Florida Power
CORPORATION

ORIGINAL

Douglas E. Wentz
Director, Transactions Counsel Group
and Assistant Secretary

October 7, 1999

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

991925-EI

Re: Application of Florida Power Corporation for Authority to Issue and Sell Securities during the Twelve Months Ending December 31, 2000, Pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Admin. 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		application.doc	MS Word
Exhibit A	Form 10-K	10k.doc	MS Word
	Form 10-Q	10q.doc	MS Word
Exhibit B		exhibit-b1.doc	MS Word
Exhibit C		exhibit-c1-2.doc	MS Word
Exhibit D		exhibitd.xls	Excel
Exhibit E		exhibit-e.doc	MS Word

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 and stamped envelope.

Very truly yours,

Douglas E. Wentz

Douglas E. Wentz

Enclosures
cc: Jack Shreve, Esq. (with enclosure)
P:/DWentz/psc.ltr

DOCUMENT NUMBER-DATE
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DOCKET NO. 991525-EI

Original

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, 2000

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 4, 1999

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, 2000 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 2000 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) $850 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 2000 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), Florida Administrative Code, 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 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, (herein called "Florida Progress"). The Company has no other stock or debt owned by affiliated corporations. See paragraph (10) hereof.

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

(5) The transactions that the Company may enter into during 2000 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 2000 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. In addition, the Company seeks authority to enter into forward refunding or forward swap contracts during 2000 in connection with outstanding pollution control refunding revenue bonds which are not currently callable.

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 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 $200 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 1999, and the five-year facility has been extended to its current expiration date in November 2003. 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 $400 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 facility be extended from November 16, 1999 to November 15, 2000. The Company is evaluating the extension of the five-year facility for an additional year to November 2004. 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. However, 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 2000 in its Consummation Report to be filed with the Commission not later than 90 days after the close of the 2000 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 2000 is $400 million outstanding at any time of commercial paper backed by, or borrowings under, the Company's Long-Term Credit Agreements, and $850 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 given time during 2000 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 2000 calendar year to report any securities issued during that year.

(5)(c) On September 30, 1999, 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 7.83%.

2. The interest rate on 10-year A+/A1 rated medium-term notes was about 7.34%.

3. The interest rate on five-year A+/A1 rated medium-term notes was about 7.02%.

4. The interest rate (on a bond equivalent basis) for 30-day commercial paper sold through dealers was about 5.40%.

5. The prime interest rate was 8.25%.

The actual interest rates to be paid by the Company during 2000 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 2000 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. The forward refunding contracts would be for the purpose of refunding up to $240.9 million of pollution control refunding revenue bonds which were issued on the Company's behalf and become callable in June 2001, January 2002 and August 2002. These pollution control bonds include the following series: 7.20% Pinellas County due December 2014 ($32,200,000), 6.35% Citrus County due February 2022 ($90,000,000), 6.35% Pasco County due February 2022 ($10,115,000) and 6.625% Citrus County due January 2027 ($108,550,000). Under federal tax law, pollution control revenue bonds cannot be refunded with tax-exempt bonds issued more than 90 days prior to the redemption or retirement of the outstanding issue.

However, through a forward refunding contract, the Company could lock in prevailing tax-exempt fixed rates for refunding pollution control revenue bonds which would be issued 90 days prior to the first call date of the outstanding issue. Alternatively, the Company could enter into a forward swap contract, to become effective on the first call date of the outstanding issue, to lock in prevailing tax-exempt fixed rates. Under future market conditions, it may be economical to enter into forward refunding or forward swap contracts, and any anticipated savings generated by such forward transactions would be spread over the respective lives of the series of pollution control bonds either refunded or swapped.

A more detailed statement of the Projected Sources and Uses of Funds during 2000 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 2000 Construction Budget is not yet available, the Company's most recently approved construction expenditures forecast excluding Allowance for Funds Used During Construction ("AFUDC") for 2000 is approximately $283.1 million. A detailed listing of this 2000 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 2000, the Company is considering the possibility of a tender offer for, or the defeasance of, two series of the Company's first mortgage bonds totaling $250 million, depending on market conditions. 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) Except as set forth below, 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, a public utility holding company. Florida Progress 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.

On August 23, 1999, Florida Progress announced that it entered into an Agreement and Plan of Exchange with Carolina Power & Light Company ("CP&L") and CP&L Holdings, Inc., a wholly owned subsidiary of CP&L ("Holdco"). Under the terms of the Agreement, all the outstanding shares of common stock of Florida Progress would be acquired by Holdco in a statutory share exchange. The transaction has been approved by the Boards of Directors of Florida Progress and CP&L, but consummation of the exchange is subject to the satisfaction or waiver of certain closing conditions, including the approval of the shareholders of Florida Progress and Holdco, and the approval or regulatory review by certain state and Federal government agencies. Each of CP&L and Florida Progress have agreed to certain undertakings and limitations regarding the conduct of their respective businesses prior to the closing of the transaction. The transaction is expected to be completed by September 2000. For further information concerning this transaction, see (i) the combined Form 8-K of Florida Progress and the Company dated August 23, 1999, as filed with the SEC on August 24, 1999, and (ii) the combined Form 8-K of Florida Progress and the Company dated August 30, 1999, as filed with the SEC on August 30, 1999.

(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, 1998, and filed with the SEC in file no. 59-0247770 on March 19, 1999.

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, 1999, and filed with the SEC in file no. 59-0247770 on August 11, 1999.

Exhibit B(1) — Projected Sources and Uses of Funds Statement for 2000.

Exhibit B(2) — Preliminary Construction Expenditures for 2000.

Exhibit C — Capital Stock and Funded Debt of the Company as of August 31, 1999.

Exhibit D — Financing Activity Detail

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, 2000, and more specifically, to order that:

(a) Florida Power Corporation's application to issue and sell securities during the twelve months ending December 31, 2000, 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 2000, 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) $850 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 2000 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 2000 calendar year.

Respectfully submitted this
4th day of October, 1999

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

Pamela A. Saari
Treasurer

STATE OF FLORIDA)
)
COUNTY OF PINELLAS)

The foregoing instrument was acknowledged before me this 4th day of October, 1999, by John Scardino, Jr. and Pamela A. Saari, who are personally known to me and who did take an oath.

(Seal)

Ann Michaud
Signature
Ann Michaud
Printed Name

Ann Michaud
Notary Public, State of Florida
Commission No. CC 656791
My Commission Exp. 07/01/2001
1-800-3-NOTARY - Fla. Notary Service & Bonding Co.

Exhibit A(1)

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, 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 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 (727) 824-6400	59-2147112
1-3274	**FLORIDA POWER CORPORATION** A Florida Corporation One Progress Plaza St. Petersburg, Florida 33701 Telephone (727) 820-5151	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. [ ] (continued)

The aggregate market value of the voting stock held by non-affiliates of Florida Progress Corporation as of December 31, 1998 was $4,288,659,140 (determined by subtracting the number of shares held by directors and executive officers of Florida Progress Corporation from the total number of shares outstanding, then multiplying the difference times the closing sale price from the New York Stock Exchange Composite Transactions).

The aggregate market value of the voting stock held by non-affiliates of Florida Power Corporation as of February 28, 1999 was $-0-. As of February 28, 1999, there were issued and outstanding 100 shares of Florida Power Corporation's common stock, without par value, all of which were held, beneficially and of record, by Florida Progress Corporation.

The number of shares of Florida Progress Corporation common stock without par value outstanding as of December 31, 1998 was 97,336,826.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for Florida Progress Corporation dated March 11, 1999, relating to the 1999 Annual Meeting of Shareholders, are incorporated by reference in Part III hereof.

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

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, 1998 and 1997, and the related consolidated statements of income, cash flows, and common equity and comprehensive income for each of the years in the three-year period ended December 31, 1998. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, 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 LLP

KPMG LLP
St. Petersburg, Florida

January 25, 1999

FLORIDA PROGRESS CORPORATION
Consolidated Statements of Income
For the years ended December 31, 1998, 1997 and 1996
(In millions, except per share amounts)

	1998	1997	1996
REVENUES:			
Electric utility	$2,648.2	$2,448.4	$2,393.6
Diversified	972.1	868.0	764.3
	3,620.3	3,316.4	3,157.9
EXPENSES:			
Electric utility:			
Fuel	595.7	458.1	409.7
Purchased power	433.8	490.6	531.6
Energy conservation cost	79.6	67.0	62.6
Operation and maintenance	471.6	422.3	413.4
Extended nuclear outage - O&M and replacement power costs	5.1	173.3	-
Depreciation	347.1	325.9	324.2
Taxes other than income taxes	203.6	193.6	183.6
	2,136.5	2,130.8	1,925.1
Diversified:			
Cost of sales	827.2	753.9	642.9
Provision for loss on coal properties	-	-	40.9
Loss related to life insurance subsidiary	-	97.6	-
Other	56.3	60.4	66.6
	883.5	911.9	750.4
INCOME FROM OPERATIONS	600.3	273.7	482.4
INTEREST EXPENSE AND OTHER:			
Interest expense	187.1	158.7	135.9
Allowance for funds used during construction	(16.9)	(9.7)	(7.5)
(Gain) on sale of business	-	-	(44.2)
Other expense (income), net	(.2)	4.0	1.6
	170.0	153.0	85.8
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	430.3	120.7	396.6
Income taxes	148.6	66.4	145.9
INCOME FROM CONTINUING OPERATIONS	281.7	54.3	250.7
DISCONTINUED OPERATIONS, NET OF INCOME TAXES	-	-	(26.3)
NET INCOME	$ 281.7	$ 54.3	$ 224.4
AVERAGE SHARES OF COMMON STOCK OUTSTANDING	97.1	97.1	96.8
EARNINGS PER AVERAGE COMMON SHARE:			
Continuing operations	$ 2.90	$ .56	$ 2.59
Discontinued operations	-	-	(.27)
	$ 2.90	$ .56	$ 2.32

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

FLORIDA PROGRESS CORPORATION
Consolidated Balance Sheets
December 31, 1998 and 1997
(Dollars in millions)

	1998	1997
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$6,307.8	$6,166.8
Less: Accumulated depreciation	2,716.0	2,511.0
Accumulated decommissioning for nuclear plant	254.8	223.7
Accumulated dismantlement for fossil plants	130.7	128.5
	3,206.3	3,303.6
Construction work in progress	378.3	279.4
Nuclear fuel, net of amortization of $377.2 in 1998 and $356.7 in 1997	45.9	66.5
Net electric utility plant	3,630.5	3,649.5
Other property, net of depreciation of $234.6 in 1998 and $219.3 in 1997	560.1	437.7
	4,190.6	4,087.2
CURRENT ASSETS:		
Cash and equivalents	2.5	3.1
Accounts receivable, net	413.4	373.7
Inventories, primarily at average cost:		
Fuel	69.8	77.6
Utility materials and supplies	83.3	91.9
Diversified materials	137.0	126.8
Underrecovered utility fuel costs	-	34.5
Income taxes receivable	23.4	16.8
Deferred income taxes	55.9	5.8
Prepayments and other	68.8	45.1
	854.1	775.3
DEFERRED CHARGES AND OTHER ASSETS:		
Costs deferred pursuant to regulation:		
Deferred purchase power contract termination costs	321.0	348.2
Other	113.6	126.4
Investments in nuclear decommissioning fund	332.1	266.7
Goodwill	139.8	55.2
Joint ventures and partnerships	71.5	54.6
Other	138.1	46.4
	1,116.1	897.5
	$6,160.8	$5,760.0

