
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION



Florida Power
A Progress Energy Company

DOCKET NO. 000824-EI

MINIMUM FILING REQUIREMENTS

SECTION F – MISCELLANEOUS SCHEDULES

PROJECTED TEST YEAR 2002

DOCUMENT NUMBER-DATE

11457 SEP 14 0

FPSC-COMMISSION CLERK

Florida Power Corporation
Docket No. 000824-EI
Minimum Filing Requirements
Section F - Miscellaneous Schedules
Projected Test Year 2002

ORIGINAL

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FLORIDA PUBLIC SERVICE COMMISSION

Explanation: Provide a copy of the most recent Annual Report to
Shareholders and subsequent annual reports will be
requested in discovery if needed.

Type of data shown:

Company: FLORIDA POWER CORPORATION

Projected Test Year Ended xx/xx/xxxx
XX Prior Year Ended 12/31/2000
Witness: Myers

Docket No. 000824-EI

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Attached is the 2000 Annual Report to Shareholders.



Letter to Shareholders
 Progress is Growing
 Progress is Converging
 Progress is Innovating
 Financial Review

FINANCIAL HIGHLIGHTS*

FISCAL YEAR ENDED	
IN THOUSANDS EXCEPT PER SHARE DATA	December 31 2000
FINANCIAL DATA	
Operating revenues	\$4,118,873
Net income	478,361
Basic earnings per common share	3.04
Average common shares outstanding	157,169
COMMON STOCK DATA	
Return on average common stock equity (percent)	13.04
Book value per common share	26.32
Market value per common share (closing)	49.19

* Data for Progress Energy, Inc. includes CP&L Energy for the full year and the results of Florida Progress Corporation since the date of acquisition, November 30, 2000.

This is Progress.

WILLIAM CAVANAUGH III
CHAIRMAN, PRESIDENT AND
CEO
DEPUTY EXECUTIVE OFFICER

In 1997 we set out to change our future. Our guiding vision, then as now, was to transform CP&L into a more dynamic, diverse and innovative competitor – an energy company capable of creating and growing value for shareholders in a rapidly evolving industry. Our strategy included an ambitious five-year plan to grow the company. On November 30, 2000, we took a giant step in meeting that goal by officially completing our acquisition of Florida Progress Corporation. As a result, we're not only bigger, we're stronger. And we have a new name. One that clearly sets the pace and direction of our company: *Progress Energy*.

In combining Florida Progress and CP&L Energy to create Progress Energy, we created a company greater than the sum of its parts. A company that now includes CP&L, Florida Power, NCNG, Progress Telecom, SRS, and our new business unit, Energy Ventures, which manages wholesale energy marketing and trading and merchant generation.

Today, Progress Energy is among the nation's top 10 investor-owned utilities in terms of generation capacity with more than 19,000 megawatts. Our total assets exceed \$20 billion. We serve over 2.8 million electricity and gas customers in Florida and the Carolinas. And we're just getting started.



**THE PROGRESS
ENERGY STAR –**
a bold,
new symbol
of energy and
motion.

MILESTONES

August 1999

Florida Progress
acquisition announced

June 2000

CP&L's Wayne County
Plant begins operations

September 2000

CP&L Energy sells 10%
interest in BellSouth
PCS business for \$200M

November 2000

Florida Progress
acquisition completed

December 2000

Progress Energy (RGN)
begins trading on NYSE

A Year of Solid Performance. By a variety of measures, Progress Energy had a strong showing in 2000. On a pre-merger basis, total operating revenues for CP&L Energy in 2000 were \$3.8 billion, a 14.4 percent increase over the year before and earnings increased 20.3 percent over 1999 to \$3.08 per share, a record high. Total operating revenues for Florida Progress Corporation in 2000 were \$4.5 billion, a 16.1 percent increase over the previous year and earnings (on a pre-merger basis) rose to \$3.61 per share in 2000, compared to \$3.21 in 1999. Energy sales for CP&L and Florida Power increased 3.5 percent and 4.6 percent respectively, reflecting strong customer growth and a colder-than-normal fourth quarter.

And the four new gas-fired peaking units at CP&L's Wayne County Plant came online last June.

Also in 2000, the Standard and Poor's Electric Utility Index saw its greatest one-year gain ever, rising 54 percent and signaling a return of investor confidence in the utility sector. In keeping with that, Progress Energy's common stock closed the year at \$49.19, a record closing price. This delivered a total return to shareholders of 72 percent for the year.

A Strong Platform for Growth. Progress Energy is structured for stability, anchored by the foundation of

"We created a company

CP&L and Florida Power. But our story does not end here. We have no intention of standing still.

Our priority for the near term is the continued integration of our companies. Already, this process has resulted in the reorganization of our business along strategic lines as well as in the formation of profitable, new business units. While we plan to divest certain non-core businesses gained in the acquisition, such as our rail and barge subsidiaries, we will do so only when the value proposition is right.

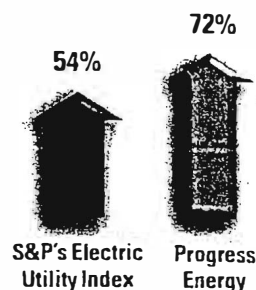
Fully integrating CP&L Energy and Florida Progress will yield significant operating synergies and production savings expected to total more than \$100 million in 2001.

In 2000, CP&L Energy took steps to unlock value from its Interpath subsidiary by striking an ownership deal



We reached new performance heights in 2000. CP&L's three nuclear plants set their seventh-consecutive generation record, surpassing last year's record by nearly 4 percent. Florida Power's Crystal River Nuclear Plant had one of its most productive years as well. SRS, our national energy services and facilities management subsidiary, achieved profitability on \$89 million of revenues, up from \$74 million in 1999.

TOTAL RETURN TO SHAREHOLDERS (1-01-2000 TO 12-31-2000)



MILESTONES

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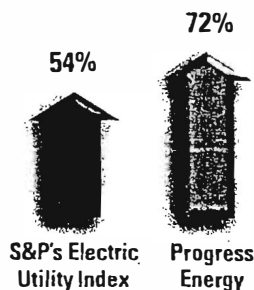
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TOTAL RETURN TO SHAREHOLDERS (1-01-2000 TO 12-31-2000)



with Bain Capital. It retained 35 percent of the company's Application Service Provider business, its fiber-optic assets, and its BellSouth PCS investment, which was later sold for \$200 million. And we are now folding the fiber-optic network assets into our Progress Telecom subsidiary.

Our long term focus is on growth. We are exploring new opportunities – both on the regulated and non-regulated sides of our business. We are leveraging our fundamental strengths in customer service, operational efficiency, cost control and regulatory relations to expand in the Southeast. Our growth strategy is three-pronged – we want to: 1) increase our energy generation business,

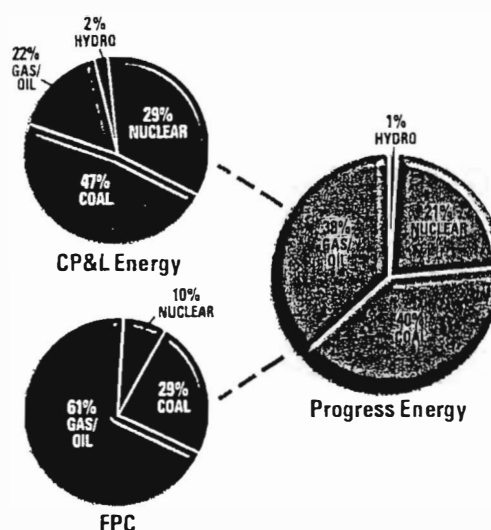
greater than the sum of its parts."

by building new power plants and maximizing our wholesale energy sales; 2) expand our energy delivery business, by capitalizing on the impressive growth potential in Florida and the Carolinas; and 3) develop broadband capacity wholesale business through Progress Telecom, by extending our fiber-optic network. Continuing on the strategic path just outlined will help us accomplish our financial objectives in 2001.

A Culture Bent On Success. Progress Energy encompasses different geographies, infrastructures, products, markets and workforces. Yet, we are all of one mind when it comes to the future. Our mission: to grow our business and deliver more value to our shareholders.

A new culture is emerging here. One shaped as much by the diversity of our employees and customers as by our knowledge, expertise, commitment to service and vision. We are guided by one of the strongest and most experienced management teams in the industry. We will continue to emphasize operational excellence and provide our customers with exceptional levels of service. Our collective mindset is focused squarely on performance.

Progress Energy's culture embraces the world outside the company, as evidenced by our ongoing commitment to education, the environment, economic development and the communities we serve.

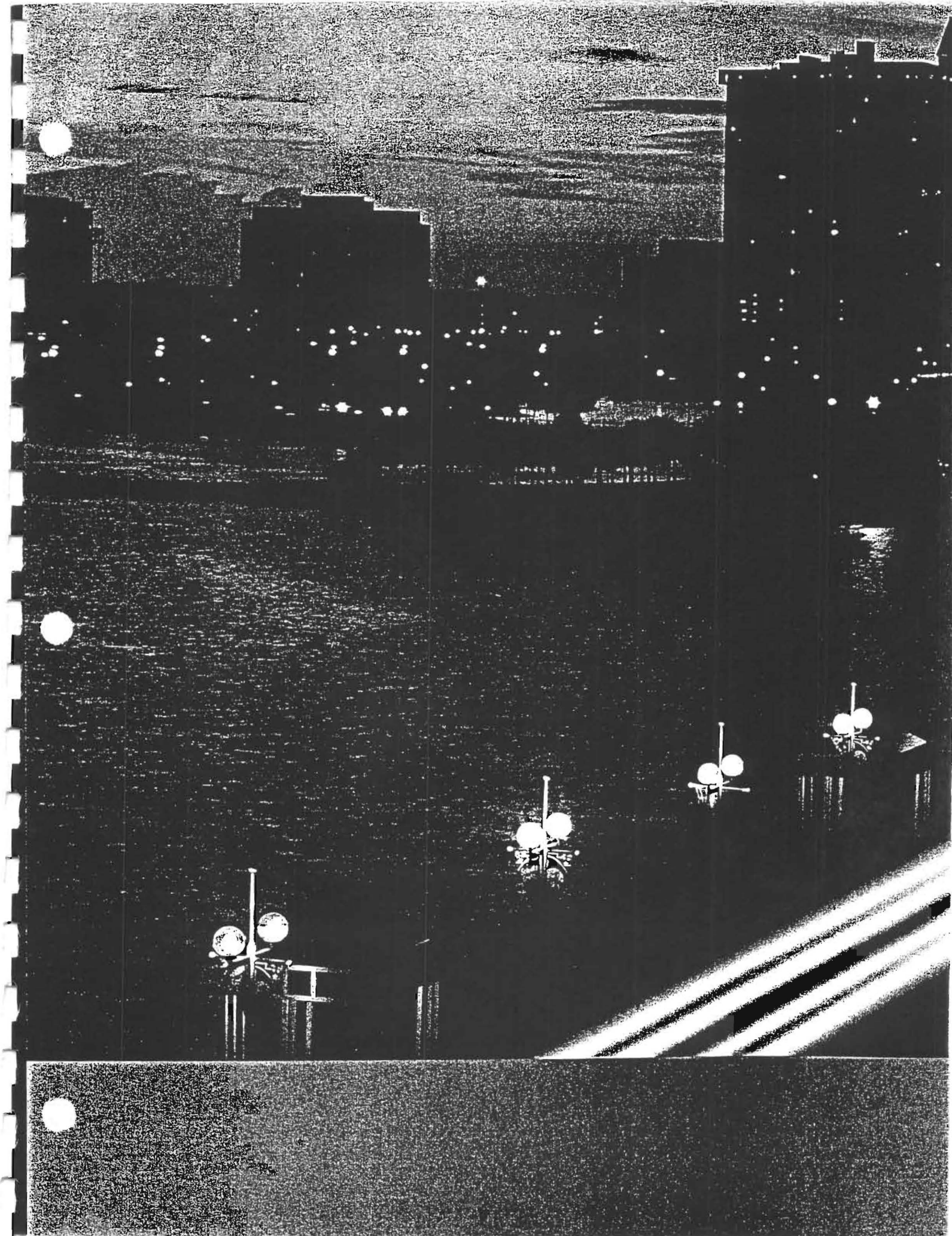


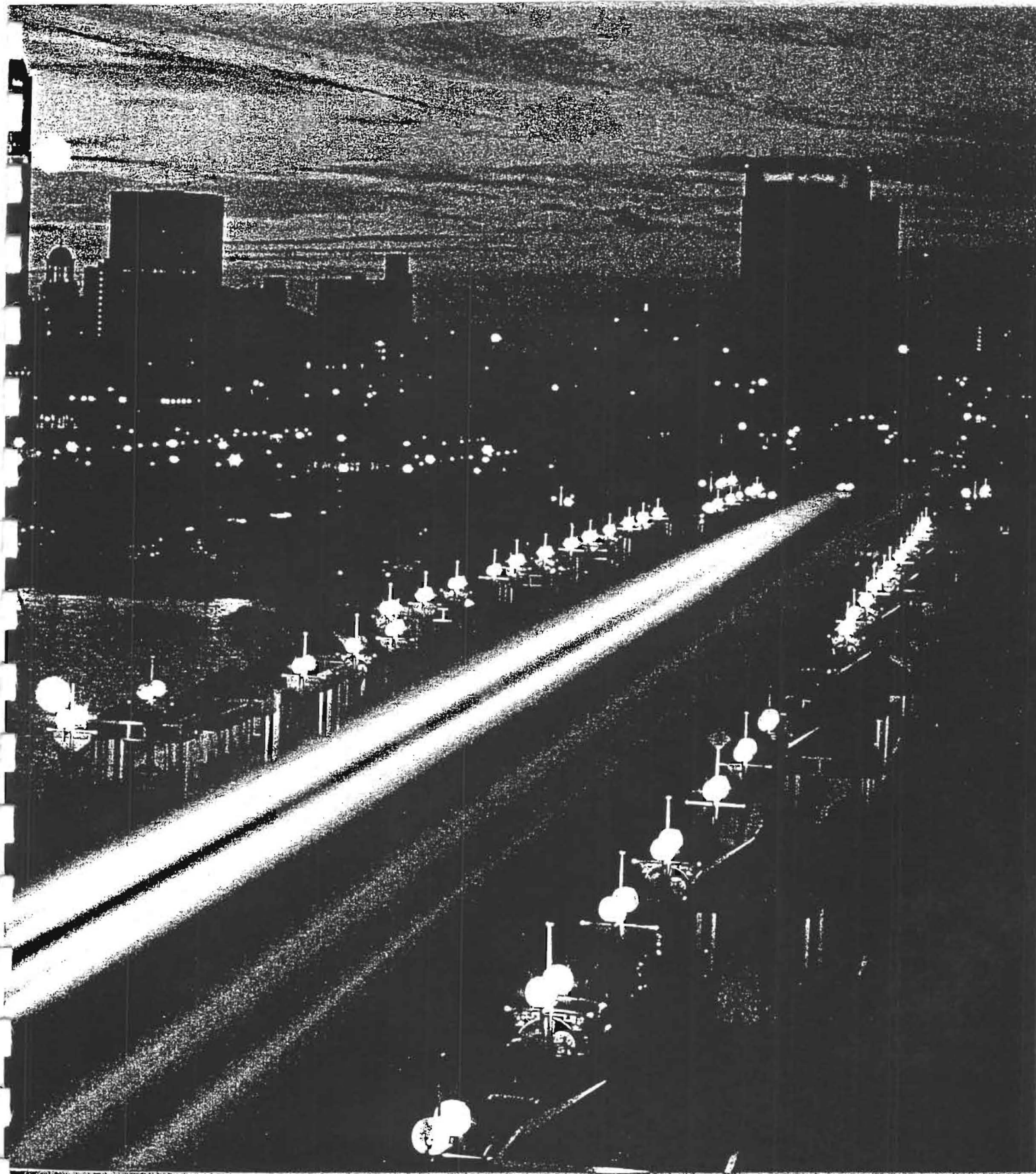
GENERATION FUEL MIX.
The combination of CP&L Energy and FPC results in a more competitively balanced generation fuel mix.

A People-Centric Future. Creating a company the size of Progress Energy took extensive planning and effort. But above all, it took people – the more than 16,000 exceptional employees from CP&L Energy and Florida Progress who worked long and hard to combine the two entities, all while controlling costs and keeping customer service at high levels. For their significant contribution, I offer a sincere thank-you.


As we look to the future, the people of Progress Energy will continue to play a critical role in our strategy and success. They are at the center of innovation and change. They are key to greater performance. They are the force that keeps Progress Energy a company on the move.

