Florida Power
A Progress Energy Company

ORIGINAL

JAMES A. McGEE
ASSOCIATE GENERAL COUNSEL

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October 19, 2001

VIA HAND DELIVERY

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

011377-EI

Re: Application of Florida Power Corporation for Authority to Issue and Sell Securities During the Twelve Months Ending December 31, 2002.

Dear Ms. Bayó:

Enclosed for filing are an original and five copies of the subject Application of Florida Power Corporation.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in Word format. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/scc
Enclosure

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One Progress Plaza, Suite 1500 • Post Office Box 14042 • St. Petersburg, Florida 33733-4042
Phone: 727.820.5184 • Fax: 727.820.5519 • Email: james.mcgee@pgnmail.com

DOCKET NO. 011377-EI

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, 2002

PURSUANT TO SECTION 366.04, FLORIDA STATUTES,

AND CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE

Address communications in connection with this Application to:

Thomas R. Sullivan
Treasurer
Florida Power Corporation
c/o Progress Energy, Inc.
410 S. Wilmington Street
Raleigh, NC 27601

R. Alexander Glenn
Associate General Counsel
Florida Power Corporation
One Progress Plaza
St. Petersburg, FL 33701

Dated: October 18, 2001

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, 2002 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 2002 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) $1.24 billion 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 2002 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:

Thomas R. Sullivan
Treasurer
Florida Power Corporation
c/o Progress Energy, Inc.
410 S. Wilmington Street
Raleigh, NC 27601

R. Alexander Glenn
Associate 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 at 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 2002 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 2002 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 interest rate hedging contracts during 2002 in connection with possible refundings of long-term debt.

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; extendible commercial notes ("ECNs"), which are typically sold to the same investors as commercial paper and are also classified as short-term debt for accounting purposes; and 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. ECNs will be sold under terms and conditions substantially similar to commercial paper. Initial redemption dates on the ECNs will not exceed 90 days from the date of issue. The Company will have the option to extend the final maturity date to 390 days from the date of issue; however, it does not anticipate that it will elect to do so. The Company plans to refund from time to time outstanding commercial paper, ECNs 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 2001, 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. 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 2002 in its

Consummation Report to be filed with the Commission not later than 90 days after the close of the 2002 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 2002 is $400 million outstanding at any time of commercial paper backed by, or borrowings under, the Company's Long-Term Credit Agreements, and $1.24 billion 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 2002 short-term unsecured securities and debt obligations, including commercial paper and ECNs 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 2002 calendar year to report any securities issued during that year.

(5)(c) On September 28, 2001, the estimate of the interest rates for securities proposed to be issued by the Company were as follows (with reference to current rates for comparable securities):

1. The interest rate on 30-year BBB+/A1 rated medium-term notes was about 7.89%.

2. The interest rate on 10-year BBB+/A1 rated medium-term notes was about 6.79%.

3. The interest rate on 5-year BBB+/A1 rated medium-term notes was about 5.70%.

4. The interest rate (on a bond equivalent basis) for second-tier 30-day commercial paper sold through dealers was about 3.20%.

5. Prime interest rate was 6.0%.

The actual interest rates to be paid by the Company during 2002 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 2002 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 became, or will 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 2002 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 2002 Construction Budget is not yet available, the Company's most recently approved construction expenditures forecast excluding Allowance for Funds Used During Construction ("AFUDC") for 2002 is approximately $504.3 million. A detailed listing of this 2002 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 2002, the Company is considering the possibility of exercising call options or submitting a tender offer for, or the defeasance of, series of the Company's first mortgage bonds and/or pollution control revenue bonds totaling $490.9 million, depending on market conditions. Additional detail concerning the tender offer for, the defeasance of, various 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) R. Alexander Glenn, Associate 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) The measure of control or ownership exercised by or over the Company by any other public utility is set forth below. The Company is a wholly owned subsidiary of Florida Progress, a public utility holding company. On November 30, 2000, all the outstanding shares of Florida Progress common stock were acquired by CP&L Energy, Inc., a North Carolina corporation, which subsequently changed its name to Progress Energy, Inc. ("Progress Energy"), in a statutory share exchange pursuant to the terms of an Amended and Restated Agreement and Plan of Exchange dated as of August 22, 1999, Amended and Restated as of March 3, 2000 (the "Agreement").

Following the closing of the share exchange, Progress Energy became a registered holding company under the Public Utility Holding Company Act of 1935 (the "Act"). Progress Energy retained Florida Progress as a wholly owned subsidiary and Florida Progress continues to own all of the issued and outstanding common stock of the Company. Thus, Progress Energy indirectly owns all of the common stock of the Company. Florida Progress remains generally exempt from registration under the Act and attendant regulation because its utility operations are primarily intrastate.

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

Exhibit A The financial statements and accompanying footnotes as they appear in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and filed with the SEC in file no. 59-0247770 on March 29, 2001.

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, 2001, and filed with the SEC in file no. 59-0247770 on August 10, 2001.

Exhibit B(1) Projected Sources and Uses of Funds Statement for 2002.

Exhibit B(2) Preliminary Construction Expenditures for 2002.

Exhibit C Capital Stock and Funded Debt of the Company as of September 30, 2001.

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, 2002, and more specifically, to order that:

(a) Florida Power Corporation's application to issue and sell securities during the twelve months ending December 31, 2002, 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 2002, 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) $1.24 billion 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 2002 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 2002 calendar year.

Respectfully submitted this
18th day of October, 2001

FLORIDA POWER CORPORATION

By: Thomas R. Sullivan

Thomas R. Sullivan
Treasurer

STATE OF NORTH CAROLINA )
)
COUNTY OF WAKE )

**CERTIFICATION OF APPLICATION AND EXHIBITS**

Each of the undersigned, Robert H. Bazemore, Jr. and Thomas R. Sullivan, being first duly sworn, deposes and says that he 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.

Robert H. Bazemore, Jr.
Vice President and Controller

Thomas R. Sullivan
Treasurer

STATE OF NORTH CAROLINA )
)
COUNTY OF WAKE )

The foregoing instrument was acknowledged before me this 18 day of October, 2001, by Robert H. Bazemore, Jr. and Thomas R. Sullivan, who are personally known to me and who did take an oath.

(Seal)

Sarah C. Nelson
Notary Public

Sarah C. Nelson
Printed Name

My Commission Expires: 8-14-05

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EXHIBIT A

The financial statements and accompanying footnotes as they appear in the Florida Progress Corporation/Florida Power Corporation Annual Report on Form 10-K for the year ended December 31, 2000.

The financial statements and accompanying footnotes as they appear in the Florida Progress Corporation/Florida Power Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.

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

**FORM 10-K**

**(Mark One)**

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

For the fiscal year ended December 31, 2000

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**<br>A Florida Corporation<br>410 South Wilmington Street<br>Raleigh, North Carolina 27601-<br>Telephone (919) 546-6111 | 59-2147112 |
| 1-3274 | **FLORIDA POWER CORPORATION**<br>A Florida Corporation<br>One Progress Plaza<br>St. Petersburg, Florida 33701<br>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: | |
| 7.10% Cumulative Quarterly Income Preferred Securities, Series A, of FPC Capital I (and the Guarantee of Florida Progress with respect thereto) | New York 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. [X]

This combined Form 10-K is filed separately by two registrants: Florida Progress Corporation and Florida Power Corporation. Information contained herein relating to either individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrant.

As of February 28, 2001, the aggregate market value of the voting stock held by non-affiliates of Florida Progress Corporation as of February 28, 2001 was $-0-. All of the common stock of Florida Progress Corporation is owned by Progress Energy, Inc.

As of February 28, 2001, the aggregate market value of the voting stock held by non-affiliates of Florida Power Corporation as of January 31, 2001 was $-0-. All of the common stock of Florida Power Corporation is owned by Florida Progress Corporation.

As of January 31, 2001, each registrant had the following shares of common stock outstanding:

| Registrant | Description | Shares |
|---|---|---|
| Florida Progress Corporation | Common Stock (without par value) | 98,616,658 |
| Florida Power Corporation | Common Stock (without par value) | 100 |

## INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF FLORIDA PROGRESS CORPORATION:

We have audited the accompanying balance sheets and schedules of capitalization of Florida Progress Corporation and subsidiaries, and of Florida Power Corporation, as of December 31, 2000 and 1999, and the related statements of income, cash flows, and common equity and comprehensive income for each of the years in the three-year period ended December 31, 2000. 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 management of Florida Progress Corporation and Florida Power Corporation. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. 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

February 15, 2001

CONSOLIDATED STATEMENTS of INCOME

*Florida Progress Corporation*

*(In millions)*

| | *Years ended December 31* | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| **Operating Revenues** | | | |
| Electric | **$ 2,891.2** | $2,632.6 | $ 2,648.2 |
| Diversified businesses | **1,574.3** | 1,227.2 | 961.7 |
| Total Operating Revenues | **4,465.5** | 3,859.8 | 3,609.9 |
| **Operating Expenses** | | | |
| Fuel used in electric generation | **701.5** | 598.6 | 600.1 |
| Purchased power | **498.5** | 414.1 | 433.8 |
| Energy conservation costs | **65.0** | 81.2 | 79.6 |
| Other operation and maintenance | **524.1** | 463.9 | 467.3 |
| Depreciation and amortization | **402.6** | 347.5 | 352.2 |
| Taxes other than on income | **213.3** | 203.1 | 203.5 |
| Diversified businesses | **1,812.8** | 1,161.9 | 883.6 |
| Total Operating Expenses | **4,217.8** | 3,270.3 | 3,020.1 |
| **Operating Income** | **247.7** | 589.5 | 589.8 |
| **Other Income (Expense)** | | | |
| Interest income | **1.9** | .9 | 1.9 |
| Other, net | **(14.6)** | 1.4 | 16.4 |
| Total Other Income (Expense) | **(12.7)** | 2.3 | 18.3 |
| **Income before Interest Charges and Income Taxes** | **235.0** | 591.8 | 608.1 |
| **Interest Charges** | | | |
| Long-term debt | **163.0** | 155.2 | 166.3 |
| Other interest charges | **47.6** | 33.3 | 20.8 |
| Allowance for borrowed funds used during construction (AFUDC) | **(3.1)** | (3.3) | (9.3) |
| Total Interest Charges, Net | **207.5** | 185.2 | 177.8 |
| **Income before Income Taxes** | **27.5** | 406.6 | 430.3 |
| **Income Taxes (Benefit)** | **(116.8)** | 91.7 | 148.6 |
| **Net Income** | **$ 144.3** | $ 314.9 | $ 281.7 |

*See Notes to financial statements.*

CONSOLIDATED BALANCE SHEETS

*Florida Progress Corporation (In millions)*

| Assets | | December 31 2000 | | 1999 |
|---|---|---|---|---|
| **Utility Plant** | | | | |
| Electric utility plant in service | $ | **6,998.1** | $ | 6,776.8 |
| Accumulated depreciation | | **(3,701.9)** | | (3,454.7) |
| Utility plant in service, net | | **3,296.2** | | 3,322.1 |
| Held for future use | | **8.3** | | 8.1 |
| Construction work in progress | | **124.9** | | 139.6 |
| Nuclear fuel, net of amortization | | **39.9** | | 68.7 |
| Total Utility Plant, Net | | **3,469.3** | | 3,538.5 |
| **Current Assets** | | | | |
| Cash and cash equivalents | | **24.2** | | 9.6 |
| Accounts receivable, less allowance for doubtful accounts of $26.2 in 2000 and $5.8 in 1999 | | **506.7** | | 416.1 |
| Taxes receivable | | **16.4** | | 6.5 |
| Inventories, primarily at average cost: | | | | |
| Fuel | | **51.8** | | 76.4 |
| Utility materials and supplies | | **87.4** | | 90.8 |
| Diversified operations | | **234.4** | | 209.4 |
| Underrecovered fuel cost | | **90.5** | | - |
| Deferred income taxes | | **39.6** | | 41.3 |
| Prepayments | | **163.8** | | 105.4 |
| Other current assets | | **25.2** | | 6.1 |
| Total Current Assets | | **1,240.0** | | 961.6 |
| **Deferred Debits and Other Assets** | | | | |
| Deferred purchased power contract termination costs | | **226.7** | | 297.8 |
| Unamortized debt expense | | **19.1** | | 20.5 |
| Nuclear decommissioning trust funds | | **400.7** | | 377.2 |
| Diversified business property, net | | **746.4** | | 703.4 |
| Miscellaneous other property and investments | | **55.1** | | 66.2 |
| Goodwill, net | | **117.3** | | 171.1 |
| Other assets and deferred debits | | **232.5** | | 278.4 |
| Total Deferred Debits and Other Assets | | **1,797.8** | | 1,914.6 |
| **Total Assets** | $ | **6,507.1** | $ | 6,414.7 |
| **Capitalization and Liabilities** | | | | |
| **Capitalization** *(see schedules of capitalization)* | | | | |
| Common stock equity | $ | **1,987.6** | $ | 2,008.7 |
| Preferred stock of subsidiaries-not subject to mandatory redemption | | **33.5** | | 33.5 |
| Long-term debt, net | | **2,276.4** | | 2,454.1 |
| Total Capitalization | | **4,297.5** | | 4,496.3 |
| **Current Liabilities** | | | | |
| Current portion of long-term debt | | **190.5** | | 163.2 |
| Accounts payable | | **366.1** | | 309.0 |
| Overrecovered fuel cost | | **-** | | 31.6 |
| Interest accrued | | **64.1** | | 77.4 |
| Short-term obligations | | **467.3** | | 153.1 |
| Advances from parent | | **45.2** | | - |
| Other current liabilities | | **272.9** | | 228.2 |
| Total Current Liabilities | | **1,406.1** | | 962.5 |
| **Deferred Credits and Other Liabilities** | | | | |
| Accumulated deferred income taxes | | **341.6** | | 539.4 |
| Accumulated deferred investment tax credits | | **62.2** | | 70.0 |
| Other post retirement benefit costs | | **129.4** | | 123.1 |
| Other liabilities and deferred credits | | **270.3** | | 223.4 |
| Total Deferred Credits and Other Liabilities | | **803.5** | | 955.9 |
| **Commitments and Contingencies (Note 15)** | | | | |
| **Total Capitalization and Liabilities** | $ | **6,507.1** | $ | 6,414.7 |

*See Notes to financial statements.*

**CONSOLIDATED STATEMENTS of CASH FLOWS**

*Florida Progress Corporation*

| *(In millions)* | *Years ended December 31* 2000 | 1999 | 1998 |
|---|---|---|---|
| **Operating Activities:** | | | |
| Net income | **$ 144.3** | $ 314.9 | $ 281.7 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | **524.5** | 446.2 | 424.6 |
| Impairment charge | **130.7** | - | - |
| Deferred income taxes and investment tax credits, net | **(228.3)** | (38.4) | 44.8 |
| Accrued postretirement benefit costs | **6.3** | 7.0 | 8.7 |
| Changes in working capital, net of effects from sale or acquisition of business | | | |
| Accounts receivable | **(119.7)** | (13.8) | (2.5) |
| Inventories | **46.7** | (82.8) | 51.1 |
| Overrecovered/underrecovered utility fuel costs | **(122.0)** | 9.4 | 51.7 |
| Accounts payable | **54.6** | 18.3 | 17.8 |
| Taxes payable | **(.4)** | 16.0 | (8.2) |
| Prepayments and other | **(62.3)** | (25.5) | 3.1 |
| Other | **103.8** | 35.8 | 5.1 |
| Net Cash Provided by Operating Activities | **478.2** | 687.1 | 877.9 |
| **Investing Activities:** | | | |
| Gross property additions (including borrowed AFUDC) | **(483.7)** | (574.0) | (543.3) |
| Acquisition of businesses | **(45.7)** | (55.9) | (206.6) |
| Proceeds from sale of properties and businesses | **5.4** | 29.1 | 40.6 |
| Proceeds from sale and leaseback | **-** | 47.0 | 153.0 |
| Other investing activities | **(25.3)** | (58.5) | (129.3) |
| Net Cash Used in Investing Activities | **(549.3)** | (612.3) | (685.6) |
| **Financing Activities:** | | | |
| Proceeds from issuance of long-term debt | **7.3** | 50.0 | 259.1 |
| Repayment of long-term debt | **(166.4)** | (144.4) | (275.1) |
| Increase (decrease) in commercial paper with long-term support | **16.5** | (16.5) | - |
| Issuance of company obligated mandatorily redeemable preferred securities | **-** | 300.0 | - |
| Sale of common stock | **-** | 43.2 | 12.7 |
| Dividends paid on common stock | **(215.4)** | (214.0) | (207.8) |
| Equity contributions from parent | **84.5** | - | - |
| Advances from parent | **45.2** | - | - |
| Increase (decrease) in short-term debt | **314.1** | (83.1) | 21.4 |
| Other financing activities | **(.1)** | (2.9) | (3.2) |
| Net Cash Provided by (Used in) Financing Activities | **85.7** | (67.7) | (192.9) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | **14.6** | 7.1 | (.6) |
| **Cash and Cash Equivalents at Beginning of the Year** | **9.6** | 2.5 | 3.1 |
| **Cash and Cash Equivalents at End of Year** | **$ 24.2** | $ 9.6 | $ 2.5 |
| **Supplemental Disclosures of Cash Flow Information** | | | |
| Cash paid during the year – interest (net of amount capitalized) | **$ 195.5** | $ 160.6 | $ 158.5 |
| income taxes (net of refunds) | **$ 182.5** | $ 152.0 | $ 110.4 |

