation, as amended, a copy of which was filed as Exhibit A to the Application Of Florida Power Corporation For Authority To Issue And Sell Securities During The Twelve Months Ending December 31, 1994 (Docket No. 931029-EI) and is incorporated herein by reference. The Company's financial statement schedules required under Sections 25-8.003 (1)(a)-(b) F.A.C. are filed herewith as Exhibits A and B (1) - (2), respectively.

(3) The name and address of the persons authorized to receive notices and communications with respect to this Application are as follows:

Pamela A. Saari, Treasurer
Florida Power Corporation
One Progress Plaza
St. Petersburg, FL 33701

Kenneth E. Armstrong
Vice President and General Counsel
Florida Power Corporation
One Progress Plaza
St. Petersburg, FL 33701

(4)(a)(b)(c) A statement detailing information concerning each class and series of the Company's capital stock and long-term debt is contained in Exhibit C attached hereto.

(d) The amount held as reacquired securities: The Company does not hold any reacquired securities. From time to time, the Company has redeemed certain outstanding first mortgage bonds and shares of its cumulative preferred stock, but such bonds and shares are canceled upon redemption or reacquisition. Under the Company's articles of incorporation, all or any shares of Preferred Stock or Preference Stock redeemed or acquired by the Company may thereafter be reissued or otherwise disposed of any any time, subject to limitations imposed by law and in the articles.

(e) The amount pledged by the applicant: None.

(f) The amount owned by affiliated corporations: All of the Company's outstanding common stock (100 shares) is owned by the Company's parent, Florida Progress Corporation. The Company has no other stock or debt owned by affiliated corporations.

(g) The amount held in any fund: None.

(5) The transactions that the Company may enter into during 1998 include but are not limited to the possible transactions listed on Exhibit D attached hereto. The proposed

transactions are subject to periodic review and may change due to market conditions or for other reasons. The Company ultimately may issue any combination of the types of securities described below, subject to the aggregate dollar limitations requested in this Application.

(5)(a)(1) The kind and the nature of the securities that the Company seeks authority to issue and sell during 1999 are equity securities and short-term and long-term debt securities and obligations, including, but not limited to, borrowings from banks which are participants in the Company's existing credit facilities.

Short-term debt securities and obligations may include notes to be sold in the commercial paper market ("commercial paper") classified as short-term debt for accounting purposes, bank loans, credit agreements or other forms of securities and debt obligations, with maturities less than one year.

The long-term debt securities and obligations may take the form of first mortgage bonds, debentures, medium-term notes or other notes, commercial paper backed by long-term credit agreements, installment contracts, credit agreements or other forms of securities and debt obligations, whether secured or unsecured, with maturities greater than one year. In addition, the Company may enter into options, rights, interest rate swaps or other derivative instruments.

The Company also may enter into installment purchase and security agreements, loan agreements, or other arrangements with political subdivisions of the State of Florida or pledge debt securities or issue guarantees in connection with such political subdivisions' issuance, for the ultimate benefit of the Company, of pollution control revenue bonds, solid waste disposal revenue bonds, industrial development revenue bonds, variable rate demand notes, or other "private activity bonds" with maturities ranging from one to forty years, bond anticipation notes, or commercial paper. Such obligations may or may not bear interest exempt from federal tax.

The equity securities that the Company may issue include common stock, cumulative preferred stock, preference stock, or warrants, options or rights to acquire such securities, or other equity securities, with such par values, terms and conditions and relative rights and preferences as are deemed appropriate by the Company and permitted by its articles of incorporation, as they may be amended from time to time.

The Company also may enter into preferred securities financings that may have various structures, including a structure whereby the Company would establish and make an equity investment in a special purpose trust, limited partnership or other entity. The entity would offer preferred securities to the public and lend the proceeds to the Company. The Company would issue debt securities to the entity equal to the aggregate of its equity investment and the amount of preferred securities issued. The Company may also guarantee, among other things, the distributions to be paid by the entity to the holders of the preferred securities.

The manner of issuance and sale of securities will be dependent upon the type of securities being offered, the type of transaction in which the securities are being issued and sold and market conditions at the time of the issuance and sale. Securities may be issued through negotiated underwritten public offerings, public offerings at competitive biddings, private sales or sales through agents, and may be issued in both domestic and foreign markets. Credit agreements may be with banks or other lenders. The Company's commercial paper will be for terms up to but not exceeding nine months from the date of issuance. The commercial paper will not be extendable or renewable nor will it contain any other provision for automatic "roll over," either at the option of the holder or at the option of the Company. The commercial paper will be sold at a discount, including the underwriting discount of the commercial paper dealer, at rates comparable to interest rates being paid in the commercial paper market by borrowers of similar creditworthiness. The Company plans to refund from time to time outstanding commercial paper and short-term borrowings, which mature on a regular basis, with preferred stock, first mortgage bonds, medium-term notes, or other long-term securities and debt obligations.

(5)(a)(2) In connection with borrowing from banks and in support of its commercial paper program, the Company has executed a number of credit agreements, and may extend the terms of these agreements or enter into additional agreements as the need arises. The Company has executed a $300 million 364-day revolving credit facility and a $200 million five-year revolving long-term credit facility with a group of banks under which borrowings may be made from time to time. These facilities were effective November 26, 1991 and January 1, 1992, respectively. The 364-day revolving credit facility has been extended to its current expiration date in November 1998, and the five-year facility has been extended to its current expiration date in November 2002. To date, no borrowings have been made under these credit agreements. These credit facilities have been and will continue to be used primarily to back up the Company's $500 million commercial paper program, and are extendable at the request of the Company with the consent of the participating banks. The Company is currently in the process of requesting that the 364-day and five-year facilities be extended from November 17, 1998 to November 16, 1999 and from November 30, 2002 to November 30, 2003, respectively. In conjunction with this request, the Company may elect to reduce the aggregate amount of the credit facilities and the size of its commercial paper program from $500 to $400 million, but is requesting authority hereunder for $500 million to give the Company the flexibility to maintain the $500 million level if it chooses to do so. In addition to these two credit facilities, the Company may establish other long-term credit facilities for an additional $200 million in connection with a self-insurance program. In November 1993, the Commission approved the Company's petition to implement a self-insurance program for storm damage to its transmission and distribution lines in Order No. PSC-93-1522-FOF-EI (the "Petition to Self-Insure"). The Company self-insures against casualties to its transmission and distribution system, and may establish an additional long-term credit facility with a group of banks that would provide a committed source of bank loans to fund, or to back up commercial paper to fund, repairs in the event of any loss.

The Company's existing $200 million five-year revolving long-term credit facility, the additional long-term credit facility proposed in the Petition to Self-Insure, and any other long-term credit agreements or amendments thereto that the Company may execute, are hereinafter collectively referred to as the "Long-Term Credit Agreements". For accounting purposes, the Company classifies monies borrowed under, and commercial paper backed by, the Long-Term Credit Agreements as long-term debt. As such, commercial paper could be outstanding from time to time that is backed by the Long-Term Credit Agreements and monies could be borrowed under the Long-Term Credit Agreements, repaid and reborrowed from time to time, but no more than $400 million of such debt, which would be classified as long-term debt, is expected to be outstanding at any one time. In connection therewith, the Company will report any use or change of its Long-Term Credit Agreements during 1999 in its Consummation Report to be filed with the Commission not later than 90 days after the close of the 1999 calendar year.

(5)(b) The maximum principal amount of additional equity securities and long-term debt securities and obligations proposed to be issued, sold, or otherwise incurred during 1999 is $400 million outstanding at any time of commercial paper backed by, or borrowings under, the Company's Long-Term Credit Agreements, and $910 million of any combination of equity securities and other long-term debt securities and obligations. The Company also proposes to issue, sell and have outstanding at any any given time during 1999 short-term unsecured securities and debt obligations, including commercial paper classified as short-term debt for accounting purposes, in an aggregate amount not in excess of $500 million, which amount shall be in addition to and in excess of the authority conferred on the Company by Section 366.04, Florida Statutes, to issue short-term securities aggregating not more than five percent of the par value of the Company's other outstanding securities.

The Company will file a consummation report with the Commission in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days after the close of the 1999 calendar year to report any securities issued during that year.

(5)(c) On September 30, 1998, interest rates for securities comparable to those proposed to be issued by the Company were as follows:

1. The interest rate on 30-year A+/A1 rated medium-term notes was about 6.50%.

2. The interest rate on 10-year A+/A1 rated medium-term notes was about 5.50%.

3. The interest rate on five-year A+/A1 rated medium-term notes was about 5.05%.

4. The interest rate (on a bond equivalent basis) for 30-day commercial paper sold through dealers was about 5.30%.

5. The dividend rate on 30-year A/A2 rated trust preferred securities was about 7.25%.

6. The prime interest rate was 8.50%.

The actual interest rates to be paid by the Company during 1999 will be determined by the market conditions at the time of issuance.

(6) The net proceeds to be received from the sale of the additional securities will be added to the Company's general funds and may be used to provide additional electric facilities during 1999 pursuant to the Company's construction program, to repay maturing long-term debt or short-term unsecured debt, to refund existing obligations with lower cost debt, or for other corporate purposes. A more detailed statement of the Projected Sources and Uses of Funds during 1999 is included as Exhibit B(1) attached hereto. The Company's construction program is developed from its long-range plan to determine needed construction facilities. While the final 1999 Construction Budget is not yet available, the Company's most recently approved construction expenditures forecast excluding Allowance for Funds Used During Construction ("AFUDC") for 1999 is approximately $263.2 million. A detailed listing of this 1999

construction program excluding AFUDC is found in Exhibit B(2) attached hereto. These construction estimates are subject to periodic review and revision to adjust for such factors as changing economic conditions, environmental requirements, regulatory matters and changing customer usage patterns. During 1999, the Company may refund some or all of two series of the Company's first mortgage bonds totaling $100 million, depending on market conditions. Also, the Company is considering the possibility of a tender offer for, or the defeasance of, one $150 million series of the Company's first mortgage bonds. Additional detail concerning the tender offer for, the defeasance of, or the refunding of these obligations, including principal amounts of the obligations to be refunded, tendered or defeased, the discount or premium if applicable thereto, date of issue, and date of maturity, is contained in Exhibits D and E attached hereto.

(7) Based on the reasons shown in sections (5) and (6) above, the Company submits that the proposed financings are consistent with the proper performance by the Company of service as a public utility, will enable and permit the Company to perform that service, are compatible with the public interest and are reasonably necessary and appropriate for such purposes.

(8) Kenneth E. Armstrong, Vice President and General Counsel of the Company, will pass upon the legality of the securities involved herein. His office address is:

Florida Power Corporation
One Progress Plaza
St. Petersburg, Florida 33701

(9) Except for those issuances of securities that are exempt from the registration requirements of the Securities Act of 1933, the issue and sale of the various securities involved

herein will require the filing of Registration Statements with the Securities and Exchange Commission ("SEC"), 450 Fifth Street N.W., Washington, DC 20549. A copy of each Registration Statement that has been or will be filed with the SEC will be included with the Company's annual Consummation Report relating to the sale of securities registered thereunder. No other state or federal regulatory body has jurisdiction over the transactions proposed herein, although certain state securities or "blue sky" laws may require the filing of registration statements, consents to service of process or other documents with applicable state securities commissions, including in particular the Florida Division of Securities and Investor Protection, 101 E. Gaines St., Tallahassee, FL 32399; the Nevada Department of State, Securities Division, 555 East Washington Avenue, 5th Floor, Las Vegas, NV 89101; the New York Department of Law, Bureau of Investor Protection and Securities, 120 Broadway, 23rd Floor, New York, NY 10271; and the Oregon Department of Consumer & Business Services, Division of Finance & Corporate Securities, Labor & Industries Building, Salem, OR 97310.

(10) There is no measure of control or ownership exercised by or over the Company by any other public utility. The Company is a wholly owned subsidiary of Florida Progress Corporation, a public utility holding company. Florida Progress Corporation is generally exempt from registration with the SEC under the Public Utility Holding Company Act of 1935 and attendant regulation because its utility operations are primarily intrastate.

(11) The following Exhibits are filed herewith and made a part hereof:

Exhibit A — The financial statements and accompanying footnotes as they appear in the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and filed with the United States Securities and Exchange Commission ("SEC") in file no. 59-0247770 on March 19, 1998, as amended by the Company's amendment on Form 10-K/A as filed with the SEC on June 2, 1998.

The financial statements and accompanying footnotes as they appear in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, and filed with the SEC in file no. 59-0247770 on August 13, 1998.

Exhibit B(1) — Projected Sources and Uses of Funds Statement for 1999.

Exhibit B(2) — Preliminary Construction Expenditures for 1999.

Exhibit C — Financing Activity Detail

Exhibit D — Capital Stock and Funded Debt of the Company as of August 31, 1998.

Exhibit E — Detail of Possible Refundings and Tender Offers.