WILLIAM CAVANAUGH III
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

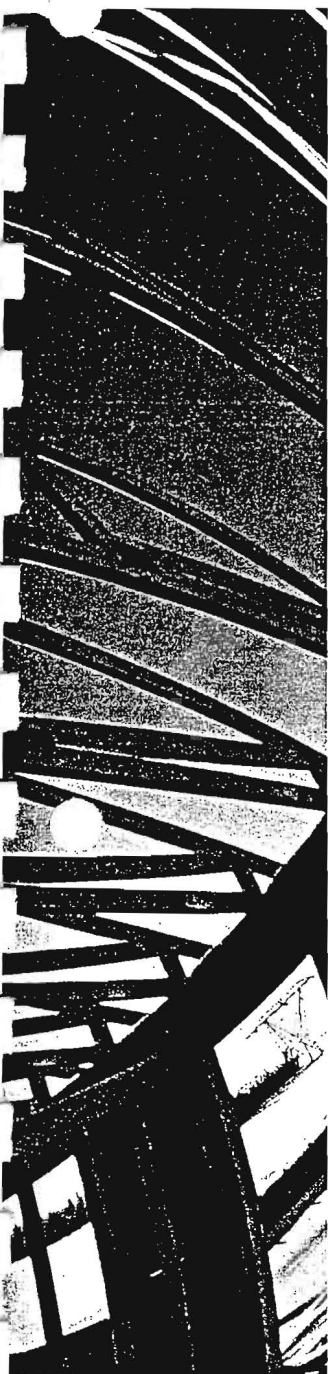




Progress is Growing. THE ENERGY MARKET IS NOT STANDING STILL. AND NEITHER IS PROGRESS ENERGY. NEW CUSTOMERS. NEW INDUSTRY. NEW OPPORTUNITIES. IT'S ALL HEADING OUR WAY.



ECONOMIC DEVELOPMENT. RESIDENTIAL CUSTOMERS ARE NOT THE ONLY ONES ATTRACTED TO THE SOUTHEAST. BUSINESS AND INDUSTRY ARE COMING HERE, TOO – WITH HELP FROM PROGRESS ENERGY. OUR ECONOMIC DEVELOPMENT TEAM IS MAKING THE RELOCATION/EXPANSION PROCESS QUICKER AND EASIER FOR COMPANIES – HELPING WITH EVERYTHING FROM SITE SELECTION TO PROVIDING CUSTOMIZED ENERGY SOLUTIONS.



Two major electric utility companies. One natural gas company. 53,700 square miles of retail service territory. More than 19,000 megawatts of generation capacity. 4,070 miles of natural gas transmission and distribution pipe. 106,000 miles of fiber-optic strands. And all of it situated in one of the fastest-

We're framing an idea big enough to house an ever-expanding market.

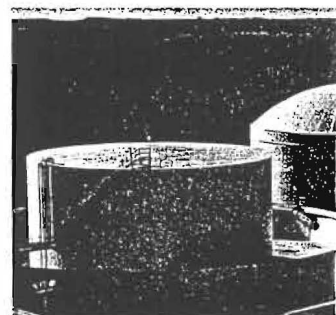
growing regions in the country. This is Progress Energy today.

But tomorrow we'll be even bigger. The Southeast is expanding at an extraordinary rate. Housing starts are more than double the national average. Demand for energy is at an all time high. Our market base is growing by more than 60,000 new customers a year – a pace that shows no sign of slowing.

In all, Progress Energy serves more than 2.8 million customers across the Southeast, helping their worlds work by providing electricity, natural gas and broadband capacity. More than that, we provide an exceptional level of customer service. And that helps our customers' worlds work even better.

In 2000, we focused on making energy delivery even more reliable and bill payment more convenient. Both Florida Power and CP&L, for example, have introduced the option of paying bills online. Florida Power is also expanding the number of locations where customers can pay their power bills – by nearly fourfold. To improve service response, Florida Power equipped a large portion of its service fleet with computers and wireless technologies, giving field crews quick online access to critical information. CP&L equipped its fleet previously. Combined, CP&L and Florida Power have invested millions in new wires, substations, transformers and other delivery enhancements during the past three years – boosting overall electric service reliability to record highs. And for the third year in a row, CP&L was named winner of the Edison Electric Institute's Emergency Response Award. At Progress Energy, reliability is something we'll never outgrow.

POWER SURGE.
Peaking generation was up in 2000. The big news: we brought our new Wayne County peaking plant online. Our next step: double the capacity of our existing Monroe, Georgia, merchant plant.







● **Progress is Converging.** AT PROGRESS ENERGY, WE'RE
STRENGTHENING OUR CULTURE. BRINGING TOGETHER THE RIGHT MIX OF
COMPONENTS. LIKE 16,000 TALENTED, EXPERIENCED PEOPLE. A COMBINED
SERVICE HISTORY OF NEARLY 200 YEARS. ONE SHARED VISION FOR SUCCESS.

The synergies gained by the combination of CP&L Energy and Florida Progress involve more than just our infrastructure.

We're developing a culture energized enough to push performance to new heights.

They involve people. Progress Energy people. Smart, reliable, confident, resourceful – together they are helping to define a new, broader mindset for Progress Energy. One that's focused not only on ideas, but on action.

Ours is a performance-based culture. And nowhere is that performance more evident than in our storm response. After a winter storm dumped more than 20 inches of snow on Raleigh and south-central North Carolina last January, we recovered in record time, restoring power within 24 hours to 78 percent of the 173,000 CP&L customers who were without electricity. Within three days, our crews had restored power to more than 90 percent of our affected customers. Florida battled the weather, too. After Hurricane Gordon came ashore in September 2000, Florida Power crews worked tirelessly, restoring power within 24 hours to more than 92 percent of the 198,000 customers who had lost it.

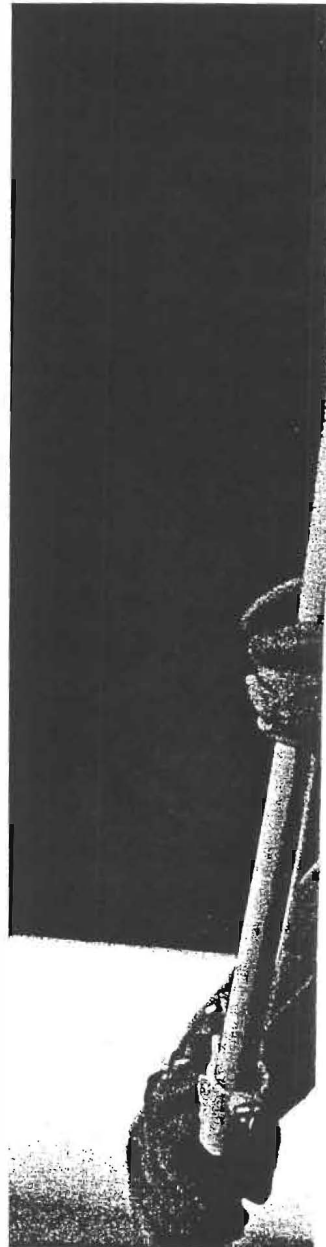
As our culture grows more dynamic, it grows more diverse – leading us to explore new opportunities. Our lines of business are expanding. Energy Ventures, a new organization within Progress Energy, was created to manage and grow our non-regulated generation assets and wholesale energy marketing and trading. SRS (Strategic Resource Solutions), our energy solutions subsidiary, is an industry leader in integrated energy and facility management solutions for multi-site enterprises. SRS helps school districts, department store chains and other clients save substantially on energy costs. Progress Telecom, our fiber-optic subsidiary, carries digital traffic along the East Coast, providing broadband capacity to carriers like MCI WorldCom and Verizon Wireless. At Progress Energy, we're advancing in all the right directions.



QUICK RESPONSE.

Problem?

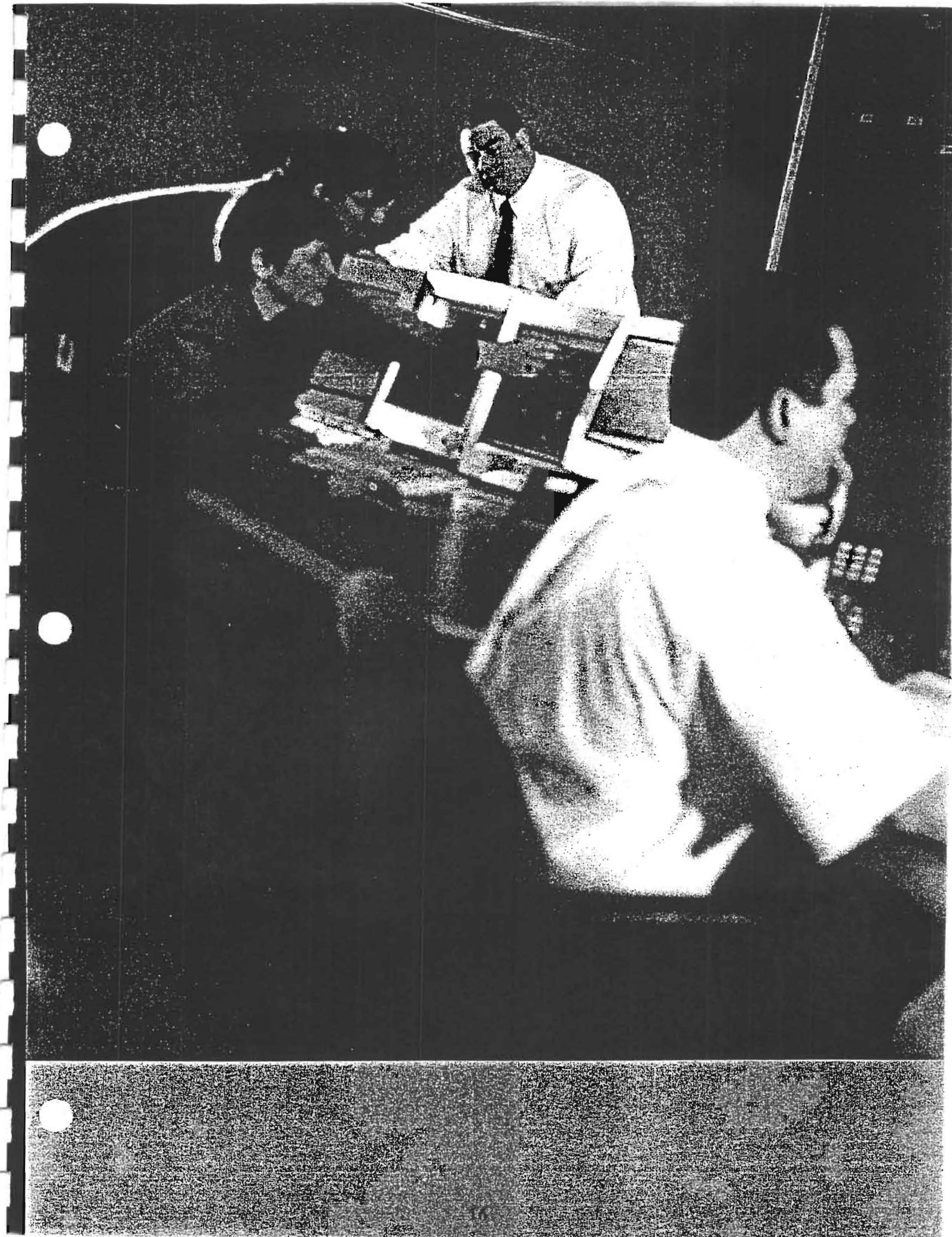
Progress Energy's 525 customer service representatives have the solution – 24 hours a day, seven days a week.

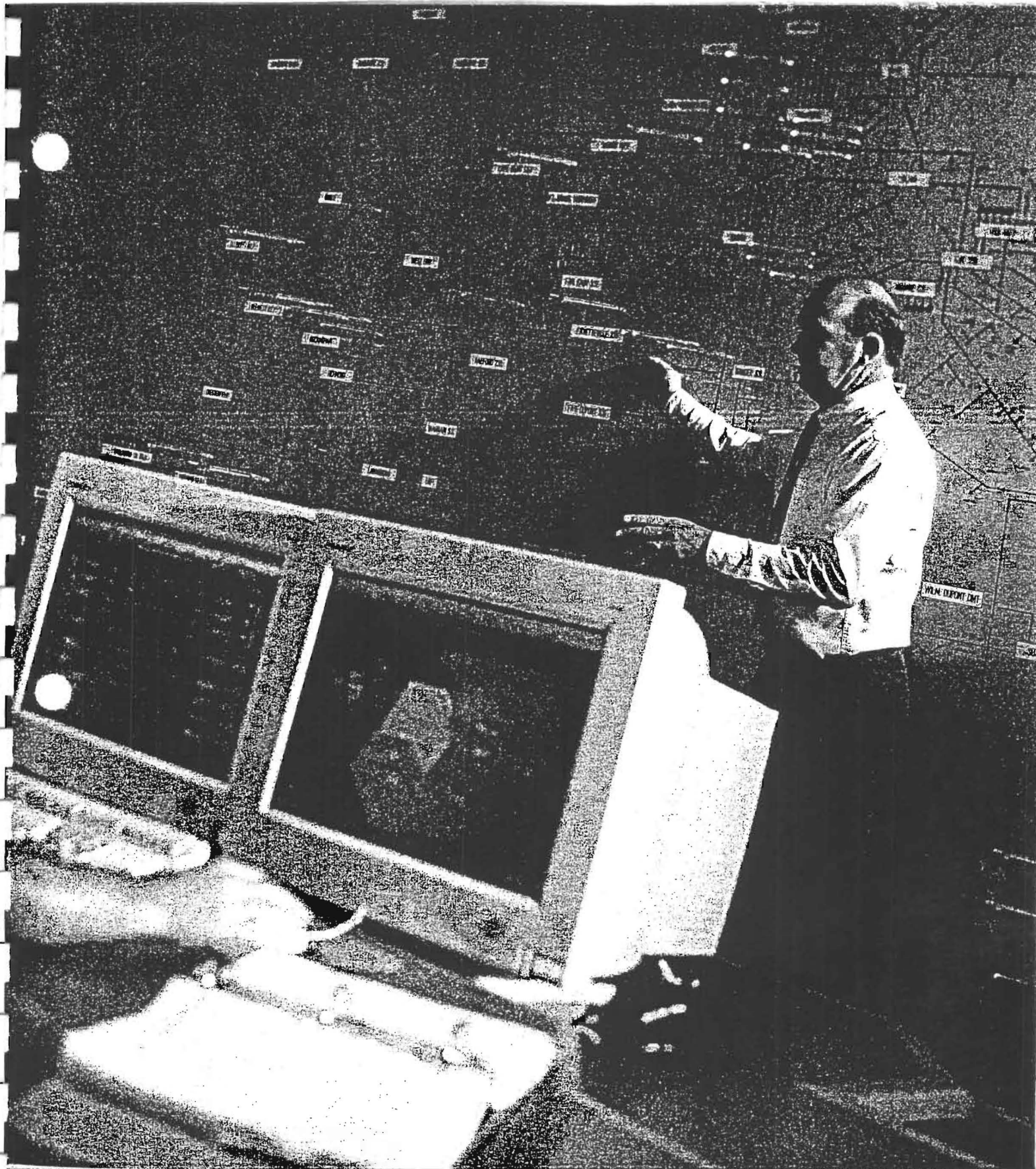




COMMUNITY INVOLVEMENT. Progress Energy's culture doesn't stop at the front door. It extends into the communities we serve through countless hours of community service donated by our employees. And through philanthropic support for education, economic development and the environment provided by the Progress Energy Foundation.

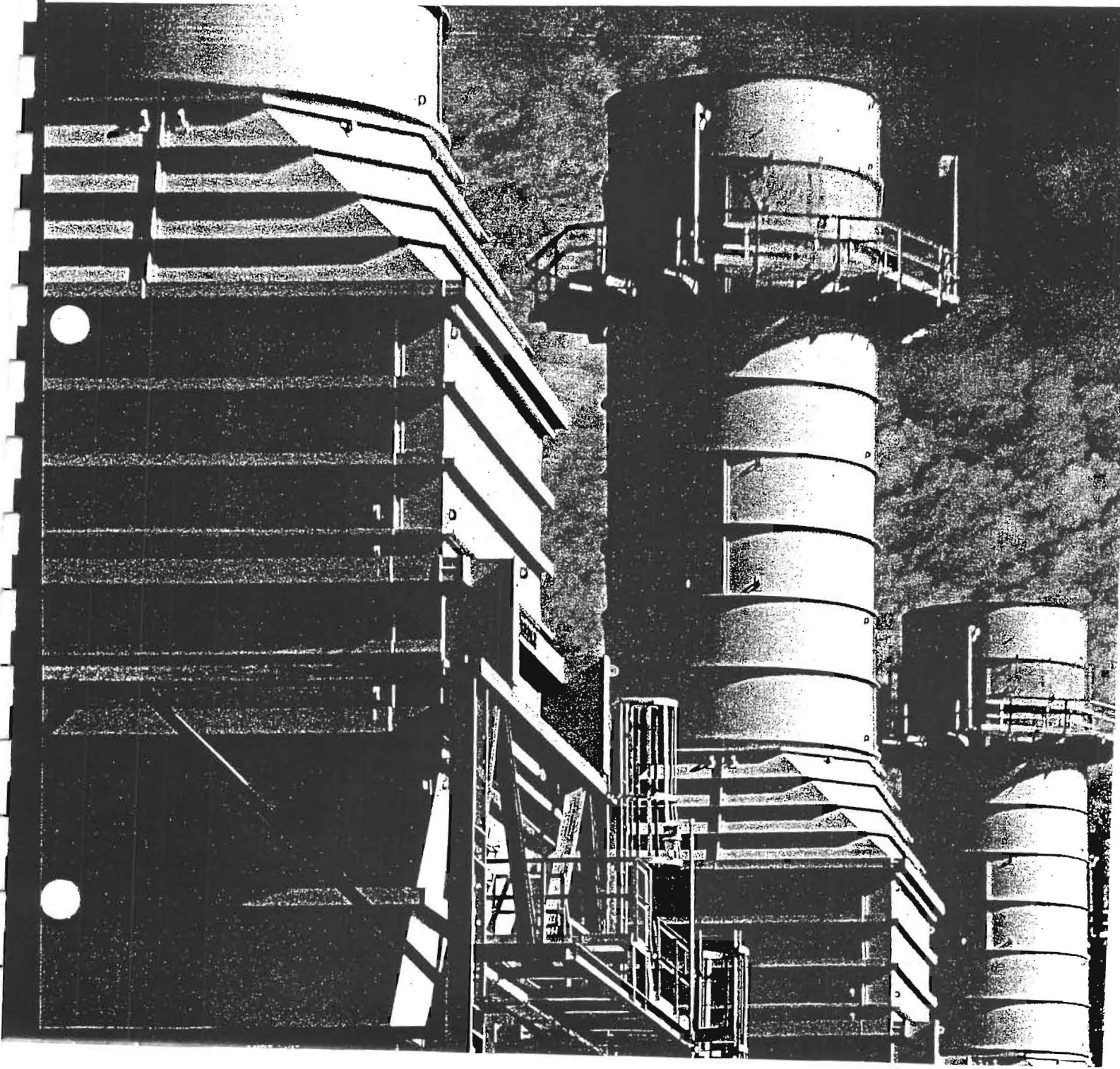






Progress is Innovating. INFRASTRUCTURE. KNOWLEDGE.
RELIABILITY. THAT'S WHAT KEEPS THE LIGHTS BURNING. BUT TO MOVE FORWARD
IN THE ENERGY BUSINESS, IT TAKES NEW IDEAS, NEW WAYS OF LEVERAGING CORE
STRENGTHS. AT PROGRESS ENERGY, WE'RE PUTTING BOTH INTO ACTION.