*See Notes to financial statements.*

## CONSOLIDATED SCHEDULES of CAPITALIZATION

| *Florida Progress Corporation* *(In millions except per share data)* | | December 31 2000 | 1999 |
|---|---|---|---|
| Common Stock Equity | | | |
| Common Stock without par value. 250,000,000 shares authorized, 98,616,658 outstanding in 2000 and 98,454,089 outstanding in 1999. | | $ 1,318.3 | $ 1,267.3 |
| Retained Earnings | | 669.3 | 741.4 |
| Total Common Stock Equity | | $ 1,987.6 | $ 2,008.7 |
| **Preferred Stock of Florida Power Corporation**-not-subject to mandatory redemption | | | |
| Authorized-4,000,000 shares cumulative, $100 par value Preferred Stock; 5,000,000 shares cumulative, no par value preferred stock; 1,000,000 shares, $100 par value Preference Stock | | | |
| $100 par value Preferred Stock: | | | |
| 4.00% - 39,980 shares outstanding (redemption price $104.25) | | $ 4.0 | $ 4.0 |
| 4.40% - 75,000 shares outstanding (redemption price $102.00) | | 7.5 | 7.5 |
| 4.58% - 99,990 shares outstanding (redemption price $101.00) | | 10.0 | 10.0 |
| 4.60% - 39,997 shares outstanding (redemption price $103.25) | | 4.0 | 4.0 |
| 4.75% - 80,000 shares outstanding (redemption price $102.00) | | 8.0 | 8.0 |
| Total Preferred Stock of Florida Power Corporation | | $ 33.5 | $ 33.5 |
| **Long-Term Debt** (maturities and weighted average interest rates as of December 31, 2000) | | | |
| *Florida Power Corporation:* | | | |
| First mortgage bonds, maturing 2003-2023 | 6.94% | $ 510.0 | $ 510.0 |
| Pollution control revenue bonds, maturing 2014-2027 | 6.59% | 240.9 | 240.9 |
| Medium-term notes, maturing 2001-2028 | 6.69% | 531.1 | 607.9 |
| Commercial paper, reclassified to long-term debt | 6.89% | 200.0 | 200.0 |
| Unamortized premium and discount, net | | (2.9) | (3.2) |
| | | 1,479.1 | 1,555.6 |
| *Florida Progress Funding Corporation:* | | | |
| Mandatorily redeemable preferred securities, maturing 2039 | 7.10% | 300.0 | 300.0 |
| | | 300.0 | 300.0 |
| *Progress Capital Holdings:* | | | |
| Medium-term notes, maturing 2001-2008 | 6.85% | 374.0 | 444.0 |
| Commercial paper, reclassified to long-term debt | 7.24% | 300.0 | 283.5 |
| Other debt, maturing 2001-2008 | 3.83% | 13.8 | 34.2 |
| | | 687.8 | 761.7 |
| Less: Current portion of long-term debt | | 190.5 | 163.2 |
| Total Long-Term Debt, Net | | $ 2,276.4 | $ 2,454.1 |
| **Total Capitalization** | | $ 4,297.5 | $ 4,496.3 |

*See Notes to financial statements.*

## CONSOLIDATED STATEMENTS of COMMON EQUITY and COMPREHENSIVE INCOME

| *Florida Progress Corporation* *(In millions except per share data)* | *Years ended December 31* 2000 | 1999 | 1998 |
|---|---|---|---|
| **Beginning Balance** | **$ 2,008.7** | $ 1,862.0 | $ 1,776.0 |
| Net income | **144.3** | 314.9 | 281.7 |
| Foreign currency translation adjustment | **(1.0)** | (.4) | - |
| Comprehensive Income | **143.3** | 314.5 | 281.7 |
| Common Stock Issued – 162,570 shares, 1,117,623 shares, 273,872 shares, respectively | **6.9** | 46.2 | 12.1 |
| Equity contribution from parent, net | **44.1** | - | - |
| Common stock dividends at annual per share rate of $2.22, $2.18 and $2.14, respectively | **(215.4)** | (214.0) | (207.8) |
| **Ending Balance** | **$ 1,987.6** | $ 2,008.7 | $ 1,862.0 |

*See Notes to financial statements.*

## CONSOLIDATED QUARTERLY FINANCIAL DATA (UNAUDITED)

| *Florida Progress Corporation* *(In millions except per share data)* | *First Quarter(a)* | *Second Quarter(a)* | *Third Quarter(a)* | *Fourth Quarter (a)(b)* |
|---|---|---|---|---|
| **Year ended December 31, 2000** | | | | |
| Operating revenues | $ 953.5 | $ 1,094.7 | $ 1,316.9 | $ 1,100.4 |
| Operating income (loss) | 138.4 | 151.3 | 200.3 | (242.3) |
| Net income (loss) | 76.5 | 110.0 | 150.3 | (192.5) |
| Common stock data: *(c)* | | | | |
| Price per share – high | 46.50 | 50.56 | 53.44 | 56.06 |
| low | 40.06 | 45.31 | 46.88 | 51.81 |
| **Year ended December 31, 1999** | | | | |
| Operating revenues | $ 889.9 | $ 1,043.0 | $ 1,178.9 | $ 748.0 |
| Operating income | 137.3 | 158.5 | 241.0 | 52.7 |
| Net income | 67.6 | 76.6 | 137.7 | 33.0 |
| Common stock data: | | | | |
| Basic and diluted earnings per common | 0.69 | 0.78 | 1.40 | 0.34 |
| Dividend paid per common share | .545 | .545 | .545 | .545 |
| Price per share – high | 44.75 | 43.25 | 48.00 | 46.94 |
| low | 36.88 | 35.88 | 39.56 | 41.19 |

(a) In the opinion of management, all adjustments necessary to fairly present amounts shown for interim periods have been made. Results of operations for an interim period may not give a true indication of results for the year.
(b) See Note 2 for a discussion of the purchase of Florida Progress by Progress Energy.
(c) As of November 30, 2000, all outstanding shares of Florida Progress were acquired by Progress Energy.

*See Notes to financial statements.*

## STATEMENTS of INCOME

| *Florida Power Corporation* | *Years ended December 31* | | |
|---|---|---|---|
| *(In millions)* | **2000** | 1999 | 1998 |
| **Operating Revenues** | | | |
| Electric | **$ 2,891.2** | $2,632.6 | $ 2,648.2 |
| Total Operating Revenues | **2,891.2** | 2,632.6 | 2,648.2 |
| **Operating Expenses** | | | |
| Fuel used in electric generation | **701.5** | 598.5 | 600.1 |
| Purchased power | **498.5** | 414.1 | 433.8 |
| Energy conservation costs | **65.0** | 81.2 | 79.6 |
| Other operation and maintenance | **524.1** | 463.9 | 467.3 |
| Depreciation and amortization | **402.6** | 347.5 | 352.2 |
| Taxes other than on income | **213.3** | 203.1 | 203.5 |
| Total Operating Expenses | **2,405.0** | 2,108.3 | 2,136.5 |
| **Operating Income** | **486.2** | 524.3 | 511.7 |
| **Other Income (Expense)** | | | |
| Interest income | **1.9** | .9 | 1.9 |
| Other, net | **(.4)** | 13.7 | 4.5 |
| Total Other Income (Expense) | **1.5** | 14.6 | 6.4 |
| **Income before Interest Charges and Income Taxes** | **487.7** | 538.9 | 518.1 |
| **Interest Charges** | | | |
| Long-term debt | **102.2** | 105.8 | 115.6 |
| Other interest charges | **26.3** | 18.1 | 20.8 |
| Allowance for borrowed funds used during construction | **(3.1)** | (3.3) | (9.4) |
| Total Interest Charges, Net | **125.4** | 120.6 | 127.0 |
| **Income before Income Taxes** | **362.3** | 418.3 | 391.1 |
| **Income Taxes** | **150.5** | 151.3 | 141.0 |
| **Net Income** | **211.8** | 267.0 | 250.1 |
| **Dividends on Preferred Stock** | **1.5** | 1.5 | 1.5 |
| **Earnings For Common Stock** | **$ 210.3** | $ 265.5 | $ 248.6 |

*See Notes to financial statements.*

## BALANCE SHEETS

*Florida Power Corporation*

*(In millions)*

| Assets | December 31 2000 | 1999 |
|---|---|---|
| **Utility Plant** | | |
| Electric utility plant in service | $ 6,998.1 | $ 6,776.8 |
| Accumulated depreciation | (3,701.9) | (3,454.7) |
| Utility plant in service, net | 3,296.2 | 3,322.1 |
| Held for future use | 8.3 | 8.1 |
| Construction work in progress | 124.9 | 139.6 |
| Nuclear fuel, net of amortization | 39.9 | 68.7 |
| Total Utility Plant, Net | 3,469.3 | 3,538.5 |
| **Current Assets** | | |
| Cash and cash equivalents | 3.4 | - |
| Accounts receivable, less allowance for doubtful accounts of $5.2 in 2000 and $4.0 in 1999 | 328.0 | 210.8 |
| Taxes receivable | - | 10.2 |
| Inventories, primarily at average cost: | | |
| Fuel | 51.8 | 76.4 |
| Materials and supplies | 87.4 | 90.8 |
| Underrecovered fuel cost | 90.4 | - |
| Deferred income taxes | 39.6 | 41.3 |
| Prepayments | 146.6 | 91.1 |
| Total Current Assets | 747.2 | 520.6 |
| **Deferred Debits and Other Assets** | | |
| Deferred purchased power contract termination costs | 226.7 | 297.8 |
| Unamortized debt expense | 9.5 | 10.4 |
| Nuclear decommissioning trust funds | 400.7 | 377.2 |
| Diversified business property, net | 9.4 | 10.0 |
| Other assets and deferred debits | 95.6 | 134.6 |
| Total Deferred Debits and Other Assets | 741.9 | 830.0 |
| **Total Assets** | $ 4,958.4 | $ 4,889.1 |
| | | |
| **Capitalization and Liabilities** | | |
| **Capitalization** *(see schedules of capitalization)* | | |
| Common stock equity | $ 1,965.0 | $ 1,885.0 |
| Preferred stock-not subject to mandatory redemption | 33.5 | 33.5 |
| Long-term debt, net | 1,397.1 | 1,478.8 |
| Total Capitalization | 3,395.6 | 3,397.3 |
| **Current Liabilities** | | |
| Current portion of long-term debt | 82.0 | 76.8 |
| Accounts payable | 209.7 | 175.9 |
| Overrecovered fuel cost | - | 31.6 |
| Interest accrued | 47.1 | 59.6 |
| Short-term obligations | 192.5 | 153.1 |
| Advances from parent | 20.2 | - |
| Other current liabilities | 223.5 | 190.8 |
| Total Current Liabilities | 775.0 | 687.8 |
| **Deferred Credits and Other Liabilities** | | |
| Accumulated deferred income taxes | 427.5 | 484.0 |
| Accumulated deferred investment tax credits | 61.6 | 69.5 |
| Other postretirement benefit costs | 125.2 | 119.4 |
| Other liabilities and deferred credits | 173.5 | 131.1 |
| Total Deferred Credits and Other Liabilities | 787.8 | 804.0 |
| **Commitments and Contingencies (Note 15)** | | |
| **Total Capitalization and Liabilities** | $ 4,958.4 | $ 4,889.1 |

*See Notes to financial statements.*

## STATEMENTS of CASH FLOWS

*Florida Power Corporation*

| *(In millions)* | *Years ended December 31* 2000 | 1999 | 1998 |
|---|---|---|---|
| **Operating Activities:** | | | |
| Net income | **$ 210.3** | $ 265.5 | $ 248.6 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | **453.3** | 385.0 | 382.7 |
| Deferred income taxes and investment tax credits, net | **(59.5)** | (62.2) | 36.5 |
| Changes in working capital | | | |
| Accounts receivable | **(117.2)** | (4.9) | 37.9 |
| Inventories | **28.0** | (35.5) | 4.2 |
| Overrecovered/underrecovered utility fuel costs | **(122.1)** | 9.4 | 51.7 |
| Accounts payable | **33.6** | (5.4) | 11.8 |
| Taxes payable | **7.6** | 5.3 | (4.2) |
| Prepayments and other | **(32.4)** | (23.5) | (11.6) |
| Other | **52.5** | 41.3 | 21.4 |
| Net Cash Provided by Operating Activities | **454.1** | 575.0 | 779.0 |
| **Investing Activities:** | | | |
| Gross property additions | **(283.7)** | (357.7) | (310.2) |
| Allowance for borrowed funds used during construction | **(3.1)** | (3.4) | (9.4) |
| Other investing activities | **(16.4)** | (27.5) | (56.8) |
| Net Cash Used in Investing Activities | **(303.2)** | (388.6) | (376.4) |
| **Financing Activities:** | | | |
| Proceeds from issuance of long-term debt | **-** | - | 144.1 |
| Repayment of long-term debt | **(76.8)** | (91.6) | (259.3 |
| Dividends paid on common stock | **(201.3)** | (200.6) | (154.9) |
| Equity contributions from Florida Progress | **71.0** | - | - |
| Advances from parent | **20.2** | - | - |
| Increase (decrease) in short-term debt | **39.4** | 105.8 | (132.5) |
| Net Cash (Used in) Financing Activities | **(147.5)** | (186.4) | (402.6) |
| **Net Increase in Cash and Cash Equivalents** | **3.4** | - | - |
| **Cash and Cash Equivalents at Beginning of the Year** | **-** | - | - |
| **Cash and Cash Equivalents at End of Year** | **$ 3.4** | $ - | $ - |
| **Supplemental Disclosures of Cash Flow Information** | | | |
| Cash paid during the year -- interest (net of amount capitalized) | **$ 135.0** | $ 114.2 | $ 111.4 |
| income taxes (net of refunds) | **$ 194.4** | $ 210.9 | $ 107.3 |
| Non-cash investing activities: | | | |
| property dividend to Florida Progress | **$ -** | $ - | $ 41.1 |

*See Notes to financial statements.*

**SCHEDULES of CAPITALIZATION**

| *Florida Power Corporation* *(In millions except per share data)* | | December 31 2000 | 1999 |
|---|---|---|---|
| Common Stock Equity | | | |
| Common Stock without par value | | $ 1,075.4 | $ 1,004.4 |
| Retained Earnings | | 889.6 | 880.6 |
| Total Common Stock Equity | | $ 1,965.0 | $ 1,885.0 |
| **Preferred Stock**-not-subject to mandatory redemption Authorized-4,000,000 shares cumulative, $100 par value Preferred Stock; 5,000,000 shares cumulative, no par value preferred stock; 1,000,000 shares, $100 par value Preference Stock | | | |
| $100 par value Preferred Stock: | | | |
| 4.00% - 39,980 shares outstanding (redemption price $104.25) | | $ 4.0 | $ 4.0 |
| 4.40% - 75,000 shares outstanding (redemption price $102.00) | | 7.5 | 7.5 |
| 4.58% - 99,990 shares outstanding (redemption price $101.00) | | 10.0 | 10.0 |
| 4.60% - 39,997 shares outstanding (redemption price $103.25) | | 4.0 | 4.0 |
| 4.75% - 80,000 shares outstanding (redemption price $102.00) | | 8.0 | 8.0 |
| Total Preferred Stock of Florida Power Corporation | | $ 33.5 | $ 33.5 |
| **Long-Term Debt** (maturities and weighted average interest rates as of December 31, 2000) | | | |
| *Florida Power Corporation:* | | | |
| First mortgage bonds, maturing 2003-2023 | 6.94% | $ 510.0 | $ 510.0 |
| Pollution control revenue bonds, maturing 2014-2027 | 6.59% | 240.9 | 240.9 |
| Medium-term notes, maturing 2001-2028 | 6.69% | 531.1 | 607.9 |
| Commercial paper, reclassified to long-term debt | 6.89% | 200.0 | 200.0 |
| Unamortized premium and discount, net | | (2.9) | (3.2) |
| | | 1,479.1 | 1,555.6 |
| Less: Current portion of long-term debt | | 82.0 | 76.8 |
| Total Long-Term Debt, Net | | $ 1,397.1 | $ 1,478.8 |
| **Total Capitalization** | | $ 3,395.6 | $ 3,397.3 |