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

FLORIDA PROGRESS CORPORATION
Consolidated Balance Sheets
December 31, 1998 and 1997
(Dollars in millions)

	1998	1997
CAPITAL AND LIABILITIES		
COMMON STOCK EQUITY:		
Common stock without par value, 250,000,000 shares authorized, 97,336,826 shares outstanding in 1998 and 97,062,954 in 1997	$1,221.1	$1,209.0
Retained earnings	640.9	567.0
	1,862.0	1,776.0
CUMULATIVE PREFERRED STOCK OF FLORIDA POWER:		
Without sinking funds	33.5	33.5
LONG-TERM DEBT	2,250.4	2,377.8
TOTAL CAPITAL	4,145.9	4,187.3
CURRENT LIABILITIES:		
Accounts payable	297.9	253.2
Customers' deposits	104.1	97.1
Taxes payable	10.1	12.0
Accrued interest	70.4	56.8
Overrecovered utility fuel costs	22.2	-
Other	85.8	74.8
	590.5	493.9
Notes payable	236.2	214.8
Current portion of long-term debt	145.9	15.2
	972.6	723.9
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	595.4	471.2
Unamortized investment tax credits	77.8	85.7
Other postretirement benefit costs	116.1	107.4
Other	253.0	184.5
	1,042.3	848.8
COMMITMENTS AND CONTINGENCIES (Note 11)		
	$6,160.8	$5,760.0

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

FLORIDA PROGRESS CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 1998, 1997 and 1996

(In millions)

	1998	1997	1996
OPERATING ACTIVITIES:			
Income from continuing operations	$ 281.7	$ 54.3	$250.7
Adjustments for noncash items:			
Depreciation and amortization	424.6	364.2	366.7
Extended nuclear outage - replacement power cost	-	73.3	-
Provision for loss on investment in life insurance subsidiary	-	86.9	-
(Gain) on sale of business	-	-	(44.2)
Provision for loss on coal properties	-	-	40.9
Deferred income taxes and investment tax credits, net	44.8	(30.7)	(56.6)
Increase in accrued post-employment benefit costs	8.7	8.6	15.5
Changes in working capital, net of effects from acquisition or sale of businesses:			
Accounts receivable	(2.5)	(108.3)	35.4
Inventories	51.1	2.2	(10.9)
Overrecovery (underrecovery) of fuel cost	51.7	(33.1)	(82.3)
Accounts payable	17.8	58.3	21.6
Taxes payable	(8.2)	(47.1)	21.0
Other	3.1	1.2	(13.5)
Other operating activities	5.1	12.8	26.6
Cash provided by continuing operations	877.9	442.6	570.9
Cash used by discontinued operations	-	-	(8.9)
	877.9	442.6	562.0
INVESTING ACTIVITIES:			
Property additions (including allowance for borrowed funds used during construction)	(543.3)	(513.6)	(264.0)
Acquisition of businesses	(206.6)	(32.7)	(53.8)
Cogeneration facility acquisition and contract termination costs	-	(445.0)	-
Proceeds from sales of properties and businesses	40.6	24.3	61.1
Proceeds from sale and leaseback	153.0	-	-
Investing activities of discontinued operations	-	-	56.5
Other investing activities	(129.3)	(63.7)	(107.4)
	(685.6)	(1,030.7)	(307.6)
FINANCING ACTIVITIES:			
Issuance of long-term debt	259.1	482.8	178.0
Repayment of long-term debt	(275.1)	(34.9)	(190.4)
Increase (decrease) in commercial paper with long-term support	-	130.6	(15.3)
Redemption of preferred stock	-	-	(106.4)
Sale of common stock	12.7	-	18.5
Dividends paid on common stock	(207.8)	(203.8)	(199.5)
Increase in short-term debt	21.4	210.8	4.1
Financing activities of discontinued operations	-	-	61.5
Other financing activities	(3.2)	.5	(4.0)
	(192.9)	586.0	(253.5)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(.6)	(2.1)	.9
Beginning cash and equivalents	3.1	5.2	4.3
ENDING CASH AND EQUIVALENTS	$ 2.5	$ 3.1	$ 5.2
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	$ 159.7	$142.7	$128.7
Income taxes (net of refunds)	$ 110.4	$141.7	$189.3

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

FLORIDA PROGRESS CORPORATION
Consolidated Statements of Common Equity and Comprehensive Income
For the years ended December 31, 1998, 1997 and 1996
(Dollars in millions, except per share amounts)

	Total	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income
Balance, December 31, 1995	$2,078.1	$1,187.6	$ 888.4	$ 2.1
Net income	224.4		224.4	
Common stock issued - 586,555 shares	20.7	20.7		
Echelon International stock dividend	(194.5)		(194.5)	
Cash dividends on common stock ($2.06 per share)	(199.5)		(199.5)	
Unrealized gain on marketable securities	(2.7)			(2.7)
Preferred stock redeemed - 1,050,000 shares	(2.3)		(2.3)	
Balance December 31, 1996	1,924.2	1,208.3	716.5	(.6)
Net income	54.3		54.3	
Common stock issued - 55,772 shares	.7	.7		
Cash dividends on common stock ($2.10 per share)	(203.8)		(203.8)	
Reversal of unrealized loss on marketable securities due to deconsolidation	.6			.6
Balance, December 31, 1997	1,776.0	1,209.0	567.0	-
Net income	281.7		281.7	
Common stock issued - 273,872 shares	12.1	12.1		
Cash dividends on common stock ($2.14 per share)	(207.8)		(207.8)	
Balance, December 31, 1998	$1,862.0	$1,221.1	$640.9	$ -

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

FLORIDA POWER CORPORATION
Statements of Income
For the years ended December 31, 1998, 1997 and 1996
(In millions)

	1998	1997	1996
OPERATING REVENUES:	$2,648.2	$2,448.4	$2,393.6
OPERATING EXPENSES:			
Operation:			
Fuel used in generation	595.7	458.1	409.7
Purchased power	433.8	490.6	531.6
Energy Conservation Cost Recovery	79.6	67.0	62.6
Operations and maintenance	471.6	422.3	413.4
Extended nuclear outage - O&M and replacement fuel costs	5.1	173.3	-
Depreciation	347.1	325.9	324.2
Taxes other than income taxes	203.6	193.6	183.6
Income taxes	140.3	69.9	135.8
	2,276.8	2,200.7	2,060.9
OPERATING INCOME	371.4	247.7	332.7
OTHER INCOME AND DEDUCTIONS:			
Allowance for equity funds used During construction	7.5	5.4	4.6
Miscellaneous other expense, net	(1.7)	(4.2)	(3.4)
	5.8	1.2	1.2
INTEREST CHARGES			
Interest on long-term debt	115.6	102.4	86.6
Other interest expense	20.9	14.9	11.8
	136.5	117.3	98.4
Allowance for borrowed funds used during construction	(9.4)	(4.3)	(2.9)
	127.1	113.0	95.5
NET INCOME	250.1	135.9	238.4
DIVIDENDS ON PREFERRED STOCK	1.5	1.5	5.8
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$248.6	$134.4	$232.6

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

FLORIDA POWER CORPORATION
Balance Sheets
For the years ended December 31, 1998, and 1997
(Dollars in millions)

	1998	1997
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$6,307.8	$6,166.8
Less - Accumulated depreciation	2,716.0	2,511.0
Accumulated decommissioning for nuclear plant	254.8	223.7
Accumulated dismantlement for fossil plants	130.7	128.5
	3,206.3	3,303.6
Construction work in progress	378.3	279.4
Nuclear fuel, net of amortization of $377.2 in 1998 and $356.7 in 1997	45.9	66.5
	3,630.5	3,649.5
Other property, net	11.5	33.2
	3,642.0	3,682.7
CURRENT ASSETS:		
Accounts receivable, less reserve of $3.8 in 1998 and $3.2 in 1997	206.0	243.9
Inventories at average cost:		
Fuel	48.4	44.0
Materials and supplies	83.3	91.9
Underrecovered utility fuel cost	-	34.5
Income tax receivable	16.0	13.5
Deferred income taxes	56.0	5.8
Prepaid and other	53.5	32.2
	463.2	465.8
DEFERRED CHARGES AND OTHER ASSETS:		
Costs deferred pursuant to regulation:		
Deferred purchased power contract termination costs	321.0	348.2
Other	113.6	126.4
Nuclear plant decommissioning fund	332.1	266.7
Other	56.2	11.0
	822.9	752.3
	$4,928.1	$4,900.8

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

FLORIDA POWER CORPORATION
Balance Sheets
For the years ended December 31, 1998, and 1997
(Dollars in millions)

	1998	1997
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Common stock	$1,004.4	$1,004.4
Retained earnings	815.7	763.1
	1,820.1	1,767.5
CUMULATIVE PREFERRED STOCK:		
Without sinking funds	33.5	33.5
LONG-TERM DEBT	1,555.1	1,745.4
TOTAL CAPITAL	3,408.7	3,546.4
CURRENT LIABILITIES:		
Accounts payable	173.0	161.9
Accounts payable to associated companies	27.2	26.5
Customers' deposits	104.1	97.1
Accrued other taxes	6.3	7.9
Accrued interest	55.8	45.7
Overrecovered utility fuel cost	22.2	-
Other	51.8	59.2
	440.4	398.3
Notes payable	47.3	179.8
Current portion of long-term debt	91.6	1.5
	579.3	579.6
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	563.2	451.3
Unamortized investment tax credits	77.2	85.1
Other postretirement benefit costs	112.9	104.7
Other	186.8	133.7
	940.1	774.8
	$4,928.1	$4,900.8

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

FLORIDA POWER CORPORATION
Statements of Cash Flows
For the years ended December 31, 1998, 1997 and 1996
(In millions)