WHEREFORE, the Company hereby respectfully requests that the Commission enter its Order approving this Application for authority to issue and sell securities during the twelve months ending December 31, 1999, and more specifically, to order that:

(a) Florida Power Corporation's application to issue and sell securities during the twelve months ending December 31, 1999, pursuant to section 366.04, Florida Statutes and Chapter 25-8, Florida Administrative Code (the "Application") is granted;

(b) Florida Power Corporation is authorized to issue, sell, or otherwise incur any combination of additional equity securities and long-term debt securities and obligations during 1999, consisting of (i) up to $400 million outstanding at any time of commercial paper backed by, or borrowings under, the Company's Long-Term Credit Agreements, and (ii) $910 million of any combination of equity securities and other long-term debt securities and obligations;

(c) Florida Power Corporation is also authorized to issue, sell and have outstanding at any given time short-term unsecured borrowings and commercial paper classified as short-term debt for accounting purposes, in an aggregate amount not in excess of $500 million, which amount shall be in addition to and in excess of the authority conferred on the Company by Section 366.04 Florida Statutes to issue short-term securities aggregating not more than five percent of the par value of the Company's other outstanding securities; and

(d) The kind and nature of the securities that Florida Power Corporation is authorized to issue during 1999 are equity securities and short-term and long-term debt securities and obligations, as set forth in the Company's Application.

(e) Florida Power Corporation shall file a Consummation Report in accordance with Rule 25-8.009, Florida Administrative Code, within 90 days after the close of the 1999 calendar year.

Respectfully submitted this
5th day of October, 1998

FLORIDA POWER CORPORATION

By: Pamela A. Saari

Pamela A. Saari
Treasurer

STATE OF FLORIDA)
)
COUNTY OF PINELLAS)

CERTIFICATION OF APPLICATION AND EXHIBITS

Each of the undersigned, John Scardino, Jr. and Pamela A. Saari, being first duly sworn, deposes and says that he/she is the Vice President and Controller, and the Treasurer, respectively, of FLORIDA POWER CORPORATION, the Applicant herein; that he/she has read the foregoing application and exhibits of said Florida Power Corporation and knows the contents thereof; and certifies that the same are true and correct to the best of his/her knowledge and belief.

John Scardino, Jr.
Vice President and Controller

Pamela A. Saari
Treasurer

STATE OF FLORIDA)
)
COUNTY OF PINELLAS)

The foregoing instrument was acknowledged before me this 5th day of October, 1998, by John Scardino, Jr. and Pamela A. Saari, who are personally known to me and who did take an oath.

(Seal)

Signature
LOREN E. NUFFER
Printed Name

LOREN E. NUFFER
MY COMMISSION # CC424154 EXPIRES
December 4, 1998
BONDED THRU TROY FAIN INSURANCE, INC.

EXHIBIT A

The financial statements and accompanying footnotes as they appear in the Florida Power Corporation Annual Report on Form 10-K for the year ended December 31, 1997, as amended by the Form 10-K/A amendment filed on June 2, 1998.

The financial statements and accompanying footnotes as they appear in the Florida Power Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.

P:/DWentz/Ex.A

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No.	Exact name of each Registrant as specified in its charter, state of incorporation, address of principal executive offices, telephone	I.R.S. Employer Identification Number
1-8349	**FLORIDA PROGRESS CORPORATION** A Florida Corporation One Progress Plaza St. Petersburg, Florida 33701 Telephone (813) 824-6400	59-2147112
1-3274	**FLORIDA POWER CORPORATION** A Florida Corporation 3201 34th Street South St. Petersburg, Florida 33711 Telephone (813) 866-5151	59-0247770

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Florida Progress Corporation: Common Stock without par value and Preferred Stock Purchase Rights	New York Stock Exchange Pacific Stock Exchange
Florida Power Corporation: None	

Securities registered pursuant to Section 12(g) of the Act:

Florida Progress Corporation: None

Florida Power Corporation: Cumulative Preferred Stock, par value $100 per share

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. YES X . NO .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of each registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AUDITORS' REPORT

To the Shareholders of Florida Progress Corporation and Florida Power Corporation:

We have audited the accompanying consolidated balance sheets of Florida Progress Corporation and subsidiaries, and of Florida Power Corporation, as of December 31, 1997 and 1996, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the years in the three-year period ended December 31, 1997. In connection with our audits of the financial statements, we also have audited the financial statement schedules listed in Item 14 therein. These financial statements and financial statement schedules are the responsibility of the respective managements of Florida Progress Corporation and Florida Power Corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Progress Corporation and subsidiaries, and Florida Power Corporation, as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/KPMG Peat Marwick LLP

KPMG Peat Marwick LLP
St. Petersburg, Florida

January 26, 1998

FLORIDA POWER
Financial Statements

FLORIDA POWER CORPORATION
Statements of Income
For the years ended December 31, 1997, 1996 and 1995
(In millions)

	1997	1996	1995
OPERATING REVENUES:	$2,448.4	$2,393.6	$2,271.7
OPERATING EXPENSES:			
Operation:			
Fuel used in generation	458.1	409.7	431.3
Purchased power	490.6	531.6	436.5
Energy Conservation Cost Recovery	67.0	62.6	84.0
Operations and maintenance	422.3	413.4	393.7
Extended nuclear outage - O&M and replacement fuel costs	173.3	-	-
Depreciation	325.9	324.2	293.7
Taxes other than income taxes	193.6	183.6	176.2
Income taxes	69.9	135.8	129.5
	2,200.7	2,060.9	1,944.9
OPERATING INCOME	247.7	332.7	326.8
OTHER INCOME AND DEDUCTIONS:			
Allowance for equity funds used during construction	5.4	4.6	3.8
Miscellaneous other expense, net	(4.2)	(3.4)	(2.6)
	1.2	1.2	1.2
INTEREST CHARGES			
Interest on long-term debt	102.4	86.6	93.5
Other interest expense	14.9	11.8	11.0
	117.3	98.4	104.5
Allowance for borrowed funds used during construction	(4.3)	(2.9)	(3.5)
	113.0	95.5	101.0
NET INCOME	135.9	238.4	227.0
DIVIDENDS ON PREFERRED STOCK	1.5	5.8	9.7
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$134.4	$232.6	$217.3

The accompanying notes are an integral part of these financial statements.

FLORIDA POWER CORPORATION
Balance Sheets
For the years ended December 31, 1997, and 1996
(Dollars in millions)

	1997	1996
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$6,166.8	$5,965.6
Less - Accumulated depreciation	2,511.0	2,335.8
Accumulated decommissioning for nuclear plant	223.7	193.3
Accumulated dismantlement for fossil plants	128.5	119.6
	3,303.6	3,316.9
Construction work in progress	279.4	140.3
Nuclear fuel, net of amortization of $356.7 in 1997 and $356.7 in 1996	66.5	59.9
	3,649.5	3,517.1
Other property, net	33.2	13.3
	3,682.7	3,530.4
CURRENT ASSETS:		
Accounts receivable, less reserve of $3.2 in 1997 and $4.1 in 1996	243.9	174.7
Inventories at average cost:		
Fuel	44.0	47.2
Materials and supplies	91.9	95.4
Underrecovery of fuel cost	34.5	82.6
Income tax receivable	13.5	-
Deferred income taxes	5.8	35.6
Other	32.2	6.2
	465.8	441.7
OTHER ASSETS:		
Nuclear plant decommissioning fund	266.7	207.8
Unamortized debt expense, being amortized over term of debt	25.0	25.0
Deferred purchased power contract termination costs	348.2	-
Other	112.4	59.1
	752.3	291.9
	$4,900.8	$4,264.0

The accompanying notes are an integral part of these financial statements.

FLORIDA POWER CORPORATION
Balance Sheets
For the years ended December 31, 1997, and 1996
(Dollars in millions)

	1997	1996
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Common stock	$1,004.4	$1,004.4
Retained earnings	763.1	821.1
	1,767.5	1,825.5
CUMULATIVE PREFERRED STOCK:		
Without sinking funds	33.5	33.5
LONG-TERM DEBT	1,745.4	1,296.4
TOTAL CAPITAL	3,546.4	3,155.4
CURRENT LIABILITIES:		
Accounts payable	161.9	115.5
Accounts payable to associated companies	26.5	21.2
Customers' deposits	97.1	81.7
Income taxes payable	-	10.4
Accrued other taxes	7.9	10.0
Accrued interest	45.7	34.8
Other	59.2	47.3
	398.3	320.9
Notes payable	179.8	4.1
Current portion of long-term debt	1.5	21.3
	579.6	346.3
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	451.3	472.3
Unamortized investment tax credits	85.1	92.8
Other postretirement benefit costs	104.7	96.5
Other	133.7	100.7
	774.8	762.3
	$4,900.8	$4,264.0

The accompanying notes are an integral part of these financial statements.

FLORIDA POWER CORPORATION
Statements of Cash Flows
For the years ended December 31, 1997, 1996 and 1995
(In millions)

	1997	1996	1995
OPERATING ACTIVITIES:			
Net income after dividends on preferred stock	$134.4	$232.6	$217.3
Adjustments for noncash items:			
Depreciation and amortization	333.8	341.1	329.7
Extended nuclear outage - replacement power costs	73.3	-	-
Deferred income taxes and investment tax credits, net	(15.2)	(32.8)	(29.3)
Increase in accrued other postretirement benefit costs	8.3	14.9	16.1
Allowance for equity funds used during construction	(5.4)	(4.6)	(3.8)
Changes in working capital:			
Accounts receivable	(69.2)	16.2	(33.4)
Inventories	6.7	(.5)	14.2
Overrecovery (underrecovery) of fuel cost	(33.1)	(82.3)	1.5
Accounts payable	46.4	25.7	4.8
Accounts payable to associated companies	5.3	(3.5)	3.4
Taxes payable	(26.0)	(.8)	2.8
Other	12.3	(12.1)	39.5
Other operating activities	(38.8)	3.8	8.6
	432.8	497.7	571.4
INVESTING ACTIVITIES:			
Construction expenditures	(387.2)	(217.3)	(283.4)
Allowance for borrowed funds used during construction	(4.3)	(2.9)	(3.5)
Additions to nonutility property	(3.5)	(2.7)	(2.3)
Acquisition cogeneration facility and payment of contract termination costs	(445.0)	-	-
Proceeds from sale of properties	19.7	5.5	10.8
Other investing activities	(22.2)	(27.6)	(11.0)
	(842.5)	(245.0)	(289.4)
FINANCING ACTIVITIES:			
Issuance of long-term debt	447.7	-	-
Repayment of long-term debt	(21.3)	(47.3)	(35.4)
Increase (decrease) in commercial paper with long term support	-	54.8	(54.8)
Redemption of preferred stock	-	(106.3)	(5.0)
Dividends paid on common stock	(192.4)	(171.3)	(180.7)
Equity contributions from parent	-	12.5	50.0
Increase (decrease) in short-term debt	175.7	4.1	(55.3)
	409.7	(253.5)	(281.2)
NET INCREASE IN CASH AND EQUIVALENTS	-	(.8)	.8
Beginning cash and equivalents	-	.8	-
ENDING CASH AND EQUIVALENTS	$ -	$ -	$0.8
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	$98.9	$90.7	$97.9
Income taxes (net of refunds)	$108.4	$166.9	$157.1

The accompanying notes are an integral part of these financial statements.

FLORIDA POWER CORPORATION
Statements of Shareholder's Equity
For the years ended December 31, 1997, 1996 and 1995
(Dollars in millions, except share amounts)

	Common Stock	Retained Earnings	Cumulative Preferred Stock Without Sinking Funds	Cumulative Preferred Stock With Sinking Funds
Balance, December 31, 1994	$942.9	$724.5	$113.5	$30.0
Net income after dividends on preferred stock		217.3		
Capital contribution by parent company	50.0			
Cash dividends on common stock		(180.7)		
Preferred stock redeemed - 50,000 shares				(5.0)
Balance, December 31, 1995	992.9	761.1	113.5	25.0
Net income after dividends on preferred stock		232.6		
Capital contribution by parent company	12.5			
Cash dividends on common stock		(171.3)		
Preferred stock redemption costs		(1.3)		
Premium on preferred stock redemption	(1.0)			
Preferred stock redeemed - 1,050,000 shares			(80.0)	(25.0)
Balance, December 31, 1996	1,004.4	821.1	33.5	-
Net income after dividends on preferred stock		134.4		
Cash dividends on common stock		(192.4)		
Balance, December 31, 1997	$1,004.4	$763.1	$33.5	$ -

The accompanying notes are an integral part of these financial statements.

FLORIDA PROGRESS CORPORATION AND FLORIDA POWER CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL — Florida Progress is an exempt holding company under the Public Utility Holding Company Act of 1935. Its largest subsidiary, representing 85% of total assets, is Florida Power Corporation, a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy primarily within Florida.

The consolidated financial statements include the financial results of Florida Progress and its majority-owned operations. All significant intercompany balances and transactions have been eliminated. Investments in 20%- to 50%-owned joint ventures are accounted for using the equity method.