*See Notes to financial statements.*

## STATEMENTS of COMMON EQUITY

*Florida Power Corporation*

| *(In millions)* | 2000 | 1999 | 1998 |
|---|---|---|---|
| | *Years ended December 31* | | |
| **Beginning Balance** | **$ 1,885.0** | $ 1,820.1 | $ 1,767.5 |
| Net income | **210.3** | 265.5 | 248.6 |
| Equity contribution from Florida Progress | **71.0** | - | - |
| Dividends paid to Florida Progress | **(201.3)** | (200.6) | (196.0) |
| **Ending Balance** | **$ 1,965.0** | $ 1,885.0 | $ 1,820.1 |

*See Notes to financial statements.*

## QUARTERLY FINANCIAL DATA (UNAUDITED)

*Florida Power Corporation*

| *(In millions)* | *First Quarter(a)* | *Second Quarter(a)* | *Third Quarter(a)* | *Fourth Quarter(a)* |
|---|---|---|---|---|
| **Year ended December 31, 2000** | | | | |
| Operating revenues | $ 621.9 | $ 701.4 | $ 914.5 | $ 653.4 |
| Operating income (loss) | 132.0 | 156.5 | 221.4 | (23.7) |
| Net income (loss) | 63.4 | 79.5 | 121.9 | (54.5) |
| **Year ended December 31, 1999** | | | | |
| Operating revenues | $ 570.7 | $ 671.7 | $ 794.9 | $ 595.3 |
| Operating income | 119.9 | 135.1 | 219.7 | 49.6 |
| Net income | 62.4 | 65.5 | 121.0 | 16.6 |

(a) In the opinion of management, all adjustments necessary to fairly present amounts shown for interim periods have been made. Results of operations for an interim period may not give a true indication of results for the year.

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 the fourth quarter of 2000, 1999 and 1998 the FPSC approved the establishment of a regulatory liability for the purpose of deferring nonfuel revenues. The 2000, 1999 and 1998 deferrals were $63 million, $44.4 million and $10.1 million, respectively. In the third quarter of 2000, Florida Power recognized the 1999 $44 million deferral in electric utility revenues and applied it to the amortization of the Tiger Bay regulatory asset, which resulted in no impact to 2000 earnings. Similarly, in the second quarter of 1999, Florida Power recognized the 1998 $10 million deferral in electric utility revenues and applied it toward the amortization of the Tiger Bay regulatory asset, resulting in no impact to 1999 earnings.

FLORIDA PROGRESS CORPORATION AND FLORIDA POWER CORPORATION
NOTES TO FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**General** — Florida Progress Corporation (the Company or Florida Progress) is a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). The Company became subject to the regulations of PUHCA when it was acquired by CP&L Energy, Inc. on November 30, 2000. (See Note 2 to the Financial Statements.) CP&L Energy, Inc. subsequently changed its name to Progress Energy, Inc. (Progress Energy or the Parent). Florida Progress' two primary subsidiaries are Florida Power Corporation (Florida Power) and Electric Fuels Corporation (Electric Fuels).

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

The financial statements include the financial results of the Company 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. The investment in Mid-Continent is accounted for under the cost method.

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

**Use of Estimates** — In preparing financial statements that conform with generally accepted accounting principles, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses reflected during the reporting period. Actual results could differ from those estimates.

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

## 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 (AFUDC) 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% for 2000, 1999 and 1998.

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 4.6% for 2000 and 1999 and 4.7% for 1998.

The fossil plant dismantlement accrual has been suspended for a period of four years, effective July 1, 1997. (See Note 14 to the Financial Statements - Extended Nuclear Outage.)

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.

In compliance with a regulatory order, Florida Power accrues a reserve for maintenance and refueling expenses anticipated to be incurred during scheduled nuclear plant outages.

**Diversified Business Property** — Diversified business property consists primarily of railcar and recycling equipment, barges, towboats, land, synthetic fuel facilities, mineral rights and telecommunications equipment.

Depreciation on diversified business property is calculated principally on the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Railcar and recycling equipment | 3 to 20 years |
| Barges and towboats | 30 to 35 years |
| Telecommunications equipment | 5 to 20 years |
| Synthetic fuel facilities | 7 to 9 years |

The synthetic fuel facilities are being depreciated through 2007 at which time the Section 29 tax credits will expire.

In December 2000, Electric Fuels wrote down certain of its 180 million tons of coal reserves (See Note 3). Excluding reserves determined to be impaired, Electric Fuels owns, in fee, properties that contain estimated proven and probable coal reserves of approximately 2 million tons, and controls, through mineral leases, additional estimated proven and probable coal reserves of approximately 22 million tons. 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.

Florida Power accrues the nonfuel 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 SFAS 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 current 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** — The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Dividend and interest income are recognized when earned.

**Acquisitions** — During 2000 and 1999, subsidiaries of Electric Fuels acquired 7 and 8 businesses, respectively, in separate transactions. The cash paid for the 2000 and 1999 acquisitions was $45.7 million and $55.9 million, respectively. The excess of the aggregate purchase price over the fair value of net assets acquired was approximately $11.1 million and $24.0 million in 2000 and 1999, 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 the Company's 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 Electric Fuels' operations. The pro forma results of consolidated operations for 2000 and 1999, assuming the 2000 acquisitions were made at the beginning of each year, would not differ significantly from the historical results.

**Accounting for the Impairment of Goodwill and Long-Lived Assets** — The Company accounts for the impairment of long-lived assets in accordance with SFAS No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". Goodwill and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable (See Note 3). The amount of 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. Goodwill is being amortized on a straight-line basis over the expected periods to be benefited, generally 40 years.

The Financial Accounting Standards Board (FASB) is proceeding with its project related to business combinations and accounting for goodwill. This project, as proposed, would eliminate the amortization of goodwill and, instead, would require goodwill to be reviewed periodically for impairment. The FASB plans to issue a final statement in June 2001.

**Environmental** — The Company accrues environmental remediation liabilities when the criteria of SFAS 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 have no future economic benefits are expensed.

Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated.

**Loss Contingencies** — Liabilities for loss contingencies arising from litigation are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. The amount of the liability recorded includes an estimate of outside legal fees directly associated with the loss contingency.

**New Accounting Standards** — Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as assets or liabilities in the balance sheet and measure those instruments at fair value. There will not be a significant transition adjustment affecting the statements of income or comprehensive income. The ongoing effects of SFAS No. 133 will depend on future market conditions and the Company's positions in derivative instruments and hedging activities.

## NOTE 2: ACQUISITION BY PROGRESS ENERGY, INC.

On November 30, 2000, Progress Energy acquired all of the outstanding shares of Florida Progress' common stock in accordance with the Amended and Restated Plan of Exchange, including the related Plan of Share Exchange, dated as of August 22, 1999, as amended and restated as of March 3, 2000, among CP&L Energy, Florida Progress and Carolina Power & Light Company. Florida Progress shareholders received $54.00 in cash or shares of Progress Energy common stock having a value of $54.00, subject to proration, and one contingent value obligation (CVO) in exchange for each share of Florida Progress common stock. The exchange ratio for the shares of Progress Energy common stock issued to Florida Progress shareholders was 1.3473. Each CVO represents the right to receive contingent payments based upon the net after-tax cash flow to Progress Energy generated by four synthetic fuel facilities purchased by subsidiaries of Florida Progress in 1999.

The acquisition was accounted for by Progress Energy using the purchase method of accounting; however, due to the significance of the public debt and preferred securities of the Company and Florida Power, the acquisition cost was not pushed down to the Company's separate financial statements or Florida Power's. Even though a new basis of accounting and reporting for the Company was not established, significant merger-related costs were incurred in 2000 and reported in the following captions on the Consolidated Statements of Income:

| *(in millions)* | Florida Power Other Operation and Maintenance | Diversified Business Expenses | Total – Florida Progress Corporation |
|---|---|---|---|
| Employee separation costs | $72.8 | $17.9 | $ 90.7 |
| Other merger-related costs | 21.4 | 34.9 | 56.3 |
| Total | $94.2 | $52.8 | $ 147.0 |

In connection with the acquisition of the Company by Progress Energy, the Company began the implementation of a plan to combine operations with Progress Energy. In the fourth quarter 2000, the Company recorded executive involuntary termination costs of $24.5 million and non-executive involuntary termination costs of $41.8 million. Substantially all of the executive termination expense was attributable to lump-sum severance costs paid in December 2000. In connection with the termination of certain key executives, the Company also recorded a curtailment and special termination benefit charge of $24.4 million related to two supplemental defined benefit pension plans (See Note 12). The non-executive involuntary termination accrual includes estimates for administrative leave, severance, employer FICA, medical benefits and outplacement costs associated with the

Company's employee involuntary termination plan. The Company expects to complete the implementation phase of the plan by the end of June 2001 and finalize the plan by the end of 2001. The majority of payments are expected to occur in 2001 with the remaining payments occurring through 2003. The Company expects additional termination effects related to pension and postretirement benefit plan curtailments in 2001.

Other merger-related costs include $17.9 million of change of control costs substantially related to the immediate vesting of a stock-based performance plan (See Note 11), and $17.3 million of direct transaction costs related to investment banker, legal and accounting fees. Other costs incurred include employee retention costs and excise tax payments triggered by executive severance and change of control payments.

## NOTE 3: IMPAIRMENT OF LONG-LIVED ASSETS

During the fourth quarter of 2000, Electric Fuels evaluated the economic feasibility of accessing and mining its existing coal reserves in light of the intended changes for the use of these assets by management and a significant downturn in the coal industry. Electric Fuels concluded that approximately 180 million tons of its existing reserves are impaired. Based on the Electric Fuels' expectation of future net cash flow, these reserves have been written-down to their fair value, resulting in a pre-tax loss of $70.2 million. This impairment charge is included in diversified business expenses on the Company's consolidated statements of income.

Progress Energy has hired a financial adviser to assist Florida Progress in evaluating its strategic alternatives with respect to two of Electric Fuels' business segments, Rail Services and Inland Marine Transportation. Preliminary valuations on the Rail Services business segment indicated that the carrying amounts of long-lived assets are not recoverable. As such, the carrying values of these assets were written down to estimated fair value based on discounted cash flows considering cash flows expected to result from the use of the assets and their eventual disposition. During the fourth quarter 2000, the Rail Services segment recognized the resulting pre-tax impairment loss of $60.5 million, which was substantially attributed to the write-down of goodwill. This impairment charge is included in diversified business expenses on the Company's consolidated statements of income. See Note 13 for additional information on the Rail Services segment.

## NOTE 4: RELATED PARTY TRANSACTIONS

The Company and its subsidiaries participate in two internal money pools, operated by Progress Energy, to more effectively utilize cash resources and to reduce outside short-term borrowings. Short-term borrowing needs are met first by available funds of the money pool participants. Borrowing companies pay interest at a rate designed to approximate the cost of outside short-term borrowings. Subsidiaries, which invest in the money pool, earn interest on a basis proportionate to their average monthly investment. The interest rate used to calculate earnings approximates external interest rates. Funds may be withdrawn from or repaid to the pool at any time without prior notice. Interest expense related to the advances from Progress Energy in 2000 was not significant.

From time-to-time the Company and its subsidiaries may receive equity contributions from Progress Energy. During 2000, the Company received cash equity contributions totaling $84.5 million from Progress Energy.

In April 2000, Progress Energy Ventures (Energy Ventures), a wholly-owned subsidiary of Progress Energy, purchased a 90% interest in an affiliate of Electric Fuels that owns a synthetic fuel facility located at the company-owned mine site in Virginia. In May 2000, Energy Ventures purchased a 90% ownership interest in another synthetic fuel facility located in West Virginia. The purchase agreements contained a provision that would require Energy Ventures to sell, and the respective Electric Fuels affiliate to repurchase, the 90% interest had the share exchange among Florida Progress, CP&L Energy and CP&L not occurred.

Electric Fuels has accounted for the transactions as a sale for tax purposes and, because of the repurchase obligation, as a financing for financial reporting purposes in the pre-acquisition period and as a transfer of assets within a controlled group as of the acquisition date. At the date of acquisition, assets of $8.3 million were transferred to Progress Energy. As of December 31, 2000, the Company has a note receivable of $69.3 million from Energy Ventures that has been recorded as a reduction to equity for financial reporting purposes, offset by a $46.8 million reclassification of the repurchase obligation to equity. Payments on the note during 2000 totaled $9.7 million representing principal and $3.8 million representing interest.

## NOTE 5: FINANCIAL INSTRUMENTS

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

The Company's exposure to market risk for a change in interest rates relates primarily to the Company's marketable securities, debt obligations and Company-obligated mandatorily redeemable preferred securities. The Company's short-term obligations, comprised of commercial paper, are carried at cost, which approximate market value.

The Company held only securities classified as available for sale at both December 31, 2000 and 1999. At December 31, 2000 and 1999, the Company had the following financial instruments with estimated fair values and carrying amounts:

| | 2000 | | 1999 | |
|---|---|---|---|---|
| *(In millions)* | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| ASSETS: | | | | |
| Investments in company-owned life insurance | $ 87.3 | $ 87.3 | $ 89.8 | $ 89.8 |
| Nuclear decommissioning fund | 400.7 | 400.7 | 377.2 | 377.2 |
| LIABILITIES: | | | | |
| Long-term debt: | | | | |
| Florida Power Corporation | $1,479.1 | $1,467.0 | $1,555.6 | $1,512.3 |
| Florida Progress Funding Corporation | 300.0 | 271.5 | 300.0 | 249.8 |
| Progress Capital Holdings | 687.8 | 684.3 | 761.7 | 753.6 |

The change in the cash surrender value of the Company's investment in company-owned life insurance is reflected in other expense (income) in the accompanying consolidated statements of income. The nuclear decommissioning fund consists primarily of equity securities and municipal, government, corporate, and mortgage-backed debt securities. The debt securities have a weighted-average maturity of approximately 10 years. The fund had gross unrealized gains at December 31, 2000 and 1999 of $23.5 million and $117.3 million, respectively. Gross unrealized losses for the same periods were not significant. The proceeds from the sale of securities were $684.1 million, $722.2 million, and $231.7 million for the years ended December 31, 2000, 1999, and 1998, respectively. The cost of securities sold was based on specific identification and resulted in gross realized gains of $3.6 million, $7.6 million, and $1.5 million for the years ended December 31, 2000, 1999, and 1998, respectively. All realized and unrealized gains and losses are reflected as an adjustment to the accumulated provision for nuclear decommissioning.