	1998	1997	1996
OPERATING ACTIVITIES:			
Net income after dividends on preferred stock	$ 248.6	$ 134.4	$ 232.6
Adjustments for noncash items:			
Depreciation and amortization	382.7	333.8	341.1
Extended nuclear outage - Replacement power costs	-	73.3	-
Deferred income taxes and investment tax credits, net	36.5	(15.2)	(32.8)
Increase in accrued other postretirement benefit costs	8.2	8.3	14.9
Allowance for equity funds used during construction	(7.5)	(5.4)	(4.6)
Changes in working capital:			
Accounts receivable	37.9	(69.2)	16.2
Inventories	4.2	6.7	(.5)
Overrecovery (underrecovery) of fuel cost	51.7	(33.1)	(82.3)
Accounts payable	11.1	46.4	25.7
Accounts payable to associated companies	.7	5.3	(3.5)
Taxes payable	(4.2)	(26.0)	(.8)
Other	(11.6)	12.3	(12.1)
Other operating activities	20.7	(38.8)	3.8
	779.0	432.8	497.7
INVESTING ACTIVITIES:			
Construction expenditures	(310.2)	(387.2)	(217.3)
Allowance for borrowed funds used during construction	(9.4)	(4.3)	(2.9)
Additions to non-utility property	(6.4)	(3.5)	(2.7)
Acquisition cogeneration facility and Payment of contract termination costs	-	(445.0)	-
Proceeds from sale of properties	12.2	19.7	5.5
Other investing activities	(62.6)	(22.2)	(27.6)
	(376.4)	(842.5)	(245.0)
FINANCING ACTIVITIES:			
Issuance of long-term debt	144.1	447.7	-
Repayment of long-term debt	(259.3)	(21.3)	(47.3)
Increase in commercial paper with Long term support	-	-	54.8
Redemption of preferred stock	-	-	(106.3)
Dividends paid on common stock	(154.9)	(192.4)	(171.3)
Equity contributions from parent	-	-	12.5
Increase (decrease) in short-term debt	(132.5)	175.7	4.1
	(402.6)	409.7	(253.5)
NET INCREASE IN CASH AND EQUIVALENTS	-	-	(.8)
Beginning cash and equivalents	-	-	.8
ENDING CASH AND EQUIVALENTS	$ -	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	$ 112.6	$ 98.9	$ 90.7
Income taxes (net of refunds)	107.3	108.4	166.9
Non-Cash Investing Activities:			
Property Dividend to Parent	$ 41.1	$ -	$ -

The accompanying notes are an integral part of these financial statements

FLORIDA POWER CORPORATION
Statements of Common Equity and Comprehensive Income
For the years ended December 31, 1998, 1997 and 1996
(Dollars in millions, except share amounts)

	Total	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income
Balance, December 31, 1995	$1,754.0	$992.9	$761.1	$ -
Net income after dividends on preferred stock	232.6		232.6	
Capital contribution by parent company	12.5	12.5		
Dividends paid to parent	(171.3)		(171.3)	
Preferred stock redemption costs	(1.3)		(1.3)	
Premium on preferred stock redemption	(1.0)	(1.0)		
Preferred stock redeemed - 1,050,000 shares				
Balance, December 31, 1996	1,825.5	1,004.4	821.1	-
Net income after dividends on preferred stock	134.4		134.4	
Capital contribution by parent company				
Dividends paid to parent	(192.4)		(192.4)	
Preferred stock redemption costs				
Premium on preferred stock redemption				
Preferred stock redeemed - 1,050,000 shares				
Balance, December 31, 1997	1,767.5	1,004.4	763.1	-
Net income after dividends on preferred stock	248.6		248.6	
Dividends paid to parent	(196.0)		(196.0)	
Balance, December 31, 1998	$1,820.1	$1,004.4	$815.7	$ -

The accompanying notes are an integral part of these 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 two primary subsidiaries are Florida Power and Electric Fuels. Florida Power is a public utility engaged in the generation, purchase, transmission, distribution and sale of electricity primarily within Florida. Electric Fuels' operations include the mining, processing and procurement of coal, marine and rail transportation, transfer and storage of coal and other bulk commodities, railcar leasing and railcar maintenance and repair.

Electric Fuels reports the results of its Rail Services, Inland Marine Transportation, and the non-Florida Power portion of its Energy and Related Services operations one month in arrears.

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, and the investment in Mid-Continent is accounted for under the cost method. The deconsolidation has not been reflected in the financial statements of prior periods.

Certain reclassifications have been made to prior-year amounts to conform to the current year's presentation.

Use of Estimates - 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 future economic factors that 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 FPSC and the 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, 1998 and 1997 as detailed below:

	1998	1997
	(In millions)	
Deferred purchased power contract termination costs	$321.0	$ 348.2
Replacement fuel (extended nuclear outage)	39.3	55.0
Underrecovered/(overrecovered)utility fuel costs	(22.2)	34.5
Revenue decoupling	-	21.8
Unamortized loss on reacquired debt	25.2	16.8
Other regulatory assets, net	27.7	25.2
Net regulatory assets	$391.0	$501.5

Florida Power 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.

PROPERTY, PLANT AND EQUIPMENT

Electric 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%.

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.

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 4.7% for 1998, 4.8% for 1997 and 4.9% for 1996.

The fossil plant dismantlement accrual has been suspended for a period of four years, effective 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.

Other Property - Other property consists primarily of railcar and recycling equipment, barges, towboats, land, mineral rights and telecommunications equipment.

Depreciation on other property is calculated principally on the straight-line method over the estimated useful lives of assets. Depletion is provided on the units-of-production method based upon the estimates of recoverable tons of clean coal.

Utility Revenues, Fuel and Purchased Power Expenses - Revenues include amounts resulting from fuel, purchased power and energy conservation cost recovery clauses, which generally are designed to permit full recovery of these costs. The adjustment factors are based on projected costs for a 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. Revenue decoupling eliminated the effect of abnormal weather from revenues and earnings. 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, is currently being recovered from customers over a two-year period, ending in the year 2000, through the energy conservation cost recovery clause as directed by the FPSC decoupling order.

Florida Power accrues the non-fuel portion of base revenues for services rendered but unbilled.

Diversified Revenues - Revenues are recognized at the time products are shipped or as services are rendered. Leasing activities are accounted for in accordance with FAS No. 13, "Accounting for Leases."

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.

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

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 value with unrealized gains and losses included in earnings

Securities available for sale	Fair value with unrealized gains and losses, net of taxes, reported separately in comprehensive income

Florida Progress held only securities classified as available for sale at both December 31, 1998 and 1997. A decline in the market value of any security available for sale 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. (See Note 2 contained herein.) 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 exceeds 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.

Acquisitions - During 1998 and 1997, subsidiaries of Electric Fuels acquired 13 and three businesses, respectively, in separate transactions. The cash paid for the 1998 and 1997 acquisitions was $206.6 million and $32.7 million, respectively. The excess of the aggregate purchase price over the fair value of net assets acquired was approximately $87.8 million and $15.6 million in 1998 and 1997, respectively. The acquisitions were accounted for under the purchase method of accounting and, accordingly, the operating results of the acquired businesses have been included in Florida Progress' consolidated financial statements since the date of acquisition. Each of the acquired companies conducted operations similar to those of the subsidiaries and has been integrated into their operations. The pro forma results of consolidated operations for 1998 and 1997, assuming the 1998 acquisitions were made at the beginning of each year, would not differ significantly from the historical results.

Goodwill - Goodwill is being amortized on a straight-line basis over the expected periods to be benefited, generally 40 years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

Stock-Based Compensation - Florida Progress' Long-Term Incentive Plan ("LTIP") authorizes the granting of up to 2,250,000 shares of common stock to certain executives in various forms, including stock options, stock appreciation rights, restricted stock and performance shares. Currently, the Company has only granted 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 Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed under FAS No. 123, "Accounting for Stock Based Compensation." Compensation costs for performance shares have been recognized at the fair market value of the Company's stock and are recognized over the performance cycle.

Environmental - Florida Progress accrues environmental remediation liabilities when the criteria of FAS No. 5, "Accounting for Contingencies," have been met. Environmental expenditures are expensed as incurred 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.

New Accounting Standards - Florida Progress adopted FAS No. 130, "Reporting Comprehensive Income," on January 1, 1998. The standard defines comprehensive income as all changes in equity of an enterprise during a period except those resulting from shareholder transactions. As the standard addresses reporting and presentation issues only, there was no impact on earnings from the adoption of this standard. Comprehensive income is included for Florida Progress in the accompanying Consolidated Statements of Common Equity and Comprehensive Income. Prior-year financial statements have been reclassified to conform to the requirements of FAS No. 130.

Florida Progress adopted FAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" for the year ended December 31, 1998. 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. As the standard addresses reporting and disclosure issues only, there was no impact on earnings. (See Note 8 contained herein.)

Florida Progress adopted FAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" for the year ended December 31, 1998. As the standard addresses reporting and disclosure issues only, there was no impact on earnings. (See Note 7 contained herein.)

In June 1998, the Financial Accounting Standards Board issued FAS 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 fiscal year 2000. Florida Progress is currently evaluating the effect the standard will have on its financial statements.

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, 1998 and 1997, Florida Progress had the following financial instruments with estimated fair values and carrying amounts:

	1998		1997	
(In millions)	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS:				
Investments for nonqualified retirement plans	$80.4	$80.4	$5.0	$5.0
Nuclear decommissioning fund	332.1	332.1	266.7	266.7
CAPITAL AND LIABILITIES:				
Long-term debt:				
Florida Power Corporation	$1,646.7	$1,740.4	$1,746.9	$1,801.1
Progress Capital Holdings	749.6	763.9	646.1	656.5

NOTE 3: INCOME TAXES

FLORIDA PROGRESS

(In millions)	1998	1997	1996
Components of income tax expense:			
Payable currently:			
Federal	$ 85.8	$ 86.6	$179.7
State	15.3	10.5	23.0
	101.1	97.1	202.7
Deferred, net:			
Federal	47.2	(22.4)	(41.9)
State	8.2	(.5)	(6.9)
	55.4	(22.9)	(48.8)
Amortization of investment tax credits, net	(7.9)	(7.8)	(8.0)
	$ 148.6	$ 66.4	$ 145.9

FLORIDA POWER

(In millions)	1998	1997	1996
Components of income tax expense:			
Payable currently:			
Federal	$ 89.2	$ 73.5	$143.6
State	15.3	11.6	24.9
	104.5	85.1	168.5
Deferred, net:			
Federal	37.7	(7.6)	(20.9)
State	6.6	.2	(4.0)
	44.3	(7.4)	(24.9)
Amortization of investment tax credits, net	(7.9)	(7.8)	(7.9)
Total income tax expense	140.9	69.9	135.7
Less: Amounts charged or (credited) to non-operating income	.7	--	(.1)
Amounts charged to operating income	$ 140.2	$ 69.9	$ 135.8

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

FLORIDA PROGRESS

	1998	1997	1996
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income tax, net of federal income tax benefits	3.5	5.4	2.6
Amortization of investment tax credits	(1.8)	(6.4)	(2.0)
Other income tax credits	(1.9)	(2.7)	-
Provision for loss on investment in life insurance subsidiary	-	24.9	-
Preferred dividends	.1	-	-
Other	(.4)	(1.8)	.6
Effective income tax rates	34.5%	54.4%	36.2%

FLORIDA POWER

	1998	1997	1996
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income tax, net of federal income tax benefits	3.6	3.7	3.6
Amortization of investment tax credits	(2.0)	(3.8)	(2.2)
Other	(.4)	(.9)	-
Effective income tax rates	36.2%	34.0%	36.4%

The following summarizes the components of deferred tax liabilities and assets at December 31, 1998 and 1997:

FLORIDA PROGRESS

(In millions)	1998	1997
Deferred tax liabilities:		
Difference in tax basis of property, plant and equipment	$624.5	$539.0
Investment in partnerships	19.2	19.7
Deferred book expenses	23.4	34.1
Other	47.2	29.7
Total deferred tax liabilities	$ 714.3	$ 622.5
Deferred tax assets:		
Loss reserves not currently deductible	$ 18.0	$ 17.0
Accrued book expenses	108.7	110.8
Unbilled revenues	17.6	17.6
Other	30.5	11.7
Total deferred tax assets	$ 174.8	$ 157.1

At December 31, 1998 and 1997, Florida Progress had net noncurrent deferred tax liabilities of $595.4 million and $471.2 million and net current deferred tax assets of $55.9 million and $5.8 million, respectively. Florida Progress believes it is more likely than not that the results of future operations will generate sufficient taxable income to allow for the utilization of deferred tax assets.