Effective December 31, 1997, Florida Progress deconsolidated the financial statements of Mid-Continent. Florida Progress' investment in Mid-Continent will prospectively be accounted for under the cost method. The deconsolidation has not been reflected in the financial statements of prior periods.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This could affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates involve judgments with respect to various items including various future economic factors which are difficult to predict and are beyond the control of Florida Progress. Therefore actual results could differ from these estimates.

REGULATION — Florida Power is regulated by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). The utility follows the accounting practices set forth in Financial Accounting Standard (FAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." This standard allows utilities to capitalize or defer certain costs or revenues based on regulatory approval and management's ongoing assessment that it is probable these items will be recovered through the ratemaking process.

Florida Power has total regulatory assets (liabilities) at December 31, 1997 and 1996 as detailed below:

	1997	1996
	(In millions)	
Deferred purchased power contract termination costs	$348.2	$ -
Replacement fuel (extended nuclear outage)	55.0	-
Underrecovery of fuel costs	34.5	82.6
Revenue decoupling	21.8	(3.6)
Unamortized loss on reacquired debt	16.8	18.4
Other regulatory assets, net	25.2	24.6
Net regulatory assets	$501.5	$122.0

The utility expects to fully recover these assets and refund the liabilities through customer rates under current regulatory practice.

If Florida Power no longer applied FAS No. 71 due to competition, regulatory changes or other reasons, the utility would make certain adjustments. These adjustments could include the write-off of all or a portion of its regulatory assets and liabilities, the evaluation of utility plant, contracts and commitments and the recognition, if necessary, of any losses to reflect market conditions.

UTILITY PLANT — Utility plant is stated at the original cost of construction, which includes payroll and related costs such as taxes, pensions and other fringe benefits, general and administrative costs, and an allowance for funds used during construction. Substantially all of the utility plant is pledged as collateral for Florida Power's first mortgage bonds.

The allowance for funds used during construction represents the estimated cost of equity and debt for utility plant under construction. Florida Power is permitted to earn a return on these costs and recover them in the rates charged for utility services while the plant is in service. The average rate used in computing the allowance for funds was 7.8%.

UTILITY REVENUES, FUEL AND PURCHASED POWER EXPENSES — Revenues include amounts resulting from fuel, purchased power and energy conservation adjustment clauses, which are designed to permit full recovery of these costs. The adjustment factors are based on projected costs for a 6 or 12-month period. The cumulative difference between actual and billed costs is included on the balance sheet as a current regulatory asset or liability. Any difference is billed or refunded to customers during the subsequent period.

In December 1997, Florida Power ended the three-year test period for residential revenue decoupling which was ordered by the FPSC and began in January 1995. Decoupling eliminates the direct link between kilowatt-hour sales and revenues. A nonfuel revenue target is determined by multiplying a revenue per customer amount by the total number of residential customers. Differences between target revenues and actual revenues are included as a regulatory asset or liability on the balance sheet. The regulatory asset at December 31, 1997 will be collected from customers beginning April 1998 through the energy conservation cost recovery clause as directed by the FPSC decoupling order.

Florida Power accrues the nonfuel portion of base revenues for services rendered but unbilled.

The cost of nuclear fuel is amortized to expense based on the quantity of heat produced for the generation of electric energy in relation to the quantity of heat expected to be produced over the life of the nuclear fuel core.

INCOME TAXES — Deferred income taxes are provided on all significant temporary differences between the financial and tax basis of assets and liabilities using presently enacted tax rates in accordance with FAS No. 109, "Accounting for Income Taxes."

Deferred investment tax credits, subject to regulatory accounting practices, are amortized to income over the lives of the related properties.

DEPRECIATION AND MAINTENANCE — Florida Power provides for depreciation of the cost of properties over their estimated useful lives primarily on a straight-line basis. Florida Power's annual provision for depreciation, including a provision for nuclear plant decommissioning costs and fossil plant dismantlement costs, expressed as a percentage of the average balances of depreciable utility plant, was 4.8% for 1997, 4.9% for 1996 and 5% for 1995.

The Financial Accounting Standards Board ("FASB") is in the process of modifying its project addressing the accounting for obligations related to the decommissioning of nuclear power plants.

The fossil plant dismantlement accrual has been suspended for a period of four years, beginning July 1, 1997. (See Note 9 contained herein.)

Florida Power charges maintenance expense with the cost of repairs and minor renewals of property. The plant accounts are charged with the cost of renewals and replacements of property units. Accumulated depreciation is charged with the cost, less the net salvage, of property units retired.

Florida Power accrues a reserve for maintenance and refueling expenses anticipated to be incurred during scheduled nuclear plant outages.

INSURANCE PREMIUMS, POLICY ACQUISITION COSTS AND BENEFIT RESERVES — Accounting policies governing the recognition of income and expense for the life insurance subsidiary were in effect until December 31, 1997.

Due to the deconsolidation of the financial results of Mid-Continent in the Florida Progress' consolidated financial statements, accounting policies relating to the balance sheet were in effect only for amounts presented in the 1996 Florida Progress Consolidated Balance Sheet.

Life insurance premiums are recognized as revenues over the premium-paying periods of the policies.

Florida Progress defers recoverable costs in its insurance operations that directly relate to the production of new business. These costs are amortized over the expected premium-paying period. Benefit reserves are established out of each premium payment to provide for the present value of future insurance policy benefits. Florida Progress reviews the adequacy and recoverability of the deferred acquisition costs and the benefit reserves based on a gross premium reserve analysis of the in-force business.

Significant assumptions used in this analysis include estimates of future premium increases, mortality rates, withdrawal rates, expense rates, and investment yield. The assumptions are based on Florida Progress' actual experience adjusted for the effect of future actions affecting the in-force business. Although these assumptions are Florida Progress' best estimate of the future experience, actual results may vary in either direction and could significantly impact income in the period of change.

ACCOUNTING FOR CERTAIN INVESTMENTS — Florida Progress considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Florida Progress' investments in debt and equity securities are classified and accounted for as follows:

Type of Security	Accounting Treatment
Debt securities held to maturity	Amortized cost
Trading securities	Fair market value with unrealized gains and losses included in earnings
Securities available for sale	Fair market value with unrealized gains and losses, net of taxes, reported separately in shareholders' equity

See Note 2 for securities held to maturity or available for sale. Florida Progress had no investments in assets classified as trading securities at December 31, 1996 and only held securities classified as available for sale at December 31, 1997. A decline in the market value of any security available-for-sale or held-to-maturity that falls below cost results in a reduction in carrying amount to fair value if the decline is not considered temporary. The impairment is charged to earnings and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned.

ACCOUNTING FOR LONG-LIVED ASSETS — Long-lived assets and certain identifiable intangibles subject to the provisions of FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. FAS No. 121 also amends FAS No. 71, "Accounting for the Effects of Certain Types of Regulation," to require that regulatory assets, which include certain deferred charges, be charged to earnings if such assets are no longer considered probable of recovery. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

STOCK-BASED COMPENSATION — Under its Long-Term Incentive Plan ("LTIP"), Florida Progress grants selected executives performance shares, which upon achievement of performance criteria for a three-year performance cycle can result in the award of shares of common stock of Florida Progress or cash if certain stock ownership requirements are met. Florida Progress accounts for its LTIP in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed under FAS No. 123, "Accounting for Stock-Based Compensation."

ENVIRONMENTAL — Florida Progress adopted the American Institute of Certified Public Accountants Statement of Position ("SOP") 96-1, "Environmental Remediation Liabilities" on January 1, 1997. The SOP requires, among other things, environmental remediation liabilities to be accrued when the criteria of FAS No. 5, "Accounting for Contingencies," have been met. The SOP also provides guidance with respect to the measurement of remediation liabilities. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such accounting is consistent with Florida Progress' current method of accounting for environmental remediation costs and, therefore, adoption of this new statement did not have a material impact on Florida Progress' financial position, results of operations or liquidity.

NEW ACCOUNTING STANDARDS — In June 1996, the FASB issued FAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." FAS No. 125 provides accounting and reporting standards effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996 and is to be applied prospectively. There was no material effect on net income as a result of adopting this standard.

In February 1997, the FASB issued FAS No. 128, "Earnings per Share," ("EPS"). It replaces the standards for computing EPS under APB Opinion No. 15, "Earnings per Share," and makes the computations comparable to international EPS standards. Florida Progress adopted this statement for financial statements issued for the period ended December 31, 1997. Adoption of this statement did not have an impact on earnings per share, therefore no restatement was necessary for prior periods.

Also in February 1997, the FASB issued FAS No. 129, "Disclosure of Information about Capital Structure," which designates certain disclosure requirements for public and nonpublic entities. Florida Progress adopted this statement for financial statements issued for the period ended December 31, 1997. As Florida Progress already disclosed the information required by FAS No. 129, adoption of this statement did not have any effect on the financial disclosures of Florida Progress.

In June 1997, the FASB issued FAS No. 130, "Reporting Comprehensive Income" which establishes standards for reporting comprehensive income. The standard defines comprehensive income as all changes in equity of an enterprise during a period except those resulting from shareholder transactions. All components of comprehensive income are required to be reported in a financial statement that is displayed with equal prominence as existing financial statements. Florida Progress will be required to adopt this statement January 1, 1998. As the standard addresses reporting and presentation issues only, there will be no impact on earnings from the adoption of this standard.

Also in June 1997, the FASB issued FAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" which establishes standards for additional disclosure about operating segments for interim and annual financial statements. The standard requires financial and descriptive information be disclosed for segments meeting certain materiality criteria whose operating results are reviewed for decisions on resource allocation and for which discrete financial information is available. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. Florida Progress will be required to adopt this statement for financial statements for the fiscal year ending December 31, 1998 and for interim periods thereafter. As the standard addresses reporting and disclosure issues only, there will be no impact on earnings from the adoption of this standard.

In January 1998, the FASB issued FAS No. 132, "Employers' Disclosures about Pensions and Other Post-retirement Benefits" which revises current note disclosure requirements for employers' pensions and other retiree benefits. Florida Progress will be required to adopt this statement for financial statements for the year ending December 31, 1998. The standard addresses reporting and disclosure issues only, and there will be no impact on earnings from the adoption of this standard.

NOTE 2 FINANCIAL INSTRUMENTS

Estimated fair value amounts have been determined by Florida Progress using available market information and discounted cash-flow analysis. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates may be different than the amounts that Florida Progress could realize in a current market exchange.

Florida Progress' exposure to market risk for changes in interest rates relates primarily to Florida Progress' marketable securities and long-term debt obligations.

At December 31, 1997, Florida Power held a single forward treasury lock agreement to effectively fix the treasury rate component of an anticipated issuance of $150 million of medium-term notes in February 1998. The financial impact of this contract, which will result in either a cash payment or receipt, will be deferred and recognized as an adjustment to interest expense over the life of the new notes. Florida Progress had no derivative financial instruments outstanding at December 31, 1996.

At December 31, 1997 and 1996, Florida Progress had the following financial instruments with estimated fair values and carrying amounts:

	1997		1996	
(In millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS:				
Loans receivable:				
Echelon International	$ -	$ -	$ 32.9	$ 32.9
Life insurance business:				
Loans secured by real estate	-	-	4.1	4.4
Policy loans	-	-	11.0	10.1
	$ -	$ -	$ 48.0	$ 47.4
Marketable securities:				
Available for sale:				
Life insurance business	$ -	$ -	$ 144.6	$ 144.6
Nuclear decommissioning fund	266.7	266.7	207.8	207.8
Held to maturity	-	-	73.3	76.8
CAPITAL AND LIABILITIES:				
Long-term debt:				
Florida Power Corporation	$1,746.9	$1,801.1	$1,317.7	$1,335.3
Progress Capital Holdings	646.1	656.5	494.1	497.1

The December 31, 1997 balances reflect the deconsolidation of Mid-Continent Life's financial statements from Florida Progress' consolidated financial statements. (See Note 11 contained herein).