## NOTE 6: INCOME TAXES

FLORIDA PROGRESS

| *(In millions)* | 2000 | 1999 | 1998 |
|---|---|---|---|
| Components of income tax expense: | | | |
| Payable currently: | | | |
| Federal | $95.3 | $109.6 | $ 85.8 |
| State | 16.2 | 20.5 | 15.3 |
| | 111.5 | 130.1 | 101.1 |
| Deferred, net: | | | |
| Federal | (206.7) | (28.0) | 47.2 |
| State | (13.7) | (2.6) | 8.2 |
| | (220.4) | (30.6) | 55.4 |
| Amortization of investment tax credits, net | (7.9) | (7.8) | (7.9) |
| | $(116.8) | $ 91.7 | $148.6 |

FLORIDA POWER

| *(In millions)* | 2000 | 1999 | 1998 |
|---|---|---|---|
| Components of income tax expense: | | | |
| Payable currently: | | | |
| Federal | $181.3 | $185.1 | $ 89.2 |
| State | 28.6 | 28.4 | 15.3 |
| | 209.9 | 213.5 | 104.5 |
| Deferred, net: | | | |
| Federal | (46.0) | (49.5) | 37.7 |
| State | (5.6) | (4.9) | 6.6 |
| | (51.6) | (54.4) | 44.3 |
| Amortization of investment tax credits, net | (7.8) | (7.8) | (7.8) |
| | $150.5 | $151.3 | $141.0 |

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

FLORIDA PROGRESS

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Federal statutory income tax rate | 35.0% | 35.0% | 35.0% |
| State income tax, net of federal income tax benefits | 5.9 | 2.9 | 3.5 |
| Amortization of investment tax credits | (28.7) | (1.9) | (1.8) |
| Synthetic fuel income tax credits | (538.0) | (9.5) | (.6) |
| Other income tax credits | (25.4) | (1.5) | (1.3) |
| Non deductible acquisition costs | 89.7 | – | – |
| Net unfunded taxes from prior years | 15.3 | – | – |
| Other | 21.8 | (2.4) | (.3) |
| Effective income tax rates | (424.4)% | 22.6% | 34.5% |

FLORIDA POWER

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Federal statutory income tax rate | 35.0% | 35.0% | 35.0% |
| State income tax, net of federal income tax benefits | 4.1 | 3.7 | 3.6 |
| Amortization of investment tax credits | (2.2) | (1.9) | (2.0) |
| Non deductible acquisition costs | 3.0 | – | – |
| Other | 1.8 | (0.5) | (.4) |
| | 41.7% | 36.3% | 36.2% |

The following summarizes the components of deferred tax liabilities and assets at December 31, 2000 and 1999:

FLORIDA PROGRESS

| *(In millions)* | 2000 | 1999 |
|---|---|---|
| Deferred tax liabilities: | | |
| Difference in tax basis of property, plant and equipment | $566.2 | $604.9 |
| Investment in partnerships | 6.2 | 25.5 |
| Deferred book expenses | 9.1 | 25.0 |
| Other | 16.4 | 21.2 |
| Total deferred tax liabilities | $597.9 | $676.6 |
| Deferred tax assets: | | |
| Accrued book expenses | $109.8 | $105.9 |
| Income tax credit carry forward | 92.9 | - |
| Unbilled revenues | 17.8 | 17.7 |
| State income tax loss carry forward | 10.9 | - |
| Valuation allowance | (10.9) | - |
| Other | 75.4 | 54.9 |
| Total deferred tax assets | $295.9 | $178.5 |

| FLORIDA POWER (In millions) | 2000 | 1999 |
|---|---|---|
| Deferred tax liabilities: | | |
| Difference in tax basis of property, plant and equipment | $491.8 | $540.9 |
| Deferred book expenses | 9.1 | 25.0 |
| Other | 9.2 | 7.1 |
| Total deferred tax liabilities | $510.1 | $573.0 |
| Deferred tax assets: | | |
| Accrued book expenses | $90.2 | $88.9 |
| Unbilled revenues | 17.8 | 17.7 |
| Other | 14.2 | 23.7 |
| Total deferred tax assets | $122.2 | $130.3 |

At December 31, 2000 and 1999, Florida Progress had net non current deferred tax liabilities of $341.6 million and $539.4 million and net current deferred tax assets of $39.6 million and $41.3 million, respectively. Income tax credit carry forward at December 31, 2000, consists of $86.9 million of alternative minimum tax credit with an indefinite carry forward period and $6 million of general business credit with a carry forward period expiring in 2020. The valuation allowance in 2000 offsets a related amount of deferred tax assets recorded for state income tax net operating losses. The valuation allowance was recorded because of uncertainties associated with the ability to offset future state taxable amounts during the carry forward period. The Company believes it is more likely than not that the results of future operations will generate sufficient taxable income to allow for the utilization of the remaining deferred tax assets.

At December 31, 2000 and 1999, Florida Power had net non-current deferred tax liabilities of $427.5 million and $484.0 million and net current deferred tax assets of $39.6 million and $41.3 million, respectively. Florida Power expects the results of future operations will generate sufficient taxable income to allow for the utilization of deferred tax assets.

The Company is a majority owner in three facilities and a minority owner in three facilities that produce synthetic fuel from coal fines, as defined under the Internal Revenue Service Code Section 29 (Section 29). The production and sale of the synthetic fuel from these facilities qualifies for tax credits under Section 29 if certain requirements are satisfied. Should the tax credits be denied on future audits, and the Company fails to prevail through the Internal Revenue Service or legal process, there could be a significant tax liability owed for previously taken Section 29 credits, with a significant impact on consolidated results of operations and cash flows. Management believes it is probable, although it can not provide certainty that it will prevail on any credits taken.

**NOTE 7: NUCLEAR OPERATIONS**

**Jointly Owned Plant** — In September 1999, Florida Power purchased the City of Tallahassee's 1.33% interest in the Crystal River Nuclear Plant (CR3), which was approved by regulatory authorities. The following information relates to Florida Power's 91.78% proportionate share of the nuclear plant at December 31, 2000 and 1999:

| (In millions) | 2000 | 1999 |
|---|---|---|
| Utility plant in service | $773.3 | $773.6 |
| Construction work in progress | 14.1 | 18.6 |
| Unamortized nuclear fuel | 39.9 | 68.7 |
| Accumulated depreciation | 431.9 | 400.6 |
| Accumulated decommissioning | 322.2 | 285.0 |

Net capital additions/(retirements) for Florida Power were $(4.9) million in 2000 and $39.2 million in 1999. Depreciation expense, exclusive of nuclear decommissioning, was $36.4 million in 2000 and $34.3 million in 1999. Each co-owner provides for its own financing of its investment. Florida Power's share of the asset balances and operating costs is included in the appropriate 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 expected 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. Plans are in place to request the extension of the CR3 operating license in 2005.

In November 1995, the FPSC approved the current site-specific study that estimates total future decommissioning costs at approximately $2 billion, which corresponds to $501.9 million in 2000 dollars. Florida Power's share of the total annual decommissioning expense is $21.7 million.

In December 2000, Florida Power filed a new site-specific study with the FPSC that estimated total future decommissioning costs to be approximately $1.7 billion, which corresponds to $515.8 million in 2000 dollars. Florida Power filed a petition with the FPSC requesting that the retail portion of annual decommissioning expense be decreased to $8.6 million, beginning in January 2001. The FPSC is expected to rule on this petition in 2001.

**Fuel Disposal Costs** — Florida Power has entered into a contract with the DOE for the transportation and disposal of spent nuclear fuel. Disposal costs for nuclear fuel consumed are being collected from customers through the fuel adjustment clause at a rate of $.001 per net nuclear kilowatt-hour sold and are paid to the DOE quarterly. Florida Power currently is storing spent nuclear fuel on-site and has sufficient storage capacity in place for fuel consumed through the year 2011.

## NOTE 8: PREFERRED AND PREFERENCE STOCK AND SHAREHOLDER RIGHTS

The authorized capital stock of the Company 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 the Company's preferred stock are issued and outstanding. The Company had a Shareholder Rights Agreement, which would have caused the issuance of some or all of this Preferred Stock in the event of certain attempted business combinations. The Shareholder Rights Agreement terminated in connection with the acquisition by Progress Energy.

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

## NOTE 9: COMPANY-OBLIGATED MANDATORILY REDEEMABLE CUMULATIVE QUARTERLY INCOME PREFERRED SECURITIES (QUIPS) OF A SUBSIDIARY TRUST HOLDING SOLELY FLORIDA PROGRESS GUARANTEED SUBORDINATED DEFERRABLE INTEREST NOTES

In April 1999, FPC Capital I (the Trust), an indirect wholly-owned subsidiary of the Company, issued 12 million shares of $25 par cumulative Company-obligated mandatorily redeemable preferred securities (Preferred Securities) due 2039, with an aggregate liquidation value of $300 million with an annual distribution rate of 7.10%, payable quarterly. Currently, all 12 million shares of the Preferred Securities that were issued are outstanding. Concurrent with the issuance of the Preferred Securities, the Trust issued to Florida Progress Funding Corporation (Funding Corp.) all of the common securities of the Trust (371,135 shares), for $9.3 million. Funding Corp. is a direct wholly-owned subsidiary of the Company.

The existence of the Trust is for the sole purpose of issuing the Preferred Securities and the common securities and using the proceeds thereof to purchase from Funding Corp. its 7.10% Junior Subordinated Deferrable Interest Notes (subordinated notes) due 2039, for a principal amount of $309.3 million. The subordinated notes and the Notes Guarantee (as discussed below) are the sole assets of the Trust. Funding Corp.'s proceeds from the sale of the subordinated notes were advanced to Progress Capital Holdings and used for general corporate purposes including the repayment of a portion of certain outstanding short-term bank loans and commercial paper.

The Company has fully and unconditionally guaranteed the obligations of Funding Corp. under the subordinated notes (the Notes Guarantee). In addition, the Company has guaranteed the payment of all distributions required to be made by the Trust, but only to the extent that the Trust has funds available for such distributions (Preferred Securities Guarantee). The Preferred Securities Guarantee, considered together with the Notes Guarantee, constitutes a full and unconditional guarantee by the Company of the Trust's obligations under the Preferred Securities.

The subordinated notes may be redeemed at the option of Funding Corp. beginning in 2004 at par value plus accrued interest through the redemption date. The proceeds of any redemption of the subordinated notes will be used by the Trust to redeem proportional amounts of the Preferred Securities and common securities in accordance with their terms. Upon liquidation or dissolution of Funding Corp., holders of the Preferred Securities would be entitled to the liquidation preference of $25 per share plus all accrued and unpaid dividends thereon to the date of payment.

These preferred securities are classified as long-term debt on Florida Progress' consolidated balance sheets.

## NOTE 10: DEBT AND CREDIT FACILITIES

The Company's consolidated subsidiaries have lines of credit totaling $1.0 billion, which are used to support the issuance of commercial paper. The lines of credit were not drawn on as of December 31, 2000. Interest rate availability 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 .08 and .20 of 1%.

The lines of credit consist of five revolving bank credit facilities, two for Florida Power and three for Progress Capital Holdings, Inc. (Progress Capital). The Florida Power facilities consist of $200 million with a 364-day term and $200 million with a remaining four-year term. The Progress Capital facility consists of $300 million with a 364-day term and $300 million with a remaining three-year term. Included in the above amounts is a new $200 million, 364-day facility, which Progress Capital established in July 2000, while concurrently increasing its commercial paper program from $400 million to $600 million. In November 2000, $300 million of the 364-day facilities were extended to November 2001. Based on the duration of the underlying backup credit facilities, $500 million and $483.5 million of outstanding commercial paper at December 31, 2000 and 1999, respectively, are classified as long-term debt. As of December 31, 2000, Florida Power and Progress Capital had an additional $192.5 million and $274.8 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. The bank bid facilities were not drawn as of December 31, 2000 and 1999, respectively.

In March 2000, Florida Power established an uncommitted bank bid facility allowing it to borrow and re-borrow and have loans outstanding at any time, up to $100 million. The facility was established to temporarily supplement commercial paper borrowings, as needed. As of December 31, 2000, there were no loans outstanding under this bid facility.

Florida Power has a public medium-term note program providing for the issuance of either fixed or floating interest rate notes. These notes may have maturities ranging from nine months to 30 years. A balance of $250 million is available for issuance at December 31, 2000.

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 $400 million is available for issuance under this program.

The combined aggregate maturities of long-term debt for 2001 through 2005 for Florida Progress are $190.5 million, $87 million, $775 million, $68 million and $48 million, respectively. Florida Power's maturities of long-term debt for 2001 through 2005 are $82 million, $32.2 million, $417.4 million, $42.7 million and $48 million, respectively.

Florida Progress has unconditionally guaranteed the payment of Progress Capital's debt.

## NOTE 11: STOCK-BASED COMPENSATION

The Company and one of its subsidiaries had Long-Term Incentive Plans (LTIPs) which authorized the granting of common stock to certain executives in various forms. These plans were terminated on November 30, 2000, in conjunction with the acquisition by Progress Energy (See Note 2). All outstanding LTIP awards as of November 30, 2000 were paid in full in 2000 in accordance with the change in control provisions of these plans. Certain executives were also eligible to receive restricted stock, which also fully vested and was paid in conjunction with the merger.

The Company accounted for these plans in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed under SFAS No. 123, "Accounting for Stock Based Compensation." Compensation costs for performance shares; performance units and restricted stock were recognized at the fair market value of the Company's stock and recognized over the performance cycle. Compensation costs related to the LTIPs for 2000, 1999 and 1998 were $17 million, $19 million and $9 million, respectively. In addition the Company recognized merger-related costs of $18 million associated with these plans in 2000, as a result of the immediate vesting of all outstanding awards.

## NOTE 12: BENEFIT PLANS

**Pension Benefits** — The Company and some of its subsidiaries have two noncontributory defined benefit pension plans covering most employees.

The Company also has two supplementary defined benefit pension plans, that provide additional benefits to certain higher-level employees. As a result of the acquisition by Progress Energy, the benefits of one plan were frozen on December 31, 2000 and the Company recorded merger-related charges of $24.4 million associated with the two plans. (See Note 2) The net pension benefit recognized in 2000 of $53.6 million does not include the merger-related charges.

**Other Postretirement Benefits** — The Company and some of its subsidiaries also provide certain health care and life insurance benefits for retired employees that reach retirement age while working for the Company.

Shown below are the components of the net pension expense and net postretirement benefit expense calculations for 2000, 1999 and 1998:

| | Pension Benefits | | | Other Postretirement Benefits | | |
|---|---|---|---|---|---|---|
| *(In millions)* | 2000 | 1999 | 1998 | 2000 | 1999 | 1998 |
| Service cost | $18.7 | $ 22.0 | $ 22.3 | $ 3.2 | $ 3.5 | $ 3.5 |
| Interest cost | 42.5 | 39.4 | 37.7 | 10.9 | 10.4 | 10.5 |
| Expected return on plan assets | (92.0) | (78.4) | (68.5) | (.5) | (.4) | (.3) |
| Net amortization and deferral | (22.8) | (15.1) | (12.5) | 2.7 | 3.0 | 3.2 |
| Net cost/(benefit) recognized | $(53.6) | $(32.1) | $(21.0) | $16.3 | $16.5 | $16.9 |

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 | | |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 2000 | 1999 | 1998 |
| Discount rate | 7.50% | 7.50% | 7.00% | 7.50% | 7.50% | 7.00% |
| 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% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| Nonbargaining unit employees | 4.50% | 4.50% | 4.50% | 4.50% | 4.50% | 4.50% |
| Nonqualified plans | 4.50% | 4.50% | 4.00% | N/A | N/A | N/A |

The following summarizes the change in the benefit obligation and plan assets for both the pension plan and postretirement benefit plan for 2000 and 1999:

| | Pension Benefits | | Other Postretirement Benefits | |
|---|---|---|---|---|
| *(In millions)* | 2000 | 1999 | 2000 | 1999 |
| Change in benefit obligation | | | | |
| Benefit obligation at beginning of year | $582.2 | $574.2 | $154.5 | $161.5 |
| Service cost | 18.7 | 22.0 | 3.2 | 3.5 |
| Interest cost | 42.5 | 39.4 | 10.9 | 10.4 |
| Plan amendment | - | 9.5 | - | (2.4) |
| Actuarial (gain)/loss | (10.7) | (34.9) | (2.7) | (10.3) |
| Benefits paid | (30.5) | (28.0) | (8.6) | (8.2) |
| Curtailment loss and special termination benefits (See Note 2) | 25.5 | - | - | - |
| Benefit obligation at end of year | 627.7 | 582.2 | 157.3 | 154.5 |
| Change in plan assets | | | | |
| Fair value of plan assets at beginning of year | 1,039.0 | 885.0 | 9.2 | 8.1 |
| Return on plan assets (net of expenses) | (61.7) | 179.9 | 1.1 | (.2) |
| Employer contributions | - | – | 1.3 | 1.3 |
| Benefits paid | (28.5) | (25.9) | - | – |

| | | | | |
|---|---|---|---|---|
| Fair value of plan assets at end of year | 948.8 | 1,039.0 | 11.6 | 9.2 |
| Funded status | 321.1 | 456.8 | (145.7) | (145.3) |
| Unrecognized transition (asset) obligation | (10.6) | (15.5) | 41.9 | 45.4 |
| Unrecognized prior service cost | 19.6 | 12.0 | - | – |
| Unrecognized net actuarial gain | (244.8) | (399.2) | (25.6) | (23.2) |
| Prepaid (accrued) benefit cost | $85.3 | $54.1 | $(129.4) | $(123.1) |

The Company has assets in a rabbi trust for the purpose of providing benefits to the participants in the supplementary defined benefit retirement plans and certain other plans for higher level employees. 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 Deferred Debits and Other Liabilities and Deferred Credits on the accompanying Consolidated Balance Sheets.