FLORIDA POWER

(In millions)	1998	1997
Deferred tax liabilities:		
Difference in tax basis of property, plant and equipment	$ 575.1	$ 506.3
Deferred book expenses	23.3	34.1
Under recovery of fuel	3.8	2.8
Carrying value of securities over cost	22.0	15.0
Other	10.5	1.5
Total deferred tax liabilities	$ 634.7	$ 559.7
Deferred tax assets:		
Accrued book expenses	$ 90.2	$ 95.0
Unbilled revenues	17.6	17.6
Regulatory liability for deferred income taxes	-	1.6
Other	19.7	-
Total deferred tax assets	$ 127.5	$ 114.2

At December 31, 1998 and 1997, Florida Power had net noncurrent deferred tax liabilities of $563.1 million and $451.3 million and net current deferred tax assets of $55.9 million and $5.8 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," as a plant whose operations will be closely monitored until the plant demonstrates a period of improved performance. In January 1998, the NRC granted Florida Power permission to restart the plant. On February 15, 1998, the plant returned to service. On July 29, 1998, the NRC removed CR3 from the "Watch List." Earlier in July 1998, the NRC gave CR3 an overall report of good performance and improvements in all areas assessed for the agency's Systematic Assessment of Licensee Performance (SALP) ratings. CR3 has produced more than 100% of its rated capacity since its restart in February 1998. (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, 1998 and 1997:

(In millions)	1998	1997
Utility plant in service	$708.9	$673.8
Construction work in progress	44.2	49.3
Unamortized nuclear fuel	45.9	66.5
Accumulated depreciation	368.7	341.0
Accumulated decommissioning	254.8	223.7

Net capital additions for Florida Power were $30.0 million in 1998 and $64.7 million in 1997. Depreciation expense, exclusive of nuclear decommissioning, was $32.8 million in 1998 and $29 million in 1997. Each co-owner provides for its own financing of their investment. 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 the current site-specific study that estimates total future decommissioning costs at approximately $2 billion, which corresponds to $464.8 million in 1998 dollars. Florida Power's share of the total annual decommissioning expense is $21.7 million.

Florida Power is required to file a new site-specific study with the FPSC at least every five years, which will incorporate current cost factors, technology and radiological criteria.

Fuel Disposal Costs - Florida Power has entered into a contract with the U.S. Department of Energy for the transportation and disposal of SNF. 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 SNF on-site and has sufficient storage capacity in place for fuel consumed through the year 2011.

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 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 the Company on terms not approved by the Company's Board of Directors. The rights have no voting or dividend rights and expire in December 2001, unless redeemed earlier by the Company.

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 Cumulative Preferred Stock, $100 par value, were issued and outstanding at December 31, 1998 and 1997. Florida Power redeemed 1,050,000 shares of its Cumulative Preferred Stock in 1996 for $106.4 million

Cumulative Preferred Stock for Florida Power is detailed below:

Dividend Rate	Current Redemption Price	Shares Outstanding	Outstanding at December 31, 1998 & 1997 (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, 1998 and 1997, is scheduled to mature as follows:

	Interest Rate(a)	1998	1997
Florida Power Corporation (In millions)			
First mortgage bonds, maturing 1999-2023	6.88%	$585.0	$835.0
Pollution control revenue bonds, maturing 2014-2027	6.59%	240.9	240.9
Medium-term notes, maturing 1999-2028	6.63%	624.5	476.0
Commercial paper, supported by revolver maturing November 30, 2003	5.25%	200.0	200.0
Discount, net of premium, being amortized over term of bonds		(3.7)	(5.0)
		1,646.7	1,746.9

Progress Capital Holdings:			
Medium-term notes,maturing 1999-2008	6.63%	444.0	339.0
Commercial paper, supported by revolver maturing November 30, 2003	5.38%	300.0	300.0
Other debt, maturing 1999-2006	6.13%	5.6	7.1
		2,396.3	2393.0
Less: Current portion of long-term debt		145.9	15.2
		$2,250.4	$2,377.8

(a)Weighted average interest rate at December 31, 1998.

Florida Progress' consolidated subsidiaries have lines of credit totaling $800 million, which are used to support commercial paper. The lines of credit were not drawn on as of December 31, 1998. Interest rate options under the lines 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. The Florida Power facilities consist of $200 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 1998, both 364-day facilities were extended to November 1999. In addition, both five-year facilities were extended to November 2003. Based on the duration of the underlying backup credit facilities, $500 million of outstanding commercial paper at December 31, 1998, and December 31, 1997, are classified as long-term debt. Additionally, as of December 31, 1998, Florida Power and Progress Capital had an additional $47.3 million and $38.9 million, respectively, of outstanding commercial paper classified as short-term debt.

Progress Capital has uncommitted bank bid facilities authorizing it to borrow and re-borrow, and have outstanding at any time, up to $300 million. As of December 31, 1998, $150 million was outstanding under these bid facilities.

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 $250 million is available for issuance.

In March 1998, Florida Power redeemed all of its $150 million principal amount of first mortgage bonds, 8 5/8% series due November 2021 at a redemption price of 105.17% of the principal amount thereof. Substantially all of this redemption was funded from the net proceeds of $150 million of medium-term notes issued in February 1998, which bear an interest rate of 6 ¾% and mature in February 2028. Florida Power also redeemed in November 1998, an additional $100 million of first mortgage bonds. The entire $50 million principal of the 7 3/8% series was redeemed at a price of 100.93%, and the entire $50 million principal of the 7 ¼% series was redeemed at a price of 100.86%. Both issues were due in 2002. The redemption was funded from internally generated funds and commercial paper.

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 $185 million is available for issuance under this program.

The combined aggregate maturities of long-term debt for 1999 through 2003 are $145.9 million, $147.6 million, $183 million, $32.2 million and $775.4 million, respectively.

Florida Progress and Progress Capital entered into an amended guaranty and support agreement in 1996, pursuant to which Florida Progress has unconditionally guaranteed the payment of Progress Capital's debt.

NOTE 7 RETIREMENT BENEFIT PLANS

Pension Benefits - Florida Progress and some of its subsidiaries have a noncontributory defined benefit pension plan (Retirement Plan) covering most employees. Florida Progress also has two supplementary defined benefit pension plans that provide benefits to higher-level employees. Effective January 1, 1998, the Retirement Plan was split into two separate plans, one covering eligible bargaining unit employees and the other covering all other eligible employees. Plan assets were allocated to each plan in accordance with applicable law.

Other Postretirement Benefits - Florida Progress and some of its subsidiaries also provide certain health care and life insurance benefits for retired employees when they reach retirement age while working for Florida Progress.

Shown below are the components of the net pension expense and net postretirement benefit expense calculations for 1998, 1997 and 1996:

	Pension Benefits			Other Postretirement Benefits		
(In millions)	1998	1997	1996	1998	1997	1996
Service cost	$ 22.3	$ 18.7	$ 18.3	$ 3.5	$ 3.2	$ 5.3
Interest cost	37.7	34.9	32.3	10.5	10.4	12.4
Expected return on plan assets	(68.5)	(58.4)	(52.0)	(.3)	(.4)	(.3)
Net amortization and deferral	(12.5)	(6.5)	(6.5)	3.2	3.4	6.1
Net cost/(benefit) recognized	$(21.0)	$(11.3)	$ (7.9)	$16.9	$16.6	$23.5

The following weighted average actuarial assumptions at December 31 were used in the calculation of the year-end funded status:

	Pension Benefits			Other Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
Discount rate	7.00%	7.25%	7.50%	7.00%	7.25%	7.50%
Expected long-term rate of return	9.00%	9.00%	9.00%	5.00%	5.00%	5.00%
Rate of compensation increase:						
Bargaining unit employees	3.50%	4.50%	4.50%	3.50%	4.50%	4.50%
Nonbargaining unit employees	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Nonqualified plans	4.00%	4.00%	4.00%	N/A	N/A	N/A

The following summarizes the ch...ge in the benefit obligation and plan asset. .or both the pension plan and postretirement benefit plan for 1998 and 1997:

	Pension Benefits		Other Benefits	
(In millions)	1998	1997	1998	1997
Change in benefit obligation				
Benefit obligation at beginning of year	$523.9	$472.0	$ 153.2	$ 182.6
Service cost	22.3	18.7	3.5	3.2
Interest cost	37.7	34.9	10.5	10.4
Plan amendment	-	9.5	-	(36.1)
Actuarial (gain)/loss	16.1	12.6	1.2	(.3)
Benefits paid	(25.8)	(23.8)	(6.9)	(6.6)
Benefit obligation at end of year	574.2	523.9	161.5	153.2
Change in plan assets				
Fair value of plan assets at beginning of year	769.0	655.0	6.4	4.7
Return on plan assets (net of expenses)	140.2	136.6	.4	.4
Employer contributions	-	-	1.3	1.3
Benefits paid	(24.2)	(22.6)	-	-
Fair value of plan assets at end of year	885.0	769.0	8.1	6.4
Funded status	310.8	245.1	(153.4)	(146.8)
Unrecognized transition (asset) obligation	(20.5)	(25.4)	51.4	55.0
Unrecognized prior service cost	13.3	14.5	-	-
Unrecognized net actuarial (gain)/loss	(283.5)	(236.6)	(14.1)	(15.6)
Prepaid (accrued) benefit cost	$ 20.1	$ (2.4)	$(116.1)	$(107.4)

Between 1996 and 1998, Florida Progress set assets aside in a rabbi trust for the purpose of providing benefits to the participants in the supplementary retirement plans. The assets of the rabbi trust are not reflected as plan assets because the assets could be subject to creditors' claims. The assets and liabilities of the supplementary defined benefit retirement plans are included in Other Assets and Other Liabilities on the accompanying Consolidated Balance Sheets.

A one-percentage point increase or decrease in the assumed health care cost trend rate would change the total service and interest cost by approximately $1 million and the postretirement benefit obligation by approximately $10 million.

Due to different retail and wholesale regulatory rate requirements, Florida Power began making quarterly contributions for the postretirement benefit plan 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 annually in both 1998 and 1997 to the trust fund.

NOTE 8 BUSINESS SEGMENTS

Florida Progress' principal business segment is Florida Power, an electric utility engaged in the generation, purchase, transmission, distribution and sale of electricity. The other reportable business segments are Electric Fuels' Energy and Related Services, Rail Services and Inland Marine Transportation units. Energy and Related Services includes coal operations, river terminal services and off-shore marine transportation. Rail Services' operations include railcar repair, rail parts reconditioning and sales, railcar leasing and sales, providing rail and track material, and metal recycling. Inland Marine provides transportation of coal, agricultural and other dry-bulk commodities as well as fleet management services. The other category includes the parent holding company Florida Progress, which allocates a portion of its operating expenses to business segments. This category also includes segments below the quantitative threshold required for separate disclosure.