NOTE 3 INCOME TAXES

FLORIDA PROGRESS

(In millions)	1997	1996	1995
Components of income tax expense:			
Payable currently:			
Federal	$86.6	$179.7	$157.3
State	10.5	23.0	18.8
	97.1	202.7	176.1
Deferred, net:			
Federal	(22.4)	(41.9)	(27.5)
State	(.5)	(6.9)	(2.0)
	(22.9)	(48.8)	(29.5)
Amortization of investment tax credits, net	(7.8)	(8.0)	(8.5)
	$66.4	$145.9	$138.1

FLORIDA POWER

(In millions)	1997	1996	1995
Components of income tax expense:			
Payable currently:			
Federal	$73.5	$143.6	$136.8
State	11.6	24.9	22.1
	85.1	168.5	158.9
Deferred, net:			
Federal	(7.6)	(20.9)	(18.9)
State	.2	(4.0)	(1.9)
	(7.4)	(24.9)	(20.8)
Amortization of investment tax credits, net	(7.8)	(7.9)	(8.5)
Total income tax expense	69.9	135.7	129.6
Less: Amounts charged or (credited) to non-operating income	--	(.1)	.1
Amounts charged to operating income	$69.9	$135.8	$129.5

The primary differences between the statutory rates and the effective income tax rates are detailed below:

FLORIDA PROGRESS

	1997	1996	1995
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income tax, net of federal income tax benefits	5.4	2.6	2.8
Amortization of investment tax credits	(6.4)	(2.0)	(2.2)
Provision for loss on investment in life insurance subsidiary	24.9	-	-
Other	(4.5)	.6	.1
Effective income tax rates	54.4%	36.2%	35.7%

FLORIDA POWER

	1997	1996	1995
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income tax, net of federal income tax benefits	3.7	3.6	3.7
Amortization of investment tax credits	(3.8)	(2.2)	(2.4)
Other	(.9)	-	-
Effective income tax rates	34.0%	36.4%	36.3%

The following summarizes the components of deferred tax liabilities and assets at December 31, 1997 and 1996:

FLORIDA PROGRESS

(In millions)	1997	1996
Deferred tax liabilities:		
Difference in tax basis of property, plant and equipment	$539.0	$544.1
Deferred acquisition costs	-	35.9
Investment in partnerships	19.7	20.1
Deferred book expenses	34.1	12.7
Other	29.7	22.9
Total deferred tax liabilities	$622.5	$635.7
Deferred tax assets:		
Loss reserves not currently deductible	$ 17.0	$ 69.5
Accrued book expenses	110.8	90.6
Unbilled revenues	17.6	17.6
Other	11.7	18.2
Total deferred tax assets	$157.1	$195.9

At December 31, 1997 and 1996, Florida Progress had net noncurrent deferred tax liabilities of $471.2 million and $475.4 million and net current deferred tax assets of $5.8 million and $35.6 million, respectively. Florida Progress expects the results of future operations will generate sufficient taxable income to allow for the utilization of deferred tax assets.

FLORIDA POWER (In millions)	1997	1996
Deferred tax liabilities:		
Difference in tax basis of property, plant and equipment	$506.3	$516.0
Deferred book expenses	34.1	12.7
Under recovery of fuel	2.8	2.8
Carrying value of securities over cost	15.0	7.7
Other	1.5	-
Total deferred tax liabilities	$559.7	$539.2
Deferred tax assets:		
Accrued book expenses	$ 95.0	$ 76.5
Unbilled revenues	17.6	17.6
Regulatory liability for deferred income taxes	1.6	4.4
Other	-	4.0
Total deferred tax assets	$114.2	$102.5

At December 31, 1997 and 1996, Florida Power had net noncurrent deferred tax liabilities of $451.3 million and $472.3 million and net current deferred tax assets of $5.8 million and $35.6 million, respectively. Florida Power expects the results of future operations will generate sufficient taxable income to allow the utilization of deferred tax assets.

NOTE 4 NUCLEAR OPERATIONS

Florida Power's Crystal River nuclear plant began an extended outage in September 1996, which caused Florida Power to incur $100 million in additional operation and maintenance expenses in 1997. The plant was placed on the NRC's "Watch List" in January 1997, as a plant whose operations will be closely monitored until Florida Power demonstrates a period of improved performance. In January 1998, the NRC granted Florida Power permission to restart the plant. (See Note 9 contained herein.)

JOINTLY OWNED PLANT - The following information relates to Florida Power's 90.4% proportionate share of the nuclear plant at December 31, 1997 and 1996:

(In millions)	1997	1996
Utility plant in service	$673.8	$643.6
Construction work in progress	49.3	14.8
Unamortized nuclear fuel	66.5	59.9
Accumulated depreciation	341.0	309.5
Accumulated decommissioning	223.7	193.3

Net capital additions/(retirements) for Florida Power were $64.7 million in 1997 and $(16.5) million in 1996. Depreciation expense, exclusive of nuclear decommissioning, was $29 million in 1997 and $28.3 million in 1996. Each co-owner provides for its own financing. Florida Power's share of the asset balances and operating costs is included in the appropriate consolidated financial statements. Amounts exclude any allocation of costs related to common facilities.

DECOMMISSIONING COSTS — Florida Power's nuclear plant depreciation expenses include a provision for future decommissioning costs, which are recoverable through rates charged to customers. Florida Power is placing amounts collected in an externally managed trust fund. The recovery from customers, plus income earned on the trust fund, is intended to be sufficient to cover Florida Power's share of the future dismantlement, removal and land restoration costs. Florida Power has a license to operate the nuclear unit through December 3, 2016, and contemplates decommissioning beginning at that time.

In November 1995, the FPSC approved a new site-specific study that estimated total future decommissioning costs at approximately $2 billion, which corresponds to $453.8 million in 1997 dollars. Florida Power's share of the retail portion of annual decommissioning expense is $20.5 million. Florida Power's annual expense for the wholesale portion is $1.2 million.

FUEL DISPOSAL COSTS — Florida Power has entered into a contract with the U.S. Department of Energy (DOE) for the transportation and disposal of spent nuclear fuel. Disposal costs for nuclear fuel consumed are being collected from customers through the fuel adjustment clause at a rate of $.001 per net nuclear kilowatt-hour sold and are paid to the DOE quarterly. Florida Power currently is storing spent nuclear fuel on-site and has sufficient storage capacity in place for fuel consumed through the year 2010.

NOTE 5 PREFERRED AND PREFERENCE STOCK AND SHAREHOLDER RIGHTS

The authorized capital stock of Florida Progress includes 10 million shares of preferred stock, without par value, including 2 million shares designated as Series A Junior Participating Preferred Stock. No shares of Florida Progress' preferred stock are issued and outstanding. However, under the Florida Progress Shareholder Rights Agreement, each share of common stock has associated with it approximately two-thirds of one right to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock, subject to adjustment, which is exercisable in the event of certain attempted business combinations. If exercised, the rights would cause substantial dilution of ownership, thus adversely affecting any attempt to acquire Florida Progress on terms not approved by Florida Progress' Board of Directors. The rights have no voting or dividend rights and expire in December 2001, unless redeemed earlier by Florida Progress.

The authorized capital stock of Florida Power includes three classes of preferred stock: 4 million shares of Cumulative Preferred Stock, $100 par value; 5 million shares of Cumulative Preferred Stock, without par value; and 1 million shares of Preference Stock, $100 par value. No shares of Florida Power's Cumulative Preferred Stock, without par value, or Preference Stock are issued and outstanding. A total of 334,967 shares, of the 335,000 authorized, of Cumulative Preferred Stock, $100 par value, were issued and outstanding at December 31, 1997 and 1996.

Florida Power redeemed 1,050,000 shares of its Cumulative Preferred Stock in 1996 and 50,000 shares in 1995.

Cumulative Preferred Stock for Florida Power is detailed below:

Dividend Rate	Current Redemption Price	Shares Outstanding	Outstanding at December 31, 1997 & 1996 (In millions)
4.00%	$104.25	39,980	$ 4.0
4.40%	$102.00	75,000	7.5
4.58%	$101.00	99,990	10.0
4.60%	$103.25	39,997	4.0
4.75%	$102.00	80,000	8.0
		334,967	$33.5

All Cumulative Preferred Stock series are without sinking funds and are not subject to mandatory redemption.

NOTE 6 DEBT

Florida Progress' long-term debt at December 31, 1997 and 1996, is scheduled to mature as follows:

	Interest Rate	1997	1996
Florida Power Corporation			
(In millions)			
First mortgage bonds:			
Maturing in 1999	6.50%	$ 75.0	$ 75.0
Maturing 2002 and 2003	6.50%(a)	280.0	280.0
Maturing 2008	6.88%	80.0	80.0
Maturing 2021 through 2023	7.98%(a)	400.0	400.0
Pollution control revenue bonds:			
Maturing 2014 through 2027	6.59%(a)	240.9	240.9
Notes maturing			
1997-1998	6.67%	1.5	22.8
1999-2008	6.60%(a)	474.5	24.5
Commercial paper, supported by revolver maturing November 30, 2002	5.85%(a)	200.0	200.0
Discount, net of premium, being amortized over term of bonds		(5.0)	(5.5)
		1,746.9	1,317.7
Progress Capital Holdings:			
Notes maturing:			
1997-1998	9.90%	10.0	20.0
1999-2008	6.90%(a)	329.0	294.0
Commercial paper, supported by revolver maturing November 30, 2002	5.92%(a)	300.0	169.4
Other debt, maturing through 2006	6.78%(a)	7.1	10.7
		2,393.0	1,811.8
Less: Current portion of long-term debt		15.2	34.9
		$2,377.8	$1,776.9

(a) Weighted average interest rate at December 31, 1997.

Florida Progress' consolidated subsidiaries have lines of credit totaling $900 million, which are used to support commercial paper. The lines of credit were not drawn on as of December 31, 1997. Interest rate options under the line of credit arrangements vary from subprime or money market rates to the prime rate. Banks providing lines of credit are compensated through fees. Commitment fees on lines of credit vary between .06 and .10 of 1%.

The lines of credit consist of four revolving bank credit facilities, two each for Florida Power and Progress Capital Holdings, Inc. The Florida Power facilities consist of $300 million with a 364-day term and $200 million with a five-year term. The Progress Capital facilities consist of $100 million with a 364-day term and $300 million with a five-year term. In 1997, both 364-day facilities were extended to November 1998. In addition, both five-year facilities were extended to November 2002. Based on the duration of the underlying backup credit facilities, $500 million of outstanding commercial paper at December 31, 1997, and $369.4 million of outstanding commercial paper at December 31, 1996, are classified as long-term debt. Additionally, as of December 31, 1997 Florida Power and Progress Capital Holdings had $179.8 million and $35.0 million, respectively of outstanding commercial paper classified as short-term debt.

Florida Power has a public medium-term note program providing for the issuance of either fixed or floating interest rate notes. These notes have maturities ranging from nine months to 30 years. A balance of $400 million is available for issuance.

Florida Power has registered $370 million of first mortgage bonds which are unissued and available for issuance.

Progress Capital has a private medium-term note program providing for the issuance of either fixed or floating interest rate notes, with maturities ranging from nine months to 30 years. A balance of $87 million is available for issuance under this program.

The combined aggregate maturities of long-term debt for 1998 through 2002 are $15.2 million, $143.6 million, $77.6 million, $183.0 million and $632.2 million, respectively. In addition, about 12% of Florida Power's outstanding first mortgage bonds have an annual 1% sinking fund requirement. These requirements, which total $1 million annually for 1998 through 2002, are expected to be satisfied with property additions.

Florida Progress has unconditionally guaranteed the payment of Progress Capital's debt as defined in an amended and restated support agreement.

NOTE 7 RETIREMENT BENEFIT PLANS

Pension Benefits — Florida Progress and certain of its subsidiaries have a noncontributory defined benefit pension plan covering most employees. The benefits are based on length of service, compensation and Social Security benefits. The participating companies make annual contributions to the plan based on an actuarial determination and consideration of tax regulations and funding requirements under federal law. Based on actuarial calculations and the funded status of the pension plan, Florida Progress was not required to contribute to the plan for 1997, 1996 or 1995.

Shown below are the components of the net pension expense calculations for those years:

(In millions)	1997	1996	1995
Service cost	$ 15.3	$ 16.2	$ 13.4
Interest cost	33.4	31.3	30.1
Actual earnings on plan assets	(131.6)	(88.0)	(124.4)
Net amortization and deferral	64.0	29.5	77.7
Net pension benefit recognized	$ (18.9)	$(11.0)	$ (3.2)

Florida Power's share of the plan's pension benefits for 1997, 1996 and 1995 was $(18.4) million, $(10.3) million and $(3.0) million, respectively.

The following weighted average actuarial assumptions at January 1 were used in the calculation of pension expense:

	1997	1996	1995
Discount rate	7.50%	7.25%	8.25%
Expected long-term rate of return	9.00%	9.00%	9.00%
Rate of compensation increase	4.50%	4.50%	5.00%

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The following summarizes the funded status of the pension plan at December 31, 1997 and 1996:

(In millions)	1997	1996
Accumulated benefit obligation:		
Vested	$359.3	$326.1
Nonvested	40.8	31.5
	400.1	357.6
Effect of projected compensation increases	100.1	94.4
Projected benefit obligation	500.2	452.0
Plan assets at market value, primarily listed stocks and bonds	769.0	655.0
Plan assets in excess of projected benefit obligation	$268.8	$203.0
Consisting of the following components:		
Unrecognized transition asset	$ 25.5	$ 30.4
Unrecognized prior service cost	(14.7)	(6.3)
Unrecognized net actuarial gains	236.7	176.4
Prepaid pension costs	21.3	2.5
	$268.8	$203.0

Due to changes in interest rates, Florida Progress used a discount rate of 7.25% to calculate the pension plan's 1997 year-end funded status. The change in the discount rate from 7.5% at December 31, 1996, to 7.25% at December 31, 1997, increased the projected benefit obligation by $17.4 million and is expected to increase the annual pension costs by $1.8 million, beginning in 1998.

In 1997 the Board of Directors approved a restructuring of the Plan effective January 1, 1998. The existing plan will be split into two separate plans, one covering eligible bargaining unit employees and the other covering all other eligible employees. Plan assets will be allocated to each plan in accordance with applicable law. The restructuring is expected to have a minimal effect on funded status and periodic pension costs.