The assumed pre-medicare and post medicare health care cost trend rates for 2001 are 7.2% and 6.2%, respectively. Both rates ultimately decrease to 5.3% in 2005 and thereafter. 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 makes quarterly contributions to the postretirement benefit plan to an irrevocable external trust fund for wholesale ratemaking, while continuing to accrue post-retirement benefit costs to an unfunded reserve for retail ratemaking.

**NOTE 13: BUSINESS SEGMENTS**

The Company's principal business segment is Florida Power, an electric utility engaged in the generation, purchase, transmission, distribution and sale of electricity primarily in Florida. The other reportable business segments are Electric Fuels' Energy & Related Services, Rail Services and Inland Marine Transportation units. Energy & Related Services includes coal and synthetic fuel operations, natural gas production and sales, 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 scrap metal recycling. Inland Marine provides transportation of coal, agricultural and other dry-bulk commodities as well as fleet management services. The other category consists primarily of Progress Telecom the Company's telecommunications subsidiary, the Company's investment in FPC Capital Trust, which holds the Preferred Securities, and the holding company, Florida Progress Corporation. Progress Telecom markets wholesale fiber-optic based capacity service in the Southeastern United States and also markets wireless structure attachments to wireless communication companies and governmental entities. Florida Progress allocates a portion of its operating expenses to business segments.

The Company's business segment information for 2000, 1999 and 1998 is summarized below. The Company's significant operations are geographically located in the United States with limited operations in Mexico and Canada. The Company's segments are based on differences in products and services, and therefore no additional disclosures are presented. Intersegment sales and transfers consist primarily of coal sales from the Energy and Related Services segment of 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 in transportation equipment 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.

Segment net income (loss) for 2000 includes a long-lived asset impairment pre-tax loss of $70.2 million (after-tax $47.3 million) included in the Energy & Related Services segment and $60.5 million impairment pre-tax loss (after-tax $36.3 million) included in the Rail Services segment (See Note 3).

| (In millions) | Utility | Energy & Related Services | Rail Services | Inland Marine Transportation | Other | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| 2000 | | | | | | | |
| Revenues | $2,891.2 | $319.9 | $1,047.4 | $170.3 | $32.4 | $4.3 | $4,465.5 |
| Intersegment revenues | - | 244.4 | .7 | 17.8 | (8.7) | (254.2) | - |
| Depreciation and amortization | 453.3 | 25.2 | 32.3 | 5.7 | 8.0 | - | 524.5 |
| Interest expense | 128.5 | 12.2 | 42.7 | (1.6) | 52.0 | (23.2) | 210.6 |
| Income tax expense/(benefit) | 150.5 | (200.4) | (29.0) | 8.0 | (45.6) | (.3) | (116.8) |
| Segment net income (loss) | 210.3 | 34.1 | (52.9) | 9.0 | (55.7) | (.5) | 144.3 |
| Total assets | 4,958.4 | 345.4 | 802.2 | 104.5 | 745.5 | (448.9) | 6,507.1 |
| Property additions | 288.5 | 62.9 | 25.1 | 2.7 | 104.5 | - | 483.7 |
| 1999 | | | | | | | |
| Revenues | $2,632.6 | $180.3 | $880.2 | $141.0 | $ 21.1 | $ 4.6 | $3,859.8 |
| Intersegment revenues | – | 262.9 | 1.5 | 14.5 | (8.9) | (270.0) | – |
| Depreciation and amortization | 385.0 | 21.1 | 27.5 | 5.5 | 7.1 | – | 446.2 |
| Interest expense | 123.9 | 6.9 | 32.3 | .6 | 41.5 | (16.7) | 188.5 |
| Income tax expense/(benefit) | 151.3 | (39.2) | 16.6 | 6.8 | (43.3) | (.5) | 91.7 |
| Segment net income (loss) | 265.5 | 38.9 | 21.3 | 10.7 | (20.7) | (.8) | 314.9 |
| Total assets | 4,889.1 | 390.5 | 815.0 | 106.5 | 720.1 | (506.5) | 6,414.7 |
| Property additions | 362.5 | 39.5 | 61.8 | 61.4 | 48.8 | – | 574.0 |
| 1998 | | | | | | | |
| Revenues | $2,648.2 | $173.8 | $658.5 | $124.6 | $ .5 | $ 4.3 | $3,609.9 |
| 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 | 136.4 | 5.8 | 21.3 | 4.4 | 20.8 | (1.6) | 187.1 |
| Income tax expense/(benefit) | 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 |

## NOTE 14: REGULATORY MATTERS

**Rates** — Florida Power's retail rates are set by the FPSC, while its wholesale rates are governed by FERC. Florida Power's last general retail rate case was approved in 1992 and allowed a 12% regulatory return on equity with an allowed range between 11% and 13%.

On July 7, 2000, the FPSC opened a docket to review Florida Power's earnings including the effects of the combination with Progress Energy. The FPSC's decision expected by late March 2001 has been deferred. Florida Power has agreed that if the FPSC subsequently takes formal action under the interim rate statute, the effective date of that action will be March 13, 2001. The Company cannot estimate the impact, if any, at this time.

**Regulatory Assets and Liabilities** — Florida Power has total regulatory assets (liabilities) at December 31, 2000 and 1999 as detailed below:

| (In millions) | 2000 | 1999 |
|---|---|---|
| Deferred purchased power contract termination costs | $226.7 | $297.8 |
| Replacement fuel (extended nuclear outage) | 7.9 | 23.6 |
| Under (Over) recovered utility fuel costs | 90.5 | (31.6) |
| Unamortized loss on reacquired debt | 21.6 | 23.3 |
| Deferred revenues | (63.0) | (44.4) |
| Other regulatory assets/(liabilities), net | (5.5) | 30.0 |
| Net regulatory assets | $278.2 | $298.7 |

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

If Florida Power no longer applied SFAS 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.

The Tiger Bay regulatory asset, for contract termination costs, 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 at its discretion. Including accelerated amounts, Florida Power recorded amortization expense of $71.2 million, $23 million and $27.2 million, in 2000, 1999 and 1998, respectively.

In December 2000, Florida Power received approval from the FPSC to establish a regulatory liability to defer 2000 revenues for disposition by April 2, 2001. If a proposal is not filed by that date Florida Power would apply the deferred revenues of $63 million, plus accrued interest, to accelerate the amortization of the Tiger Bay regulatory asset.

Similar approvals were given by the FPSC in November 1999 and December 1998. Florida Power received approval from the FPSC to defer nonfuel revenues towards the development of a plan that would allow customers to realize the benefits earlier than if they were used to accelerate the amortization of the Tiger Bay regulatory asset. Florida Power was unable to identify any rate initiatives that might allow its ratepayers to receive these benefits sooner. In September 2000 and June 1999, Florida Power recognized $44.4 million and $10.1 million of revenue, and recorded $44.4 million and $10.1 million, plus interest, of amortization against the Tiger Bay regulatory asset.

**Extended Nuclear Outage** — In June 1997, the FPSC approved 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. 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. The agreement expires June 30, 2001.

## NOTE 15: 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 $77 million, $77 million, $92 million, $94 million and $94 million for 2001 through 2005, respectively, and $1,048 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 $116.7 million and $35.4 million for 2001 and 2002, respectively, with no current obligations thereafter. The total cost incurred for these commitments in 2000, 1999 and 1998 was $110.6 million, $125.3 million and $117.7 million, respectively.

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 less than 5% of Florida Power's total current system capacity. Florida Power has an option to lower these purchases to approximately 200 MW annually with a three-year notice. The purchased power from The Southern Company is supplied by generating units with a capacity of approximately 3,500 MW and is guaranteed by The Southern Company's entire system, totaling more than 30,000 MW.

As of December 31, 2000, Florida Power has ongoing 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, 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.

Florida Power incurred purchased power capacity costs totaling $280.4 million in 2000, $240.6 million in 1999 and $260.1 million in 1998. 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.

| | Purchased Power Capacity Payments | | |
|---|---|---|---|
| *(In millions)* | Utilities | Cogenerators | Total |
| 2001 | $53 | $230 | $283 |
| 2002 | 53 | 236 | 289 |
| 2003 | 51 | 244 | 295 |
| 2004 | 29 | 255 | 284 |
| 2005 | 29 | 268 | 297 |
| 2006-2025 | 136 | 5,036 | 5,172 |
| Total | $351 | $6,269 | $6,620 |
| Total net present value | | | $2,555 |

**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, with initial terms in excess of one year, including the synthetic lease described below, are $71.8 million, $55.1 million, $56.2 million, $64.5 million and $48.1 million for 2001 through 2005, respectively, with a $198.6 million total obligation thereafter. The total costs incurred under these commitments were $73.9 million, $51.1 million and $30.9 million during 2000, 1999 and 1998, 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). MEMCO sold and leased back $153 million of vessels as of December 31, 1998, and the remaining $47 million of vessels in May 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 totals to $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, 2000, are $15.4 million, $15.4 million, $15.8 million, $15.8 million and $16.0 million for 2001 through 2005 and $140.4 million thereafter (excluding the purchase option payment). All MEMCO payment obligations under the transaction documents are unconditionally guaranteed by Progress Capital, which are subsequently guaranteed by Florida Progress.

**Construction Program** — Substantial commitments have been made in connection with the Company's construction program. For the year 2001, Florida Power has projected annual construction expenditures of $343 million, primarily for electric plant.

**Insurance** — Florida Progress and its subsidiaries utilize various risk management techniques to protect certain assets from risk of loss, including the purchase of insurance. Risk avoidance, risk transfer and self-insurance techniques are utilized depending on the Company's 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 balances at December 31, 2000 and 1999 were $29.5 million and $25.6 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 also maintains nuclear property damage insurance and decontamination and decommissioning liability insurance totaling $1.6 billion. This insurance coverage is purchased from Nuclear Electric Insurance Ltd. (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 $8.7 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.

**Claims and Uncertainties** – The Company is subject to federal, state and local regulations addressing air and water quality, hazardous and solid waste management and other environmental matters.

Various organic materials associated with the production of manufactured gas, generally referred to as coal tar, are regulated under federal and state laws. The lead or sole regulatory agency that is responsible for a particular former coal tar site depends largely upon the state in which the site is located. There are several MGP sites to which Florida Power has some connection. In this regard, Florida Power, with other potentially responsible parties, is participating in investigating and, if necessary, remediating former coal tar sites with several regulatory agencies, including, but not limited to, the U.S. Environmental Protection Agency (EPA) and the FDEP. Although the Company may incur costs at these sites about which it has been notified, based upon current status of these sites, the Company does not expect those costs to be material to the financial position or results of operations of the Company. The Company has accrued amounts to address known costs at certain of these sites.

The Company is periodically notified by regulators such as the EPA and various state agencies of their involvement or potential involvement in sites, other than MGP sites, that may require investigation and/or remediation. Although the Company may incur costs at the sites about which they have been notified, based upon the current status of these sites, the Company does not expect those costs to be material to the financial position or results of operations of the Company.

The EPA has been conducting an enforcement initiative related to a number of coal-fired utility power plants in an effort to determine whether modifications at those facilities were subject to New Source Review requirements or New Source Performance Standards under the Clean Air Act. Florida Power has recently been asked to provide information to the EPA as part of this initiative and has cooperated in providing the requested information. The EPA has initiated enforcement actions against other utilities as part of this initiative, some of which have resulted in or may result in settlement agreements, ranging from $1.0 billion to $1.4 billion. These settlement agreements have generally called for expenditures to be made over extended time periods, and some of the companies may seek recovery of the related costs through rate adjustments. The Company cannot predict the outcome of this matter.

In July 1997, the EPA issued final regulations establishing a new eight-hour ozone standard. In October 1999, the District of Columbia Circuit Court of Appeals ruled against the EPA with regard to the federal eight-hour ozone standard. The U.S. Supreme Court has upheld, in part, the District of Columbia Circuit Court of Appeals decision. Further litigation and rulemaking are anticipated. The Company cannot predict the outcome of this matter.

Florida Power has filed claims with the Company's general liability insurance carriers to recover costs arising out of actual or potential liabilities. Some claims have settled and others are still pending. While management cannot predict the outcome of these matters, the outcome is not expected to have a material effect on the financial position or results of operations.

**Other Commitments** – The Company has certain future commitments related to synthetic fuel facilities purchased. These agreements require payments to the seller based on the tons of synthetic fuel produced and sold. During 2000, expenses related to these agreements amounted to $20.3 million.

## 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, but four of those plaintiffs have had their federal claims dismissed and 74 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 Federal 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 filed a motion to decertify the class and in August 1999, the Court granted Florida Power's motion. In October 1999, the judge certified the question of whether the case should be tried as a class action to the Eleventh Circuit Court of Appeals for immediate appellate review. In December 1999, the Court of Appeals agreed to review the judge's order decertifying the class and oral arguments were held in January 2001. In anticipation of a potential ruling decertifying the case as a class action, plaintiffs filed a virtually identical lawsuit, which identified all opt-in plaintiffs as named plaintiffs. This case had been held in abeyance until reactivated in July 2000 upon motion of the plaintiffs.

In December 1998, during mediation in this age discrimination suit, plaintiffs alleged damages of $100 million. Company management, while not believing plaintiffs' claim to have merit, offered $5 million in an attempt to settle all claims. Plaintiffs rejected that offer. Florida Power and the plaintiffs engaged in informal settlement discussions, which terminated on December 22, 1998. As a result of the plaintiffs' claims, 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. In December 1999, Florida Power also recorded an accrual of $4.8 million for legal fees associated with defending its position in these proceedings. 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 (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. Florida Progress believes that the aggregate total of all legitimate warranty claims by customers of AST for which it is probable that Florida Progress will be responsible for under the Stock Purchase Agreement with Calgon is approximately $3 2 million, and accordingly, accrued $3.2 million in the third quarter of 1999 as an estimate of probable loss. Florida Progress filed a motion for summary judgement, which is pending.

**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 suits against Florida Power in state court over the contract payment terms, and one owner also filed suit in federal court. Three of the state court suits have been settled and the federal case was dismissed. The most recent case to settle involved Dade County/Dade Cogen. In May 1999, the parties reached an agreement to settle their dispute in its entirety, including all of the ongoing litigation. The definitive settlement agreement was approved by the Dade County Commission in December 1999 and by the FPSC in June 2000.

In the remaining state court suit, the trial regarding NCP Lake Power (Lake) concluded in December 1998. In April 1999, the judge entered an order granting 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 also ruled that for purposes of calculating damages, the breach of contract occurred at the inception of the contract. In August 1999, a Final Judgment was entered for Lake for approximately $4.5 million and Lake filed a Notice of Appeal. Also in this case, in April 1998, Florida Power filed a petition with the FPSC for a Declaratory Statement that the contract between the parties limits energy payments thereunder to the avoided costs based upon an analysis of a hypothetical unit having the characteristics specified in the contract. In October 1998, the FPSC denied the petition, but Florida Power appealed to the Florida Supreme Court. On January 26, 2001, the District Court of Appeals reversed the trial court's order and held that the contract requires Florida Power to pay Lake the firm energy rate for all hours that the avoided unit operates, less any maintenance shut-down hours. The District Court of Appeals remanded the case to the trial court for a new trial to determine the appropriate amount of damages consistent with the appellate court's ruling. Florida Power has sought rehearing of the District Court of Appeal's decision.