INFORMATION TECHNOLOGY. THE HEART OF OUR INFRASTRUCTURE ISN'T ONLY A GENERATION PLANT, BUT THE TECHNOLOGY THAT OPERATES IT. PROGRESS ENERGY LEVERAGES ITS WORLD-CLASS INFORMATION TECHNOLOGY CAPABILITIES IN MANY WAYS – FROM ENHANCING CUSTOMER SERVICE TO MAKING FACILITIES MANAGEMENT MORE EFFICIENT. REASON ENOUGH TO BE NAMED ONE OF THE NATION'S MOST INNOVATIVE USERS OF INFORMATION TECHNOLOGY IN THE 12TH ANNUAL INFORMATIONWEEK 500.



At Progress Energy, we deliver natural gas and electricity to a diverse, growing customer base throughout the Southeast. But some of the greatest opportunities for growth now lie elsewhere — on the non-regulated side of our generation business.

Altogether, Progress Energy operates 32 power plants in Florida, the Carolinas and Georgia, with a combined capacity of more than 19,000 megawatts. An additional 1,200 megawatts will be added in 2001. Much of the new capacity will be "peaking power," reserve electric power needed to meet high customer demand. Not all of that demand comes from our retail customers, however. In 2000, we signed a five-year contract to supply Duke Power with peaking capacity and energy. In addition, through our Wholesale Energy marketing organization, we sell non-regulated on-demand power to municipalities and other resellers in the Southeast. And we continue to provide generation capacity and energy to municipal electric utilities in Georgia. Construction is underway on a second combustion-turbine unit at our Monroe, Georgia, merchant plant, and we are in the process of building on a second merchant power plant site in Effingham County, Georgia, near Savannah.

We're building a generation strategy strong enough to support the future.

Energy trading is another non-regulated area that is expanding rapidly. Twenty-four hours a day, seven days a week, brokers on our trading floor buy and sell bulk power throughout the eastern United States. At Progress Energy, we're trading on a better tomorrow.

EFFICIENCY BOOST.

Florida Power's line crews also handle the build-out of Progress Telecom's fiber-optic network.



LIGHTS ON.
The average CP&L customer was outage-free more than 99.9 percent of the time in 2000. The average Florida Power customer was too.



BOARD OF DIRECTORS

EDWIN B. BORDEN

President
The Borden Manufacturing Co.
(textile management services)
Goldsboro, NC
Elected to the board in 1985

DAVID L. BURNER

Chairman, President and
Chief Executive Officer
The BF Goodrich Co.
(aerospace, specialty chemicals
and industrial products)
Charlotte, NC
Elected to the board in 1999

WILLIAM CAVANAUGH III

Chairman, President and
Chief Executive Officer
Progress Energy, Inc.
Raleigh, NC
Elected to the board in 1993

CHARLES W. COKER

Chairman
Sonoco Products Co.
(manufacturer of paperboard
and paper and plastic
packaging products)
Hartsville, SC
Elected to the board in 1975

RICHARD L. DAUGHERTY

Executive Director
NCSU Research Corp.
(Centennial Campus development)
Raleigh, NC
Elected to the board in 1992

RICHARD KORPAN

Retired Chairman, President
and Chief Executive Officer
Florida Progress Corporation
Golden, CO
Elected to the board in 2000

W. D. "BILL" FREDERICK, JR.

Citrus grower and rancher
Orlando, FL
Elected to the board in 2000

ESTELL C. LEE

President
The Lee Company
(building supplies company)
Wilmington, NC
Elected to the board in 1988

WILLIAM O. MCCOY

Franklin Street Partners
(investment management)
Chapel Hill, NC
Elected to the board in 1996

E. MARIE MCKEE

Senior Vice President
Corning, Inc.
(developer of technologies
for glass, ceramics, fiber optics
and photonics)
Corning, NY
Elected to the board in 1999

JOHN H. MULLIN, III

Chairman
Ridgeway Farm, LLC
(timber management)
Brookneal, VA
Elected to the board in 1999

RICHARD A. NUNIS

Retired Chairman of
Walt Disney Parks and Resorts,
and President, New Business
Solutions, Inc.
Orlando, FL
Elected to the board in 2000

J. TYLEE WILSON

Retired Chairman and
Chief Executive Officer
RJR Nabisco, Inc.
Ponte Vedra Beach, FL
Elected to the board in 1987

JEAN GILES WITTNER

President
Wittner & Co., Inc. and subsidiaries.
(real estate management
and insurance brokerage
and consulting)
St. Petersburg, FL
Elected to the board in 2000

EXECUTIVE AND SENIOR OFFICERS

WILLIAM CAVANAUGH III

Chairman, President
and Chief Executive Officer

ROBERT B. MCGEHEE

Executive Vice President
President and
Chief Executive Officer
Progress Energy Service Company

WILLIAM D. JOHNSON

Executive Vice President,
General Counsel and Secretary

PETER M. SCOTT III

Executive Vice President and
Chief Financial Officer

H. WILLIAM HABERMEYER, JR.

President and
Chief Executive Officer
Florida Power Corporation

TOM D. KILGORE

President and
Chief Executive Officer
Progress Energy Ventures, Inc.

WILLIAM S. ORSER

Group President - Energy Supply *

DONALD K. DAVIS

Executive Vice President -
Energy Services *

FRED N. DAY IV

Executive Vice President -
Energy Delivery *

C. S. HINNANT

Senior Vice President -
Nuclear Generation *

E. MICHAEL WILLIAMS

Senior Vice President -
Power Operations *

WAYNE C. FOREHAND

Senior Vice President -
Energy Delivery
Florida Power Corporation

CECIL L. GOODNIGHT

Senior Vice President -
Administrative Services +

BONNIE V. HANCOCK

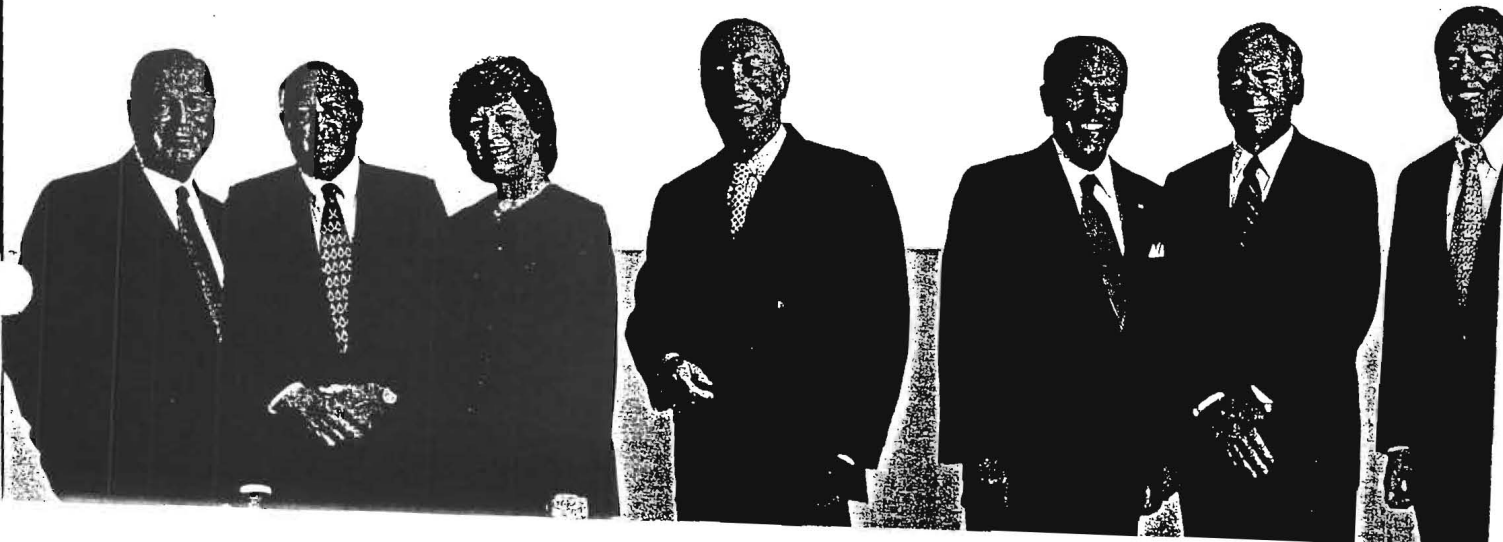
Senior Vice President -
Finance and
Information Technology +

* Carolina Power & Light Company
and Florida Power Corporation

+ Progress Energy Service Company

STANDING, LEFT TO RIGHT:

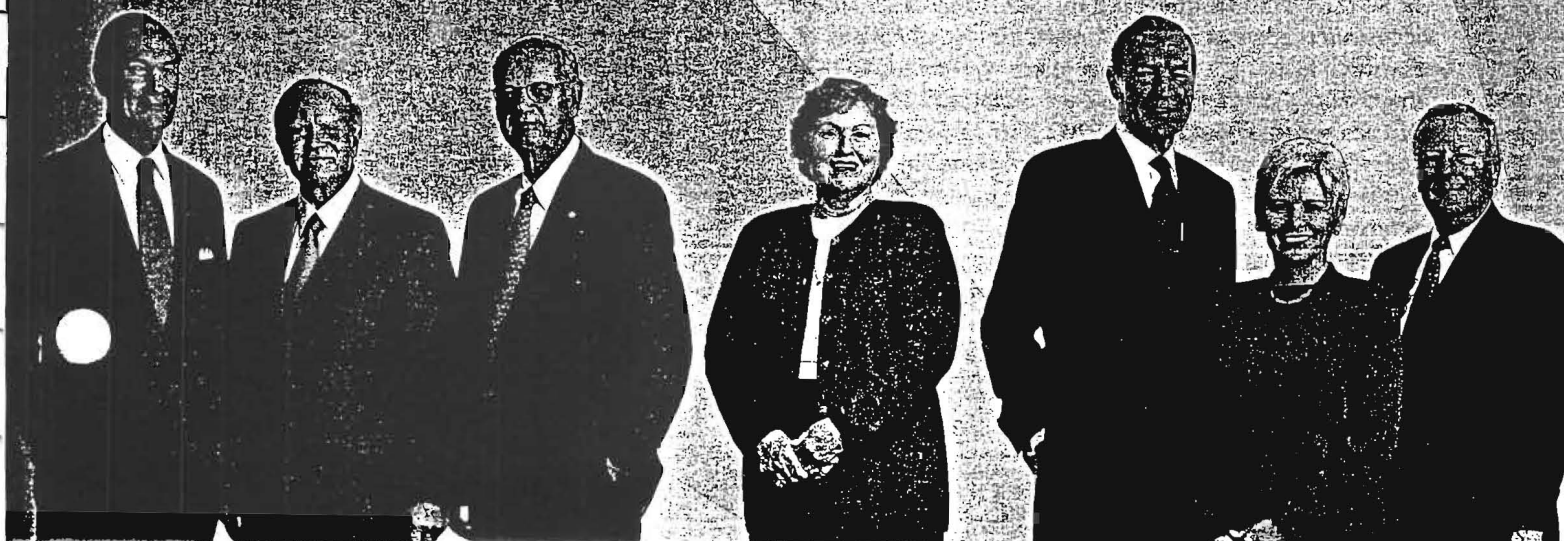
DAVID L. BURNER, RICHARD KORPAN, JEAN GILES WITTNER, J. TYLEE WILSON,
WILLIAM CAVANAUGH III, W.D. "BILL" FREDERICK, JR., JOHN H. MULLIN, III,
CHARLES W. COKER, RICHARD A. NUNIS, EDWIN B. BORDEN, ESTELL C. LEE,
WILLIAM D. MCCOY, E. MARIE MCKEE, RICHARD L. DAUGHERTY



Progress Report

FINANCIAL REVIEW

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FOR 2000 AS COMPARED TO 1999 AND 1999 AS COMPARED TO 1998

In this section, earnings and the factors affecting them are discussed. The discussion begins with a general overview, then separately discusses earnings by business segment.

OVERVIEW

Progress Energy, Inc. (Progress Energy or the Company) was initially formed as CP&L Energy, Inc. (CP&L Energy), which was the holding company into which Carolina Power & Light Company (CP&L) reorganized on June 19, 2000. All shares of common stock of CP&L were exchanged for an equal number of shares of CP&L Energy. On December 4, 2000, the Company changed its name from CP&L Energy to Progress Energy, Inc.

The Company's acquisition of Florida Progress Corporation (FPC) became effective on November 30, 2000. The acquisition was accounted for using the purchase method of accounting. As a result, the consolidated financial statements for 2000 reflect 12 months of operations for CP&L Energy and one month of operations for FPC.

The operations of Progress Energy and its subsidiaries are divided into four major categories: two electric utilities (both CP&L and Florida Power Corporation), a natural gas utility and other. The other category includes non-regulated energy businesses including merchant energy generation and coal and synthetic fuel operations. The other category also provides various products and services for energy and facility management and telecommunications and includes holding company operations.

In 2000, net income was \$478.4 million, a 26.1% increase over \$379.3 million in 1999. Basic earnings per share increased from \$2.56 per share in 1999 to \$3.04 per share in 2000. Continued customer growth and usage and tax credits from Progress Energy's share of synthetic fuel facilities positively affected earnings. Other significant events included the sale of a 10% limited partnership interest in BellSouth Carolinas PCS for a \$121.1 million after-tax gain, additional accelerated depreciation of nuclear generation facilities for a \$193 million after-tax effect and the December operations of FPC. Florida Progress Corporation contributed net income of \$28.7 million for the month of December 2000. The Company issued 46.5 million shares of common stock in connection with the acquisition of FPC, which resulted in a dilution of earnings per common share.

In 1999, Progress Energy's net income was \$379.3 million, a 4.3% decrease from \$396.3 million in 1998. Basic earnings per share decreased from \$2.75 in 1998 to \$2.56 in 1999. Earnings were negatively affected by the effects of Hurricanes Dennis and Floyd, a decline in electric sales to industrial customers and a decline in electric revenues due to increased utilization of the real-time pricing tariff. Continued customer growth and the

addition of North Carolina Natural Gas Corporation (NCNG) on July 15, 1999, positively affected net income. The Company issued 8.3 million shares of common stock in connection with the acquisition of NCNG, which resulted in a dilution of earnings per common share.

ACQUISITION

On November 30, 2000, the Company completed its acquisition of FPC for an aggregate purchase price of approximately \$5.4 billion. The Company paid cash consideration of approximately \$3.5 billion and issued 46.5 million common shares valued at approximately \$1.9 billion. In addition, the Company issued 98.6 million contingent value obligations (CVO) valued at approximately \$49.3 million. See Note 2A to the consolidated financial statements for additional discussion of the FPC acquisition.

Progress Energy funded the cash portion of the acquisition with commercial paper, backed by a credit facility. Progress Energy replaced a majority of the short-term financing with long-term senior notes during the first quarter of 2001. See "Financing Activities" discussion under LIQUIDITY AND CAPITAL RESOURCES for more details.

The acquisition was accounted for by Progress Energy using the purchase method of accounting. Preliminary goodwill of approximately \$3.4 billion has been recorded and is being amortized on a straight-line basis over a period of primarily 40 years. One month of amortization, or approximately \$7.0 million, was recorded in 2000. As part of the North Carolina Utilities Commission (NCUC) order approving the acquisition, Progress Energy agreed to have CP&L exclude all cost increases attributable to the acquisition from retail rates. Management expects synergies from the combination of the two companies to offset the amortization of goodwill.