OTHER POST-RETIREMENT BENEFITS — Florida Progress and some of its subsidiaries provide certain health care and life insurance benefits for retired employees. Employees become eligible for these benefits when they reach retirement age while working for Florida Progress.

The net post-retirement benefit costs for 1997, 1996 and 1995 are detailed below:

(In millions)	1997	1996	1995
Service cost	$ 3.2	$ 5.3	$ 5.1
Interest cost	10.4	12.4	13.5
Amortization of unrecognized transition obligation	3.4	6.1	6.1
Actual earnings on plan assets	(.4)	(.3)	(.3)
	$16.6	$23.5	$24.4

The following summarizes the plan's status, reconciled with amounts recognized in Florida Progress' balance sheet at December 31, 1997 and 1996:

(In millions)	1997	1996
Accumulated post-retirement benefit obligation:		
Retirees	$ 92.7	$100.4
Fully eligible active plan participants	1.2	3.1
Other active plan participants	59.3	81.2
Plan assets at fair value, primarily municipal securities	(6.4)	(4.7)
	146.8	180.0
Unrecognized transition obligation	(55.0)	(97.2)
Unrecognized net gains	15.6	17.2
Accrued post-retirement benefit cost	$107.4	$100.0

Florida Power's share of the plan's net post-retirement benefit cost for 1997, 1996 and 1995 was $16.2 million, $22.7 million and $23.5 million, respectively.

The following weighted average actuarial assumptions were used in the calculation of the year-end status of other post-retirement benefits:

	1997	1996
Discount rate	7.25%	7.50%
Rate of compensation increase	4.50%	4.50%
Health care cost trend rates:		
Pre-Medicare	9.00%-5.00%	9.50%-5.25%
Post-Medicare	7.25%-4.75%	7.50%-5.00%

The transition obligation is being accrued through 2012. A one-percentage point increase in the assumed health care cost trend rate for each future year would have increased the 1997 current service and interest cost by approximately $.8 million and the accumulated post-retirement benefit obligation as of December 31, 1997, by about $9.6 million. The change in the discount rate from 7.5% at December 31, 1996, to 7.25% at December 31, 1997, increased the projected benefit obligation by $4.4 million and is expected to increase annual post-retirement benefit costs by $.3 million, beginning in 1998.

Due to different retail and wholesale regulatory rate requirements, Florida Power began making quarterly contributions in 1995 to an irrevocable external trust fund for wholesale ratemaking, while continuing to accrue postretirement benefit costs to an unfunded reserve for retail ratemaking. Florida Power contributed approximately $1.3 million in both 1997 and 1996, to the trust fund.

NOTE 8 BUSINESS SEGMENTS

Florida Progress' principal business segments are utility and diversified operations. The utility is engaged in the generation, purchase, transmission, distribution and sale of electric energy. Electric Fuels Corporation's (Electric Fuels) operations include energy and related services, inland marine transportation and rail services. Other diversified operations include ownership of a life insurance subsidiary.

Florida Progress' business segment information for 1997, 1996 and 1995 is summarized below. No single customer accounted for 10% or more of unaffiliated revenues.

(In millions)	1997	1996	1995
Revenues:			
Utility	$2,448.4	$2,393.6	$2,271.7
Diversified:			
Electric Fuels, combined:			
Coal sales to electric utility	285.1	272.1	236.8
Sales to external customers	751.4	609.0	607.0
Other	115.8	155.3	129.1
	3,600.7	3,430.0	3,244.6
Eliminations	(285.1)	(272.1)	(236.8)
Revenues from external customers	$3,315.6	$3,157.9	$3,007.8
Income from operations:			
Utility	$ 317.6	$ 468.5	$ 456.3
Diversified:			
Electric Fuels recurring, combined	71.5	61.4	52.1
Electric Fuels loss provision	-	(40.9)	-
Loss related to life insurance subsidiary	(97.6)	-	-
Other diversified	(18.9)	(6.6)	.5
	272.6	482.4	508.9
Interest and other expense	151.9	85.8	131.9
Income from continuing operations before income taxes	$ 120.7	$ 396.6	$ 377.0
Identifiable assets:			
Utility	$ 4,887.0	$4,263.7	$ 4,284.7
Diversified:			
Electric Fuels, combined	799.1	619.8	573.6
Other diversified	73.9	464.9	692.1
	$ 5,760.0	$5,348.4	$ 5,550.4
Depreciation and amortization:			
Utility	$ 333.8	$ 341.1	$ 329.7
Diversified:			
Electric Fuels, combined	27.4	23.5	21.2
Other diversified	3.0	2.1	1.8
	$ 364.2	$ 366.7	$ 352.7
Capital additions:			
Utility	$ 395.0	$ 222.9	$ 289.2
Diversified:			
Electric Fuels, combined	117.5	40.6	40.5
Other diversified	1.1	.5	1.7
	$ 513.6	$ 264.0	$ 331.4

In December 1997, Florida Progress recorded a provision for loss on its investment in Mid-Continent Life and accrued for related legal costs, totaling $97.6 million. (See Note 11 contained herein.)

In December 1996, Electric Fuels revised its assessment that low-sulfur coal market prices were depressed temporarily. Electric Fuels decided to close and dispose of its unprofitable coal operations and recorded a provision for loss of $40.9 million, as shown above.

NOTE 9 RATES

Florida Power's retail rates are set by the FPSC. Florida Power's last general rate case was approved in 1992 and allowed a 12% regulatory return on equity with an allowed range between 11% and 13%.

EXTENDED NUCLEAR OUTAGE — In June 1997, a settlement agreement between Florida Power and all parties who intervened in Florida Power's request to collect replacement fuel and purchased power costs resulting from the extended outage of its nuclear plant was approved by the FPSC. The plant has been off-line since September 1996 to address certain design issues related to its safety systems.

Florida Power incurred $174 million in total system replacement power costs through the end of 1997. In accordance with the settlement agreement, Florida Power recorded a charge of approximately $73 million for retail replacement power costs incurred that will not be recovered through its fuel adjustment clause. Of the remaining $101 million, Florida Power will recover approximately $38 million through its fuel adjustment clause. The remaining $63 million of replacement power costs was recorded as a regulatory asset and is being amortized for a period of up to four years. The amortization of the regulatory asset is being recovered by the suspension of fossil plant dismantlement accruals during the amortization period. Actual replacement power costs incurred prior to the nuclear unit's return to service in excess of the $174 million, will be expensed as incurred.

The parties to the settlement agreement have agreed not to seek or support any increase or reduction in Florida Power's base rates or the authorized range of its return on equity during the four-year amortization period. The settlement agreement also provided that for purposes of monitoring Florida Power's future earnings, the FPSC will exclude the nuclear outage costs when assessing Florida Power's regulatory return on equity. The agreement resolves all present and future disputed issues between the parties regarding the extended outage of the nuclear plant.

TIGER BAY BUY-OUT — In 1997, Florida Power bought out the Tiger Bay purchased power contracts for $370 million and acquired the cogeneration facility for $75 million, for a total of $445 million. Of the $370 million of contract termination costs, $350 million was recorded as a regulatory asset and the remaining $20 million was written off. Florida Power recorded $75 million as electric plant.

The regulatory asset is being recovered pursuant to a stipulation agreement between Florida Power and several intervening parties which was approved by the FPSC in June 1997. The amortization of the regulatory asset is calculated using revenues collected under the fuel adjustment clause as if the purchase power agreements related to the facility were still in effect, less the actual fuel costs and the related debt interest expense. This will continue until the regulatory asset is fully amortized. Florida Power has the option to accelerate the amortization.

NOTE 10 DISCONTINUED OPERATIONS

On November 21, 1996, The Florida Progress Board of Directors declared a spin-off distribution to common shareholders of record on December 5, 1996, of the common shares of Echelon, which comprised Florida Progress' lending, leasing and real estate operations. Common shares were distributed on the basis of one share of Echelon common stock for every 15 shares of Florida Progress common stock.

In connection with the spin-off in 1996, Florida Progress has presented Echelon as a discontinued operation in the accompanying Consolidated Statements of Income. As of the date of the spin-off, the net assets of Echelon were $194.5 million. This amount has been charged against Florida Progress' retained earnings in the accompanying December 31, 1996 Consolidated Balance Sheet to reflect the distribution of Echelon common shares on December 18, 1996.

A summary of net assets distributed is as follows:

(In millions)	
Cash and equivalents	$ 53.8
Assets held for sale	26.8
Leases and loans receivable, net	272.0
Property and equipment, net	126.0
Other assets	39.9
Total assets	518.5
Total liabilities	(324.0)
Net assets distributed	$ 194.5

Summarized income statement information relating to Echelon's results of operations (as reported in discontinued operations) is as follows:

(In millions)	Year ended December 31, 1996	1995
Sales and revenues	$63.2	$50.0
Loss from operations (net of income tax)	-	-
Provision for loss on disposition of assets (net of income tax benefits of $11.3)	(18.0)	-
Spin-off transaction costs (net of income tax benefits of $1.8)	(8.3)	-
Total discontinued operations	$(26.3)	$ -

Fiscal year 1996 includes results of operations through December 18, 1996. Results of operations include allocated interest expense of $8.7 million and $11.7 million for 1996 and 1995 respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

FUEL, COAL AND PURCHASED POWER COMMITMENTS — Florida Power has entered into various long-term contracts to provide the fossil and nuclear fuel requirements of its generating plants and to reserve pipeline capacity for natural gas. In most cases, such contracts contain provisions for price escalation, minimum purchase levels and other financial commitments. Estimated annual payments, based on current market prices, for Florida Power's firm commitments for fuel purchases and transportation costs, excluding delivered coal and purchased power, are $40 million, $46 million, $47 million, $47 million and $48 million for 1998 through 2002, respectively, and $464 million in total thereafter. Additional commitments will be required in the future to supply Florida Power's fuel needs.

Electric Fuels has entered into several contracts with outside parties for the purchase of coal. Electric Fuels also has entered into several operating leases, and rental or royalty agreements, relating to transportation equipment and coal procurement and processing. The annual obligations under these contracts and leases, including transportation costs, are $163.1 million, $82.0 million, $50.2 million, $45.7 million and $32.2 million for 1998 through 2002, respectively, and $64.1 million in total thereafter. The total cost incurred for these commitments was $219.6 million in 1997, $221.4 million in 1996 and $235.2 million in 1995.

Florida Power has long-term contracts for about 460 megawatts of purchased power with other utilities, including a contract with The Southern Company for approximately 400 megawatts of purchased power annually through 2010. This represents 4.5% of Florida Power's total current installed system capacity. Florida Power has an option to lower these Southern purchases to approximately 200 megawatts annually with a three-year notice. The purchased power from Southern is supplied by generating units with a capacity of approximately 3,500 megawatts and is guaranteed by Southern's entire system, totaling more than 30,000 megawatts.

As of December 31, 1997, Florida Power had entered into purchased power contracts with certain QFs for 946 megawatts of capacity with expiration dates ranging from 2002 to 2025. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments are subject to the QFs meeting certain contract performance obligations. In most cases, these contracts account for 100% of the generating capacity of each of the facilities. Of the 946 megawatts under contract, approximately 830 megawatts currently are available to Florida Power. All commitments have been approved by the FPSC. Florida Power does not plan to increase the level of purchased power currently under contract.

The FPSC allows the capacity payments to be recovered through a capacity cost recovery clause, which is similar to, and works in conjunction with, energy payments recovered through the fuel adjustment clause.

Through the buy-out of the Tiger Bay purchased power contracts for $370 million, Florida Power reduced its long-term purchased power commitments by 20 percent. Florida Power recorded $350 million of the contract termination costs as a regulatory asset and wrote off $20 million of the contract termination costs in 1997. (See Note 9 contained herein.)

Florida Power incurred purchased power capacity costs totaling $292.3 million in 1997, $284 million in 1996 and $260.1 million in 1995. The following table shows minimum expected future capacity payments for purchased power commitments. Because the purchased power commitments have relatively long durations, the total present value of these payments using a 10% discount rate also is presented. These amounts assume that all units are brought into service as contracted and meet contract performance requirements:

	Purchased Power Capacity Payments		
(In millions)	Utilities	Cogenerators	Total
1998	$ 59	$ 206	$ 265
1999	60	215	275
2000	60	223	283
2001	33	230	263
2002	32	236	268
2003-2025	248	5,802	6,050
Total	$492	$6,912	$ 7,404
Total net present value			$ 2,573

The purchased power contracts with QFs employ separate pricing methodologies for capacity payments and energy payments. Florida Power has interpreted the pricing provision in these contracts to allow it to pay an as-available energy price rather than a higher firm energy price when the avoided unit upon which the applicable contract is based would not have been operated.