Management does not expect that the results of these legal actions will have a material impact on Florida Power's financial position, results of operations or liquidity. Florida Power anticipates that all fuel and capacity expenses, including any settlement amounts incurred as a result of the matters discussed above, 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. 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 as receiver 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 receiver filed a lawsuit (Receiver's 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 worked 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' actuarial estimate of the additional assets necessary to fund the reserve, after applying Mid-Continent's statutory surplus is in the range of $100 million. The amount put forth by the actuary hired by the former Commissioner was in the range of $350 million. 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.

In January 1999, five Mid-Continent policyholders filed a purported class action (Policyholders' Lawsuit) 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 former 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 actual and punitive damages.

On April 17, 2000, Florida Progress filed an answer in the purported policyholder class action. That answer denied all material allegations of the petition. On April 27, 2000, Florida Progress filed an amended answer and third party petition, which asserted claims for indemnity and contribution against John P. Crawford in his capacity as a prior actuary to Mid-Continent and Lewis & Ellis, Inc., the actuarial firm that designed the Mid-Continent "Extra Life" policy.

Proposals for a plan of rehabilitation were received and opened in June 1999. In October 1999, the new Commissioner signed a letter of intent, subject to approval by the Oklahoma District Court, concerning the assumption of all policies of Mid-Continent. In a letter of intent in connection with the proposed plan of rehabilitation, Florida Progress agreed to assign all of Mid-Continent's stock to the receiver, and contribute $10 million to help offset future premium rate increases or coverage reductions, provided that, among other things, Florida Progress receives a full release from liability, and the receiver's action against Florida Progress is dismissed, with prejudice. The $10 million was proposed to be held in escrow by the Commissioner for a period of 10 years and invested for the benefit of the policyholders. Any proposed premium increases would have been offset by this fund until it was exhausted. The Mid-Continent plan was originally scheduled to be considered by the Oklahoma County District Court in December 1999, but the Court postponed its consideration. Florida Progress accrued an additional provision for loss of $10 million in December 1999. The loss was more than offset by the recognition of tax benefits of approximately $11 million, related to the excess of the tax basis over the current book value of the investment in Mid-Continent, and thus, did not have a material impact on Florida Progress' consolidated financial position, results of operations, or liquidity. This benefit had not been recorded earlier due to uncertainties associated with the timing of the tax deduction.

The Court ordered the filing of new proposals by May 22, 2000. The Commissioner recommended the proposal submitted by American Fidelity Assurance Company (American Fidelity). In September 2000, the Oklahoma County District Court began a hearing to approve the rehabilitation plan proposed by the Oklahoma Insurance Commissioner, under which American Fidelity would acquire Mid-Continent's policies. On September 26, 2000, the Court approved acquisition of the Mid-Continent policies by American Fidelity. In addition, Florida Progress reached a settlement to resolve the Policyholders' Lawsuit. Under the terms of the settlement, Florida Progress agreed to contribute an additional $7.5 million, towards protecting policyholders in the event that future premium rate increases are necessary, and pary attorney's fees and expenses up to $4.875 million. Florida Progress also agreed with the Commissioner to provide approximately $.6 million to fund welfare benefits for retired Mid-Continent employees. Accordingly Florida Progress accrued $12.8 million in September 2000. The additional $7.5 million brings the total contribution to the fund by Florida Progress to $17.5 million. In the event that future premium rate increases are necessary, the $17.5 million, plus interest accrued, will offset increases until the fund is exhausted. Dismissal of the Receiver's Lawsuit is part of the settlement. The Policyholders' Lawsuit case has been transferred to the rehabilitation court. On February 21, 2001, the Court approved the settlement of the Policyholders' Lawsuit and the dismissal of the Receiver's Lawsuit. Florida Progress considers this matter concluded for reporting purposes.

**Easement Litigation** — In December 1998, Florida Power was served with a class action lawsuit seeking damages, declaratory and injunctive relief for the alleged improper use of electric transmission easements. The plaintiffs contend that the licensing of fiber optic telecommunications lines to third parties or telecommunications companies for other than Florida Power's internal use along the electric transmission line right-of-way exceeds the authority granted in the easements. In June 1999, plaintiffs amended their complaint to add Progress Telecommunications Corporation, an indirect wholly-owned subsidiary of Florida Progress, as a defendant and to add counts for unjust enrichment and constructive trust. In January 2000, the Court conditionally certified the class statewide. In a mediation held in March 2000, the parties reached a tentative settlement of this claim. In January 2001, the Court preliminarily approved the amended settlement agreement, certified the settlement class and approved the class notice. Management does not expect that the results of these legal actions will have a material impact on Florida Progress' financial position, results of operations or liquidity. Accordingly, no provision for loss has been recorded pertaining to this matter.

**Other Legal Matters** — Florida Progress and Florida Power are 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 either company's financial position, results of operations or liquidity.

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

**FORM 10-Q**

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

For the quarterly period ended June 30, 2001

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 Number | Exact name of registrants as specified in their charters, state of incorporation, address of principal executive offices, and telephone number | I.R.S. Employer Identification Number |
|---|---|---|
| 1-8349 | **Florida Progress Corporation**<br>A Florida Corporation<br>410 South Wilmington Street<br>Raleigh, North Carolina 27601<br>Telephone (919) 546-6111 | 59-2147112 |
| 1-3274 | **Florida Power Corporation**<br>A Florida Corporation<br>One Progress Plaza<br>St. Petersburg, Florida 33701<br>Telephone (727) 820-5151 | 59-0247770 |

NONE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the 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 __.

This combined Form 10-Q is filed separately by two registrants: Florida Progress Corporation and Florida Power Corporation. Information contained herein relating to either individual registrant is filed by such registrant solely on its own behalf.

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of July 31, 2001, each registrant had the following shares of common stock outstanding

| **Registrant** | **Description** | **Shares** |
|---|---|---|
| Florida Progress Corporation | Common Stock, without par value | 98,616,658 (all of which were held by Progress Energy, Inc.) |
| Florida Power Corporation | Common Stock, without par value | 100 (all of which were held by Florida Progress Corporation) |

## PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENTS of INCOME**

| **Florida Progress Corporation** (In thousands) | Three Months Ended June 30, 2001 | 2000 | Six Months Ended June 30, 2001 | 2000 |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Electric | $ 783,660 | $ 693,336 | $ 1,594,133 | $ 1,318,645 |
| Diversified businesses | 349,988 | 349,649 | 684,426 | 643,274 |
| Total Operating Revenues | 1,133,648 | 1,042,985 | 2,278,559 | 1,961,919 |
| **Operating Expenses** | | | | |
| Fuel used in electric generation | 220,616 | 146,974 | 437,003 | 285,185 |
| Purchased power | 126,603 | 120,267 | 252,222 | 223,392 |
| Operations and maintenance | 119,815 | 124,694 | 230,681 | 237,897 |
| Depreciation and amortization | 94,646 | 92,162 | 246,714 | 177,823 |
| Taxes other than on income | 57,076 | 52,770 | 117,185 | 105,903 |
| Diversified businesses | 384,772 | 359,498 | 735,369 | 648,036 |
| Total Operating Expenses | 1,003,528 | 896,365 | 2,019,174 | 1,678,236 |
| **Operating Income** | 130,120 | 146,620 | 259,385 | 283,683 |
| **Other Income (Expense)** | | | | |
| Interest income | 738 | 163 | 777 | 329 |
| Other, net | (5,940) | 1,360 | (10,980) | (2,209) |
| Total Other Income (Expense) | (5,202) | 1,523 | (10,203) | (1,880) |
| **Income before Interest Charges and Income Taxes** | 124,918 | 148,143 | 249,182 | 281,803 |
| **Interest Charges** | | | | |
| Long-term debt | 36,896 | 41,764 | 77,556 | 80,461 |
| Other interest charges | 9,342 | 11,688 | 19,204 | 23,316 |
| Allowance for borrowed funds used during construction | (111) | (470) | (204) | (870) |
| Total Interest Charges, Net | 46,127 | 52,982 | 96,556 | 102,907 |
| **Income from Continuing Operations before Income Taxes** | 78,791 | 95,161 | 152,626 | 178,896 |
| **Income Taxes (Benefit)** | (23,109) | (11,338) | (24,899) | (2,760) |
| **Income from Continuing Operations** | 101,900 | 106,499 | 177,525 | 181,656 |
| **Discontinued Operations (Note 3) :** | | | | |
| Income from discontinued operations (net of applicable income tax expense of $1,481 and $2,157 for the three months ended and $1,848 and $3,030 for the six months ended June 30, 2001 and 2000, respectively) | 2,319 | 3,488 | 2,682 | 4,786 |
| Estimated loss on disposal of discontinued operations, including provision of $5,468 for pre-tax operating income during phase-out period, (net of applicable income tax expense of $1,231) | (14,408) | | (14,408) | |
| **Net Income** | $ 89,811 | $ 109,987 | $ 165,799 | $ 186,442 |

See Notes to financial statements.

CONSOLIDATED BALANCE SHEETS

| **Florida Progress Corporation** (In thousands) **Assets** | June 30, 2001 | December 31, 2000 |
|---|---|---|
| Utility Plant | | |
| Electric utility plant in service | $ 7,057,058 | $ 6,998,135 |
| Accumulated depreciation | (3,850,786) | (3,701,975) |
| Utility plant in service, net | 3,206,272 | 3,296,160 |
| Held for future use | 8,274 | 8,274 |
| Construction work in progress | 179,703 | 124,988 |
| Nuclear fuel, net of amortization | 62,395 | 39,879 |
| Total Utility Plant, Net | 3,456,644 | 3,469,301 |
| Current Assets | | |
| Cash and cash equivalents | 18,057 | 24,200 |
| Accounts receivable | 492,639 | 482,270 |
| Accounts receivable-affiliates | 21,162 | 507 |
| Taxes receivable | 38 | 16,363 |
| Deferred income taxes | - | 39,576 |
| Inventory | 442,166 | 371,919 |
| Deferred fuel cost | 86,212 | 90,434 |
| Prepayments | 12,648 | 23,027 |
| Net assets of discontinued operations | 48,047 | 69,642 |
| Other current assets | 26,322 | 25,251 |
| Total Current Assets | 1,147,291 | 1,143,189 |
| Deferred Debits and Other Assets | | |
| Income taxes recoverable through future rates | 23,258 | 19,689 |
| Deferred purchased power contract termination costs | 148,757 | 226,656 |
| Unamortized debt expense | 18,575 | 19,128 |
| Nuclear decommissioning trust funds | 404,279 | 400,719 |
| Diversified business property, net | 679,860 | 666,360 |
| Miscellaneous other property and investments | 157,542 | 181,569 |
| Goodwill, net | 129,323 | 113,152 |
| Other assets and deferred debits | 257,499 | 252,821 |
| Total Deferred Debits and Other Assets | 1,819,093 | 1,880,094 |
| **Total Assets** | $ 6,423,028 | $ 6,492,584 |
| **Capitalization and Liabilities** | | |
| **Capitalization** | | |
| Common stock | $ 1,352,346 | $ 1,318,309 |
| Retained earnings | 727,253 | 670,679 |
| Accumulated other comprehensive loss | (1,707) | (1,407) |
| Preferred stock of subsidiaries-not subject to mandatory redemption | 33,497 | 33,497 |
| Long-term debt, net | 2,221,153 | 2,276,416 |
| Total Capitalization | 4,332,542 | 4,297,494 |
| Current Liabilities | | |
| Current portion of long-term debt | 209,550 | 190,466 |
| Accounts payable | 303,580 | 352,606 |
| Accounts payable-affiliates | 35,597 | 48 |
| Interest accrued | 63,000 | 64,118 |
| Short-term obligations | 302,049 | 467,292 |
| Advances from parent | 192,770 | 45,180 |
| Other current liabilities | 306,937 | 308,418 |
| Total Current Liabilities | 1,413,483 | 1,428,128 |
| **Deferred Credits and Other Liabilities** | | |
| Accumulated deferred income taxes | 313,766 | 302,029 |
| Accumulated deferred investment tax credits | 58,273 | 62,160 |
| Other liabilities and deferred credits | 304,964 | 402,773 |
| Total Deferred Credits and Other Liabilities | 677,003 | 766,962 |
| **Commitments and Contingencies (Note 9)** | | |
| **Total Capitalization and Liabilities** | $ 6,423,028 | $ 6,492,584 |

See Notes to financial statements.

CONSOLIDATED STATEMENTS of CASH FLOWS

**Florida Progress Corporation**

| (In thousands) | Six Months Ended June 30, 2001 | 2000 |
|---|---|---|
| **Operating Activities:** | | |
| Net income | $ 165,799 | $ 186,442 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Income from discontinued operations | (2,682) | (4,786) |
| Estimated loss on disposal of discontinued operations | 14,408 | - |
| Depreciation and amortization | 250,972 | 194,485 |
| Deferred income taxes and investment tax credits, net | 22,518 | (7,692) |
| Deferred fuel cost (credit) | 4,222 | (58,702) |
| Changes in working capital, net of effects from sale or acquisition of business | | |
| Net increase in accounts receivable | (26,771) | (76,177) |
| Net increase in inventories | (84,989) | (50,189) |
| Net (increase) decrease in prepaids and other current assets | 9,353 | (22,819) |
| Net decrease in accounts payable | (8,211) | (22,363) |
| Net increase in other current liabilities | 178,280 | 20,533 |
| Other operating activities | (37,789) | 56,919 |
| **Net Cash Provided by Operating Activities** | 485,110 | 215,651 |
| **Investing Activities:** | | |
| Property additions | (121,701) | (109,943) |
| Nuclear fuel additions | (33,058) | - |
| Proceeds from sale of asset | 5,532 | - |
| Other investing activities | (62,422) | (86,451) |
| **Net Cash Used in Investing Activities** | (211,649) | (196,394) |
| **Financing Activities:** | | |
| Proceeds from issuance of long-term debt | 87 | - |
| Net increase (decrease) in short-term indebtedness | (165,243) | 89,349 |
| Retirement of long-term debt | (36,429) | (1,181) |
| Equity contribution from parent | 33,466 | - |
| Dividends paid to parent | (109,224) | - |
| Dividends paid on common stock | - | (109,461) |
| Other financing activities | (2,244) | 1,862 |
| **Net Cash Provided Used in Financing Activities** | (279,587) | (19,431) |
| Cash Provided by (Used in) Discontinued Operations | (17) | 14 |
| Net Decrease in Cash and Cash Equivalents | (6,143) | (160) |
| **Cash and Cash Equivalents at Beginning of the Period** | 24,200 | 9,587 |
| **Cash and Cash Equivalents at End of Period** | $ 18,057 | $ 9,427 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid (received) during the period - interest (net of amount capitalized) | $ 97,659 | $ 102,100 |
| income taxes (net of refunds) | $ (86,670) | $ 63,100 |

See Notes to financial statements.

STATEMENTS of INCOME

**Florida Power Corporation**

| (In thousands) | Three Months Ended June 30, 2001 | Three Months Ended June 30, 2000 | Six Months Ended June 30, 2001 | Six Months Ended June 30, 2000 |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Electric | $ 783,660 | $ 693,336 | $ 1,594,133 | $ 1,318,645 |
| **Operating Expenses** | | | | |
| Fuel used in electric generation | 220,616 | 146,974 | 437,003 | 285,185 |
| Purchased power | 126,603 | 120,267 | 252,222 | 223,392 |
| Operation and maintenance | 119,815 | 124,694 | 230,681 | 237,897 |
| Depreciation and amortization | 94,646 | 92,161 | 246,714 | 177,824 |
| Taxes other than on income | 57,076 | 52,770 | 117,185 | 105,903 |
| Total Operating Expenses | 618,756 | 536,866 | 1,283,805 | 1,030,201 |
| **Operating Income** | 164,904 | 156,470 | 310,328 | 288,444 |
| **Other Income (Expense)** | | | | |
| Interest income | 739 | 163 | 777 | 329 |
| Other, net | (3,187) | 2,350 | (4,941) | 2,447 |
| Total Other Income (Expense) | (2,448) | 2,513 | (4,164) | 2,776 |
| **Income before Interest Charges and Income Taxes** | 162,456 | 158,983 | 306,164 | 291,220 |
| **Interest Charges** | | | | |
| Long-term debt | 23,928 | 26,108 | 48,479 | 52,000 |
| Other interest charges | 4,017 | 6,363 | 8,554 | 12,666 |
| Allowance for borrowed funds used during construction | (111) | (470) | (204) | (871) |
| Total Interest Charges, Net | 27,834 | 32,001 | 56,829 | 63,795 |
| **Income before Income Taxes** | 134,622 | 126,982 | 249,335 | 227,425 |
| **Income Taxes** | 49,933 | 47,122 | 92,662 | 83,785 |
| **Net Income** | 84,689 | 79,860 | 156,673 | 143,640 |
| **Dividends on Preferred Stock** | 378 | 378 | 756 | 756 |
| **Earnings for Common Stock** | $ 84,311 | $ 79,482 | $ 155,917 | $ 142,884 |

See Notes to financial statements.