Florida Progress' business segment information for 1998, 1997 and 1996 is summarized below. Florida Progress' significant operations are geographically located in the United States. Florida Progess' segments are based on differences in products and services, and therefore no additional disclosures are presented. Intersegment sales and transfers consist of coal sales from Electric Fuels to Florida Power. The price Electric Fuels charges Florida Power is based on market rates for coal procurement and for water borne transportation under a methodology approved by the FPSC. Rail transportation is also based on market rates plus a return allowed by the FPSC on equity utilized in transporting coal to Florida Power. The allowed rate of return is currently 12%. No single customer accounted for 10% or more of unaffiliated revenues.

(In millions)	Utility	Energy and Related Services	Rail Services	Inland Marine Transportation	Other	Eliminations	Consolidated
1998							
Revenues	$2,648.2	$173.8	$658.5	$124.6	$ 10.9	$ 4.3	$3,620.3
Intersegment revenues	-	273.9	1.3	14.0	-	(289.2)	-
Depreciation and amortization	382.7	14.4	19.4	4.5	3.6	-	424.6
Interest expense	136.5	5.8	21.3	4.4	20.8	(1.7)	187.1
Income taxes	141.0	6.3	12.3	6.3	(17.3)	-	148.6
Segment net income (loss)	248.6	20.4	15.9	10.3	(13.5)	-	281.7
Total assets	4,928.1	316.5	680.0	99.5	334.0	(197.3)	6,160.8
Property additions	326.0	32.0	91.0	93.6	.7	-	543.3
1997							
Revenues	$2,448.4	$165.6	$477.1	$105.5	$115.7	$ 4.1	$3,316.4
Intersegment revenues	-	286.0	1.3	14.2	-	(301.5)	-
Depreciation and amortization	333.8	11.7	11.2	4.3	3.2	-	364.2
Interest expense	117.3	6.5	13.9	2.5	19.1	(.6)	158.7
Income taxes	69.9	8.4	9.8	3.3	(25.0)	-	66.4
Segment net income (loss)	134.4	16.8	13.3	5.9	(116.1)	-	54.3
Total assets	4,900.8	299.2	385.3	138.9	210.4	(174.6)	5,760.0
Property additions	395.0	16.8	41.6	59.0	1.2	-	513.6
1996							
Revenues	$2,393.6	$165.6	$353.7	$ 86.4	$155.2	$ 3.4	$3,157.9
Intersegment revenues	-	273.2	.8	13.7	-	(287.7)	-
Depreciation and amortization	341.1	11.4	7.4	4.5	2.3	-	366.7
Interest expense	98.4	6.3	9.9	1.9	20.5	(1.1)	135.9
Income taxes	135.7	(9.3)	6.9	4.4	8.2	-	145.9
Segment net income (loss)	232.6	(12.5)	9.7	7.1	(12.5)	-	224.4
Total assets	4,264.0	272.4	294.2	79.0	577.2	(138.4)	5,348.4
Property additions	222.9	11.7	16.1	12.7	.6	-	264.0

In December 1996, the Energy and Related Services segment of 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.

NOTE 9 RATES

Florida Power's retail rates are set by the FPSC, while its wholesale rates are governed by the FERC. 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%.

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 an 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 purchased 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. Approximately $27.2 million and $4.4 million of amortization expense was recorded in 1998 and 1997, respectively.

In December 1998, Florida Power received approval from the FPSC to defer non-fuel revenues towards the development of a plan that would allow customers to realize the benefits earlier than if they are used to accelerate the amortization of the Tiger Bay regulatory asset. If this plan is not submitted by May 1, 1999, or not approved by the FPSC, then deferred revenues of $10.1 million plus interest will be applied towards the amortization of Tiger Bay.

Extended Nuclear Outage - In June 1997, a settlement agreement between Florida Power and all parties who intervened in Florida Power's request to recover replacement fuel and purchased power costs resulting from the extended outage of its nuclear plant was approved by the FPSC. The plant was taken off-line in September 1996 to address certain design issues related to its safety systems. In late January 1998, Florida Power notified the NRC that it had completed all of the requirements and was subsequently granted permission to restart the plant. The plant returned to service in February 1998.

Florida Power incurred approximately $174 million in 1997 and an additional $5 million in 1998 in total system replacement power costs. In accordance with the settlement agreement, Florida Power recorded a charge of approximately $73 million in 1997 and $5 million in 1998 for retail replacement power costs incurred that will not be recovered through its fuel cost recovery clause. Florida Power is currently recovering approximately $38 million through its fuel cost recovery clause, and approximately $63 million of replacement power costs were recorded as a regulatory asset in 1997. The regulatory asset is being amortized for a period of up to four years. The amortization is being recovered by the suspension of fossil plant dismantlement accruals during the amortization period.

The parties to the settlement agreement 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 resolved all present and future disputed issues between the parties regarding the extended outage of the nuclear plant.

NOTE 10 DISCONTINUED OPERATIONS

On November 21, 1996, 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 the Company's 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.

Summarized income statement information relating to Echelon's results of operations (as reported in discontinued operations) for the year ended December 31 is as follows:

(In millions)	1996
Sales and revenues	$ 63.2
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)

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 $56 million, $56 million, $62 million, $63 million and $64 million for 1999 through 2003, respectively, and $499 million in total thereafter. Additional commitments will be required in the future to supply Florida Power's fuel needs.

Electric Fuels has two coal supply contracts with Florida Power, the provisions of which require Florida Power to buy and Electric Fuels to supply substantially all of the coal requirements of four of Florida Power's power plants, two through 2002 and two through 2004. In connection with these contracts, Electric Fuels has entered into several contracts with outside parties for the purchase of coal. The annual obligations for coal purchases and transportation under these contracts are $107.1 million, $61 million, $48.9 million and $22.7 million for 1999 through 2002, respectively, with no further obligations thereafter. The total cost incurred for these commitments was $117.7 million in 1998, $156.8 million in 1997 and $161.5 million in 1996.

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

As of December 31, 1998, Florida Power had entered into purchased power contracts with certain qualifying facilities for 871 MW 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 qualifying facilities meeting certain contract performance obligations. In most cases, these contracts account for 100% of the generating capacity of each of the facilities. Of the 871 MW under contract, approximately 831 MW currently are available to Florida Power. All commitments have been approved by the FPSC.

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 cost recovery clause.

In 1997, through the buy-out of the Tiger Bay purchased power contracts, Florida Power reduced its long-term purchased power commitments by 20 percent. Florida Power incurred purchased power capacity costs totaling $260.1 million in 1998, $292.3 million in 1997 and $284 million in 1996. 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
1999	58	215	273
2000	59	223	282
2001	58	230	288
2002	32	236	268
2003	32	244	276
2004-2025	212	5,555	5,767
Total	$451	$6,703	$ 7,154
Total net present value			$ 2,577

Leases - Electric Fuels has several noncancelable operating leases, primarily for transportation equipment, with varying terms extending to 2015, and generally require Electric Fuels to pay all executory costs such as maintenance and insurance. Some rental payments include minimum rentals plus contingent rentals based on mileage. Contingent rentals were not significant. The minimum future lease payments under noncancelable operating leases, including the synthetic lease described below, are $38.7 million, $31.7 million, $27.7 million, $23.4 million and $23.4 million for 1999 through 2003, respectively, with a $227 million total obligation thereafter. The total costs incurred under these commitments were $30.9 million, $34.8 million and $33.3 million during 1998, 1997 and 1996, respectively.

On August 6, 1998, MEMCO, a wholly owned subsidiary of Electric Fuels, entered into a synthetic lease financing, accomplished via a sale and leaseback, for an aggregate of approximately $175 million in inland river barges and $25 million in towboats (vessels). As of December 31, 1998, MEMCO had sold and leased back $153 million of vessels. Acquisition and subsequent sale and leaseback of the remaining $47 million of vessels are expected to occur by June 30, 1999. The lease (charter) is an operating lease for financial reporting purposes and a secured financing for tax purposes.

The term of the noncancelable charter expires on December 30, 2012, and provides MEMCO one 18-month renewal option on the same terms and conditions. MEMCO is responsible for all executory costs, including insurance, maintenance and taxes,

in addition to the charter payments. MEMCO has options to purchase the vessels throughout the term of the charter, as well as an option to purchase at the termination of the charter. Assuming MEMCO exercises no purchase options during the term of the charter, the purchase price for all vessels aggregates $141.8 million at June 30, 2014. In the event that MEMCO does not exercise its purchase option for all vessels, it will be obligated to remarket the vessels, and, at the expiration of the charter, pay a maximum residual guarantee amount of $89.3 million.

The minimum future charter payments as of December 31, 1998 are $14.4 million, $15.3 million, $15.4 million, $15.4 million and $15.8 million for 1999 through 2003 and $172.2 million thereafter (excluding the purchase option payment). All MEMCO payment obligations under the transaction documents are unconditionally guaranteed by Progress Capital; those obligations in turn are guaranteed by Florida Progress.

Construction Program - Substantial commitments have been made in connection with the Company's construction program. In 1999, Florida Power has projected construction expenditures of $323 million, primarily for electric plant and nuclear fuel. Diversified operations have projected capital additions of $155 million in 1999, primarily for barges and equipment.

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. The reserve balance at December 31, 1998 and 1997 was $24.1 million and $18.1 million, respectively.

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 $88.1 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 - The Company is subject to regulation with respect to the environmental impact of its operations. The Company's 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 U.S. EPA as PRPs at certain sites, including the Sanford, Florida 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.

An agreement has been reached among the PRPs to spend up to $1.5 million to perform the Risk Investigation and Feasibility Study (RI/FS). Florida Power is liable for 39.7% of those costs. On September 25, 1998, the EPA formally approved the PRP RI/FS Work Plan. The RI/FS field work was completed in January 1999. The EPA is expected to review the final Treatability Study report and provide further guidance to the PRPs 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 any of these designated sites. Florida Progress' best estimates indicate that its proportionate share of liability for cleaning up all designated sites ranges from $2.5 million to $7.5 million. It has accrued $4.4 million against these potential costs.

LEGAL MATTERS

Age Discrimination Suit - Florida Power and Florida Progress have been named defendants in an age discrimination lawsuit. The number of plaintiffs remains at 116, however, four of those plaintiffs have had their federal claims dismissed and five others have had their state age claims dismissed. 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 between parties to provisionally certify this case as a class action suit under the Age Discrimination in Employment Act. On August 10, 1998, Florida Power filed a motion to decertify the class, and the plaintiffs filed their response in opposition on September 30, 1998. A hearing date for the motion has not yet been set. Florida Power has entered into settlement discussions with the plaintiffs. In December 1998, plaintiffs alleged damages of $100 million. Company management, while not believing plaintiffs' claim to have merit, offered $5 million in an attempted settlement of all claims. Plaintiffs rejected that offer. As a result, management has identified a probable range of $5 million to $100 million with no amount within that range a better estimate of probable loss than any other amount; accordingly, Florida Power has accrued $5 million. There can be no assurance that this litigation will be settled, or if settled, that the settlement will not exceed $5 million. Additionally, the ultimate outcome, if litigated, cannot presently be determined.