Four QFs filed suit against Florida Power over the contract payment terms. Florida Power entered into settlement agreements with three of the four QFs. Two of those agreements have been approved by the FPSC and the litigation has been dismissed. In September 1997, the FPSC reversed its original decision and voted to deny Florida Power's request to approve the third settlement agreement. As a result of the FPSC denial, the settlement expired by its own terms in October 1997. In December 1997, the state court action with the third cogenerator was set for trial in late 1998. Florida Power's dispute with the fourth cogenerator has been set for trial in federal court for late 1998, but no trial date has been set for a parallel contract dispute in state court. Management does not expect that the results of these legal actions will have a material impact on Florida Power's financial position, operations or liquidity.

MID-CONTINENT LIFE INSURANCE COMPANY (MID-CONTINENT) — A series of events in 1997 have significantly jeopardized Mid-Continent's ability to implement a plan to eliminate a projected reserve deficiency resulting in the impairment of Florida Progress' investment in Mid-Continent, its wholly owned life insurance subsidiary.

On April 14, 1997, the Commissioner received legal approval to temporarily seize control of the operations of Mid-Continent, and in May 1997, the Oklahoma County District Court granted the Insurance Commissioner's application to place Mid-Continent into receivership. The Insurance Commissioner had alleged that Mid-Continent's reserves were understated by more than $125 million, thus causing Mid-Continent to be statutorily impaired. The Insurance Commissioner further alleged that Mid-Continent had violated Oklahoma law relating to deceptive trade practices in connection with the sale of its "Extra Life" insurance policies and was not entitled to raise premiums, a key element to Mid-Continent's plan to address the projected reserve deficiency. While sustaining the receivership, the court also ruled that premiums could be raised. Both sides have appealed the decision to the Oklahoma Supreme Court. In December 1997, the Insurance Commissioner filed a lawsuit against Florida Progress and certain directors and officers making a number of allegations and seeking access to Florida Progress' assets to satisfy policyholder and creditor claims. Florida Progress believes that the Commissioner's lawsuit is without merit and intends to vigorously defend itself and the other defendants against these charges. The ultimate outcome of the matter cannot presently be determined. Accordingly, Florida Progress has made no provision for any loss.

Another element of Mid-Continent's plan to eliminate the projected reserve deficiency was to offer a new life insurance product. However, as a result of the Commissioner's actions, which resulted in Mid-Continent being placed in receivership, agents were reluctant to sell the new policy. This also prompted insurance commissioners in several states to enter cease and desist orders prohibiting Mid-Continent from writing new policies.

As a result of the Oklahoma Commissioner's efforts to block Mid-Continent from raising insurance premiums, his failure to offer any formal plan to eliminate the projected reserve deficiency, the legal proceedings, and the cease and desist orders, Florida Progress now believes the full amount of its $86.9 million investment in Mid-Continent at December 31, 1997 is impaired. Therefore, Florida Progress recorded a provision for loss on investment of $86.9 million in 1997. In addition, tax benefits of approximately $11 million related to the excess of the tax basis over the book value in the investment in Mid-Continent as of December 31, 1997, were not recorded because of uncertainties associated with the timing of a tax deduction. Florida Progress also recorded an accrual at December 31, 1997 for legal fees associated with defending its position in current Mid-Continent legal proceedings.

Mid-Continent's financial statements have been deconsolidated effective December 31, 1997. The investment will prospectively be accounted for under the cost method.

ADVANCED SEPARATION TECHNOLOGIES - Florida Progress sold its 80% interest in Advanced Separation Technologies to Calgon in December 1996 for $56 million in cash. Calgon filed a lawsuit in January 1998 alleging misstatement of AST's 1996 revenues, assets and liabilities, seeking damages and granting Calgon the right to rescind the sale. The lawsuit also accuses Florida Progress of failing to disclose flaws in AST's manufacturing process and a lack of quality control. No projection of an outcome or estimate of a potential liability, if any, can be determined at the date of issuance of these financial statements. Florida Progress intends to vigorously defend itself against this lawsuit.

CONSTRUCTION PROGRAM - Substantial commitments have been made in connection with Florida Progress' construction program. In 1998, Florida Power has projected construction expenditures of $294 million, primarily for electric plant and nuclear fuel. Electric Fuels has projected capital additions of $125 million in 1998, primarily for barges and towboats.

OFF-BALANCE SHEET RISK — Several of Florida Progress' subsidiaries are general partners in unconsolidated partnerships and joint ventures. Florida Progress or subsidiaries have agreed to support certain loan agreements of the partnerships and joint ventures. These credit risks are not material to the financial statements and Florida Progress considers these credit risks to be minimal, based upon the asset values supporting the partnership liabilities.

INSURANCE — Florida Progress and its subsidiaries utilize various risk management techniques to protect assets from risk of loss, including the purchase of insurance. Risk avoidance, risk transfer and self-insurance techniques are utilized depending on Florida Progress' ability to assume risk, the relative cost and availability of methods for transferring risk to third parties, and the requirements of applicable regulatory bodies.

Florida Power self-insures its transmission and distribution lines against loss due to storm damage and other natural disasters. Pursuant to a regulatory order, Florida Power is accruing $6 million annually to a storm damage reserve and may defer any losses in excess of the reserve.

Under the provisions of the Price Anderson Act, which limits liability for accidents at nuclear power plants, Florida Power, as an owner of a nuclear plant, can be assessed for a portion of any third-party liability claims arising from an accident at any commercial nuclear power plant in the United States. If total third-party claims relating to a single nuclear incident exceed $200 million (the amount of currently available commercial liability insurance), Florida Power could be assessed up to $79.3 million per incident, with a maximum assessment of $10 million per year.

Florida Power is a member of the Nuclear Electric Insurance, Ltd. ("NEIL"), an industry mutual insurer, which provides business interruption and extra expense coverage in the event of a major accidental outage at a covered nuclear power plant. Florida Power is subject to a retroactive premium assessment by NEIL under this policy in the event loss experience exceeds NEIL's available surplus. Florida Power's present maximum share of any such retroactive assessment is $2.7 million per policy year.

Florida Power also maintains nuclear property damage insurance and decontamination and decommissioning liability insurance totaling $2.1 billion. The first layer of $500 million is purchased in the commercial insurance market with the remaining excess coverage purchased from NEIL. Florida Power is self-insured for any losses that are in excess of this coverage. Under the terms of the NEIL policy, Florida Power could be assessed up to a maximum of $9.5 million in any policy year if losses in excess of NEIL's available surplus are incurred.

Florida Power has never been assessed under these nuclear indemnities or insurance policies.

CONTAMINATED SITE CLEANUP — Florida Progress is subject to regulation with respect to the environmental impact of its operations. Florida Progress' disposal of hazardous waste through third-party vendors can result in costs to clean up facilities found to be contaminated. Federal and state statutes authorize governmental agencies to compel responsible parties to pay for cleanup of these hazardous waste sites.

Florida Power and former subsidiaries of Florida Progress, whose properties were sold in prior years, have been identified by the EPA as PRPs at certain sites, including a coal gasification plant site in Sanford, Florida ("Sanford site") that Florida Power previously owned and operated. There are five parties, including Florida Power, that have been identified as PRPs at the Sanford site. Liability for the cleanup costs of these sites is joint and several.

Negotiations are underway with the EPA to define the extent of contamination that may be attributable to Florida Power's previous operation at the site. The discussions and resolution of liability for cleanup costs could cause Florida Power to increase its estimate of its liability for cleanup costs. Although estimates of any additional costs are not currently available, the outcome is not expected to have a material effect on Florida Progress' financial position, results of operations or liquidity.

In addition to these designated sites, there are other sites where affiliates may be responsible for additional environmental cleanup.

Florida Progress believes that its subsidiaries will not be required to pay a disproportionate share of the costs for cleanup of any of these sites. Florida Progress' best estimates indicate that its proportionate share of liability for cleaning up all sites ranges from $2.5 million to $7.5 million. It has reserved $4.7 million against these potential costs.

AGE DISCRIMINATION SUIT — Florida Power and Florida Progress have been served with an age discrimination lawsuit involving 116 former Florida Power employees and one current employee. While no dollar amount was requested in the lawsuit, each plaintiff seeks back pay, reinstatement or front pay through their projected dates of normal retirement, costs and attorneys' fees. In October 1996, the court approved an agreement between parties to provisionally certify this case as a class action suit under the Age Discrimination in Employment Act. Estimates of the potential liability associated with this lawsuit, if any, remain pending until the final decision on whether to certify the case as a class action suit has been made. A decision regarding the class action status is expected in 1998.

QUARTERLY FINANCIAL DATA

*THIS IS THE REVISED PAGE 73 PURSUANT TO A FORM 10-K/A-1 FILED ON JUNE 2, 1998.

FLORIDA PROGRESS CORPORATION
(Unaudited)

(In millions, except per share amounts)	Three Months Ended March 31	June 30	September 30	December 31
1997				
OPERATING RESULTS				
Revenues	$747.5	$797.3	$922.5	$848.3
Income (loss) from operations	95.0	37.8	165.9	(26.1)
Net income (loss)	42.0	6.3	81.6	(75.6)
DATA PER SHARE				
Earnings (loss) per common share	0.43	0.07	.84	(0.78)
Dividends per common share	.525	.525	.525	.525
Common stock price per share:				
High	32 7/8	31 5/8	33 5/16	39 1/4
Low	29 3/4	27 3/4	31 1/4	31 5/8
1996				
OPERATING RESULTS				
Revenues	$730.4	$773.6	$879.0	$774.9
Income from operations	107.2	125.0	189.3	60.9
Net income from continuing operations	48.3	58.7	98.1	45.6
Loss from discontinued operations	-	(25.0)	-	(1.3)
Net income	48.3	33.7	98.1	44.3
DATA PER SHARE				
Earnings:				
Continuing operations	.50	.61	1.01	.47
Discontinued operations	-	(.26)	-	(.01)
Consolidated	.50	.35	1.01	.46
Dividends per common share	.515	.515	.515	.515
Common stock price per share:				
High	36 3/8	34 3/4	35 1/8	34 1/2
Low	33	32 1/2	33 1/2	31 5/8

FLORIDA POWER CORPORATION
(Unaudited)

(In millions)	Three Months Ended March 31	June 30	September 30	December 31
1997				
Operating revenues	$553.8	$597.2	$706.9	$590.5
Net income	$41.6	$ 1.3	$76.3	$16.7
Earnings on common stock	$41.2	$ .9	$76.0	$16.3
1996				
Operating revenues	$547.3	$588.7	$694.7	$562.9
Net income	$45.2	$56.0	$93.9	$43.3
Earnings on common stock	$42.9	$53.9	$93.1	$42.7

The business of Florida Power is seasonal in nature and comparisons of earnings for the quarters do not give a true indication of overall trends and changes in Florida Power's operations. Effective December 31, 1997, Florida Progress deconsolidated the financial statements of Mid-Continent Life Insurance Company and established a provision for loss for the full amount of its investment. The deconsolidation has not been reflected in the consolidated financial statements of prior periods. In 1996, the divestiture of Echelon International Corporation is reflected in the loss from discontinued operations.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission File No.	Exact name of Registrant as specified in its charter, state of incorporation, address of principal executive offices, telephone	I.R.S. Employer Identification Number
1-8349	**FLORIDA PROGRESS CORPORATION** A Florida Corporation One Progress Plaza St. Petersburg, Florida 33701 Telephone (813) 824-6400	59-2147112
1-3274	**FLORIDA POWER CORPORATION** A Florida Corporation 3201 34th Street South St. Petersburg, Florida 33711 Telephone (813) 866-5151	59-0247770

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Registrant	Description of Class	Shares Outstanding at June 30, 1998
Florida Progress Corporation	Common Stock, without par value	97,046,179
Florida Power Corporation	Common Stock, without par value	100 (all of which were held by Florida Progress Corporation)

This combined Form 10-Q represents separate filings by Florida Progress Corporation and Florida Power Corporation. Florida Power makes no representations as to the information relating to Florida Progress' diversified operations.

FLORIDA POWER CORPORATION
FINANCIAL STATEMENTS

FLORIDA POWER CORPORATION
Statements of Income
(In millions)

	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
	(Unaudited)		(Unaudited)	
OPERATING REVENUES:				
Residential	$335.5	$306.3	$644.2	$597.0
Commercial	153.7	145.4	277.4	269.6
Industrial	55.2	55.1	103.0	107.0
Sales for resale	43.8	20.3	80.7	57.4
Other	75.6	70.1	123.7	120.0
	663.8	597.2	1,229.0	1,151.0
OPERATING EXPENSES:				
Operation:				
Fuel	135.9	118.8	245.1	213.7
Purchased power	110.8	116.8	209.8	244.0
Energy conservation cost	19.0	16.6	35.6	27.6
Operations and maintenance	116.2	110.7	218.6	213.1
Extended nuclear outage - O&M and replacement power costs	-	89.9	5.1	97.8
Depreciation and amortization	90.4	74.2	171.4	148.5
Taxes other than income taxes	51.4	48.6	100.9	96.7
	523.7	575.6	986.5	1,041.4
Income taxes:				
Currently payable	61.4	3.8	93.9	36.0
Deferred, net	(19.2)	(5.3)	(25.5)	(13.3)
Investment tax credits, net	(1.9)	(1.9)	(3.9)	(3.9)
	40.3	(3.4)	64.5	18.8
	564.0	572.2	1,051.0	1,060.2
OPERATING INCOME	99.8	25.0	178.0	90.8
OTHER INCOME AND DEDUCTIONS:				
Allowance for equity funds used during construction	2.2	1.4	4.4	2.7
Miscellaneous other expense, net	(.6)	.1	(.6)	(.9)
	1.6	1.5	3.8	1.8
INTEREST CHARGES				
Interest on long-term debt	29.0	22.4	59.6	44.7
Other interest expense	6.2	3.7	11.5	6.7
	35.2	26.1	71.1	51.4
Allowance for borrowed funds used during construction	(1.9)	(.9)	(3.6)	(1.7)
	33.3	25.2	67.5	49.7
NET INCOME	68.1	1.3	114.3	42.9
DIVIDENDS ON PREFERRED STOCK	.4	.4	.8	.8
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$67.7	$0.9	$113.5	$42.1

The accompanying notes are an integral part of these financial statements.