BALANCE SHEETS

| Florida Power Corporation (In thousands) Assets | June 30, 2001 | December 31, 2000 |
|---|---|---|
| Utility Plant | | |
| Electric utility plant in service | $ 7,057,058 | $ 6,998,135 |
| Accumulated depreciation | (3,850,786) | (3,701,975) |
| Utility plant in service, net | 3,206,272 | 3,296,160 |
| Held for future use | 8,274 | 8,274 |
| Construction work in progress | 179,703 | 124,988 |
| Nuclear fuel, net of amortization | 62,395 | 39,879 |
| Total Utility Plant, Net | 3,456,644 | 3,469,301 |
| Current Assets | | |
| Cash and cash equivalents | 7,625 | 3,380 |
| Accounts receivable | 308,147 | 289,237 |
| Accounts receivable-affiliates | 18,111 | 38,729 |
| Advances to parent | 20,801 | - |
| Deferred income taxes | - | 39,576 |
| Inventory | 176,925 | 139,116 |
| Deferred fuel cost | 86,212 | 90,434 |
| Prepayments | 3,327 | 9,097 |
| Other current assets | 79 | - |
| Total Current Assets | 621,227 | 609,569 |
| Deferred Debits and Other Assets | | |
| Income taxes recoverable through future rates | 23,258 | 19,689 |
| Deferred purchased power contract termination costs | 148,757 | 226,656 |
| Unamortized debt expense | 9,210 | 9,526 |
| Nuclear decommissioning trust funds | 404,279 | 400,719 |
| Miscellaneous other property and investments | 49,216 | 54,816 |
| Other assets and deferred debits | 213,394 | 187,763 |
| Total Deferred Debits and Other Assets | 848,114 | 899,169 |
| **Total Assets** | $ 4,925,985 | $ 4,978,039 |
| **Capitalization and Liabilities** | | |
| **Capitalization** | | |
| Common stock | $ 1,075,414 | $ 1,075,414 |
| Retained earnings | 936,307 | 889,614 |
| Preferred stock of subsidiaries-not subject to mandatory redemption | 33,497 | 33,497 |
| Long-term debt, net | 1,396,278 | 1,397,116 |
| Total Capitalization | 3,441,496 | 3,395,641 |
| Current Liabilities | | |
| Current portion of long-term debt | 82,000 | 82,000 |
| Accounts payable | 168,634 | 170,126 |
| Accounts payable-affiliates | 57,506 | 39,526 |
| Taxes accrued | 64,371 | 4,401 |
| Interest accrued | 44,427 | 47,117 |
| Advances from parent | - | 20,180 |
| Short-term obligations | 117,600 | 192,530 |
| Other current liabilities | 255,402 | 258,633 |
| Total Current Liabilities | 789,940 | 814,513 |
| **Deferred Credits and Other Liabilities** | | |
| Accumulated deferred income taxes | 379,000 | 387,901 |
| Accumulated deferred investment tax credits | 57,751 | 61,626 |
| Other liabilities and deferred credits | 257,798 | 318,358 |
| Total Deferred Credits and Other Liabilities | 694,549 | 767,885 |
| **Commitments and Contingencies (Note 8)** | | |
| **Total Capitalization and Liabilities** | $ 4,925,985 | $ 4,978,039 |

See Notes to financial statements.

STATEMENTS of CASH FLOWS

**Florida Power Corporation**

| (In thousands) | Six Months Ended June 30, 2001 | 2000 |
|---|---|---|
| **Operating Activities:** | | |
| Net income | $ 156,673 | $ 143,640 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 249,542 | 194,235 |
| Deferred income taxes and investment tax credits, net | 4,397 | (14,922) |
| Deferred fuel cost (credit) | 4,222 | (58,702) |
| Changes in working capital: | | |
| Net (increase) decrease in accounts receivable | 1,708 | (36,808) |
| Net increase in inventories | (37,809) | (13,491) |
| Net (increase) decrease in prepaids and other current assets | 5,691 | (17,349) |
| Net increase in accounts payable | 16,487 | 1,337 |
| Net increase in other current liabilities | 31,901 | 72,023 |
| Other operating activities | (78,760) | 10,638 |
| **Net Cash Provided by Operating Activities** | 354,052 | 280,601 |
| **Investing Activities:** | | |
| Property additions | (121,701) | (109,943) |
| Nuclear fuel additions | (33,058) | - |
| Other investing activities | (9,139) | (8,321) |
| **Net Cash Used in Investing Activities** | (163,898) | (118,264) |
| **Financing Activities:** | | |
| Net decrease in short-term indebtedness | (74,930) | (53,436) |
| Retirement of long-term debt | (1,000) | (900) |
| Dividends paid to parent | (109,223) | (102,461) |
| Dividends paid on preferred stock | (756) | (756) |
| **Net Cash Used in Financing Activities** | (185,909) | (157,553) |
| Net Increase in Cash and Cash Equivalents | 4,245 | 4,784 |
| **Cash and Cash Equivalents at Beginning of the Period** | 3,380 | - |
| **Cash and Cash Equivalents at End of Period** | $ 7,625 | $ 4,784 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid during the period – interest (net of amount capitalized) | $ 59,519 | $ 64,100 |
| income taxes (net of refunds) | $ 20,849 | $ 31,300 |

See Notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General. Florida Progress Corporation (the Company or Florida Progress) is a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). The Company became subject to the regulations of PUHCA when it was acquired by CP&L Energy, Inc. on November 30, 2000 (See Note 2). CP&L Energy, Inc. subsequently changed its name to Progress Energy, Inc. (Progress Energy or the Parent). Florida Progress' two primary subsidiaries are Florida Power Corporation (Florida Power) and Electric Fuels Corporation (Electric Fuels).

Florida Power is a regulated public utility engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. Florida Power is regulated by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC).

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

Basis of Presentation. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles) for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Because the accompanying consolidated interim financial statements do not include all of the information and footnotes required by generally accepted accounting principles, they should be read in conjunction with the audited financial statements for the period ended December 31, 2000 and notes thereto included in Florida Progress' and Florida Power's Form 10-K for the year ended December 31, 2000.

The amounts included in the consolidated interim financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary to fairly present Florida Progress' and Florida Power's financial position and results of operations for the interim periods. Due to seasonal weather variations and the timing of outages of electric generating units, the results of operations for interim periods are not necessarily indicative of amounts expected for the entire year. Certain reclassifications have been made to prior-year amounts to conform to the current year's presentation.

The financial statements include the financial results of the Company 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.

In preparing financial statements that conform with generally accepted accounting principles, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses reflected during the reporting period. Actual results could differ from those estimates.

### NOTE 2. ACQUISITION BY PROGRESS ENERGY, INC.

On November 30, 2000, Progress Energy acquired all of the outstanding shares of Florida Progress' common stock in accordance with the Amended and Restated Plan of Exchange, including the related Plan of Share Exchange, dated as of August 22, 1999, as amended and restated as of March 3, 2000, among CP&L Energy, Florida Progress and Carolina Power & Light Company (CP&L). Florida Progress shareholders received $54.00 in cash or shares of Progress Energy common stock having a value of $54.00, subject to proration, and one contingent value obligation (CVO) in exchange for each share of Florida Progress common stock. The exchange ratio for the shares of Progress Energy common stock issued to Florida Progress shareholders was 1.3473. Each CVO represents the right to receive contingent payments based upon the net after-tax cash flow to Progress Energy generated by four synthetic fuel facilities purchased by subsidiaries of Florida Progress in 1999.

The acquisition was accounted for by Progress Energy using the purchase method of accounting; however, due to the significance of the public debt and preferred securities of the Company and Florida Power, the acquisition cost was not pushed down to the Company's separate financial statements or Florida Power's.

In connection with the acquisition of the Company by Progress Energy, the Company began the implementation of a plan to combine operations with Progress Energy. In the fourth quarter 2000, the Company recorded executive involuntary termination costs of $24.5 million and non-executive involuntary termination costs of $41.8 million. Substantially all of the executive termination expense was attributable to lump-sum severance costs paid in December 2000. The second quarter 2001 activity for the non-executive termination costs is detailed in the table below:

| *In millions* | Non-Executive Termination Costs |
|---|---|
| Balance at March 31, 2001 | $ 30.4 |
| Payments | (2.4) |
| Balance at June 30, 2001 | $ 28.0 |

The Company completed the implementation phase of the non-executive plan in June 2001 and expects to finalize the plan by the end of 2001. The majority of the related severance payments are expected to occur in 2001 with the remaining payments occurring through 2003. The Company expects additional termination effects related to pension and postretirement benefit plan curtailments in 2001.

## NOTE 3. DISCONTINUED OPERATIONS

On July 23, 2001, Progress Energy announced the disposition of the Inland Marine Transportation segment of the Company, which is operated by MEMCO Barge Line, Inc. Inland Marine provides transportation of coal, agricultural and other dry-bulk commodities as well as fleet management services. Progress Energy has entered into a contract to sell MEMCO Barge Line, Inc., to AEP Resources, Inc., a wholly-owned subsidiary of American Electric Power. The purchase price for MEMCO is $270 million, of which approximately $210 million will be used for the early termination of certain off balance sheet arrangements for assets currently leased by MEMCO.

The results of operations for all periods presented have been restated for the discontinued operations of the Inland Marine Transportation segment. The net income of these operations for the three and six months ended June 30, 2001 and 2000, is included in the consolidated statements of income under Discontinued Operations. Revenues from such operations were $45.9 million and $48.9 million for the three months ended June 30, 2001 and 2000, respectively, and $84.2 million and $91.1 million for the six months ended June 30, 2001 and 2000, respectively.

An estimated loss on disposal of approximately $14.4 million has been recorded until the disposition of the segment is complete and the actual loss can be determined. The transaction is expected to close by the end of September 2001.

The net assets relating to the disposition have been segregated on the consolidated balance sheets. A detail of these net assets as of each balance sheet date is detailed in the table below:

| *In millions* | June 30, 2001 | December 31, 2000 |
|---|---|---|
| Current assets | $ 27.2 | $ 28.6 |
| Non-current assets | 72.0 | 75.0 |
| Current liabilities | (20.9) | (17.3) |
| Non-current liabilities | (15.9) | (16.7) |
| Provision for loss on disposal | (14.4) | - |
| | $ 48.0 | $ 69.6 |

## NOTE 4. FINANCIAL INFORMATION BY BUSINESS SEGMENT

The Company's principal business segment is Florida Power, an electric utility engaged in the generation, purchase, transmission, distribution and sale of electricity primarily in Florida. The other reportable business segments are Electric Fuels' Energy & Related Services and Rail Services. Electric Fuels' Inland Marine Transportation unit is no longer a reportable segment due to the pending disposition of these operations (See Note 3). Energy & Related Services includes coal and synthetic fuel operations, natural gas production and sales, 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 scrap metal recycling. The other category consists primarily of Progress Telecom, the Company's telecommunications subsidiary, the Company's investment in FPC Capital Trust, which holds the Preferred Securities, the holding company, Florida Progress Corporation and elimination entries. Progress Telecom markets wholesale fiber-optic based capacity service in the Southeastern United States and also markets wireless structure attachments to wireless communication companies and governmental entities. Florida Progress allocates a portion of its operating expenses to business segments.

Financial data for business segments for the periods covered in this Form 10-Q are presented in the table below:

| *(In thousands)* | Utility | Energy and Related Services | Rail Services | Other | Consolidated |
|---|---|---|---|---|---|
| **Three months ended June 30, 2001:** | | | | | |
| Revenues | $ 783,660 | $ 91,800 | $ 225,861 | $32,327 | $1,133,648 |
| Intersegment revenues | — | 111,896 | 541 | (112,437) | — |
| Income (loss) from continuing operations | 84,311 | 38,242 | (9,690) | (10,963) | 101,900 |
| Total assets | 4,925,985 | 438,526 | 802,536 | 255,981 | 6,423,028 |

| | Utility | Energy and Related Services | Rail Services | Other | Consolidated |
|---|---|---|---|---|---|
| **Three months ended June 30, 2000:** | | | | | |
| Revenues | $ 693,336 | $ 59,699 | $ 284,394 | $5,556 | $1,042,985 |
| Intersegment revenues | — | 66,434 | 327 | (66,761) | — |
| Income (loss) from continuing operations | 79,482 | 21,873 | 1,909 | 3,235 | 106,499 |
| Total assets | 4,895,026 | 579,393 | 875,544 | 158,100 | 6,508,063 |

| | Utility | Energy and Related Services | Rail Services | Other | Consolidated |
|---|---|---|---|---|---|
| **Six months ended June 30, 2001:** | | | | | |
| Revenues | $1,594,133 | $ 176,488 | $ 450,026 | $57,912 | $2,278,559 |
| Intersegment revenues | — | 192,412 | 578 | (192,990) | — |
| Income (loss) from continuing operations | 155,917 | 67,423 | (11,788) | (34,027) | 177,525 |
| Total assets | 4,925,985 | 438,526 | 802,536 | 255,981 | 6,423,028 |

| | Utility | Energy and Related Services | Rail Services | Other | Consolidated |
|---|---|---|---|---|---|
| **Six months ended June 30, 2000:** | | | | | |
| Revenues | $1,318,645 | $ 108,377 | $ 525,004 | $9,893 | $1,961,919 |
| Intersegment revenues | — | 130,980 | 327 | (131,307) | — |
| Income (loss) from continuing operations | 142,884 | 34,507 | 2,847 | 1,418 | 181,656 |
| Total assets | 4,895,026 | 579,393 | 875,544 | 158,100 | 6,508,063 |

## NOTE 5. IMPACT OF NEW ACCOUNTING STANDARDS

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 138. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. The adoption of SFAS No. 133 did not have any effect on the Company's financial statements.

During the second quarter of 2001, the FASB issued an interpretation of SFAS No. 133 indicating that options, in general, cannot qualify for the normal purchases and sales exception, but provided an exception that allows certain electricity contracts, including certain capacity-energy contracts, to be excluded from the mark-to-market requirements of SFAS No. 133. These interpretations are effective July 1, 2001. The Company is continuing to review contracts to determine whether they meet the criteria for the normal purchases and sales exception. If an electricity or fuel supply contract in its regulated business is subject to mark-to-market accounting, there would be no income statement effect of the mark-to-market because the contract's mark-to-market gain or loss will be recorded as a regulatory asset or liability. Any mark-to-market gains or losses on contracts outside its regulated business will affect income unless those contracts qualify for hedge accounting treatment.

The application of the new rules is still evolving and further guidance from the Financial Accounting Standards Board (FASB) is expected, which could additionally impact the Company's financial statements.

On July 20, 2001, the FASB issued SFAS No. 141 "Business Combinations" and No. 142 "Goodwill and Other Intangible Assets". SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and clarifies the criteria for recording of other intangible assets separately from goodwill. SFAS No. 142 requires that, effective January 1, 2002, the Company cease amortization of goodwill. It also requires the Company to evaluate goodwill for impairment at least annually, which could result in periodic impairment charges. Goodwill amortization on an after-tax basis was $0.4 million and $1.3 million for the three and six months ended June 30, 2001, and is expected to be approximately $2.5 million for the year. The Company is currently assessing the impact adopting these statements will have on the financial statements.

On June 2001, the FASB approved the issuance of SFAS No. 143 "Accounting for Asset Retirement Obligations" that provides accounting guidance for the costs of retiring long-lived assets and is effective for fiscal years beginning after June 15, 2002. The Company will assess the impact adoption of this statement will have on the financial statements once the final statement is issued.

## NOTE 6. FINANCING ACTIVITIES

On July 18, 2001, Florida Power issued $300 million of First Mortgage Bonds, 6.65% Series due July 15, 2011. Proceeds from the issuance were primarily used to retire commercial paper.