Advanced Separation Technologies, Inc. - In 1996, Florida Progress sold its 80%-interest in AST to Calgon for $56 million in 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 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 believes the lawsuit is without merit and intends to vigorously defend itself. Accordingly, Florida Progress has not made provision for any loss for this matter.

Qualifying Facilities Contracts - The purchased power contracts with qualifying facilities 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.

Owners of four qualifying facilities filed suit against Florida Power in state court over the contract payment terms, one of which also filed in federal court. Two of the suits have been settled, and the federal case was dismissed, although the plaintiff has appealed. Of the two remaining suits, one trial concluded in December 1998. The other remaining suit remains with no date presently set for trial. 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. Florida Power anticipates that all fuel and capacity expenses will be recovered from its customers.

Mid-Continent Life Insurance Company - A series of events in 1997 as discussed below, significantly jeopardized the ability of Mid-Continent to implement a plan to eliminate a projected reserve deficiency resulting in the impairment of Florida Progress' investment in Mid-Continent.

Therefore, the Company 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.

In the spring of 1997, the Commissioner received court approval to seize control of the operations of Mid-Continent. 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 to Mid-Continent's plan to address the projected reserve deficiency. While sustaining the receivership, the court also ruled that premiums could be raised. Although both sides appealed the decision to the Oklahoma Supreme Court, those appeals were withdrawn in early 1999.

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 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.

A new Commissioner was elected in November 1998 and has stated his intention to work with Florida Progress and others to develop a plan to rehabilitate Mid-Continent rather than pursue litigation against Florida Progress. Although Florida Progress hasn't had access to recent Mid-Continent data, its estimate of the present value of the projected deficiency, after applying Mid-Continent's statutory surplus, is in the range of $100 million, rather than the $348 million alleged by the former Commissioner. Florida Progress believes that the former Commissioner's estimate is untenable and not based on sound actuarial principles. Florida Progress is working with the new Commissioner to develop a viable plan to rehabilitate Mid-Continent, which would include the sale of that company.

In January 1999, five Mid-Continent policyholders filed a purported class action against Mid-Continent and the same defendants named in the case filed by the former Commissioner. The complaint contains substantially the same factual allegations as those made by the Commissioner. The suit asserts "Extra Life" policyholders have been injured as a result of representations made in connection with the sale of that policy. The suit seeks unspecified actual and punitive damages.

Although Florida Progress hopes to reach a negotiated resolution of these matters, it would continue to vigorously defend itself against the two lawsuits should negotiations fail, since it believes they are without merit. Because neither the outcome of the litigation nor the ultimate effects of any rehabilitation plan, including the possible sale of Mid-Continent, can be estimated, Florida Progress has not made provision for any additional losses that might result.

Other Legal Matters - Florida Progress is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect upon Florida Progress' consolidated financial position, results of operations or liquidity.

QUARTERLY FINANCIAL DATA

FLORIDA PROGRESS CORPORATION

(Unaudited)

(In millions, except per share amounts)	Three Months Ended March 31	June 30	September 30	December 31
1998				
OPERATING RESULTS				
Revenues	$787.5	$903.1	$1,031.5	$898.2
Income (loss) from operations	118.2	167.7	228.1	86.3
Net income (loss)	50.5	77.8	117.3	36.1
DATA PER SHARE				
Earnings (loss) per common share	0.52	0.80	1.21	0.37
Dividends per common share	.535	.535	.535	.535
Common stock price per share:				
High	42 1/4	42 7/8	43 15/16	47 1/8
Low	37 11/16	39	38 1/16	41
1997				
OPERATING RESULTS				
Revenues	$747.5	$797.3	$922.5	$849.1
Income(loss) from operations	95.0	37.9	166.0	(25.2)
Net income (loss)	42.0	6.3	81.6	(75.6)
DATA PER SHARE				
Earnings(loss)per common share	.43	.07	.84	(.78)
Dividends per common share	.525	.525	.525	.525
Common stock price per share:				
High	32 7/8	31 5/8	33 5/8	39 1/4
Low	29 1/2	27 3/4	30 9/16	31 1/8

FLORIDA POWER CORPORATION

(Unaudited)

(In millions)	Three Months Ended March 31	June 30	September 30	December 31
1998				
Operating revenues	$565.2	$663.8	$795.6	$623.6
Net income (loss)	$46.2	$68.1	$109.1	$26.7
Earnings (loss) on common stock	$45.8	$67.7	$108.8	$26.3
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

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. In June 1998, Florida Power restated its financial results for the second, third and fourth quarters of 1997 to reflect recognition of the extended nuclear outage as incurred. The change affected the financial results for the interim reporting periods but did not have any effect on results for the fiscal year ended 1997. Effective December 31, 1997, Florida Progress deconsolidated the financial statements of Mid-Continent 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.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 1999

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 (727) 824-6400	59-2147112
1-3274	**FLORIDA POWER CORPORATION** A Florida Corporation One Progress Plaza St. Petersburg, Florida 33701 Telephone (727) 820-5151	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, 1999
Florida Progress Corporation	Common Stock, without par value	98,203,393
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.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FLORIDA PROGRESS CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

FLORIDA PROGRESS CORPORATION
Consolidated Statements of Income
(In millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	(Unaudited)		(Unaudited)	
REVENUES:				
Electric utility	$ 671.7	$ 663.8	$ 1,242.4	$ 1,229.0
Diversified	304.6	239.3	554.3	461.6
	976.3	903.1	1,796.7	1,690.6
EXPENSES:				
Electric utility:				
Fuel	143.5	135.9	257.2	245.1
Purchased power	108.4	110.8	198.7	209.8
Energy conservation cost	19.4	19.0	36.5	35.6
Operation and maintenance	120.8	116.2	217.9	218.6
Extended nuclear outage - replacement power costs	—	—	—	5.1
Depreciation and amortization	93.2	90.4	174.0	171.4
Taxes other than income taxes	51.1	51.4	103.0	100.9
	536.4	523.7	987.3	986.5
Diversified:				
Cost of sales	269.7	192.8	494.8	386.6
Other	15.8	18.9	30.4	31.6
	285.5	211.7	525.2	418.2
INCOME FROM OPERATIONS	154.4	167.7	284.2	285.9
INTEREST EXPENSE AND OTHER:				
Interest expense	43.9	47.7	88.9	95.0
Allowance for funds used during construction	(1.2)	(4.1)	(6.3)	(8.0)
Distributions on subsidiary-obligated mandatorily redeemable preferred securities	4.6	—	4.6	—
Other expense / (income), net	1.0	1.1	(3.3)	1.1
	48.3	44.7	83.9	88.1
INCOME FROM OPERATIONS BEFORE INCOME TAXES	106.1	123.0	200.3	197.8
Income Taxes	29.5	45.2	56.1	69.5
NET INCOME	$ 76.6	$ 77.8	$ 144.2	$ 128.3
AVERAGE SHARES OF COMMON STOCK OUTSTANDING	98.0	97.0	97.8	97.1
EARNINGS PER AVERAGE COMMON SHARE (Basic and Diluted)	$ 0.78	$ 0.80	$ 1.48	$ 1.32
DIVIDENDS PER COMMON SHARE	$ 0.545	$ 0.535	$ 1.09	$ 1.07

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

FLORIDA PROGRESS CORPORATION
Consolidated Balance Sheets
(In millions)

	June 30, 1999	December 31, 1998
ASSETS	(Unaudited)	
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$ 6,615.1	$ 6,307.8
Less - Accumulated depreciation	2,828.6	2,716.0
Accumulated decommissioning for nuclear plant	269.5	254.8
Accumulated dismantlement for fossil plants	131.8	130.7
	3,385.2	3,206.3
Construction work in progress	185.2	378.3
Nuclear fuel, net of amortization of $387.0 in 1999 and $377.2 in 1998	66.3	45.9
Net electric utility plant	3,636.7	3,630.5
Other property, at cost, net of depreciation of $255.9 in 1999 and $234.6 in 1998	592.7	560.1
	4,229.4	4,190.6
CURRENT ASSETS:		
Cash and equivalents	7.1	2.5
Accounts receivable, less reserves of $5.2 in 1999 and $5.0 in 1998	428.8	413.4
Inventories, primarily at average cost:		
Fuel	106.4	69.8
Utility materials and supplies	89.5	83.3
Diversified operations	183.5	137.0
Deferred income taxes	57.7	55.9
Prepayments and other	78.6	92.2
	951.6	854.1
DEFERRED CHARGES AND OTHER ASSETS:		
Costs deferred pursuant to regulation:		
Deferred purchased power contract termination costs	306.8	321.0
Other	101.1	113.6
Investments in nuclear plant decommissioning fund	347.0	332.1
Goodwill	147.8	139.8
Joint ventures and partnerships	64.0	71.5
Other	154.6	138.1
	1,121.3	1,116.1
	$ 6,302.3	$ 6,160.8

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

FLORIDA PROGRESS CORPORATION
Consolidated Balance Sheets
(In millions)

	June 30, 1999	December 31, 1998
CAPITAL AND LIABILITIES	(Unaudited)	
COMMON STOCK EQUITY:		
Common stock	$ 1,256.4	$ 1,221.1
Retained earnings	678.4	640.9
	1,934.8	1,862.0
PREFERRED SECURITIES:		
Cumulative preferred stock of Florida Power	33.5	33.5
Subsidiary - obligated mandatorily redeemable preferred securities	300.0	—
LONG-TERM DEBT	2,282.5	2,250.4
TOTAL CAPITAL	4,550.8	4,145.9
CURRENT LIABILITIES:		
Accounts payable	221.7	279.1
Customers' deposits	107.4	104.1
Taxes payable	94.1	10.1
Accrued interest	72.4	70.4
Overrecovered utility fuel costs	21.7	22.2
Other	65.4	104.6
	582.7	590.5
Notes payable	46.4	236.2
Current portion of long-term debt	94.5	145.9
	723.6	972.6
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	587.2	595.4
Unamortized investment tax credits	73.9	77.8
Other postretirement benefit costs	120.8	116.1
Other	246.0	253.0
	1,027.9	1,042.3
	$ 6,302.3	$ 6,160.8

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

FLORIDA PROGRESS CORPORATION
Consolidated Statements of Cash Flows
(In millions)

	Six Months Ended June 30, 1999	1998
	(Unaudited)	
OPERATING ACTIVITIES:		
Net income	$ 144.2	$ 128.3
Adjustments for noncash items:		
Depreciation and amortization	216.2	208.9
Deferred income taxes and investment tax credits, net	(22.3)	(27.1)
Changes in working capital, net of effects from acquisition or sale of businesses:		
Accounts receivable	(13.7)	(27.9)
Inventories	(89.2)	18.0
Overrecovered / underrecovered utility fuel costs	(.5)	(10.1)
Accounts payable	(79.1)	(15.2)
Taxes payable	107.0	123.6
Other	(24.2)	(14.4)
Other operating activities	(.5)	—
	237.9	384.1
INVESTING ACTIVITIES:		
Property additions (including allowance for borrowed funds used during construction)	(279.9)	(217.1)
Acquisition of businesses	(9.5)	(104.3)
Proceeds from sale and leaseback	47.0	—
Other investing activities	(6.3)	(84.9)
	(248.7)	(406.3)
FINANCING ACTIVITIES:		
Issuance of long-term debt	50.0	189.1
Repayment of long-term debt	(52.8)	(170.1)
Decrease in commercial paper with long-term support	(16.7)	—
Issuance of subsidiary-obligated mandatorily redeemable preferred securities	300.0	—
Sale of common stock	32.4	—
Dividends paid on common stock	(106.7)	(103.9)
Increase / (decrease) in short-term debt	(189.8)	115.6
Other financing activities	(1.0)	(1.9)
	15.4	28.8
NET INCREASE IN CASH AND EQUIVALENTS	4.6	6.6
Beginning cash and equivalents	2.5	3.1
ENDING CASH AND EQUIVALENTS	$ 7.1	$ 9.7
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (net of amount capitalized)	$ 86.2	$ 86.0
Income taxes (net of refunds)	$ 28.8	$ 16.4