Progress Energy has announced its intention to sell two of its non-utility business segments acquired in the transaction, Rail Services and Inland Marine Transportation. Therefore, the results of operations of these segments are not included in Progress Energy's consolidated earnings and the related assets and liabilities are presented as net assets held for sale on the consolidated balance sheet.

As part of the acquisition of FPC, Progress Energy is now a holding company whose subsidiaries operate in multiple states. Therefore, Progress Energy is now registered with, and subject to, regulation by the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935, as amended (PUHCA). Pursuant to the SEC's order dated November 27, 2000, the Company has committed to divest of certain immaterial non-utility businesses. The Company has also agreed to file a response with the SEC by November 30, 2001, that will either provide a legal basis for retaining certain other non-utility businesses or a commitment to divest of those businesses.

ELECTRIC

The electric segment is primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North and South Carolina by CP&L and, since November 30, 2000, in portions of Florida by Florida Power Corporation (Florida Power). The territory in the Carolinas served by CP&L includes a substantial portion of the coastal plain of North Carolina extending to the Atlantic coast between the Pamlico River and the South Carolina border, the lower Piedmont section of North Carolina, an area in northeastern South Carolina, and an area in western North Carolina in and around the city of Asheville. CP&L serves an area of approximately 34,000 square miles, with a population of approximately 4.2 million. As of December 31, 2000, CP&L provided electricity to approximately 1.2 million customers. The Florida territory served by Florida Power is in the west central part of the state, including the area around Orlando and the cities of St. Petersburg and Clearwater. Florida Power serves an area of approximately 20,000 square miles, with a population of approximately 4.5 million. As of December 31, 2000, Florida Power provided electricity to approximately 1.4 million customers.

The operating results of both electric utilities are primarily influenced by customer demand for electricity, the ability to control costs and the authorized regulatory return on equity. Annual demand for electricity is based on the number of customers and their annual usage, with usage largely impacted by weather. Operating results are primarily influenced by the level of electric sales to each electric utility's customer base and the costs associated with those sales.

CP&L

REVENUES

CP&L's electric revenue fluctuations as compared to the prior year were due to the following factors (in millions):

	2000	1999
Customer growth & usage	\$ 114	\$ 50
Weather	55	(14)
Price	(16)	(31)
Sales to Power Agency	12	—
Sales to other utilities	18	4
Other	2	—
Total Increase	\$ 185	\$ 9

An increase in the number of customers served and changes in usage patterns contributed to revenue increases for both periods. CP&L added over 33,000 new customers in 2000 and 29,700 in 1999. Residential and commercial sales increased in both periods. Industrial sales usage increased in 2000 after declining in 1999. Industrial sales in 2000 were boosted by the textile industry and lumber and wood industry, which experienced increased market demand. This increase was partially

offset by the chemicals and paper industries, which continued to decline. The increase in the weather component for 2000 is primarily attributable to the fourth quarter when colder-than-normal weather conditions existed. The decrease in the weather component for 1999 reflects overall milder-than-normal weather conditions compared to 1998.

The change in price in 2000 reflects decreases in wholesale prices and the continuing effects of the real-time pricing rate schedule. For the 1999 comparison period, the price-related decrease is due to increased utilization of the real-time pricing tariff, which went into effect in late 1998. Sales to North Carolina Eastern Municipal Power Agency (Power Agency) and sales to other utilities each increased in 2000 after remaining relatively flat in the prior period. The increase in revenue related to sales to Power Agency is primarily due to increased usage due to colder-than-normal weather in the fourth quarter. The increase in sales to other utilities was primarily due to increased demand due to weather and competitive prices in the fourth quarter.

EXPENSES

CP&L had an increase in fuel expense in 2000, primarily due to increases in volume and increases in fuel prices associated with gas- and oil-fired units. For 1999, the change in fuel expense primarily reflects changes in the Company's generation mix.

For the 2000 and 1999 comparison periods, purchased power decreased due mainly to the expiration of CP&L's long-term purchase power agreement with Duke Energy in mid-1999. Additionally, 2000 reflects a decrease in purchases from cogeneration facilities.

CP&L's other operation and maintenance expenses increased in 2000 due to increases in benefit plan-related expenses and emission allowances. For the 1999 comparison period, other operation and maintenance expenses were negatively affected by \$28.6 million of storm restoration expenses incurred as a result of Hurricanes Dennis and Floyd, as well as an increase in general and administrative expenses.

Emission allowance expense of \$16 million that was recorded in 2000 was reversed in 2001 and recorded as a regulatory asset pursuant to an order received on January 5, 2001 from the NCUC allowing CP&L to defer these costs for future recovery. A total of \$23 million was expensed in 2000. See "Retail Rate Matters" discussion under OTHER MATTERS for more details.

Depreciation expense increased substantially in 2000 over 1999. As approved by regulators, CP&L recorded an additional \$275 million to depreciation expense in 2000 related to accelerated cost recovery of nuclear generating assets. Depreciation expense for 1999 included \$68 million of accelerated amortization related to certain regulatory assets. See "Retail Rate Matters" discussion under OTHER MATTERS for more details.

Interest expense increased over 1999 due to higher short-term interest rates and higher debt balances. Debt balances increased to fund construction programs.

FLORIDA POWER

Florida Power, a subsidiary of FPC, is a regulated public utility engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. As of December 31, 2000, Florida Power operated a system of 14 power plants with installed generating capacity of over 8,000 megawatts, of which 61% was gas/oil, 29% was coal and 10% was nuclear.

Progress Energy's operating results include only the month of December 2000 for Florida Power after the acquisition was completed. Electric operating revenues were \$241.6 million, while fuel and purchased power expenses were \$98.9 million and other operation and maintenance expenses totaled \$50.3 million. Revenues and kWh sales in December 2000 were favorably affected by colder-than-normal weather conditions. Florida Power's operations contributed net income of \$21.8 million.

NATURAL GAS

On July 15, 1999, the Company acquired NCNG, a natural gas utility. NCNG transports, distributes and sells natural gas to approximately 173,000 residential, commercial, industrial, wholesale and electric power generation customers. NCNG serves 110 towns and cities and four municipal gas distribution systems in south central and eastern North Carolina. Natural gas operations are subject to the rules and regulations of the NCUC.

The ability to offer natural gas to customers furthers Progress Energy's strategy to be a total energy provider while securing fuel supplies for planned gas-fired electric generation. To this end, construction of the 84-mile Sandhills Pipeline in North Carolina, from Iredell County to CP&L's Richmond County combustion turbine generation site, is scheduled to be completed in the spring of 2001 to coincide with the first phase of CP&L's Richmond County Plant.

Another project, Eastern NCNG (ENCNG), is proceeding with construction of a pipeline that will bring natural gas transmission and distribution to 14 eastern North Carolina counties over the next three to five years. CP&L and the Albemarle-Pamlico Economic Development Corporation (APEC) will be the joint owners of the operations of ENCNG, which will be subject to the rules and regulations of the NCUC. On June 15, 2000, the NCUC issued an order awarding ENCNG an exclusive franchise for all 14 counties and granted \$38.7 million in state bond funding for phase one of the project. Phase one, which will cost a total of \$50.5 million, will bring gas service to 6 of the 14 counties. The NCUC will consider approval of bond funding for subsequent phases of the project at a later date. The Company cannot predict the outcome of this matter.

The natural gas segment only includes NCNG's regulated utility operations. For the year ending December 31, 2000, natural gas revenues totaled \$324.5 million, while gas purchased for resale totaled \$250.9 million. These amounts reflect increases in the market price of natural gas during 2000. NCNG was able to file four rate increases during 2000 to keep pace with these market price increases and also filed two additional rate increases that were effective on January 1, 2001, and February 1, 2001.

The ability to pass the increases in the market price of gas costs through to the customers on a timely basis reduces NCNG's exposure to market fluctuations. Commodity gas costs tracked in rates are compared to the actual commodity gas costs incurred with the differences either charged to or returned to customers, as appropriate, through NCNG's deferred gas cost mechanism. NCNG defers gas costs incurred in meeting customer demand that exceed, or are less than, a benchmark gas cost rate charged to customers.

It is not anticipated that the recent increases in the market price of gas will have a material adverse effect on the consolidated results of operations, cash flows or financial position of the Company.

The natural gas segment contributed net income of \$7.1 million and \$1.3 million in 2000 and 1999, respectively.

OTHER

Progress Energy's other segment primarily includes Strategic Resource Solutions Corp. (SRS), Progress Energy Ventures, Inc. (Energy Ventures), Progress Capital Holdings, Inc. (Progress Capital), Progress Telecommunications Corporation (Progress Telecom), and Caronet, Inc. (Caronet). This segment also includes other non-regulated operations of CP&L, FPC and NCNG, as well as holding company results.

SRS serves the educational, governmental, commercial and industrial markets by providing software, systems and services for facility and energy management purposes. In 2000, SRS's operations achieved profitability due to strong revenue growth in the education and federal markets and a continued focus on reducing overhead costs. For the 1999 period, SRS's operating losses were \$9.9 million, down from a \$34.7 million loss in 1998. This improved performance was attributable to large performance contracts in the education and federal markets, as well as strong sales in commercial and industrial building automation.

Energy Ventures is a subsidiary created in 2000 that is involved in the development and construction of gas-fired merchant generation plants and has an ownership interest in two synthetic fuel facilities. Effective January 1, 2001, Energy Ventures assumed ownership of Monroe Power, a non-regulated merchant plant located in Monroe, Georgia, that began operations in December 1999. Monroe Power contributed operating income of \$4.5 million for the year ended December 31, 2000, on contracted

capacity and energy sales. Monroe is adding an additional generating unit in the second quarter of 2001 that will provide additional output and contracted sales in the future.

Progress Capital is a holding company for FPC's diversified operations led by Electric Fuels Corporation (EFC), an energy and transportation company. EFC has three primary business segments: Rail Services, Inland Marine Transportation and Energy & Related Services. Rail Services and Inland Marine Transportation are currently reported as net assets held for sale on the Progress Energy consolidated financial statements and have been excluded from consolidated results of operations. Energy & Related Services' operating results are primarily affected by the supply and demand for low-sulfur coal, natural gas and the demand for a coal-based synthetic fuel. EFC has an ownership interest in nine synthetic fuel facilities that combine a chemical change agent with coal fines to produce a synthetic fuel. EFC is currently responsible for managing all of Progress Energy's synthetic fuel facilities.

Progress Telecom, acquired as part of the FPC acquisition, provides broadband capacity services, dark fiber and wireless services in Florida and the Southeast United States. Progress Telecom's operations for the month of December did not have a significant effect on Progress Energy's results of operations. In December 2000, Progress Telecom signed an important agreement with Emergia, a subsidiary of Telefonica, to be the preferred U.S. provider handling international telecommunications traffic to and from South America. Additionally, Progress Telecom will complete the integration of its fiber network with CP&L's Caronet network (see discussion below) in the first quarter of 2001, giving it a fiber network stretching from southern Florida to Washington, D.C.

Caronet serves the telecommunications industry by providing fiber-optic telecommunications services. Effective June 28, 2000, Caronet, formerly reported as Interpath, contributed the net assets used in its application service provider business to a newly formed company for a 35% ownership interest (10% voting interest). Therefore, the application service provider revenues are not reflected in the Progress Energy consolidated financial statements subsequent to that date. On September 28, 2000, Caronet sold its 10% limited partnership interest in BellSouth Carolinas PCS for a pre-tax gain of \$200 million, which is recorded as other income. Caronet's operating losses were \$66.1 million and \$44.6 million in 2000 and 1999, respectively.

The other segment also includes Progress Energy's holding company results. As part of the acquisition of FPC, goodwill of approximately \$3.4 billion was recorded and the amortization of \$7.0 million is included in the other segment. As described in Note 11 to the consolidated financial statements, the holding company also recorded an \$8.9 million decrease in the liability related to the CVOs. Additionally, interest expense of

\$28.0 million on the \$3.5 billion of short-term debt used to finance the acquisition of FPC is included in these results.

Income taxes fluctuate with changes in income before income taxes. In addition, 2000 income tax expense was decreased by income tax credits generated through the synthetic fuel operations of Energy Ventures and EFC.

LIQUIDITY AND CAPITAL RESOURCES

Progress Energy is a registered holding company and, as such, has no operations of its own. While Progress Energy conducts all of its operations through its subsidiaries, the ability to meet its obligations is dependent on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or to advance or repay funds to Progress Energy. The following discussion of Progress Energy's liquidity and capital resources is on a consolidated basis. The consolidated results contain information for FPC since the date of acquisition.

Progress Energy continues to focus on its strategy of becoming an integrated energy holding company through its acquisition of FPC and investments in its subsidiaries.

CASH FLOWS FROM OPERATIONS

The cash requirements of Progress Energy arise primarily from the capital-intensive nature of its electric utility operations as well as the expansion of its diversified businesses. Fuel and purchased power expenses are significant operating costs for the two electric utilities, CP&L and Florida Power. Both utilities recover essentially all of these costs from customers through fuel and energy cost recovery clauses.

Cash from operations is the primary source used to meet the net cash requirements; however, approximately 20% of the total capital expenditures in 2000, excluding the acquisition of FPC, were funded by external debt. The increase in cash from operating activities for the 2000 period is largely the result of higher net income and the addition of FPC.

Going forward, cash generated from Progress Energy's regulated businesses (CP&L, Florida Power and NCNG) is expected to provide the majority of the funds for the Company's business needs. In addition, approximately 10%-15% of the Company's total projected capital expenditures for the next three years are expected to be funded by external debt.

INVESTING ACTIVITIES

Cash used in investing activities was \$3.5 billion greater in 2000 than in 1999, primarily due to the acquisition of FPC. Progress Energy paid approximately \$3.5 billion in cash as part of the total purchase consideration. Progress Energy's property additions increased approximately \$261 million in 2000 primarily due to the expansion of the Company's generation fleet. The sale of the

Company's limited partnership interest in BellSouth Carolinas PCS resulted in cash proceeds of approximately \$200 million. See Note 2 to the consolidated financial statements. In addition, Progress Energy intends to sell the Rail Services and Inland Marine Transportation business segments and would use any of the proceeds received from the sale to reduce debt.

Estimated capital requirements for 2001 through 2003 primarily reflect construction expenditures to add regulated and non-regulated generation, transmission and distribution facilities, as well as to upgrade existing facilities. Those capital requirements are reflected in the following table (in millions):

	2001	2002	2003
Construction expenditures	\$ 1,522	\$ 1,512	\$ 1,523
Nuclear fuel expenditures	119	60	110
AFUDC	(32)	(38)	(46)
Total	\$ 1,609	\$ 1,534	\$ 1,587

The table includes expenditures of approximately \$172 million expected to be incurred at fossil-fueled electric generating facilities to comply with the Clean Air Act and approximately \$300 million for the expansion of Progress Telecom's fiber network.

FINANCING ACTIVITIES

Cash provided by financing activities increased approximately \$3.5 billion over 1999, primarily due to the proceeds received from the issuance of commercial paper used to fund the FPC acquisition. In addition, financing activities were marginally affected by the issuance and redemption of long-term debt.

During 2000, CP&L issued \$300 million principal amount of Senior Notes and \$497.6 million principal amount of variable auction-rate First Mortgage Bonds, Pollution Control Series. In addition, CP&L retired or redeemed \$47.3 million principal amount of Promissory Notes, \$150 million principal amount of First Mortgage Bonds and \$497.6 million principal amount of variable rate Pollution Control Obligations. For the period from 2001 to 2003, the Company's mandatory retirements of long-term debt are \$184 million, \$182 million and \$282 million, respectively.

On November 30, 2000, Progress Energy funded 65% of the acquisition cost of FPC with approximately \$3.5 billion of commercial paper, backed by its \$3.75 billion credit facility. The remaining 35% was funded through the issuance of 46.5 million shares of common stock.

In February 2001, Progress Energy issued \$3.2 billion of senior unsecured notes with maturities ranging from three to thirty years. These notes were issued with a weighted-average coupon of 7.06%. Proceeds from this issuance were used to retire commercial paper and other short-term indebtedness issued in connection with the FPC acquisition.

As a registered holding company under PUHCA, Progress Energy obtained approval from the SEC for the issuance and sale

of securities as well as the establishment of intracompany extensions of credit. As a result, Progress Energy has approval for the issuance of common stock, preferred securities and short and long-term debt. The total amount of debt of Progress Energy, excluding subsidiaries, cannot exceed \$5 billion and it must also maintain a common equity ratio of at least 30%. Progress Energy also has established a utility and non-utility money pool to facilitate the efficient use of cash flows among the Company's utility and non-utility subsidiaries.

At December 31, 2000, the Company had lines of credit totaling \$5.5 billion, all of which are used to support its commercial paper borrowings. The available balance of these facilities totaled \$4.7 billion. The Company is required to pay minimal annual commitment fees to maintain its credit facilities. See Note 6 to the consolidated financial statements.

Florida Power and Progress Capital have two uncommitted bank bid facilities authorizing them to borrow and re-borrow, and have loans outstanding at any time up to \$100 million and \$300 million, respectively. At December 31, 2000, there were no outstanding loans against these facilities.

Florida Power and CP&L both have public medium-term note programs providing for the issuance of either fixed or floating interest rate notes. At December 31, 2000, \$250 million and \$300 million, respectively, were available for issuance. In addition, Progress Capital has a private medium-term note program of \$400 million for the issuance of either fixed or floating rate interest notes. At December 31, 2000, there were no medium-term notes outstanding under this program.