FLORIDA POWER CORPORATION
Balance Sheets
(In millions)

	June 30, 1998	December 31, 1997
ASSETS	(Unaudited)	
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$6,210.6	$6,166.8
Less - Accumulated depreciation	2,621.2	2,511.0
Accumulated decommissioning for nuclear plant	238.4	223.7
Accumulated dismantlement for fossil plants	129.5	128.5
	3,221.5	3,303.6
Construction work in progress	345.8	279.4
Nuclear fuel, net of amortization of $365.6 in 1998 and $356.7 in 1997	57.5	66.5
	3,624.8	3,649.5
Other property, net	34.7	33.2
	3,659.5	3,682.7
CURRENT ASSETS:		
Cash and equivalents	9.4	-
Accounts receivable, less reserve of $3.5 in 1998 and $3.2 in 1997	272.9	243.9
Inventories at average cost:		
Fuel	51.0	44.0
Materials and supplies	92.6	91.9
Underrecovery of fuel cost	39.6	34.5
Income tax receivable	-	13.5
Deferred income taxes	40.8	5.8
Other	32.6	32.2
	538.9	465.8
OTHER ASSETS:		
Nuclear plant decommissioning fund	295.9	266.7
Unamortized debt expense, being amortized over term of debt	38.6	25.0
Deferred purchased power contract termination costs	336.7	348.2
Other	143.5	112.4
	814.7	752.3
	$5,013.1	$4,900.8

The accompanying notes are an integral part of these financial statements.

FLORIDA POWER CORPORATION
Balance Sheets
(In millions)

	June 30, 1998	December 31, 1997
CAPITALIZATION AND LIABILITIES	(Unaudited)	
CAPITALIZATION:		
Common stock	$1,004.4	$1,004.4
Retained earnings	778.6	763.1
	1,783.0	1,767.5
CUMULATIVE PREFERRED STOCK:		
Without sinking funds	33.5	33.5
LONG-TERM DEBT	1,746.3	1,745.4
TOTAL CAPITAL	3,562.8	3,546.4
CURRENT LIABILITIES:		
Accounts payable	153.9	161.9
Accounts payable to associated companies	21.8	26.5
Customers' deposits	100.4	97.1
Income taxes payable	65.7	-
Accrued other taxes	51.2	7.9
Accrued interest	48.2	45.7
Other	32.1	59.2
	473.3	398.3
Notes payable	159.4	179.8
Current portion of long-term debt	1.6	1.5
	634.3	579.6
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	466.8	451.3
Unamortized investment tax credits	81.2	85.1
Other postretirement benefit costs	108.6	104.7
Other	159.4	133.7
	816.0	774.8
	$5,013.1	$4,900.8

The accompanying notes are an integral part of these financial statements.

FLORIDA POWER CORPORATION
Statements of Cash Flows
(In millions)

	Six Months Ended June 30, 1998	1997
	(Unaudited)	
OPERATING ACTIVITIES:		
Net income after dividends on preferred stock	$113.5	$42.1
Adjustments for noncash items:		
Depreciation and amortization	189.9	152.3
Extended nuclear outage - replacement power cost	-	70.2
Deferred income taxes and investment tax credits, net	(29.8)	(17.2)
Increase in accrued other postretirement benefit costs	3.9	3.7
Allowance for equity funds used during construction	(4.4)	(2.7)
Changes in working capital:		
Accounts receivable	(29.1)	(43.9)
Inventories	(7.7)	(5.8)
Underrecovery of fuel cost	(10.1)	(46.6)
Accounts payable	(8.0)	5.6
Accounts payable to associated companies	(4.7)	2.2
Income taxes payable	79.2	2.8
Accrued other taxes	43.3	38.1
Other	(21.6)	(4.0)
Other operating activities	9.4	5.8
	323.8	202.6
INVESTING ACTIVITIES:		
Construction expenditures	(125.1)	(151.8)
Allowance for borrowed funds used during construction	(3.6)	(1.7)
Additions to nonutility property	(4.8)	(1.7)
Proceeds from sale of properties	3.1	3.2
Other investing activities	(51.2)	(9.7)
	(181.6)	(161.7)
FINANCING ACTIVITIES:		
Issuance of long-term debt	144.1	-
Repayment of long-term debt	(158.6)	(20.6)
Dividends paid on common stock	(98.0)	(96.3)
Increase (decrease) in short-term debt	(20.3)	90.1
	(132.8)	(26.8)
NET INCREASE IN CASH AND EQUIVALENTS	9.4	14.1
Beginning cash and equivalents	-	-
ENDING CASH AND EQUIVALENTS	$9.4	$14.1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (net of amount capitalized)	$63.2	$55.8
Income taxes (net of refunds)	$15.2	$32.4

The accompanying notes are an integral part of these financial statements.

FLORIDA PROGRESS CORPORATION AND FLORIDA POWER CORPORATION
NOTES TO FINANCIAL STATEMENTS

1) As previously reported in their combined Form 8-K dated June 2, 1998, Florida Progress Corporation ("Florida Progress") and Florida Power Corporation ("Florida Power") amended the combined Form 10-Q of Florida Progress and Florida Power for the quarters ended June 30, 1997 and September 30, 1997 (the "second quarter 1997 Form 10-Q" and "third quarter 1997 Form 10-Q" respectively) and the combined Form 10-K of Florida Progress and Florida Power for the year ended December 31, 1997 (the "1997 Form 10-K") in response to comments received from the Securities and Exchange Commission ("SEC"). The SEC comments contended that Florida Power should have recognized the operations and maintenance ("O&M") costs associated with the extended outage of the Crystal River Nuclear Plant ("CR3") as those costs were incurred during 1997. In June 1997, Florida Power recorded a $72.4 million accrual for O&M costs that it expected to incur for the remaining six months of 1997. The accrual was based on commitments and obligations associated with outage-related work planned for the remainder of the year.

The financial results for the second, third and fourth quarters of 1997 have been restated to reflect the recognition of nuclear outage O&M costs as incurred. The change affected the financial results for the interim reporting periods but did not have any impact on the results of the fiscal year ended 1997. The following table details the restated and originally reported financial results for Florida Progress and Florida Power for the three and six months ended June 30, 1997:

(In millions, except per share amounts)	Three Months Ended June 30, 1997	Six Months Ended June 30, 1997
1997 as amended:		
Florida Progress		
Net income	$6.3	$48.3
Earnings per share-basic & fully diluted	.07	.50
Florida Power		
Net income	.9	42.1
1997 as originally reported:		
Florida Progress		
Net income (loss)	$(38.2)	$3.8
Earnings (loss) per share-basic & fully diluted	(.39)	.04
Florida Power		
Net income (loss)	(43.6)	(2.4)

2) In June 1998, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" which establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities on the Balance Sheet and measure those instruments at fair values. Florida Progress will be required to adopt this standard for financial statements issued beginning the first quarter of the year 2000. Florida Progress is currently evaluating the effect the standard would have on its financial statements.

3) In December 1997, Florida Power ended the three-year test period for residential revenue decoupling which was ordered by the Florida Public Service Commission ("FPSC") and began in January 1995. The difference between target revenues and actual revenues is included as a current asset on the balance sheet for the period ended December 31, 1997. The regulatory asset of $21.8 million, at December 31, 1997, will be recovered from customers over a two year period, ending April 2000, through the energy conservation cost recovery clause as directed by the FPSC decoupling order. Revenue decoupling increased residential revenues by $4.7 million and $12.2 million for the three and six month periods ended June 30, 1997.

4) **CONTINGENCIES**

PURCHASED POWER COMMITMENTS - The purchased power contracts with qualifying facilities ("QFs") employ separate pricing methodologies for capacity payments and energy payments. Florida Power has interpreted the pricing provision in these contracts to allow it to pay an as-available energy price rather than a higher firm energy price when the avoided unit upon which the applicable contract is based would not have been operated.

Four cogenerators filed individual suits in state court against Florida Power over contract payment terms, one of which also filed suit in Federal Court. Two of the suits have been settled, and the Federal case was dismissed, although the plaintiff has filed a motion for reconsideration. Currently trial dates are set for late 1998 and mid 1999 for the two remaining suits. Management does not expect the results of these legal actions will have a material impact on Florida Power's financial position, operations or liquidity.

OFF-BALANCE SHEET RISK - Several of Florida Progress' subsidiaries are general partners in unconsolidated partnerships and joint ventures. Florida Progress or its subsidiaries have agreed to support certain loan agreements of the partnerships and joint ventures. Those credit risks are not material to the financial statements of Florida Progress and are considered minimal, based upon the asset values supporting the liabilities of these entities.

MID-CONTINENT LIFE INSURANCE COMPANY -- A series of events in 1997 significantly jeopardized the ability of Mid-Continent Life Insurance Company ("Mid-Continent"), Florida Progress' wholly owned subsidiary, to implement a plan to eliminate a projected reserve deficiency, resulting in the impairment of Florida Progress' investment in Mid-Continent.

On April 14, 1997, the Insurance Commissioner of the State of Oklahoma ("Commissioner") received court approval to temporarily seize control of the operations of Mid-Continent, and in May 1997, the Oklahoma County District Court granted the Commissioner's application to place Mid-Continent into receivership. The Commissioner had alleged that Mid-Continent's reserves were understated by more than $125 million, thus causing Mid-Continent to be statutorily impaired. The Commissioner further alleged that Mid-Continent had violated Oklahoma law relating to deceptive trade practices in connection with the sale of its "Extra Life" insurance policies and was not entitled to raise premiums, a key element of Mid-Continent's plan to address the projected reserve deficiency. While sustaining the receivership, the court also ruled that premiums could be raised. Both sides appealed the decision to the Oklahoma Supreme Court, and that appeal is still pending.

Even though the appeal is still pending, the Oklahoma District Court continues to hear motions and conduct other proceedings relating to the receivership. At a hearing on June 17, 1998, the judge rejected both the Commissioner's and Mid-Continent's rehabilitation plans. The judge invited both parties to submit simplified plans that include premium increases. In the annual statement filed by the Commissioner on behalf of Mid-Continent, the estimated reserve deficiency was revised upward to $348 million. Florida Progress believes that this new figure is untenable and not based on sound actuarial principles.

In a ruling on July 17, 1998, the Court ordered the Commissioner to provide actuarial data to Mid-Continent. This information, which was previously withheld, will enable Mid-Continent to further develop rehabilitation plans. At the same time, the Judge denied a Florida Progress motion to disqualify Commissioner Crawford as a receiver due to conflict of interest.

In December 1997, the Commissioner filed a lawsuit against Florida Progress, certain of its directors and officers and certain former Mid-

Continent officers, making a number of allegations (as detailed in paragraph 10 under Item 3 "Legal Proceedings" in the 1997 Form 10-K), and seeking access to Florida Progress' assets to satisfy policyholder and creditor claims. On April 17, 1998, the court granted motions to dismiss the individual defendants, leaving Florida Progress as the sole remaining defendant in the lawsuit. Florida Progress believes the Commissioner's lawsuit is without merit, and intends to vigorously defend itself against these charges. The ultimate outcome of the matter cannot presently be determined. Accordingly, Florida Progress has made no provision for any loss for this matter.

As a result of the Commissioner's actions and other factors described under the heading "Mid-Continent Life Insurance Company" in Note 11 to the financial statements in the 1997 Form 10-K, Florida Progress believed the full amount of its $86.9 million investment in Mid-Continent at December 31, 1997 was impaired. Therefore, Florida Progress recorded a provision for loss on investment of $86.9 million in 1997. In addition, tax benefits of approximately $11 million related to the excess of the tax basis over the book value in the investment in Mid-Continent as of December 31, 1997, were not recorded because of uncertainties associated with the timing of a tax deduction. Florida Progress also recorded an accrual at December 31, 1997 for legal fees associated with defending its position in current Mid-Continent legal proceedings.

Mid-Continent's financial statements have been deconsolidated effective December 31, 1997. Prospectively, the investment will be accounted for under the cost method.