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

FLORIDA PROGRESS CORPORATION
Statements of Common Equity and Comprehensive Income
For the periods ended June 30, 1999 and 1998
(Dollars in millions)

	Total	Common Stock	Retained Earnings
Balance, December 31, 1997	$ 1,776.0	$ 1,209.0	$ 567.0
Net income	128.3	—	128.3
Common stock redeemed	(.6)	(.6)	—
Cash dividends on common stock	(103.9)	—	(103.9)
Balance, June 30, 1998	$ 1,799.8	$ 1,208.4	$ 591.4
Balance, December 31, 1998	$ 1,862.0	$ 1,221.1	$ 640.9
Net income	144.2	—	144.2
Common stock issued	35.3	35.3	—
Cash dividends on common stock	(106.7)	—	(106.7)
Balance, June 30, 1999	$ 1,934.8	$ 1,256.4	$ 678.4

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

FLORIDA POWER CORPORATION
FINANCIAL STATEMENTS

FLORIDA POWER CORPORATION
Statements of Income
(In millions)

	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
	(Unaudited)		(Unaudited)	
OPERATING REVENUES:				
Residential	$ 326.9	$ 335.5	$ 625.6	$ 644.2
Commercial	153.3	153.7	284.7	277.4
Industrial	51.7	55.2	101.0	103.0
Sales for resale	43.8	43.8	92.6	80.7
Other	96.0	75.6	138.5	123.7
	671.7	663.8	1,242.4	1,229.0
OPERATING EXPENSES:				
Operation:				
Fuel	143.5	135.9	257.2	245.1
Purchased power	108.4	110.8	198.7	209.8
Energy conservation cost	19.4	19.0	36.5	35.6
Operation and maintenance	120.8	116.2	217.9	218.6
Extended nuclear outage - replacement power costs	—	—	—	5.1
Depreciation and amortization	93.2	90.4	174.0	171.4
Taxes other than income taxes	51.1	51.4	103.0	100.9
	536.4	523.7	987.3	986.5
Income taxes:				
Currently payable	54.8	61.4	95.5	93.9
Deferred, net	(14.7)	(19.2)	(20.7)	(25.5)
Investment tax credits, net	(1.9)	(1.9)	(3.9)	(3.9)
	38.2	40.3	70.9	64.5
	574.6	564.0	1,058.2	1,051.0
INCOME FROM OPERATIONS	97.1	99.8	184.2	178.0
OTHER INCOME AND DEDUCTIONS:				
Allowance for equity funds used during construction	.5	2.2	2.8	4.4
Misc. other income/(expense), net	(1.3)	(.6)	.7	(.6)
	(.8)	1.6	3.5	3.8
INTEREST CHARGES				
Interest on long-term debt	26.7	29.0	53.6	59.6
Other interest expense	4.4	6.2	8.9	11.5
	31.1	35.2	62.5	71.1
Allowance for borrowed funds used during construction	(.7)	(1.9)	(3.5)	(3.6)
	30.4	33.3	59.0	67.5
NET INCOME	65.9	68.1	128.7	114.3
DIVIDENDS ON PREFERRED STOCK	.4	.4	.8	.8
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$ 65.5	$ 67.7	$ 127.9	$ 113.5

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

FLORIDA POWER CORPORATION
Balance Sheets
(In millions)

	June 30, 1999	December 31, 1998
ASSETS	(Unaudited)	
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$ 6,615.1	$ 6,307.8
Less - Accumulated depreciation	2,828.6	2,716.0
Accumulated decommissioning for nuclear plant	269.5	254.8
Accumulated dismantlement for fossil plants	131.8	130.7
	3,385.2	3,206.3
Construction work in progress	185.2	378.3
Nuclear fuel, net of amortization of $387.0 in 1999 and $377.2 in 1998	66.3	45.9
	3,636.7	3,630.5
Other property, net	10.5	11.5
	3,647.2	3,642.0
CURRENT ASSETS:		
Cash and equivalents	5.4	—
Accounts receivable, less reserve of $3.9 in 1999 and $3.8 in 1998	224.3	206.0
Inventories at average cost:		
Fuel	76.7	48.4
Materials and supplies	89.5	83.3
Deferred income taxes	57.7	56.0
Prepayments and other	60.9	69.5
	514.5	463.2
OTHER ASSETS:		
Costs deferred pursuant to regulation:		
Deferred purchased power contract termination costs	306.8	321.0
Other	101.1	113.6
Investments in nuclear plant decommissioning fund	347.0	332.1
Other	56.3	56.2
	811.2	822.9
	$ 4,972.9	$ 4,928.1

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

FLORIDA POWER CORPORATION
Balance Sheets
(In millions)

CAPITALIZATION AND LIABILITIES	June 30, 1999 (Unaudited)	December 31, 1998
CAPITALIZATION:		
Common stock	$ 1,004.4	$ 1,004.4
Retained earnings	843.5	815.7
	1,847.9	1,820.1
CUMULATIVE PREFERRED STOCK:		
Without sinking funds	33.5	33.5
LONG-TERM DEBT	1,554.5	1,555.1
TOTAL CAPITAL	3,435.9	3,408.7
CURRENT LIABILITIES:		
Accounts payable	131.6	154.2
Accounts payable to associated companies	27.4	27.2
Customers' deposits	107.4	104.1
Income taxes payable	40.5	—
Accrued other taxes	50.1	6.3
Accrued interest	55.1	55.8
Overrecovered utility fuel costs	21.7	22.2
Other	43.6	70.6
	477.4	440.4
Notes payable	46.4	47.3
Current portion of long-term debt	91.7	91.6
	615.5	579.3
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	552.6	563.2
Unamortized investment tax credits	73.3	77.2
Other postretirement benefit costs	117.3	112.9
Other	178.3	186.8
	921.5	940.1
	$ 4,972.9	$ 4,928.1

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, 1999	1998
	(Unaudited)	
OPERATING ACTIVITIES:		
Net income after dividends on preferred stock	$ 127.9	$ 113.5
Adjustments for noncash items:		
Depreciation and amortization	186.7	189.9
Deferred income taxes and investment tax credits, net	(24.6)	(29.8)
Changes in working capital:		
Accounts receivable	(18.4)	(29.1)
Inventories	(34.5)	(7.7)
Overrecovered / underrecovered utility fuel costs	(.5)	(10.1)
Accounts payable	(41.4)	(8.0)
Accounts payable to associated companies	.2	(4.7)
Income taxes payable	56.5	79.2
Accrued other taxes	43.8	43.3
Other	(12.9)	(21.6)
Other operating activities	4.2	8.9
	287.0	323.8
INVESTING ACTIVITIES:		
Construction expenditures	(168.2)	(125.1)
Allowance for borrowed funds used during construction	(3.5)	(3.6)
Other investing activities	(8.2)	(52.9)
	(179.9)	(181.6)
FINANCING ACTIVITIES:		
Issuance of long-term debt	—	144.1
Repayment of long-term debt	(.8)	(158.6)
Dividends paid on common stock	(100.0)	(98.0)
Decrease in short-term debt	(.9)	(20.3)
	(101.7)	(132.8)
NET INCREASE IN CASH AND EQUIVALENTS	5.4	9.4
Beginning cash and equivalents	—	—
ENDING CASH AND EQUIVALENTS	$ 5.4	$ 9.4
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (net of amount capitalized)	$ 57.9	$ 63.2
Income taxes (net of refunds)	$ 42.9	$ 15.2

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

NOTES TO FINANCIAL STATEMENTS

1) Florida Progress' principal business segment is the Utility segment. Florida Power, the largest subsidiary of Florida Progress, engages in the generation, purchase, transmission, distribution and sale of electricity. Florida Progress' other reportable business segments are Electric Fuels' Energy and Related Services, Rail Services and Inland Marine Transportation units. Financial data for business segments for the periods covered in this Form 10-Q are presented in the table below:

(In millions)	Utility	Energy and Related Services	Rail Services	Inland Marine Transportation	Other	Elimination	Consolidated
Three months ended June 30, 1999:							
Revenues	$ 671.7	$ 44.8	$224.5	$ 33.5	$ .6	$ 1.2	$ 976.3
Intersegment revenues	—	62.3	.6	4.1	(1.9)	(65.1)	—
Segment net income (loss)	65.5	8.3	5.7	2.2	(5.1)	—	76.6
Six months ended June 30, 1999:							
Revenues	$ 1,242.4	$ 87.6	$398.5	$ 63.7	$ 2.1	$ 2.4	$ 1,796.7
Intersegment revenues	—	128.1	1.0	8.1	(6.5)	(130.7)	—
Segment net income (loss)	127.9	16.4	6.2	2.9	(9.2)	—	144.2
Total assets at June 30, 1999	4,972.9	326.5	754.2	96.5	523.9	(371.7)	6,302.3
Three months ended June 30, 1998:							
Revenues	$ 663.8	$ 39.6	$155.8	$ 30.5	$ 12.3	$ 1.1	$ 903.1
Intersegment revenues	—	64.6	.3	3.8	(4.3)	(64.4)	—
Segment net income (loss)	67.7	5.0	4.7	1.9	(1.5)	—	77.8
Six months ended June 30, 1998:							
Revenues	$1,229.0	$ 85.9	$303.0	$ 58.5	$ 12.0	$ 2.2	$1,690.6
Intersegment revenues	—	134.7	.4	6.9	(7.8)	(134.2)	—
Segment net income (loss)	113.5	10.1	6.8	3.6	(5.7)	—	128.3
Total assets at June 30, 1998	5,013.1	289.2	510.5	183.5	67.7	16.9	6,080.9

2) In December 1998, Florida Power received approval from the Florida Public Service Commission ("FPSC") to defer $10.1 million of nonfuel revenues towards the development of a plan that would allow customers to realize the benefits of the 1998 deferred revenues earlier than if the nonfuel revenues were used to accelerate the amortization of the Tiger Bay regulatory asset. The plan was required to be submitted to the FPSC by May 1, 1999. Florida Power was unable to identify any rate initiatives that might allow its ratepayers to receive these benefits sooner and, in June 1999, recognized $10.1 million of revenue and recorded $10.1 million, plus interest, of amortization against the Tiger Bay regulatory asset.

3) In April 1999, FPC Capital I, a subsidiary business trust, completed the sale of $300 million Cumulative Quarterly Income Preferred Securities through a public offering, the proceeds of which were used to pay down short-term debt and for general corporate purposes. The securities are, in effect, fully and unconditionally guaranteed by Florida Progress. Quarterly distributions are payable at an annual rate of 7.10%.