Progress Energy has on file with the SEC a shelf registration statement under which senior notes, junior debentures and other trust preferred securities are available for issuance by the Company. As of December 31, 2000, the Company had \$4.0 billion available under this shelf registration. Progress Energy's issuance of \$3.2 billion of senior unsecured notes in February 2001, as discussed above, reduced the amount available for issuance under this registration statement.

The following table shows Progress Energy's capital structure as of December 31, 2000 and 1999:

	2000	1999
Common Stock Equity	34.9%	49.7%
Preferred Stock of Subsidiaries	0.6%	0.9%
Short and Long-term Debt	64.5%	49.4%

The acquisition of FPC through the issuance of approximately \$3.5 billion of commercial paper resulted in an increase in Progress Energy's consolidated total debt to capital ratio. The increase in leverage was the primary reason that the credit ratings of both CP&L and Florida Power were downgraded in the fall of 2000 by Standard & Poor's, Inc. (S&P) and Moody's Investor Service (Moody's).

Current ratings for senior secured, senior unsecured and commercial paper are presented below:

	CP&L Moody's/ S&P	Florida Power Moody's/ S&P	Progress Energy Moody's/ S&P
Senior Secured Notes	A3/BBB+	A1/BBB+	n/a
Senior Unsecured Notes	Baa1/BBB+	A2/BBB+	Baa1/BBB
Commercial Paper	P-2/A-2	P-1/A-2	P-2/A-2

The amount and timing of future sales of Company securities will depend on market conditions and the specific needs of the Company. The Company may from time to time sell securities beyond the amount needed to meet capital requirements in order to allow for the early redemption of long-term debt, the redemption of preferred stock, the reduction of short-term debt or for other general corporate purposes.

FUTURE OUTLOOK

The results of operations for the past three years are not necessarily indicative of future earnings potential. The level of Progress Energy's future earnings depends on numerous factors. See SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS for a discussion of factors to be considered with regard to forward-looking statements.

FPC's future operations will contribute to a substantial increase in Progress Energy's operating income. Progress Energy will also have annual amortization expense of approximately \$84 million related to the \$3.4 billion of preliminary goodwill recorded for the purchase of FPC. Cost savings from synergies are expected to offset the goodwill amortization. Additionally, the issuance of approximately \$3.5 billion in commercial paper to consummate the FPC transaction will increase interest expense. Progress Energy refinanced the majority of this debt in February 2001 to take advantage of lower long-term interest rates.

In February 2001, the Financial Accounting Standards Board (FASB) issued a revised Exposure Draft of its proposed statement, *Business Combinations and Intangible Assets*. The revised Exposure Draft contains the FASB's tentative decisions about requiring the use of a non-amortization approach to account for goodwill. Under that approach, rather than being amortized, goodwill would be reviewed periodically for impairment. The FASB expects to issue a final statement by June 2001. The Company cannot currently predict what impact the final FASB statement will have on the Company's goodwill.

The acquisition of FPC positions Progress Energy as a regional energy company focusing on the high-growth Southeast region of the United States. Progress Energy has more than 19,000 megawatts of generation capacity and serves approximately

2.8 million customers in portions of North Carolina, South Carolina and Florida. CP&L's and Florida Power's utility operations are complementary: CP&L has a summer peaking demand, while Florida Power has a winter peaking demand. In addition, CP&L's greater proportion of commercial and industrial customers combined with Florida Power's greater proportion of residential customers creates a more balanced customer base. Successful integration of FPC and CP&L is the Company's immediate priority. The Company is dedicated to expanding the region's electric generation capacity and delivering reliable, competitively priced energy.

The traditional business of the electric and gas utilities is providing electricity and natural gas to customers within their service areas in the Carolinas and Florida. Prices for electricity provided to retail customers are set by the state regulatory commissions under cost-based regulatory principles. See Note 12 to the consolidated financial statements for additional information about these and other regulatory matters.

Future earnings for the electric and gas utilities will depend upon growth in electric energy and gas sales, which is subject to a number of factors. These factors include weather, competition, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the traditional service area.

Regulatory issues facing Progress Energy are discussed in the "Current Regulatory Environment" discussion under OTHER MATTERS below.

Progress Energy is focused on both regulated and non-regulated generation expansion, power marketing and synthetic fuel production. The Company will continue to prepare for deregulation as it grows Progress Energy's generation fleet. Additional generation capacity is planned to serve the growth expected in the Company's service territories, to increase reserve margins at the regulated subsidiaries, and to take advantage of merchant generation opportunities. The Company will continue to assess the appropriate mix between regulated and non-regulated generation capacity, taking into account anticipated demand within its service territories, financing considerations, regulatory requirements and other factors. The Company is also considering moving generation currently planned for its regulated utilities into a non-regulated entity, which would require regulatory approval.

Progress Energy's electric utilities are involved in the development of the GridSouth Regional Transmission Organization (RTO) with Duke Energy Corporation and South Carolina Electric and Gas Company, and the GridFlorida RTO, with Florida Power & Light Company and Tampa Electric Company. The Company continues to assess the structural options that may be available to maximize the value of its transmission assets. Refer to the "Current Regulatory Environment" discussion under OTHER MATTERS below for further discussion of

transmission and the Company's compliance with Federal Energy Regulatory Commission (FERC) Order No. 2000.

The Company is focused on both the distribution and retail components, delivering a high-level of customer service while offering value-added products and services to its customers. The Company will emphasize maintenance and enhancement of infrastructure, power quality and reliability, and work to establish appropriate codes of conduct to insure efficient recovery of any capital investment in energy delivery.

The fiber assets of Caronet and Progress Telecom are being combined under the management of Progress Telecom with a focus primarily on the carriers' carrier business. Management believes that there are synergies with the infrastructure service capabilities of its core businesses and Progress Telecom. The Company expects to complete the extension of the network within its current "footprint" (from Washington, D.C. to Miami, Florida, including Virginia, North Carolina, South Carolina and Georgia) and partner with others to gain access to capacity outside this region. The Company will focus on lit fiber expansion (with electronics attached), with some expansion of its dark fiber capacity.

Compliance costs related to current and future environmental laws and regulations could affect earnings if such costs are not fully recovered. The Clean Air Act and other important environmental items are discussed in "Environmental Matters" under OTHER MATTERS below.

As regulated entities, both electric utilities and the gas utility are subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." Accordingly, the utilities record certain assets and liabilities resulting from the effects of the ratemaking process, which would not be recorded under generally accepted accounting principles for unregulated entities. The utilities' ability to continue to meet the criteria for application of SFAS No. 71 may be affected in the future by competitive forces and restructuring in the electric utility industry. In the event that SFAS No. 71 no longer applied to a separable portion of the utilities' operations, related regulatory assets and liabilities would be eliminated unless an appropriate regulatory recovery mechanism is provided. Additionally, these factors could result in an impairment of utility plant assets as determined pursuant to SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

OTHER MATTERS

CURRENT REGULATORY ENVIRONMENT

GENERAL

The Company's electric and gas utility operations in North Carolina, South Carolina and Florida are regulated by the

NCUC, the Public Service Commission of South Carolina (SCPSC) and the Florida Public Service Commission (FPSC), respectively. The electric businesses are also subject to regulation by FERC, the U.S. Nuclear Regulatory Commission (NRC) and the U.S. Environmental Protection Agency (EPA), and by environmental authorities in the states in which they operate. In addition, the Company is subject to regulation by the SEC as a registered holding company under PUHCA. As a result of regulation, many of the fundamental business decisions, as well as the rate of return the Company is permitted to earn, are subject to the approval of governmental agencies.

FPC has previously entered into a stipulation agreement committing several parties not to seek any reduction in Florida Power's base rates or authorized range of return on equity. That agreement expires on June 30, 2001.

On July 7, 2000, the FPSC opened a docket to review Florida Power's earnings including the effects of the acquisition by Progress Energy. The FPSC's decision is expected by late March 2001.

ELECTRIC INDUSTRY RESTRUCTURING

CP&L and Florida Power continue to monitor progress toward a more competitive environment and have actively participated in regulatory reform deliberations in North Carolina, South Carolina and Florida. Movement toward deregulation in these states has been affected by recent developments related to deregulation of the electric industry in California.

• **North Carolina.** On January 24, 2001, the Commission on the Future of Electric Service in North Carolina announced that it would not recommend any new laws on electricity deregulation to the 2001 session of the North Carolina General Assembly, citing the commission's determination that more research is needed. The commission's initial report to the General Assembly, issued on May 16, 2000, had contained several proposals, including a recommendation that electric retail competition should begin in North Carolina by 2006. In its January 24, 2001 announcement, the commission also requested that the NCUC consider regulatory changes to facilitate the construction of wholesale generation facilities by private companies, including the elimination of requirements that such companies provide proof of a committed customer base and need for additional power in order to obtain operating licenses.

• **South Carolina.** The Company expects the South Carolina General Assembly will continue to monitor the experiences of states that have implemented electric restructuring legislation.

• **Florida.** On January 31, 2001, the Florida 2020 Study Commission voted to forward a "proposed outline for wholesale restructuring" to the Florida legislature for its consideration in the 2001 session. The legislative session begins during the first week of March and concludes during the first week of May. The wholesale restructuring outline is intended to facilitate the evolution of a more robust wholesale marketplace in Florida.

Some of the key provisions proposed include:

- independent power producers, including affiliates of utilities, would be allowed to compete in the Florida wholesale market;
- continued recovery of contract cost under the Public Utilities Regulatory Policies Act of 1978 (current recovery of these costs is made through capacity recovery clauses);
- generating assets owned by regulated utilities would be transferred at net book value to affiliates (nuclear asset transfer would be optional);
- capacity from transferred generating assets would be committed back to the utility using cost-based transition contracts which phase out over a six year period;
- following the transition period, all new capacity, including that acquired from utility affiliates, would be acquired competitively in the open market;
- utilities would continue to have to prove that the means by which they acquire power are prudent and result in the lowest acquisition cost; and
- existing base rates would be frozen for three years (base rates cover costs not recovered through pass-through clauses - fuel, purchased power and energy conservation expenses - and these would continue under the recommendations).

Management cannot predict whether the Florida legislature will act on any of the study commission's recommendations or what impact the recommendations would have on the Company if adopted as proposed. The study commission has a deadline of December 2001 to propose recommendations with respect to retail restructuring, but the Company cannot predict the timing or substance of any such recommendations.

The Company cannot anticipate when, or if, any of these states will move to increase competition in the electric industry.

REGIONAL TRANSMISSION ORGANIZATIONS

On December 20, 1999, FERC issued Order No. 2000 on RTOs. The Order required public utilities that own, operate or control interstate electricity transmission facilities to have filed, by October 2000, either a proposal to participate in an RTO or an alternative filing describing efforts and plans to participate in an RTO. To date, the Company's electric utilities have responded to the order as follows:

- CP&L. In October 2000, CP&L, along with Duke Energy Corporation and South Carolina Electric & Gas Company, filed with FERC an application for approval of a for-profit transmission company, currently named GridSouth. The three companies are continuing to make progress in developing GridSouth and are planning to make a supplemental filing to the original GridSouth RTO application in the first quarter of 2001.

- Florida Power. In October 2000, Florida Power, along with Florida Power & Light Company and Tampa Electric Company, filed with FERC an application for approval of an RTO for peninsular Florida, currently named GridFlorida. On January 10, 2001, FERC rendered a positive order on certain aspects of the GridFlorida RTO application, specifically governance and certain financial obligations. The three companies are continuing to make progress towards the development of GridFlorida.

ENERGY COSTS PROVISIONS

Operating costs not covered by a utility's base rates include increases in fuel, purchased power and energy conservation expenses. Each state commission allows electric utilities to recover certain of these costs through various cost recovery clauses, to the extent the respective commission determines in an annual hearing that such costs are prudent. Costs recovered by the Company's electric utilities, by state, are as follows:

- North Carolina – fuel costs and the fuel portion of purchased power;
- South Carolina – fuel costs, purchased power costs, and emission allowance expense; and
- Florida – fuel costs, purchased power costs and energy conservation expenses.

Each state commission's determination results in the addition of a rider to a utility's base rates to reflect the approval of these costs and to reflect any past over- or under-recovery. Due to the regulatory treatment of these costs and the method allowed for recovery, changes from year to year have no material impact on operating results.

Additionally, the natural gas utility is allowed to recover the difference between the actual gas costs incurred and the gas costs collected from its customers. Therefore, any past over- or under-recovery is refunded or collected, as applicable, through the use of a deferred gas account.

RETAIL RATE MATTERS

The NCUC and SCPSC approved proposals to accelerate cost recovery of CP&L's nuclear generating assets beginning January 1, 2000, and continuing through 2004. The accelerated cost recovery began immediately after the 1999 expiration of the accelerated amortization of certain regulatory assets. Pursuant to the orders, CP&L's accelerated depreciation expense for nuclear generating assets was set at a minimum of \$106 million with a maximum of \$150 million per year. In late 2000, CP&L received approval from the NCUC and the SCPSC to further accelerate the cost recovery of its nuclear generation facilities in 2000 by \$125 million. This additional depreciation will allow CP&L to reduce the minimum annual depreciation in 2001 through 2004 to \$75 million. The resulting total accelerated depreciation in 2000 was \$275 million. Recovering the costs of its nuclear generating assets on an accelerated basis will better

position CP&L for the uncertainties associated with potential restructuring of the electric utility industry.

In June 2000, CP&L filed a request with the NCUC seeking approval to defer sulfur dioxide (SO₂) emission allowance expenses, effective as of January 1, 2000, for recovery in a future general rate case proceeding or by such other means as the NCUC may find appropriate. On January 5, 2001, the NCUC issued an order authorizing CP&L to defer, effective January 1, 2000, the cost of SO₂ emission allowances purchased pursuant to the Clean Air Act. Emission allowance expense of \$16 million that was recorded in 2000 was reversed in 2001 and recorded as a regulatory asset. The rate making treatment of the regulatory asset has not been determined. CP&L is allowed to recover emission allowance expense through the fuel clause adjustment in its South Carolina retail jurisdiction.

In conjunction with the acquisition of NCNG, CP&L agreed to cap base retail electric rates in North Carolina and South Carolina through December 2004. The cap on base retail electric rates in South Carolina was extended to December 2005 in conjunction with regulatory approval to form a holding company. NCNG also agreed to cap its North Carolina margin rates for gas sales and transportation services, with limited exceptions, through November 1, 2003. Management is of the opinion that this agreement will not have a material effect on the Company's consolidated results of operations or financial position.

In conjunction with the merger with FPC, CP&L reached a settlement with the Public Staff of the NCUC in which it agreed to reduce rates to all of its non-real time pricing customers by \$3 million in 2002, \$4.5 million in 2003, \$6 million in 2004 and \$6 million in 2005. CP&L also agreed to write off and forego recovery of \$10 million of unrecovered fuel costs in each of its 2000 NCUC and SCPSC fuel cost recovery proceedings. Also in conjunction with the merger, the FPSC opened a docket to review Florida Power's earnings including the effects of the merger. The FPSC's decision is expected by late March 2001. The Company cannot predict the outcome of this matter.

Florida Power, with the approval of the FPSC, established a regulatory liability to defer a portion of 2000 revenues. If an alternative proposal is not filed by April 2, 2001, Florida Power will be directed to apply the deferred revenues of \$63 million, plus accrued interest, to offset certain regulatory assets related to deferred purchased power termination costs.

NUCLEAR

In the Company's retail jurisdictions, provisions for nuclear decommissioning costs are approved by the NCUC, the SCPSC and the FPSC and are based on site-specific estimates that include the costs for removal of all radioactive and other structures at the site. In the wholesale jurisdictions, the provisions for nuclear decommissioning costs are approved by FERC. See Note 1G to the consolidated financial statements for a discussion of Progress Energy's nuclear decommissioning costs.

On December 21, 2000, CP&L received permission from the NRC to double its storage capacity for spent fuel rods in Wake County, North Carolina. The NRC's decision came two years after CP&L asked for permission to open two unused storage pools at the Shearon Harris Nuclear Plant (Harris plant). The approval means CP&L can complete cooling systems and install storage racks in its third and fourth storage pools at the Harris plant. After the NRC rejected a petition for review and motion for stay, counsel for the Board of Commissioners of Orange County, North Carolina, filed a motion for stay in the District of Columbia Circuit Court of Appeals. Orange County is seeking a court order to delay the storage of fuel in the third and fourth pools. The Company cannot predict the outcome of this matter.

As required under the Nuclear Waste Policy Act of 1982, CP&L and Florida Power each entered into a contract with the U.S. Department of Energy (DOE) under which the DOE agreed to begin taking spent nuclear fuel by no later than January 31, 1998. All similarly situated utilities were required to sign the same standard contract. See Note 19 to the consolidated financial statements for a discussion of recent spent nuclear fuel and DOE developments.