## NOTE 7. FLORIDA PROGRESS OBLIGATED MANDATORILY REDEEMABLE CUMULATIVE QUARTERLY INCOME PREFERRED SECURITIES (QUIPS) OF A SUBSIDIARY TRUST HOLDING SOLELY FLORIDA PROGRESS GUARANTEED SUBORDINATED DEFERRABLE INTEREST NOTES

In April 1999, FPC Capital I (the Trust), an indirect wholly owned subsidiary of the Company, issued 12 million shares of $25 par cumulative Company-obligated mandatorily redeemable preferred securities due 2039 (Preferred Securities), with an aggregate liquidation value of $300 million and a quarterly distribution rate of 7.10%, payable quarterly. Currently, all 12 million shares of the Preferred Securities that were issued are outstanding. Concurrent with the issuance of the Preferred Securities, the Trust issued to Florida Progress Funding Corporation (Funding Corp.) all of the common securities of the Trust (371,135 shares), for $9.3 million. Funding Corp. is a direct wholly owned subsidiary of the Company.

The existence of the Trust is for the sole purpose of issuing the Preferred Securities and the common securities and using the proceeds thereof to purchase from Funding Corp. its 7.10% Junior Subordinated Deferrable Interest Notes due 2039 (subordinated notes), for a principal amount of $309.3 million. The subordinated notes and the Notes Guarantee (as discussed below) are the sole assets of the Trust. Funding Corp.'s proceeds from the sale of the subordinated notes were advanced to Progress Capital Holdings, Inc. (PCH), and used for general corporate purposes including the repayment of a portion of certain outstanding short-term bank loans and commercial paper.

The Company has fully and unconditionally guaranteed the obligations of Funding Corp. under the subordinated notes (the Notes Guarantee). In addition, the Company has guaranteed the payment of all distributions required to be made by the Trust, but only to the extent that the Trust has funds available for such distributions (Preferred Securities Guarantee). The Preferred Securities Guarantee, considered together with the Notes Guarantee, constitutes a full and unconditional guarantee by the Company of the Trust's obligations under the Preferred Securities.

The subordinated notes may be redeemed at the option of Funding Corp. beginning in 2004 at par value plus accrued interest through the redemption date. The proceeds of any redemption of the subordinated notes will be used by the Trust to redeem proportional amounts of the Preferred Securities and common securities in accordance with their terms. Upon liquidation or dissolution of Funding Corp., holders of the Preferred Securities would be entitled to the liquidation preference of $25 per share plus all accrued and unpaid dividends thereon to the date of payment.

These preferred securities are classified as long-term debt on Florida Progress' balance sheets.

## NOTE 8. COMPREHENSIVE INCOME

Comprehensive income for Florida Progress for the three months and the six months ended June 30, 2001 was $89.8 million and $165.5 million, respectively. For the three months and the six months ended June 30, 2000, comprehensive income was $110.0 million and $186.3 million, respectively. Florida Power does not have any items of other comprehensive income.

## NOTE 9. COMMITMENTS AND CONTINGENCIES

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

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

Under the provisions of the Price Anderson Act, which limits liability for accidents at nuclear power plants, Florida Power, as an owner of a nuclear plant, can be assessed for a portion of any third-party liability claims arising from an accident at any commercial nuclear power plant in the United States. If total third-party claims relating to a single nuclear incident exceed $200 million (currently available through commercial insurance), Florida Power could be assessed up to $88.1 million per incident, with a maximum assessment of $10 million per year.

Florida Power also maintains nuclear property damage insurance and decontamination and decommissioning liability insurance totaling $1.6 billion. This insurance coverage is purchased from Nuclear Electric Insurance Ltd. (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 $9.13 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.

**Claims and Uncertainties** — The Company is subject to federal, state and local regulations addressing air and water quality, hazardous and solid waste management and other environmental matters.

Various organic materials associated with the production of manufactured gas, generally referred to as coal tar, are regulated under federal and state laws. The lead or sole regulatory agency that is responsible for a particular former coal tar site depends largely upon the state in which the site is located. There are several MGP sites to which Florida Power has some connection. In this regard, Florida Power, with other potentially responsible parties, is participating in investigating and, if necessary, remediating former coal tar sites with several regulatory agencies, including, but not limited to, the U.S. Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP). Although the Company may incur costs at these sites about which it has been notified, based upon current status of these sites, the Company does not expect those costs to be material to the financial position or results of operations of the Company. The Company has accrued amounts to address known costs at certain of these sites.

The Company is periodically notified by regulators such as the EPA and various state agencies of its involvement or potential involvement in sites, other than MGP sites, that may require investigation and/or remediation. Although the Company may incur costs at the sites about which it has been notified, based upon the current status of these sites, the Company does not expect those costs to be material to the financial position or results of operations of the Company.

The EPA has been conducting an enforcement initiative related to a number of coal-fired utility power plants in an effort to determine whether modifications at those facilities were subject to New Source Review requirements or New Source Performance Standards under the Clean Air Act. Florida Power has recently been asked to provide information to the EPA as part of this initiative and has cooperated in providing the requested information. The EPA has initiated enforcement actions against other unaffiliated utilities as part of this initiative, some of which have resulted in or may result in settlement agreements, ranging from $1.0 billion to $1.4 billion. These settlement agreements have generally called for expenditures to be made over extended time periods, and some of the companies may seek recovery of the related costs through rate adjustments. The Company cannot predict the outcome of this matter.

In July 1997, the EPA issued final regulations establishing a new eight-hour ozone standard. In October 1999, the District of Columbia Circuit Court of Appeals ruled against the EPA with regard to the federal eight-hour ozone standard. The U.S. Supreme Court has upheld, in part, the District of Columbia Circuit Court of Appeals decision. Further litigation and rulemaking are anticipated. The Company cannot predict the outcome of this matter.

Florida Power currently is storing spent nuclear fuel onsite in spent fuel pools. If Florida Power does not seek renewal of the Crystal River Unit No. 3 (CR3) operating license, with certain modifications to its storage pools currently underway, CR3 will have sufficient storage capacity in place for fuel consumed through the end of the expiration of the license in 2016. If Florida Power extends the CR3 operating license, dry storage may be necessary.

Florida Power has filed claims with the Company's general liability insurance carriers to recover costs arising out of actual or potential liabilities. Some claims have settled and others are still pending. While management cannot predict the outcome of these matters, the outcome is not expected to have a material effect on the financial position or results of operations

**Regulatory developments** - Florida Power previously operated under an agreement committing several parties not to seek any reduction in its base rates or authorized return on equity. That agreement expired on June 30, 2001. On May 3, 2001, the staff of the Florida Public Service Commission, or FPSC, recommended that the FPSC require Florida Power to submit, by September 14, 2001, minimum filing requirements, based on a 2002 projected calendar year, to initiate a rate proceeding regarding its future base rates. The FPSC staff also recommended to the FPSC that, pending completion of Florida Power's rate case, annual revenues of $114 million should be held subject to refund to its customers. On June 20, 2001, the FPSC issued an order accepting its staff's recommendation that Florida Power be required to hold $114 million of revenue subject to refund and to file, by September 14, 2001, minimum filing requirements based on a projected 2002 test year. On July 2, 2001, Florida Power filed a request for rehearing of the portion of the FPSC 's order requiring that it hold $114 million of revenues subject to refund on the grounds that the order contradicted FPSC precedent, was inconsistent with the applicable statutory requirements and violated Florida Power's due process rights. Florida Power is awaiting a decision from the FPSC on how they intend to proceed in this matter. Also, since the FPSC's June 20, 2001 order, Florida Power has been working with FPSC staff and other interested parties to establish special procedures for the filing of the minimum filing requirements. The Company cannot predict the outcome or impact of these matters.

## 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, but four of those plaintiffs have had their federal claims dismissed and 74 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 Federal 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 filed a motion to decertify the class and in August 1999, the Court granted Florida Power's motion. In October 1999, the judge certified the question of whether the case should be tried as a class action to the Eleventh Circuit Court of Appeals for immediate appellate review. In December 1999, the Eleventh Circuit Court of Appeals agreed to review the judge's order decertifying the class and oral arguments were held in January 2001. In anticipation of a potential ruling decertifying the case as a class action, plaintiffs filed a virtually identical lawsuit, which identified all opt-in plaintiffs as named plaintiffs. This case had been held in abeyance until reactivated in July 2000 upon motion of the plaintiffs.

On July 5, 2001, the Eleventh Circuit Court of Appeals ruled that as a matter of law, disparate claims cannot be brought under the Age Discrimination in Employment Act. This ruling has the effect of decertifying this case as a class action. The plaintiffs may appeal this ruling. The Company cannot predict the outcome of this matter.

In December 1998, during mediation in this age discrimination suit, plaintiffs alleged damages of $100 million. Company management, while not believing plaintiffs' claim to have merit, offered $5 million in an attempt to settle all claims. Plaintiffs rejected that offer. Florida Power and the plaintiffs engaged in informal settlement discussions, which terminated on December 22, 1998. As a result of the plaintiffs' claims, 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. In December 1999, Florida Power also recorded an accrual of $4.8

million for legal fees associated with defending its position in these proceedings. 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 (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. Florida Progress believes that the aggregate total of all legitimate warranty claims by customers of AST for which it is probable that Florida Progress will be responsible for under the Stock Purchase Agreement with Calgon is approximately $3.2 million, and accordingly, accrued $3.2 million in the third quarter of 1999 as an estimate of probable loss. Florida Progress filed a motion for summary judgement, which is pending.

**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 suits against Florida Power in state court over the contract payment terms, and one owner also filed suit in federal court. Three of the state court suits have been settled and the federal case was dismissed.

In the remaining state court suit, the trial regarding NCP Lake Power (Lake) concluded in December 1998. In April 1999, the judge entered an order granting 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 also ruled that for purposes of calculating damages, the breach of contract occurred at the inception of the contract. In August 1999, a Final Judgement was entered for Lake for approximately $4.5 million and Lake filed a Notice of Appeal. Also in this case, in April 1998, Florida Power filed a petition with the FPSC for a Declaratory Statement that the contract between the parties limits energy payments thereunder to the avoided costs based upon an analysis of a hypothetical unit having the characteristics specified in the contract. In October 1998, the FPSC denied the petition, but Florida Power appealed to the Florida Supreme Court. On January 26, 2001, the District Court of Appeals reversed the trial court's order and held that the contract requires Florida Power to pay Lake the firm energy rate for all hours that the avoided unit operates, less any maintenance shut-down hours. The District Court of Appeals remanded the case to the trial court for a new trial to determine the appropriate amount of damages consistent with the appellate court's ruling. Florida Power has sought rehearing of the District Court of Appeal's decision. Although granting Florida Power's request, the District Court of Appeal's confirmed its initial decision.

Management does not expect that the results of these legal actions will have a material impact on Florida Power's financial position, results of operations or liquidity. Florida Power anticipates that all fuel and capacity expenses, including any settlement amounts incurred as a result of the matters discussed above, will be recovered from its customers.

**Easement Litigation** — In December 1998, Florida Power was served with a class action lawsuit seeking damages, declaratory and injunctive relief for the alleged improper use of electric transmission easements. The plaintiffs contend that the licensing of fiber optic telecommunications lines to third parties or telecommunications companies for other than Florida Power's internal use along the electric transmission line right-of-way exceeds the authority granted in the easements. In June 1999, plaintiffs amended their complaint to add Progress Telecommunications Corporation, an indirect wholly owned subsidiary of Florida Progress, as a defendant and to add counts for unjust enrichment and constructive trust. In January 2000, the court conditionally certified the class statewide. In a mediation held in March 2000, the parties reached a tentative settlement of this claim. In January 2001, the Court preliminarily approved the amended settlement agreement, certified the settlement class and approved the class notice. Management does not expect that the results of these legal actions will have a material impact on Florida Progress' financial position, results of operations or liquidity. Accordingly, no provision for loss has been recorded pertaining to this matter. A final settlement hearing date set for June 2001 was held, with no decision rendered.

**Other Legal Matters** — Florida Progress and Florida Power are 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 either company's consolidated financial position, results of operations or liquidity.

Exhibit B(1)

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

| | 12 Months Ending December 31, 2002 |
|---|---|
| OPERATING ACTIVITIES | $ 658.9 |
| INVESTING ACTIVITIES: | |
| Construction Expenditures | (504.3) |
| Other Investing Activities | (8.5) |
| Total | (512.8) |
| FINANCING ACTIVITIES: | |
| Long-Term Debt (Repayments)/Issuance | (45.6) |
| Dividends Paid on Common Stock | (253.2) |
| Increase (Decrease) in Short-Term Debt | (63.0) |
| Preferred Dividends | (1.5) |
| Total | (146.1.) |
| 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.

Exhibit B(2)

# FLORIDA POWER CORPORATION
# PRELIMINARY CONSTRUCTION EXPENDITURES FOR 2002
(In Millions)

| BUDGET CLASSIFICATION | PRELIMINARY BUDGET |
|---|---|
| **PRODUCTION PLANT** | |
| Nuclear Production | $ 5.5 |
| Fossil/Other Production | 174.1 |
| Steam Production | 10.1 |
| TOTAL PRODUCTION PLANT | 189.7 |
| **TRANSMISSION & SUBSTATIONS** | |
| Transmission Lines | 21.3 |
| Transmission Substations | 19.2 |
| Distribution Substations | 23.6 |
| TOTAL TRANSMISSION & SUBSTATIONS | 64.1 |
| **DISTRIBUTION LINES & SERVICES** | |
| Overhead/Underground Lines and Services | 175.0 |
| Meters and Transformers | 12.9 |
| TOTAL DISTRIBUTION LINES & SERVICES | 187.9 |
| **GENERAL PLANT** | |
| Other General Plant | 25.1 |
| Transportation Equipment | 22.0 |
| Communications Equipment | 12.3 |
| Computer Hardware and Software | 3.3 |
| TOTAL GENERAL PLANT | 62.7 |
| **NUCLEAR FUEL** | 0 |
| **TOTAL LESS AFUDC** | $ 504.3 |

Exhibit C

FLORIDA POWER CORPORATION
CAPITAL STOCK AND LONG-TERM DEBT
As Of August 31, 2001

| 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 |

| | Amount Outstanding |
|---|---|
| First Mortgage Bonds: | |
| 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 |
| 6.65% Series, due 2011 | 300,000,000 |
| Total First Mortgage Bonds Outstanding | $ 810,000,000 |

[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, 2001

| | | 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 | $ | 20,100,000 |
| 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 | $ | 480,100,000 |
| Commercial Paper (backed by long-term credit agreement) | | 200,000,000 |
| Total Long-Term Debt Outstanding: | $ | 1,730,960,000 |

Exhibit D

## FLORIDA POWER CORPORATION
## FPSC APPLICATION FOR AUTHORITY TO ISSUE AND SELL SECURITIES DURING 2001

**(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 | $1,240.0 |
| 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 | | |
| 6.54% Series MTN due 2002 | 30.0 | 280.0 | |
| 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 | 240.9 | |
| Issue FMBs, MTNs or other securities and debt obligations to pay off projected year-end 2000 outstanding CP balance (2) | 500.0 | |
| Rounding to simplify reporting | 8.2 | |
| ***Other long-term financing authority required*** | | ***$1,240.0*** |

Exhibit D

# FLORIDA POWER CORPORATION
# FPSC APPLICATION FOR AUTHORITY
# TO ISSUE AND SELL SECURITIES DURING 2001
**(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 or extendible commercial notes | 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 2002 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 | First Call Date | Call Price as % of Par Value at Call Date | | Principal Amount |
|---|---|---|---|---|---|
| TENDER OFFERS OR DEFEASANCE | | | | | |
| 8% Series FMBs due 2022 | 12/15/92 | 12/01/02 | 103.75 | $ | 150.0 |
| 7% Series FMBs due 2023 | 12/15/93 | | (1) | | 100.0 |
| Total of Possible Tender Offers or Defeasance | | | | $ | 250.0 |
| 7.2% Pinellas Cty POL due 2014 | | 06/01/01 | 102 | | 32.2 |
| 6.35% Citrus Cty POL due 2022 | | 08/01/02 | 102 | | 90.0 |
| 6.35% Pasco Cty POL due 2022 | | 08/01/02 | 102 | | 10.1 |
| 6.625% Citrus Cty POL due 2027 | | 01/01/02 | 102 | | 108.6 |
| | | | | | 240.9 |

(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

POL = Pollution Control

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