4) **CONTINGENCIES**

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. These credit risks are not material to the financial statements of Florida Progress, 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 accrues $6 million annually to a storm damage reserve and may defer any losses in excess of the reserve. The reserve balances at June 30, 1999 and December 31, 1998 were $27.1 million and $24.1 million, respectively.

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 $88.1 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 that 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 certain former subsidiaries of Florida Progress, whose properties were sold in prior years, have been identified by the U.S. Environmental Protection Agency ("EPA") as Potentially Responsible Parties ("PRPs") at certain sites. Liability for the cleanup costs at these sites is joint and several.

One of the sites that Florida Power previously owned and operated is located in Sanford, Florida. There are five parties, including Florida Power, that have been identified as PRPs at the Sanford site. An agreement has been reached among the PRPs of the Sanford site to spend up to $1.5 million to perform a Remedial Investigation and Feasibility Study ("RI/FS"). Florida Power is liable for 40% of those costs. On September 25, 1998, the EPA formally approved the PRP RI/FS Work Plan. The RI/FS fieldwork was completed in January 1999. The EPA is expected to review the final Remedial Investigation report and provide further guidance to the PRPs by August 1999. Negotiations are underway within the PRP group to develop a new Participant's Agreement. The Agreement will define and allocate future Remedial Design and Remedial Action costs among the participants for Phase I of three potential separate phases of cleanup. The project will be addressed in separate phases for project management purposes. FPC's future cost share allocation for Phase I is expected to be identified by December 1999.

The discussions and resolution of liability for cleanup costs could cause Florida Power to increase the 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 December 1998, Florida Power allowed the EPA to conduct an expanded site inspection at a former plant site designated "Inglis." Soil and groundwater samples were obtained from the Florida Power property, as well as sediment samples from the adjacent Withalacoochee River. A final report is expected from the EPA in 1999 regarding the site hazard ranking and possible listing on the National Priorities list.

In addition to these designated sites, there are other sites where Florida Progress may be responsible for additional environmental cleanup. Florida Progress' best estimates indicate that its share of liability for cleaning up all designated sites ranges from $3.0 million to $9.0 million. It has accrued $4.6 million against these potential costs.

AGE DISCRIMINATION SUIT - Florida Power and Florida Progress have been named defendants in an age discrimination lawsuit. The number of plaintiffs remains at 116, but four of those plaintiffs have had their federal claims dismissed and five others have had their state age claims dismissed. 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 between the parties to provisionally certify this case as a class action suit under the Age Discrimination in Employment Act. Florida Power has filed a motion to decertify the class, but a hearing date has not yet been set. In December 1998, during mediation, plaintiffs alleged damages of $100 million. Company management, while not believing plaintiffs' claim to have merit, offered $5 million in an attempted settlement of all claims. Plaintiffs rejected that offer. Subsequently, Florida Power and the plaintiffs engaged in informal settlement discussions, which were terminated on December 22, 1998. However, plaintiffs have filed a motion to enforce a purported $11 million oral settlement agreement. Florida Power denies that such an agreement exists and has filed responsive pleadings to that effect. As a result, management has identified a probable range of $5 million to $100 million with no amount within that range a better estimate of probable loss than any other amount; accordingly, Florida Power has accrued $5 million. There can be no assurance that this litigation will be settled, or if settled, that the settlement will not exceed $5 million. Additionally, the ultimate outcome, if litigated, cannot presently be determined.

ADVANCED SEPARATION TECHNOLOGIES, INC. ("AST") - In 1996, Florida Progress sold its 80% interest in AST to Calgon Carbon Corporation ("Calgon") for net proceeds of $56 million in cash. In January 1998, Calgon filed a lawsuit against Florida Progress and the other selling shareholder and amended it in April 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 accused the sellers 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 believes the lawsuit is without merit and intends to vigorously defend itself. Accordingly, Florida Progress has not made provision for any loss for this matter.

QUALIFYING FACILITIES CONTRACTS - Florida Power's purchased power contracts with qualifying facilities 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.

The owners of four qualifying facilities filed suit against Florida Power in state court over the contract payment terms, and one owner also filed suit in federal court. Two of the state suits have been settled, and the federal case was dismissed, although the plaintiff has appealed. Of the two remaining state suits, the trial regarding NCP Lake Power ("Lake") concluded in December 1998. In April 1999, the judge entered a non-final trial order. The judge granted Lake's breach of contract claim and ruled that Lake is entitled to receive "firm" energy payments during on-peak hours, but for all other hours, Lake is entitled to the "as-available" rate. The Court ruled in late July 1999, for calculation of damages, that the breach of contract occurred at the inception of the contract. The Court deferred ruling on whether payments for energy are capped at the firm rate during off peak hours, when the "as-available" rate exceeds the usually higher "firm" rate. The Court is expected to rule shortly on the deferred issue. A final order will be entered after the amount of damages due Lake is determined.

In the other remaining suit regarding Dade County, in May 1999 the parties reached an agreement in principal to settle their dispute in its entirety, including all of the ongoing litigation, except the Florida Supreme Court appeal of an FPSC ruling. The terms of the settlement have not yet been finalized, and the agreement will be conditioned upon receiving FPSC approval.

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. Florida Power anticipates that all fuel and capacity expenses will be recovered from its customers.

MID-CONTINENT LIFE INSURANCE COMPANY ("Mid-Continent") - As discussed below, a series of events in 1997 significantly jeopardized the ability of Mid-Continent to implement a plan to eliminate a projected reserve deficiency, resulting in the impairment of Florida Progress' investment in Mid-Continent. 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.

In the spring of 1997, the Oklahoma State Insurance Commissioner ("Commissioner") received court approval to seize control of the operations of Mid-Continent. 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. Although both sides appealed the decision to the Oklahoma Supreme Court, those appeals were withdrawn in early 1999.

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 and seeking access to Florida Progress' assets to satisfy policyholder and creditor claims. In April 1998, the court granted motions to dismiss the individual defendants, leaving Florida Progress as the sole remaining defendant in the lawsuit.

A new Commissioner was elected in November 1998 and has stated his intention to work with Florida Progress and others to develop a plan to rehabilitate Mid-Continent rather than pursue litigation against Florida Progress. Based on data through December 31, 1998, Florida Progress' estimate of the additional assets necessary to fund the reserve, after applying Mid-Continent's statutory surplus, is in the range of $100 million, rather than in the $350 million range put forth by the actuary hired by the former Commissioner. Florida Progress believes that any estimate of the projected reserve deficiency would affect only the assets of Mid-Continent, because Florida Progress has legal defenses to any claims asserted against it. Florida Progress is working with the new Commissioner to develop a viable plan to rehabilitate Mid-Continent, which would include the sale of that company. An order agreed upon by both sides outlining a plan of rehabilitation was filed on March 18, 1999. Bids from a variety of parties were received and opened in June, and are currently being evaluated.

In January 1999, five Mid-Continent policyholders filed a purported class action against Mid-Continent and the same defendants named in the case filed by the former Commissioner. The complaint contains substantially the same factual allegations as those made by the Commissioner. The suit asserts "Extra Life" policyholders have been injured as a result of representations made in connection with the sale of that policy. The suit seeks unspecified actual and punitive damages.

Although Florida Progress hopes to reach a negotiated resolution of these matters, it would continue to vigorously defend itself against the two lawsuits, should negotiations fail. Florida Progress believes the lawsuits are without merit. Because neither the outcome of the litigation nor the ultimate effects of any rehabilitation plan, including the possible sale of Mid-Continent, can be estimated, Florida Progress has not made provision for any additional losses that might result.

5) 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. These financial statements should be read in conjunction with the financial statements and notes thereto in the combined Form 10-K of Florida Progress and Florida Power for the year ended December 31, 1998 (the "1998 Form 10-K").

Exhibit B(1)

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

	12 Months Ending December 31, 2000
OPERATING ACTIVITIES	$ 614.4
INVESTING ACTIVITIES:	
Construction Expenditures	(283.1)
Other Investing Activities	(20.1)
Total	(303.2)
FINANCING ACTIVITIES:	
Long-Term Debt Repayments	(76.8)
Dividends Paid on Common Stock	(203.9)
Increase (Decrease) in Short-Term Debt	(30.5)
Total	(311.2)
TOTAL INCREASE (DECREASE) IN CASH	$ 0.0

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 2000
(In Millions)

BUDGET CLASSIFICATION	**PRELIMINARY BUDGET**
PRODUCTION PLANT	
Nuclear Production	$ 3.6
Fossil/Other Production	69.9
Steam Production	26.1
TOTAL PRODUCTION PLANT	99.6
TRANSMISSION & SUBSTATIONS	
Transmission Lines	21.9
Transmission Substations	13.2
Distribution Substations	17.7
TOTAL TRANSMISSION & SUBSTATIONS	52.8
DISTRIBUTION LINES & SERVICES	
Overhead/Underground Lines and Services	89.1
Meters and Transformers	12.9
TOTAL DISTRIBUTION LINES & SERVICES	102.0
GENERAL PLANT	
Other General Plant	5.5
Transportation Equipment	3.7
Communications Equipment	3.6
Computer Hardware and Software	15.9
TOTAL GENERAL PLANT	28.7
TOTAL LESS AFUDC	$ 283.1

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Exhibit C

FLORIDA POWER CORPORATION
CAPITAL STOCK AND LONG-TERM DEBT
As Of August 31, 1999

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
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	$585,000,000

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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, 1999

		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	$	23,700,000
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	$	608,700,000
Commercial Paper (backed by long-term credit agreement)		137,500,000
Total Long-Term Debt Outstanding:	$	1,572,065,000

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FLORIDA POWER CORPORATION
FPSC APPLICATION FOR AUTHORITY TO ISSUE AND SELL SECURITIES DURING 2000

(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	$850.0
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 for tender offers for, the defeasance of, or otherwise refunding the following:			
8% Series FMBs due 2022	150.0		
7% Series FMBs due 2023	100.0	250.0	
Enter into forward refunding contracts, forward swap contracts, or interest rate swap agreements for one or more series of outstanding pollution control refunding revenue bonds		240.9	
Issue pollution control revenue bonds		35.0	
Issue FMBs, MTNs or other securities and debt obligations to pay off projected year-end 1999 outstanding CP balance (2)		318.0	
Rounding to simplify reporting		6.1	
Other long-term financing authority required			***$850.0***

FLORIDA POWER CORPORATION
FPSC APPLICATION FOR AUTHORITY
TO ISSUE AND SELL SECURITIES DURING 2000
(In Millions)

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

364-day, short-term revolving credit agreement (or CP backed thereby)	$200.0
Other securities and debt obligations, such as borrowings from banks	300.0
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 projected year-end 1999 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 01/01/00		Principal Amount
TENDER OFFERS OR DEFEASANCE				
8% Series FMBs due 2022	12/15/92	(1)	$	150.0
7% Series FMBs due 2023	12/15/93	(1)		100.0
Total of Possible Tender Offers or Defeasance			$	250.0

(1) This series is not redeemable at the Company's option in 2000, 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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