SYNTHETIC FUELS

Progress Energy, through its subsidiaries, is a majority owner in seven facilities and a minority owner in two facilities that produce synthetic fuel from coal fines, as defined under the Internal Revenue Service Code (Code). The production and sale of the synthetic fuel from these facilities qualifies for tax credits under Section 29 of the Code (Section 29) if certain requirements are satisfied, including a requirement that the synthetic fuel differs significantly in chemical composition from the coal fines used to produce such synthetic fuel. In 1999, three of the majority-owned facilities applied for and received a Private Letter Ruling (PLR) from the Internal Revenue Service (IRS) regarding several issues relating to the facilities' qualification for tax credits. During 2000, the four other majority-owned facilities applied for PLRs with the IRS. On October 26, 2000, the IRS released Revenue Procedure 2000-47, which notified taxpayers that the IRS National Office will not issue PLRs on the question of whether a solid synthetic fuel produced from coal is a "qualified fuel" under Section 29, except in the case of coke and in the case of solid synthetic fuels produced from "waste coal." The procedure also advised taxpayers, with pending ruling requests, that they can modify their requests to advise the IRS if they are producing solid synthetic fuels from waste coal sources. On December 6, 2000, the Company submitted a letter to advise the IRS that the facilities with pending ruling requests are producing solid synthetic fuel from waste coal sources and requested that they issue favorable rulings. The IRS has yet to act on the PLRs. Should the tax credits be denied on future audits, and Progress Energy fails to prevail through the IRS or legal process, there could be a significant tax liability owed for previously-taken Section 29 credits, with a significant impact on earnings and cash flows. In management's opinion, Progress Energy is complying with all the necessary requirements to be

allowed such credits under Section 29, but cannot predict the outcome of this matter.

ENVIRONMENTAL MATTERS

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 manufactured gas plant (MGP) sites to which both electric utilities and the gas utility have some connection. In this regard, both electric utilities and the gas utility, with other potentially responsible parties, are participating in investigating and, if necessary, remediating former coal tar sites with several regulatory agencies, including, but not limited to, the EPA, the Florida Department of Environment and Protection (DEP) and the North Carolina Department of Environment and Natural Resources, Division of Waste Management (DWM).

Both electric utilities, the gas utility and EFC are 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's subsidiaries 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 consolidated 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. Both electric utilities have recently been asked to provide information to the EPA as part of this initiative and have cooperated in providing the requested information. The EPA has initiated enforcement actions, some of which have resulted in settlement agreements, ranging from \$1.0 billion to \$1.4 billion, by other companies that have been subject to this initiative. The Company cannot predict the outcome of this matter.

The EPA published a final rule approving petitions under section 126 of the Clean Air Act, which requires certain sources to make reductions in nitrogen oxide emissions by 2003. The final rule also includes a set of regulations that affect nitrogen oxide emissions from sources included in the petitions. The North Carolina fossil-fueled electric generating plants are included in these petitions. CP&L, other utilities, trade organizations and other states are participating in litigation challenging the EPA's action. The Company cannot predict the outcome of this matter.

In 1998, the EPA published a final rule addressing the issue of regional transport of ozone. This rule is commonly known as the NOx SIP Call. The EPA's rule requires 23 jurisdictions, including North and South Carolina, but not Florida, to further reduce nitrogen oxide emissions in order to attain a pre-set state NOx emission level. The EPA's rule also suggests to the states that these additional nitrogen oxide emission reductions be obtained from the utility sector. CP&L is evaluating necessary measures to comply with the rule and estimates its related capital expenditures could be approximately \$370 million, which has not been adjusted for inflation. A portion of this amount that is committed to be spent from 2001 to 2003 is discussed in "Investing Activities" under LIQUIDITY AND CAPITAL RESOURCES above. Increased operation and maintenance costs relating to the NOx SIP Call are not expected to be material to the Company's results of operations. Further controls are anticipated as electricity demand increases. CP&L, other utilities, trade organizations and states are participating in litigation challenging the NOx SIP Call. The District of Columbia Circuit Court of Appeals upheld the EPA's NOx SIP Call. Further appeals to the U.S. Supreme Court have been filed. Prior to resolution of a potential appeal, the EPA is requiring regulations in the states involved in the NOx SIP Call including North and South Carolina to comport with the NOx SIP Call. Acceptable state plans can be approved in lieu of the final rules the EPA approved as part of the 126 petitions. North and South Carolina are proceeding to adopt such plans. 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. CP&L, other utilities, trade organizations and states are participating in a further appeal to the U.S. Supreme Court. North Carolina adopted the federal eight-hour ozone standard and is proceeding with the implementation process. North Carolina has promulgated final regulations, which will require CP&L to install nitrogen oxide controls under the state's eight-hour ozone standard. The cost of those controls are included in the cost estimate of \$370 million set forth above.

Both electric utilities and the gas utility have 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 consolidated financial position or results of operations.

NEW ACCOUNTING STANDARDS

See Note 1 to the consolidated financial statements for a discussion of the impact of new accounting standards.

Market risk represents the potential loss arising from adverse changes in market rates and prices. Certain market risks are inherent in the Company's financial instruments, which arise from transactions entered into in the normal course of business. The Company's primary exposures are changes in interest rates with respect to its long-term debt and commercial paper, and fluctuations in the return on marketable securities with respect to its nuclear decommissioning trust funds. The Company manages its market risk in accordance with its established risk management policies, which may include entering into various derivative transactions.

These financial instruments are held for purposes other than trading. The risks discussed below do not include the price risks associated with non-financial instrument transactions and positions associated with the Company's operations, such as purchase and sales commitments and inventory.

MARKETABLE SECURITIES PRICE RISK

The Company's electric utility subsidiaries maintain trust funds, pursuant to NRC requirements, to fund certain costs of decommissioning their nuclear plants. These funds are primarily invested in stocks, bonds and cash equivalents, which are exposed to price fluctuations in equity markets and to changes in interest rates. At December 31, 2000 and 1999, the fair values of these funds were \$812.0 million and \$379.9 million, respectively. The fair value at December 31, 1999 only includes the trust funds of CP&L, as Florida Power was acquired in November 2000. The Company actively monitors its portfolio by benchmarking the performance of its investments against certain indices and by maintaining, and periodically reviewing, target allocation percentages for various asset classes. The accounting for nuclear decommissioning recognizes the costs as recovered through the Company's regulated electric rates and, therefore, fluctuations in trust fund marketable security returns do not affect the earnings of the Company.

CVO MARKET VALUE RISK

In connection with the acquisition of FPC, the Company issued 98.6 million CVOs. Each CVO represents the right to receive contingent payments based on the performance of four synthetic fuel facilities purchased by subsidiaries of FPC in October 1999. The payments, if any, are based on the net after-tax cash flows the facilities generate. These CVOs are valued at fair value and unrealized gains and losses from changes in fair value are recognized in earnings. At December 31, 2000, the fair value of these CVOs was \$40.4 million. A hypothetical 10% decrease in market price would result in a \$4.0 million decrease in the fair value of the CVOs.

INTEREST RATE RISK

The Company manages its interest rate risks through the use of a combination of fixed and variable rate debt. Variable rate debt has rates that adjust in periods ranging from daily to monthly. Interest rate derivative instruments may be used to

adjust interest rate exposures and to protect against adverse movements in rates.

The following tables provide information as of December 31, 2000 and 1999, respectively, about the Company's interest rate risk sensitive instruments. The tables present principal cash flows and weighted-average interest rates by expected maturity dates for the fixed and variable rate long-term debt, commercial paper, FPC obligated mandatorily redeemable securities of trust, and other short-term indebtedness. For interest-rate swaps and interest-rate forward contracts, the tables present notional amounts and weighted-average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual cash flows to be exchanged under the interest-rate swaps and the settlement amounts under the interest-rate forward contracts.

DECEMBER 31, 2000

	2001	2002	2003	2004	2005	Thereafter	Total	Fair Value Dec. 31, 2000
(Dollars in millions)								
Fixed rate long-term debt	\$ 184	\$ 182	\$ 282	\$ 368	\$ 348	\$2,319	\$3,683	\$3,636
Average interest rate	6.84%	6.45%	6.42%	6.83%	7.40%	7.03%	6.96%	—
Variable rate long-term debt	—	—	—	—	—	\$ 620	\$ 620	\$ 621
Average interest rate	—	—	—	—	—	4.72%	4.72%	—
Commercial paper	—	—	\$ 986	—	—	—	\$ 986	\$ 986
Average interest rate	—	—	7.25%	—	—	—	7.25%	—
Extendible notes	—	\$ 500	—	—	—	—	\$ 500	\$ 500
Average interest rate	—	6.76%	—	—	—	—	6.76%	—
FPC mandatorily redeemable securities of trust	—	—	—	—	—	\$ 300	\$ 300	\$ 272
Fixed rate	—	—	—	—	—	7.10%	7.10%	—
Interest-rate swaps:								
Pay fixed/receive variable ⁽¹⁾	—	\$ 500	—	—	—	—	\$ 500	\$ (9.1)
Interest rate forward contracts related to anticipated long-term	\$ 1,125	—	—	—	—	—	\$ 1,125	\$ (37.5)

⁽¹⁾ Receives floating rate based on three-month LIBOR and pays fixed rate of 7.17%.

⁽²⁾ Receives floating rate based on three-month LIBOR and pays weighted-average fixed rates of approximately 6.77%.

DECEMBER 31, 1999

	2000	2001	2002	2003	2004	Thereafter	Total	Fair Value Dec. 31, 1999
(Dollars in millions)								
Fixed rate long-term debt	\$ 197	—	\$ 100	\$ 7	\$ 300	\$1,319	\$1,923	\$1,845
Average interest rate	6.15%	—	7.17%	12.88%	6.88%	7.09%	7.01%	—
Variable rate long-term debt	—	—	—	—	—	\$ 620	\$ 620	\$ 622
Average interest rate	—	—	—	—	—	3.32%	3.32%	—
Commercial paper	\$ 363	—	—	—	—	—	\$ 363	\$ 363
Average interest rate	6.07%	—	—	—	—	—	6.07%	—
Extendible notes	\$ 332	—	—	—	—	—	\$ 332	\$ 332
Average interest rate	5.88%	—	—	—	—	—	5.88%	—

The matters discussed throughout this annual report that are not historical facts are forward-looking and, accordingly, involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Examples of forward-looking statements include, but are not limited to, statements under the following headings in Management's Discussion and Analysis: 1) "Liquidity and Capital Resources" about estimated capital requirements through the year 2003 and future financing plans, 2) "Future Outlook" about the Company's future earnings potential, and 3) "Other Matters" about the effects of new environmental regulations, nuclear decommissioning costs and the effect of electric utility industry restructuring.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made.

Examples of factors that you should consider with respect to any forward-looking statements made throughout this document include, but are not limited to, the following: governmental policies and regulatory actions (including those of the Federal Energy Regulatory Commission, the Environmental Protection Agency, the Nuclear Regulatory Commission, the Department of Energy, the North Carolina Utilities Commission, the Public Service Commission of South Carolina and the Florida Public Service Commission), particularly legislative and regulatory initiatives that may impact the speed and degree of the restructuring of the electricity industry; the outcome of legal and administrative proceedings before our principal regulators; risks associated with operating nuclear power facilities, availability of nuclear waste storage facilities, and nuclear decommissioning costs; changes in the economy of areas served by CP&L, Florida Power or NCNG; the extent to which we are able to obtain adequate and timely rate recovery of costs, including potential stranded costs arising from the restructuring of the electricity industry; weather conditions and catastrophic weather-related damage; general industry trends, increased competition from energy and gas suppliers, and market demand for energy; inflation and capital market conditions; the extent to which we are able to realize the potential benefits of our recent acquisition of Florida Progress Corporation and successfully integrate it with the remainder of our business; the extent to which we are able to realize the potential benefits of the conversion of Carolina Power & Light Company to a non-regulated holding company structure and the success of our direct and indirect subsidiaries; the extent to which we are able to use tax credits associated with the operations of the synthetic fuel facilities; the extent to which we are able to reduce our capital expenditures through the utilization of the natural gas expansion fund established by the

North Carolina Utilities Commission; and unanticipated changes in operating expenses and capital expenditures.

All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond the control of the Company. New factors emerge from time to time, and it is not possible for management to predict all of such factors, nor can it assess the effect of each such factor on the Company.

**TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
PROGRESS ENERGY, INC.:**

We have audited the accompanying consolidated balance sheets and schedules of capitalization of Progress Energy, Inc. and its subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, retained earnings, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Florida Progress Corporation (a consolidated subsidiary since November 30, 2000) for the year ended December 31, 2000, which statements reflect total assets constituting 31% of the related consolidated total assets at December 31, 2000. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Florida Progress Corporation for the year ended December 31, 2000, is based solely on the report of such other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Raleigh, North Carolina
February 15, 2001

The management of Progress Energy, Inc. is responsible for the information and representations contained in the financial statements and other sections of this annual report. The financial statements are prepared in conformity with generally accepted accounting principles, using informed judgments and estimates where appropriate. The information in other sections of this annual report is consistent with the financial statements.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and the financial statements are reliable. This system is augmented by a strong program of internal audit.

The Board of Directors pursues its oversight role for financial reporting and accounting through its audit committee. The committee, which is composed entirely of outside directors, meets periodically with management and the Company's internal auditors, who have free access to the committee without

management present, to discuss auditing, internal accounting control and financial reporting matters.

The independent auditors, Deloitte & Touche LLP, are engaged to express an opinion on the Company's financial statements. Their opinion is based on procedures believed by them to be sufficient to provide reasonable assurance that the financial statements do not contain material misstatements.

Peter M. Scott III

Peter M. Scott III
Executive Vice President and Chief Financial Officer
Financial Services

	YEARS ENDED DECEMBER 31		
(In thousands except per share data)	2000	1999	1998
OPERATING REVENUES			
Electric	\$ 3,565,281	\$ 3,138,846	\$ 3,130,045
Natural gas	324,499	98,903	—
Diversified businesses	229,093	119,866	61,623
Total Operating Revenues	4,118,873	3,357,615	3,191,668
OPERATING EXPENSES			
Fuel used in electric generation	686,754	581,340	571,419
Purchased power	364,977	365,425	382,547
Gas purchased for resale	250,902	67,465	—
Other operation and maintenance	823,549	682,407	642,478
Depreciation and amortization	740,470	495,670	487,097
Taxes other than on income	165,393	142,741	141,504
Harris Plant deferred costs, net	14,278	7,435	7,489
Diversified businesses	352,992	174,589	111,584
Total Operating Expenses	3,399,315	2,517,072	2,344,118
OPERATING INCOME	719,558	840,543	847,550
OTHER INCOME (EXPENSE)			
Interest income	26,984	10,336	9,526
Gain on sale of assets	200,000	—	—
Other, net	(3,122)	(33,706)	(29,075)
Total Other Income (Expense)	223,862	(23,370)	(19,549)
INCOME BEFORE INTEREST CHARGES AND INCOME TAXES	943,420	817,173	828,001
INTEREST CHARGES			
Long-term debt	237,494	180,676	169,901
Other interest charges	45,459	10,298	11,156
Allowance for borrowed funds used during construction	(20,668)	(11,510)	(6,821)
Total Interest Charges, Net	262,285	179,464	174,236
INCOME BEFORE INCOME TAXES	681,135	637,709	653,765
INCOME TAXES	202,774	258,421	257,494
NET INCOME	\$ 478,361	\$ 379,288	\$ 396,271
AVERAGE COMMON SHARES OUTSTANDING	157,169	148,344	143,941
BASIC EARNINGS PER COMMON SHARE	\$ 3.04	\$ 2.56	\$ 2.75
DILUTED EARNINGS PER COMMON SHARE	\$ 3.03	\$ 2.55	\$ 2.75
DIVIDENDS DECLARED PER COMMON SHARE	\$ 2.075	\$ 2.015	\$ 1.955

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

(In thousands)	DECEMBER 31	
	2000	1999
ASSETS		
Utility Plant		
Electric utility plant in service	\$ 18,124,036	\$ 10,633,823
Gas utility plant in service	378,464	354,773
Accumulated depreciation	(9,350,235)	(4,975,405)
Utility plant in service, net	9,152,265	6,013,191
Held for future use	16,302	11,282
Construction work in progress	1,043,439	536,017
Nuclear fuel, net of amortization	224,692	204,323
Total Utility Plant, Net	10,436,698	6,764,813
Current Assets		
Cash and cash equivalents	101,296	79,871
Accounts receivable	925,911	446,367
Inventory	420,985	247,913
Deferred fuel cost	217,806	81,699
Prepayments	50,040	42,631
Assets held for sale, net	747,745	—
Other current assets	192,347	180,852
Total Current Assets	2,656,130	1,079,333
Deferred Debits and Other Assets		
Income taxes recoverable through future rates	208,997	229,008
Deferred purchased power contract termination costs	226,656	—
Harris Plant deferred costs	44,813	56,142
Unamortized debt expense	38,771	10,924
Nuclear decommissioning trust funds	811,998	379,949
Diversified businesses property, net	729,662	239,982
Miscellaneous other property and investments	510,935	252,454
Goodwill, net	3,652,429	288,970
Prepaid pension costs	373,151	—
Other assets and deferred debits	400,772	192,444
Total Deferred Debits and Other Assets	6,998,184	1,649,873
TOTAL ASSETS	\$ 20,091,012	\$ 9,494,019
CAPITALIZATION AND LIABILITIES		
Capitalization (SEE CONSOLIDATED SCHEDULES OF CAPITALIZATION)		
Common stock equity	\$ 5,424,201	\$ 3,412,647
Preferred stock of subsidiaries- not subject to mandatory redemption	92,831	59,376
Long-term debt, net	5,890,099	3,028,561
Total Capitalization	11,407,131	6,500,584
Current Liabilities		
Current portion of long-term debt	184,037	197,250
Accounts payable	828,568	269,053
Interest accrued	121,433	47,607
Dividends declared	107,645	80,939
Short-term obligations	3,972,674	168,240
Other current liabilities	448,302	130,036
Total Current Liabilities	5,662,659	893,125
Deferred Credits and Other Liabilities		
Accumulated deferred income taxes	1,807,192	1,632,778
Accumulated deferred investment tax credits	261,255	203,704
Postretirement benefit obligation	273,671	109,859
Other liabilities and deferred credits	679,104	153,969
Total Deferred Credits and Other Liabilities	3,021,222	2,100,310
COMMITMENTS AND CONTINGENCIES (NOTE 19)		
TOTAL CAPITALIZATION AND LIABILITIES	\$ 20,091,012	\$ 9,494,019