INSURANCE - Florida Progress and its subsidiaries utilize various risk management techniques to protect assets from risk of loss, including the purchase of insurance. Risk avoidance, risk transfer and self-insurance techniques are utilized depending on Florida Progress' ability to assume risk, the relative cost and availability of methods for transferring risk to third parties, and the requirements of applicable regulatory bodies.

Florida Power self-insures its transmission and distribution lines against loss due to storm damage and other natural disasters. Pursuant to an FPSC order, Florida Power is accruing $6 million annually to a storm damage reserve and may defer any losses in excess of the reserve.

Under the Price Anderson Act, which limits liability for accidents at nuclear power plants, Florida Power, as an owner of a nuclear plant, can be assessed for a portion of any third-party liability claims arising from an accident at any commercial nuclear power plant in the United States. If total third-party claims relating to a single nuclear incident exceed $200 million (the amount of currently available commercial liability insurance), Florida Power could be assessed up to $83.9 million per incident, with a maximum assessment of $10 million per year.

Florida Power is a member of the Nuclear Electric Insurance, Ltd. ("NEIL"), an industry mutual insurer, which provides business interruption and extra expense coverage in the event of a major accidental outage at a covered nuclear power plant. Florida Power is subject to a retroactive premium assessment by NEIL under this policy in the event loss experience exceeds NEIL's available surplus. Florida Power's present maximum share of any such retroactive assessment is $2.7 million per policy year.

Florida Power also maintains nuclear property damage insurance and decontamination and decommissioning liability insurance totaling $2.1 billion. The first layer of $500 million is purchased in the commercial insurance market with the remaining excess coverage purchased from NEIL. Florida Power is self-insured for any losses that are in excess of this coverage. Under the terms of the NEIL policy, Florida Power could be assessed up to a maximum of $9.5 million in any policy year if losses in excess of NEIL's available surplus are incurred.

Florida Power has never been assessed under these nuclear indemnities or insurance policies.

CONTAMINATED SITE CLEANUP - Florida Progress is subject to regulation with respect to the environmental effects of its operations. Florida Progress' disposal of hazardous waste through third-party vendors can result in costs to clean up facilities found to be contaminated. Federal and state statutes authorize governmental agencies to compel responsible parties to pay for cleanup of these hazardous waste sites.

Florida Power and former subsidiaries of Florida Progress, whose properties were sold in prior years, have been identified by the Environmental Protection Agency ("EPA") as potentially responsible parties ("PRPs") at certain sites, including a coal gasification plant site in Sanford, Florida ("Sanford site") that Florida Power previously owned and operated. There are five parties, including Florida Power, that have been identified as PRPs at the Sanford site. Liability for the cleanup costs at these sites is joint and several.

Negotiations are ongoing with the EPA to define the scope of the Risk Investigation and Feasibility Study ("RI/FS") as outlined in the Administrative Order on Consent. The PRP's, at the Sanford site, have agreed to spend up to $1.5 million to perform the RI/FS, and Florida Power is liable for 39.7% of those costs. Upon completion of the RI/FS, the EPA will advise the PRP's and Florida Power to what extent the contamination may be attributable to previous operations at the site. The RI/FS field work will be completed by the end of 1998 with a final Treatability Study report expected to be finalized by August 1999.

The discussions and resolution of liability for cleanup costs could cause Florida Power to increase its estimate of its liability for those costs. Although estimates of any additional costs are not currently available, the outcome is not expected to have a material effect on Florida Progress' financial position, results of operations or liquidity.

In addition to these designated sites, there are other sites where affiliates may be responsible for additional environmental cleanup.

Florida Progress believes that its subsidiaries will not be required to pay a disproportionate share of the costs for cleanup of these sites. Florida Progress' current estimates indicate that its proportionate share of liability for cleaning up all sites ranges from $2.5 million to $7.5 million. It has reserved $4.7 million against these potential costs.

ADVANCED SEPARATION TECHNOLOGIES ("AST")- In 1996, Florida Progress sold its 80% interest in AST to Calgon Carbon Corporation ("Calgon") for $56 million cash. Calgon filed a lawsuit in January 1998, and amended it in April 1998, alleging misstatement of AST's 1996 revenues, assets and liabilities, seeking damages and the right to rescind the sale. The lawsuit also accuses Florida Progress of failing to disclose flaws in AST's manufacturing process and a lack of quality control. Florida Progress intends to vigorously defend itself against this lawsuit. No projection of an outcome or estimate of a potential liability, if any, can be determined at this time.

AGE DISCRIMINATION SUIT - Florida Power and Florida Progress have been named defendants in an age discrimination lawsuit involving 112 former Florida Power employees. While no dollar amount was requested, each plaintiff seeks back pay, reinstatement or front pay through their projected dates of normal retirement, costs and attorneys' fees. In October 1996, the court approved an agreement to provisionally certify this case as a class action suit under the Age Discrimination in Employment Act. Estimates of the potential liability associated with this lawsuit cannot be made until the final decision on whether to certify the case as a class action suit has been made. A decision is not expected until late 1998.

4) In the opinion of management, the accompanying financial statements include all adjustments deemed necessary to summarize fairly and reflect the financial position and results of operations of Florida Progress and Florida Power for the interim periods presented. Quarterly results are not necessarily indicative of results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto in the 1997 Form 10-K.

Exhibit B(1)

FLORIDA POWER CORPORATION
PROJECTED SOURCES AND USES OF FUNDS
(In Millions)

	12 Months Ending December 31, 1999
OPERATING ACTIVITIES	$ 574.4
INVESTING ACTIVITIES:	
Construction Expenditures	(263.2)
Other Property Additions	(3.2)
Other Investing Activities	(20.0)
Total	(286.4)
FINANCING ACTIVITIES:	
Long-Term Debt Repayments	(91.6)
Dividends Paid on Common Stock	(199.7)
Increase (Decrease) in Short-Term Debt	3.1
Total	(288.2)
TOTAL INCREASE (DECREASE) IN CASH	$ (0.2)

NOTE: The possible refunding and tender offer activity has not been scheduled in this worksheet. If this activity had been scheduled, it would have been presented under the category of Financing Activities as an additional source line and an additional use line of equal amounts, but opposite signs. The net effect on total Financing Activities would be zero.

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Exhibit B(2)

FLORIDA POWER CORPORATION
PRELIMINARY CONSTRUCTION EXPENDITURES FOR 1999
(In Millions)

BUDGET CLASSIFICATION	PRELIMINARY BUDGET
PRODUCTION PLANT	
Nuclear Production	$ 21.6
Fossil/Other Production	25.9
New Steam Generation	1.3
TOTAL PRODUCTION PLANT	48.8
TRANSMISSION & SUBSTATIONS	
Transmission Lines	16.7
Transmission Substations	13.9
Distribution Substations	18.6
TOTAL TRANSMISSION & SUBSTATIONS	49.2
DISTRIBUTION LINES & SERVICES	
Overhead/Underground Lines and Services	84.9
Consumer Meters	3.1
Transformers	11.8
TOTAL DISTRIBUTION LINES & SERVICES	99.8
GENERAL PLANT	
Other General Plant	10.7
Transportation Equipment	3.4
Communications Equipment	7.4
Land and Structures	2.4
Computer Hardware and Software	6.0
TOTAL GENERAL PLANT	29.9
SUB-TOTAL ELECTRIC PLANT	227.7
Nuclear Fuel	35.5
TOTAL LESS AFUDC	$ 263.2

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Exhibit C

FLORIDA POWER CORPORATION
CAPITAL STOCK AND LONG-TERM DEBT
As Of August 31, 1998

Title of Class	Shares Authorized	Shares Outstanding	Amount Outstanding
Common Stock without par value	60,000,000	100[1]	N/A
Cumulative Preferred Stock (Par Value $100):			
4.00% Series	40,000	39,980	$ 3,998,000
4.40% Series	75,000	75,000	7,500,000
4.60% Series	40,000	39,997	3,999,700
4.75% Series	80,000	80,000	8,000,000
4.58% Series	100,000	99,990	9,999,000
Total Cumulative Preferred Stock Outstanding			$ 33,496,700

First Mortgage Bonds:	Amount Outstanding
6-1/2% Series, due 1999	75,000,000
7-3/8% Series, due 2002	50,000,000
7-1/4% Series, due 2002	50,000,000
6-1/8% Series, due 2003	70,000,000
6% Series, due 2003	110,000,000
6-7/8% Series, due 2008	80,000,000
8% Series, due 2022	150,000,000
7% Series, due 2023	100,000,000
Total First Mortgage Bonds Outstanding	$ 685,000,000

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[1] All of the Company's outstanding shares of common stock are owned beneficially and of record by the Company's parent, Florida Progress Corporation.

Exhibit C

FLORIDA POWER CORPORATION
CAPITAL STOCK AND LONG-TERM DEBT
As Of August 31, 1998

	Amount Outstanding
Pollution Control Revenue Bonds:	
7.20% Pinellas, due 2014	$ 32,200,000
6.35% Citrus, due 2022	90,000,000
6.35% Pasco, due 2022	10,115,000
6-5/8% Citrus, due 2027	108,550,000
Total Pollution Control Revenue Bonds Outstanding	240,865,000
Medium-Term Notes:	
6.67%, due 2008	25,250,000
6.21%, due 1999	15,000,000
6.33%, due 2000	75,000,000
6.47%, due 2001	80,000,000
6.54%, due 2002	30,000,000
6.62%, due 2003	35,000,000
6.69%, due 2004	40,000,000
6.72%, due 2005	45,000,000
6.77%, due 2006	45,000,000
6.81%, due 2007	85,000,000
6.75% due 2028	150,000,000
Total Medium-Term Notes Outstanding	625,250,000
Commercial Paper (backed by long-term credit agreement)	152,000,000
Total Long-Term Debt Outstanding:	$ 1,703,115,000

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FLORIDA POWER CORPORATION
FPSC APPLICATION FOR AUTHORITY
TO ISSUE AND SELL SECURITIES DURING 1999

(In Millions)

Long-term authority required:	
Commercial paper backed by, or borrowings under, the Company's long-term credit agreements	**$400.0**
Total other long-term financing authority required	**$910.0**
Total short-term financing authority required:	**$500.0**

POSSIBLE LONG-TERM FINANCING ACTIVITY DETAIL (1)

Five-year, long-term revolving credit agreement (or CP backed thereby)		**$200.0**	
Long-term credit agreement (or CP backed thereby) for self insurance or other general corporate purposes		**200.0**	
CP backed by, or borrowings under, the Company's long-term credit agreements			***$400.0***
Issue FMBs, MTNs, or other securities and debt obligations to refund the following FMBs:			
7-3/8% Series FMBs due 2002	**$50.0**		
7-1/4% Series FMBs due 2002	**50.0**	**$100.0**	
Issue FMBs, MTNs, or other securities and debt obligations for tender offers for, the defeasance of, or otherwise refunding the following:			
8% Series FMBs due 2022		**150.0**	
Issue trust preferred securities		**250.0**	
Issue pollution control revenue bonds		**35.0**	
Issue FMBs, MTNs or other securities and debt obligations to pay off year-end 1998 CP (2)		**371.6**	
Rounding to simplify reporting		**3.4**	
Other long-term financing authority required			***$910.0***

FLORIDA POWER CORPORATION
FPSC APPLICATION FOR AUTHORITY
TO ISSUE AND SELL SECURITIES DURING 1999
(In Millions)

POSSIBLE SHORT-TERM FINANCING ACTIVITY DETAIL (1)(3)

364-day, short-term revolving credit agreement (or CP backed thereby)	**$300.0**
Other securities and debt obligations, such as borrowings from banks	**200.0**
Total short-term financing authority required	**$500.0**

1) These proposed transactions are subject to periodic review and may change due to market conditions or other events that may effect Company business, but at no time will the sum of the transactions exceed the authority requested by this application.

2) The Company assumes that a change in market conditions or the Company's current assumptions would warrant replacing CP at its year end 1998 balance.

3) This short-term financing shall be in addition to and in excess of the authority conferred on the Company by Section 366.04, Florida Statutes, to issue short-term securities aggregating not more than five percent of the par value of the Company's other outstanding securities.

FMB = First Mortgage Bond

MTN = Medium-Term Note

CP = Commercial Paper

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Exhibit E

FLORIDA POWER CORPORATION
DETAIL OF POSSIBLE REFUNDINGS AND TENDER OFFERS
(In Millions)

Series	Issue Date	Premium at 01/01/99		Principal Amount
REFUNDINGS				
7-3/8% Series FMBs due 2002	06/01/72	100.93%	$	50.0
7-1/4% Series FMBs due 2002	11/01/72	100.86%		50.0
Total of Possible Refundings			$	100.0
TENDER OFFERS OR DEFEASANCE				
8% Series FMBs due 2022	12/15/92	(1)	$	150.0
Total of Possible Tender Offers or Defeasance			$	150.0

---

(1) This series is not redeemable at the Company's option in 1999, but the Company may effect a tender offer for, or the defeasance of the series at a yet to be determined price.

FMB = First Mortgage Bond

MTN = Medium-Term Note

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