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

PROGRESS ENERGY INC

(In thousands)	YEARS ENDED DECEMBER 31		
	2000	1999	1998
OPERATING ACTIVITIES			
Net income	\$ 478,361	\$ 379,288	\$ 396,271
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	834,950	588,123	578,348
Harris Plant deferred costs	11,329	3,878	3,704
Deferred income taxes	(73,446)	(32,495)	(38,517)
Investment tax credit	(5,261)	(10,299)	(10,206)
Deferred fuel credit	(76,704)	(39,052)	(22,017)
Gain on sale of assets	(200,000)	-	-
Net increase in receivables, inventories, prepaid expenses and other current assets	(48,187)	(168,148)	(62,351)
Net (decrease) increase in payables and accrued expenses	(12,214)	31,991	43,652
Other	(48,920)	75,867	2,330
Net Cash Provided by Operating Activities	859,908	829,153	891,214
INVESTING ACTIVITIES			
Gross property additions	(950,198)	(689,054)	(424,263)
Nuclear fuel additions	(59,752)	(75,641)	(102,511)
Acquisition of Florida Progress Corporation	(3,461,917)	-	-
Proceeds from sale of assets	212,825	-	-
Contributions to nuclear decommissioning trust	(32,391)	(30,825)	(30,848)
Net cash flow of company-owned life insurance program	(4,291)	(6,542)	(1,954)
Investments in non-utility activities	(242,688)	(199,525)	(103,543)
Net Cash Used in Investing Activities	(4,538,412)	(1,001,587)	(663,119)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	783,052	400,970	6,255
Net increase in short-term indebtedness	3,782,071	339,100	242,100
Net increase (decrease) in outstanding payments	193,107	(117,643)	26,211
Retirement of long-term debt	(710,373)	(113,335)	(208,050)
Dividends paid on common stock	(368,004)	(293,704)	(279,717)
Other	(66)	6,169	(448)
Net Cash Provided by (Used in) Financing Activities	3,679,787	221,557	(213,649)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,283	49,123	14,446
INCREASE IN CASH FROM ACQUISITION (SEE NONCASH ACTIVITIES)	20,142	1,876	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	79,871	28,872	14,426
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 101,296	\$ 79,871	\$ 28,872
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year - interest	\$ 244,224	\$ 174,101	\$ 171,946
income taxes	\$ 367,665	\$ 284,535	\$ 329,739

Noncash Activities

On July 15, 1999, the Company purchased all outstanding shares of North Carolina Natural Gas Corporation (NCNG). In conjunction with the purchase of NCNG, the Company issued approximately \$360 million in common stock.

On June 28, 2000, Caronet, a wholly-owned subsidiary of the Company, contributed net assets in the amount of \$93.0 million in exchange for a 35% ownership interest (10% voting interest) in a newly formed company.

On November 30, 2000, the Company purchased all outstanding shares of Florida Progress Corporation (FPC). In conjunction with the purchase of FPC, the Company issued approximately \$1.9 billion in common stock and approximately \$49.3 million in contingent value obligations.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

(Dollars in thousands except per share data)	DECEMBER 31	
	2000	1999
COMMON STOCK EQUITY		
Common stock without par value, authorized 500,000,000 shares, issued and outstanding 206,089,047 and 159,599,650 shares, respectively	\$ 3,621,610	\$ 1,754,187
Unearned restricted stock awards	(12,708)	(7,938)
Unearned ESOP common stock	(127,211)	(140,153)
Capital stock issuance expense	—	(794)
Retained earnings	1,942,510	1,807,345
Total Common Stock Equity	\$ 5,424,201	\$ 3,412,647
PREFERRED STOCK OF SUBSIDIARIES- NOT SUBJECT TO MANDATORY REDEMPTION		
Carolina Power & Light Company:		
Authorized - 300,000 shares \$5.00 cumulative, \$100 par value Preferred Stock; 20,000,000 shares cumulative, \$100 par value Serial Preferred Stock		
\$5.00 Preferred - 236,997 and 237,259 shares, respectively (redemption price \$110.00)	\$ 24,349	\$ 24,376
\$4.20 Serial Preferred - 100,000 shares (redemption price \$102.00)	10,000	10,000
\$5.44 Serial Preferred - 249,850 and 250,000 shares, respectively (redemption price \$101.00)	24,985	25,000
	59,334	59,376
Florida Power Corporation:		
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)	3,998	—
4.40% - 75,000 shares outstanding (redemption price \$102.00)	7,500	—
4.58% - 99,990 shares outstanding (redemption price \$101.00)	9,999	—
4.60% - 39,997 shares outstanding (redemption price \$103.25)	4,000	—
4.75% - 80,000 shares outstanding (redemption price \$102.00)	8,000	—
	33,497	—
Total Preferred Stock of Subsidiaries- Not Subject to Mandatory Redemption	\$ 92,831	\$ 59,376
LONG-TERM DEBT (maturities and weighted average interest rates as of December 31, 2000)		
Carolina Power & Light Company:		
First mortgage bonds, maturing 2002-2024	7.02% \$ 1,800,000	\$ 1,866,130
Pollution control obligations, maturing 2014-2024	4.99% 713,770	497,640
Unsecured subordinated debentures, maturing 2025	8.55% 125,000	125,000
Extendible notes, maturing 2002	6.76% 500,000	331,760
Commercial paper reclassified to long-term debt	7.40% 486,297	362,600
Miscellaneous notes	8,360	54,846
Unamortized premium and discount, net	(12,407)	(12,165)
	3,621,020	3,225,811
Florida Power Corporation:		
First mortgage bonds, maturing 2003-2023	6.94% 510,000	—
Pollution control revenue bonds, maturing 2014-2027	6.59% 240,865	—
Medium-term notes, maturing 2001-2028	6.69% 531,100	—
Commercial paper reclassified to long-term debt	6.89% 200,000	—
Unamortized premium and discount, net	(2,849)	—
	1,479,116	—
Florida Progress Funding Corporation:		
Mandatorily redeemable preferred securities, maturing 2039	7.10% 300,000	—
	300,000	—
Progress Capital Holdings:		
Medium-term notes, maturing 2001-2008	6.85% 374,000	—
Commercial paper reclassified to long-term debt	7.24% 300,000	—
	674,000	—
Current portion of long-term debt	(184,037)	(197,250)
Total Long-Term Debt, Net	\$ 5,890,099	\$ 3,028,561
TOTAL CAPITALIZATION	\$ 11,407,131	\$ 6,500,584

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

PROGRESS ENERGY INC

(In thousands except per share data)	YEARS ENDED DECEMBER 31		
	2000	1999	1998
RETAINED EARNINGS AT BEGINNING OF YEAR	\$ 1,807,345	\$ 1,728,301	\$ 1,613,881
Net income	478,361	379,288	396,271
Common stock dividends at annual per share rate of \$2.075, \$2.015 and \$1.955, respectively	(343,196)	(300,244)	(281,851)
RETAINED EARNINGS AT END OF YEAR	\$ 1,942,510	\$ 1,807,345	\$ 1,728,301

CONSOLIDATED QUARTERLY FINANCIAL DATA (UNAUDITED)

PROGRESS ENERGY INC

(In thousands except per share data)	1st Quarter (a)	2nd Quarter (a)	3rd Quarter (a)	4th Quarter (a)
YEAR ENDED DECEMBER 31, 2000				
Operating revenues	\$ 877,140	\$ 892,304	\$ 1,084,200	\$ 1,265,229
Operating income	185,110	214,184	296,592	23,672 (c)
Net income	85,261	107,460	297,083 (b)	(11,443)(c)
Common stock data:				
Basic earnings per common share	.56	.70	1.94 (b)	(0.07)(c)
Diluted earnings per common share	.56	.70	1.93 (b)	(0.07)(c)
Dividends paid per common share	.515	.515	.515	.515
Price per share - high	37.00	38.00	41.94	49.38
low	28.25	31.00	31.50	38.00
YEAR ENDED DECEMBER 31, 1999				
Operating revenues	\$ 762,902	\$ 762,822	\$ 1,024,756	\$ 807,135
Operating income	199,361	157,371	308,963	174,848
Net income	91,470	62,417	147,112	78,289
Common stock data:				
Basic and diluted earnings per common share	.63	.43	.97	.51
Dividends paid per common share	.50	.50	.50	.50
Price per share - high	47.88	45.00	43.25	36.81
low	37.63	36.63	34.13	29.25

(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) Includes gain on sale of BellSouth Carolinas PCS Partnership interest.

(c) Includes approved further accelerated depreciation of \$125 million on nuclear generating assets.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

ATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

Progress Energy, Inc. (the Company) is a registered holding company under the Public Utility Holding Company Act (PUHCA) of 1935. Both the Company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The Company was formed as a result of the reorganization of Carolina Power & Light Company (CP&L) into a holding company structure on June 19, 2000. All shares of common stock of CP&L were exchanged for an equal number of shares of the Company. On December 4, 2000, the Company changed its name from CP&L Energy, Inc. to Progress Energy, Inc. Through its wholly-owned subsidiaries, CP&L, Florida Power Corporation (Florida Power) and North Carolina Natural Gas Corporation (NCNG), the Company is primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina, South Carolina and Florida and the transport, distribution and sale of natural gas in portions of North Carolina. The Company also engages in business areas such as telecommunications, coal and synthetic fuel operations, energy management and related services and merchant energy generation.

The Company's results of operations include the results of Florida Progress Corporation for the period subsequent to November 30, 2000, and of North Carolina Natural Gas Corporation for the periods subsequent to July 15, 1999 (See Note 2).

B. BASIS OF PRESENTATION

The consolidated financial statements are prepared in accordance with generally accepted accounting principles and include the activities of the Company and its majority-owned subsidiaries. Significant intercompany balances and transactions have been eliminated in consolidation except as permitted by Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," which provides that profits on intercompany sales to regulated affiliates are not eliminated if the sales price is reasonable and the future recovery of the sales price through the rate making process is probable. The accounting records of CP&L, Florida Power and NCNG (collectively, the utilities) are maintained in accordance with uniform systems of accounts prescribed by the Federal Energy Regulatory Commission (FERC), the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (SCPSC) and the Florida Public Service Commission (FPSC). Certain amounts for 1999 and 1998 have been reclassified to conform to the 2000 presentation.

C. USE OF ESTIMATES AND ASSUMPTIONS

In preparing consolidated 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 consolidated financial statements and amounts of revenues and expenses reflected during the reporting period. Actual results could differ from those estimates.

D. UTILITY PLANT

The cost of additions, including betterments and replacements of units of property, is charged to utility plant. Maintenance and repairs of property, and replacements and renewals of items determined to be less than units of property, are charged to maintenance expense. The cost of units of property replaced, renewed or retired, plus removal or disposal costs, less salvage, is charged to accumulated depreciation. Subsequent to the acquisition of Florida Progress Corporation, Florida Power's utility plant continues to be presented on a gross basis to reflect the treatment of such plant in cost-based regulation. Generally, electric utility plant, other than nuclear fuel is pledged as collateral for the first mortgage bonds of CP&L and Florida Power. Gas utility plant is not currently pledged as collateral for such bonds.

The balances of utility plant in service at December 31 are listed below with a range of depreciable lives for each:

(In thousands)	2000	1999
Electric		
Production plant (7–33 years)	\$ 10,014,635	\$ 6,413,121
Transmission plant (30–75 years)	1,964,652	1,018,114
Distribution plant (12–50 years)	5,292,134	2,676,881
General plant and other (8–75 years)	852,615	525,707
Total electric utility plant	\$ 18,124,036	\$ 10,633,823
Gas plant (10–40 years)	378,464	354,773
Utility plant in service	\$ 18,502,500	\$ 10,988,596

As prescribed in the regulatory uniform systems of accounts, an allowance for the cost of borrowed and equity funds used to finance utility plant construction (AFUDC) is charged to the cost of the plant. Regulatory authorities consider AFUDC an appropriate charge for inclusion in the rates charged to customers by the utilities over the service life of the property. The equity funds portion of AFUDC is credited to other income and the borrowed funds portion is credited to interest charges. The total equity funds portion of AFUDC was \$15.5 million and \$3.9 million in 2000 and 1999, respectively. There were no amounts credited to other income for AFUDC during 1998. The composite AFUDC rate for CP&L's electric utility plant was 8.16%, 6.4% and 5.6% in 2000, 1999 and 1998, respectively. The composite AFUDC rate for Florida Power's electric utility plant was 7.8% in 2000. The composite AFUDC rate for NCNG's gas utility plant was 10.09% in 2000 and 1999.

E. DIVERSIFIED BUSINESS PROPERTY

The following is a summary of diversified business property:

(In thousands)	2000	1999
Property, plant and equipment	\$566,972	\$ 195,892
Construction work in progress	188,584	65,848
Accumulated depreciation	(25,894)	(21,758)
Diversified business property, net	\$ 729,662	\$ 239,982

Diversified business property is stated at cost. Depreciation is computed on a straight-line basis using the following estimated useful lives: telecommunications equipment - 5 to 20 years; computers, office equipment and software - 3 to 10 years; merchant generation and synthetic fuel facilities - 7 to 25 years. Depletion of coal reserves is provided on the units-of-production method based upon the estimates of recoverable tons of clean coal.

F. DEPRECIATION AND AMORTIZATION

For financial reporting purposes, substantially all depreciation of utility plant other than nuclear fuel is computed on the straight-line method based on the estimated remaining useful life of the property, adjusted for estimated net salvage. Depreciation provisions, including decommissioning costs (See Note 1G) and excluding accelerated cost recovery of nuclear generating assets as a percent of average depreciable property other than nuclear fuel, were approximately 4.1% in 2000 and 3.9% in 1999 and 1998. Depreciation provisions totaled \$721.0 million, \$409.6 million and \$394.4 million in 2000, 1999 and 1998, respectively.

Depreciation and amortization expense also includes amortization of deferred operation and maintenance expenses associated with Hurricane Fran, which struck significant portions of CP&L's service territory in September 1996. In 1996, the NCUC authorized CP&L to defer these expenses (approximately \$40 million) with amortization over a 40-month period, which expired in December 1999.

With approval from the NCUC and the SCPSC, CP&L accelerated the cost recovery of its nuclear generating assets beginning January 1, 2000 and continuing through 2004. Also in 2000, CP&L received approval from the commissions to further accelerate the cost recovery of its nuclear generation facilities in 2000. The accelerated cost recovery of these assets resulted in additional depreciation expense of approximately \$275 million during 2000 (See Note 12B). Pursuant to authorizations from the NCUC and the SCPSC, CP&L accelerated the amortization of certain regulatory assets over a three-year period beginning January 1997 and expiring December 1999. The accelerated amortization of these regulatory assets resulted in additional depreciation and amortization expenses of approximately \$68 million in 1999 and 1998.

Amortization of nuclear fuel costs, including disposal costs associated with obligations to the U.S. Department of Energy (DOE), is computed primarily on the unit-of-production method and charged to fuel expense. Costs related to obligations to the DOE for the decommissioning and decontamination of enrichment facilities are also charged to fuel expense.

Goodwill, the excess of purchase price over fair value of net assets of businesses acquired, is being amortized on a straight-line basis over periods ranging from 7 to 40 years. Accumulated amortization was \$24.5 million and \$11.5 million at December 31, 2000 and 1999, respectively. The recoverability of goodwill is reviewed whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Such evaluation is based on various analyses, including undiscounted cash flows of the acquired operation.

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.

G. DECOMMISSIONING AND DISMANTLEMENT PROVISIONS

In the Company's retail jurisdictions, provisions for nuclear decommissioning costs are approved by the NCUC, the SCPSC and the FPSC and are based on site-specific estimates that include the costs for removal of all radioactive and other structures at the site. In the wholesale jurisdictions, the provisions for nuclear decommissioning costs are approved by FERC. Decommissioning cost provisions, which are included in depreciation and amortization expense, were \$32.5 million in 2000 and \$33.3 million in 1999 and 1998.

Accumulated decommissioning costs, which are included in accumulated depreciation, were \$1.0 billion and \$568.0 million at December 31, 2000 and 1999, respectively. These costs include amounts retained internally and amounts funded in externally managed decommissioning trusts. Trust earnings increase the trust balance with a corresponding increase in the accumulated decommissioning balance. These balances are adjusted for net unrealized gains and losses related to changes in the fair value of trust assets.

CP&L's most recent site-specific estimates of decommissioning costs were developed in 1998, using 1998 cost factors, and are based on prompt dismantlement decommissioning, which reflects the cost of removal of all radioactive and other structures currently at the site, with such removal occurring shortly after operating license expiration. These estimates, in 1998 dollars, are \$281.5 million for Robinson Unit No. 2, \$299.6 million for Brunswick Unit No. 1, \$298.7 million for Brunswick Unit No. 2 and \$328.1 million for the Harris Plant. The estimates are subject to change based on a variety of factors including, but not limited to, cost escalation, changes in technology applicable to nuclear decommissioning and changes in federal, state or local regulations. The cost estimates exclude the portion attributable to North Carolina Eastern Municipal Power Agency (Power Agency), which holds an undivided ownership interest in the Brunswick and Harris nuclear generating facilities. Operating licenses for CP&L's nuclear units expire in the year 2010 for Robinson Unit No. 2, 2016 for Brunswick Unit No. 1, 2014 for Brunswick Unit No. 2 and 2026 for the Harris Plant.

Florida Power's most recent site-specific estimate of decommissioning costs for the Crystal River Nuclear Plant (CR3) was developed in 2000 based on prompt dismantlement decommissioning. The estimate, in 2000 dollars, was \$515.8 million and is subject to change based on the same factors as discussed above for CP&L's estimates. The cost estimate excludes the portion attributable to other co-owners of CR3. CR3's operating license expires in 2016.

Management believes that the decommissioning costs being recovered through rates by CP&L and Florida Power, when coupled with reasonable assumed after-tax fund earnings rates, are currently sufficient to provide for the costs of decommissioning.

Florida Power maintains a reserve for fossil plant dismantlement. At December 31, 2000, this reserve was approximately \$134.6 million and was included in accumulated depreciation.

The FASB is proceeding with its project regarding accounting practices related to obligations associated with the retirement of long-lived assets. An exposure draft was issued in February 2000 and a final statement is expected to be issued during the second quarter of 2001. It is uncertain what effects it may ultimately have on the Company's accounting for decommissioning, dismantlement and other retirement costs.

H. OTHER POLICIES

The Company recognizes electric utility revenues as service is rendered to customers. Operating revenues include unbilled electric utility revenues earned when service has been delivered but not billed by the end of the accounting period.

Fuel expense includes fuel costs or recoveries that are deferred through fuel clauses established by the electric utilities' regulators. These clauses allow the utilities to recover fuel costs and portions of purchased power costs through surcharges on customer rates. NCNG is also allowed to recover the costs of gas purchased for resale through customer rates.

Other property and investments are stated principally at cost. The Company maintains an allowance for doubtful accounts receivable, which totaled approximately \$28.1 million and \$16.8 million at December 31, 2000 and 1999, respectively. Inventory, which includes fuel, materials and supplies, and gas in storage, is carried at average cost. Long-term debt premiums, discounts and issuance expenses for the utilities are amortized over the life of the related debt using the straight-line method. Any expenses or call premiums associated with the reacquisition of debt obligations by the utilities are amortized over the remaining life of the original debt using the straight-line method, except that the balance existing at December 31, 1996, was amortized on a three-year accelerated basis. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

I. IMPACT OF NEW ACCOUNTING STANDARD

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 Company estimates that the transition adjustment to implement this new standard will be a decrease in other comprehensive income of \$23.6 million, net of tax. This adjustment will be recognized as of January 1, 2001, as a cumulative effect of a change in accounting principle. There will not be a significant transition adjustment affecting the consolidated statement of 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. ACQUISITIONS AND DISPOSITIONS

A. FLORIDA PROGRESS CORPORATION

On November 30, 2000, the Company completed its acquisition of Florida Progress Corporation (FPC) for an aggregate purchase price of approximately \$5.4 billion. The Company paid cash consideration of approximately \$3.5 billion and issued 46.5 million common shares valued at approximately \$1.9 billion. In addition, the Company issued 98.6 million contingent value obligations (CVO) valued at approximately \$49.3 million (See Note 11). The purchase price includes \$18.6 million in direct transaction costs.

FPC is a diversified, exempt electric utility holding company. Florida Power, FPC's largest subsidiary is a regulated public utility engaged in the generation, transmission, distribution and sale of electricity. FPC also has diversified non-utility operations owned through Progress Capital Holdings, Inc. Included in the diversified operations is Electric Fuels Corporation, an energy and transportation company. The primary segments of Electric Fuels are energy and related services, rail services, and inland marine transportation.

The acquisition has been accounted for using the purchase method of accounting and, accordingly, the results of operations for FPC have been included in the Company's consolidated financial statements since the date of acquisition. Identifiable assets acquired and liabilities assumed have been recorded at their estimated fair values of \$6.9 billion and \$4.9 billion, respectively. The excess of the purchase price over the estimated fair value of the net identifiable assets and liabilities acquired has been recorded as goodwill. The goodwill, of approximately \$3.4 billion, is being amortized on a straight-line basis over a period of primarily 40 years.

The fair values of FPC's rate-regulated net assets acquired were considered to be equivalent to book value since book value represents the amount that will be recoverable through regulated rates. The allocation of the purchase price included estimated amounts expected to be realized from the sale of FPC's Rail Services and Inland Marine Transportation business segments which are classified as net assets held for sale (See Note 4). The SEC order approving the merger requires the Company to divest of certain other immaterial non-regulated investments of Florida Power.

The allocation of purchase price includes the assumption of liabilities associated with change in control payments triggered by the acquisition and executive termination benefits, totaling approximately \$50.8 million. Substantially all change in control and executive termination payments had been paid as of December 31, 2000. In addition, the Company began the implementation of a plan to combine operations of the companies resulting in a non-executive involuntary termination cost accrual of approximately \$52.2 million. Approximately \$41.8 million is attributable to Florida Power employees and has been reflected as part of the purchase price allocation, while approximately \$10.4 million attributable to acquiring company employees was charged to operating results. The Company expects to complete the implementation of the plan by the end of June 2001.

Preliminary actuarial valuations resulted in adjustments to increase the other postretirement benefits liability by \$16.8 million and the prepaid pension asset by \$222.0 million. These preliminary adjustments were substantially offset by the establishment of an other postretirement benefits regulatory asset of approximately \$15.9 million and a pension regulatory liability of \$207.2 million. In addition, an adjustment increased the supplementary defined benefit retirement plan liability by \$24.4 million.

The final purchase price allocation and estimated life of goodwill are subject to adjustment for changes in the Company's preliminary assumptions and analyses, pending additional information concerning asset and liability valuations and the evaluation of certain pre-acquisition contingent liabilities, including but not limited to:

- final actuarial valuations of pension and other postretirement benefit plan obligations
- proceeds realized from the disposition of assets held for sale
- valuations of non-regulated businesses and individual assets and liabilities

The following unaudited pro forma combined results of operations for the years ended December 31, 2000 and 1999, have been prepared assuming the acquisition of FPC had occurred at the beginning of each period. The pro forma results are provided for information only. The results are not necessarily indicative of the actual results that would have been realized had the acquisition occurred on the indicated date, nor are they necessarily indicative of future results of operations of the combined companies.

(In thousands, except per share data)	2000	1999
Revenues	\$ 7,087,543	\$ 6,181,494
Net income	\$ 585,863	\$ 445,570
Basic and diluted earnings per share	\$ 2.93	\$ 2.29
Average shares	199,722	194,591

B. NORTH CAROLINA NATURAL GAS CORPORATION

On July 15, 1999, the Company completed the acquisition of NCNG for an aggregate purchase price of approximately \$364 million, resulting in the issuance of approximately 8.3 million shares. The acquisition was accounted for as a purchase and, accordingly, the operating results of NCNG were included in the Company's consolidated financial statements beginning with the date of acquisition. The excess of the aggregate purchase price over the fair value of net assets acquired, approximately \$240 million, was recorded as goodwill of the acquired business and is being amortized primarily over a period of 40 years.

C. BELL SOUTH CAROLINAS PCS PARTNERSHIP INTEREST

In September 2000, Caronet, Inc., a wholly-owned subsidiary of CP&L, sold its 10% limited partnership interest in BellSouth Carolinas PCS for \$200 million. The sale resulted in an after-tax gain of \$121.1 million.

NOTE 3. FINANCIAL INFORMATION BY BUSINESS SEGMENT

Effective with the acquisition of FPC on November 30, 2000, the Company has changed the basis of segment reporting and measurement of segment profitability beginning with the fourth quarter of 2000. Prior periods have been restated to reflect this change. The Company currently provides services through the following business segments: CP&L electric, Florida Power electric, natural gas and other.

FPC's operations consisted mainly of the Florida Power electric segment and certain other subsidiaries, which have been included in the other segment.

The electric segments (CP&L and Florida Power) generate, transmit, distribute and sell electric energy in portions of North Carolina, South Carolina and Florida. Electric operations are subject to the rules and regulations of FERC, NCUC, SCPSC and FPSC.

The natural gas segment transports, distributes and sells gas in portions of North Carolina. Gas operations are subject to the rules and regulations of the NCUC.

The other segment is primarily made up of merchant energy generation, coal and synthetic fuel operations and holding company operations. The other segment also includes telecommunication services, energy management services and miscellaneous non-regulated activities and elimination entries.

For reportable segments presented in the accompanying table, segment income includes intersegment revenues accounted for at prices representative of unaffiliated party transactions.

(In thousands)	CP&L Electric	Florida Power Electric	Natural Gas	Other	Segment Totals
FOR THE YEAR ENDED 12/31/00					
Revenues:					
Unaffiliated	\$ 3,323,676	\$ 241,606	\$ 318,602	\$ 229,092	\$ 4,112,976
Intersegment	—	—	5,897	—	5,897
Total Revenues	\$ 3,323,676	\$ 241,606	\$ 324,499	\$ 229,092	\$ 4,118,873
Depreciation and Amortization	\$ 684,356	\$ 28,873	\$ 18,984	\$ 22,911	\$ 755,124
Net Interest Charges	\$ 221,856	\$ 9,777	\$ 7,122	\$ 24,572	\$ 263,327
Segment Income	\$ 458,062	\$ 21,765	\$ 7,066	\$ (8,532)	\$ 478,361
Total Segment Assets	\$ 9,247,479	\$ 4,918,776	\$ 673,124	\$ 5,251,633	\$ 20,091,012
Capital and Investment Expenditures	\$ 805,489	\$ 49,805	\$ 94,899	\$ 242,693	\$ 1,192,886

(In thousands)	CP&L Electric	Florida Power Electric	Natural Gas	Other	Segment Totals
FOR THE YEAR ENDED 12/31/99					
Revenues:					
Unaffiliated	\$ 3,138,846	\$ —	\$ 97,886	\$ 119,866	\$ 3,356,598
Intersegment	—	—	1,017	—	1,017
Total Revenues	\$ 3,138,846	\$ —	\$ 98,903	\$ 119,866	\$ 3,357,615
Depreciation and Amortization	\$ 486,502	\$ —	\$ 9,168	\$ 16,804	\$ 512,474
Net Interest Charges	\$ 183,098	\$ —	\$ 3,225	\$ (5,456)	\$ 180,867
Segment Income	\$ 379,288	\$ —	\$ 1,284	\$ (1,284)	\$ 379,288
Total Segment Assets	\$ 8,705,547	\$ —	\$ 550,132	\$ 238,340	\$ 9,494,019
Capital Expenditures	\$ 671,401	\$ —	\$ 24,047	\$ 193,131	\$ 888,579

(In thousands)	CP&L Electric	Florida Power Electric	Natural Gas	Other	Segment Totals
FOR THE YEAR ENDED 12/31/98					
Revenues:					
Unaffiliated	\$ 3,130,045	\$ —	\$ —	\$ 61,623	\$ 3,191,668
Intersegment	—	—	—	—	—
Total Revenues	\$ 3,130,045	\$ —	\$ —	\$ 61,623	\$ 3,191,668
Depreciation and Amortization	\$ 487,097	\$ —	\$ —	\$ 2,951	\$ 490,048
Net Interest Charges	\$ 174,433	\$ —	\$ —	\$ (48)	\$ 174,385
Segment Income	\$ 396,272	\$ —	\$ —	\$ (1)	\$ 396,271
Total Segment Assets	\$ 8,211,372	\$ —	\$ —	\$ 190,034	\$ 8,401,406
Capital Expenditures	\$ 463,729	\$ —	\$ —	\$ 64,077	\$ 527,806

Segment totals for depreciation and amortization expense include expenses related to the other segments that are included in diversified business operating expenses on a consolidated basis. Segment totals for interest expense include expenses related to the other segments that are included in other, net on a consolidated basis.

NOTE 4. NET ASSETS HELD FOR SALE

At December 31, 2000, the Company's net assets held for sale reflect management's estimate of the proceeds expected to be realized from the disposal of FPC's Rail Services and Inland Marine Transportation business segments. Rail Services' operations include railcar repair, rail parts reconditioning and sales, scrap metal recycling and other rail related services. Inland Marine Transportation provides transportation of coal, agriculture and other dry-bulk commodities as well as fleet management services. The Company intends to sell these business lines during 2001 in order to focus on growing core businesses.

The Company's post-acquisition results of operations exclude a \$0.7 million net loss from the FPC's Rail Services and Inland Marine Transportation businesses and allocated interest expense, net of tax, totaling approximately \$1 million. Both the expected earnings from these businesses and allocated interest expense, net of tax, during the holding period on the incremental debt incurred to finance the purchase of these business segments has been included in the determination of net assets held for sale.

Net assets held for sale related to the Inland Marine Transportation segment are subject to certain commitments under operating leases (See Note 8).

NOTE 5. RELATED PARTY TRANSACTIONS

The Company operates two internal money pools, one for the utilities and one for the non-utility subsidiaries, 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. The Company can loan money to either of these two pools but is not allowed to borrow from either pool.

Prior to the acquisition of FPC, the Company purchased a 90% membership interest in two synfuel related limited liability companies from a wholly-owned subsidiary of FPC. Interest expense incurred during the pre-acquisition period was approximately \$3.3 million. Subsequent to the acquisition date, intercompany amounts have been eliminated in consolidation.

See Note 3 for NCNG gas sales to CP&L.

JTE 6. DEBT AND CREDIT FACILITIES

At December 31, 2000, the Company had lines of credit totaling \$5.5 billion, all of which are used to support its commercial paper borrowings. The Company is required to pay minimal annual commitment fees to maintain its credit facilities. The following table summarizes the Company's credit facilities used to support the issuance of commercial paper.

(In thousands)	Description	Short-term	Long-term	Total
Progress Energy	364-Day	\$ 3,750	—	\$ 3,750
CP&L	364-Day	—	375	375
CP&L	5-Year (4 years remaining)	—	375	375
Florida Power	364-Day	200	—	200
Florida Power	5-Year (4 years remaining)	—	200	200
Progress Capital	364-Day	100	—	100
Progress Capital	364-Day	200	—	200
Progress Capital	5-Year (3 years remaining)	—	300	300
		\$ 4,250	\$ 1,250	\$ 5,500

As of December 31, 2000, \$845 million was drawn under Progress Energy's credit facility. There were no loans outstanding under the other facilities. CP&L's 364-day revolving credit agreement is considered a long-term commitment due to an option to convert to a one-year term loan at the expiration date.

Based on the available balances on the long-term facilities, commercial paper of approximately \$986 million has been reclassified to long-term debt at December 31, 2000. Commercial paper, pollution control bonds, and other short-term indebtedness of approximately \$363 million, \$56 million, and \$331 million, respectively, were reclassified to long-term debt at December 31, 1999. As of December 31, 2000 and 1999, the Company had an additional \$4 billion and \$168 million, respectively of outstanding commercial paper and other short-term debt classified as short-term obligations. The weighted-average interest rates of such short-term obligations at December 31, 2000 and 1999 were 7.4% and 6.1%, respectively.

Florida Power and Progress Capital Holdings, Inc. (Progress Capital), subsidiaries of FPC, have two uncommitted bank bid facilities authorizing them to borrow and re-borrow, and have loans outstanding at any time, up to \$100 million and \$300 million, respectively. These bank bid facilities were not drawn as of December 31, 2000.

Florida Power and CP&L both have public medium-term note programs providing for the issuance of either fixed or floating interest rate notes. These notes may have maturities ranging from 9 months to 30 years. Florida Power and CP&L have balances of \$250 million and \$300 million, respectively, available for issuance at December 31, 2000. In addition, Progress Capital has a private medium-term note program with essentially the same terms as the other programs. A balance of \$400 million is available for issuance under this program.

The combined aggregate maturities of long-term debt for 2001 through 2005 are approximately \$184 million, \$682 million, \$1.3 billion, \$368 million and \$348 million, respectively.

NOTE 7. FPC-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES (QUIPS) OF A SUBSIDIARY HOLDING SOLELY FPC GUARANTEED NOTES

In April 1999, FPC Capital I (the Trust), an indirect wholly-owned subsidiary of FPC, issued 12 million shares of \$25 par cumulative FPC-obligated mandatorily redeemable preferred securities (Preferred Securities) due 2039, with an aggregate liquidation value of \$300 million and a quarterly distribution rate of 7.10%. 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 FPC.

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 and used for general corporate purposes including the repayment of a portion of certain outstanding short-term bank loans and commercial paper.

FPC has fully and unconditionally guaranteed the obligations of Funding Corp. under the subordinated notes (the Notes Guarantee). In addition, FPC 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 FPC 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.

NOTE 8. LEASES

The Company leases office buildings, computer equipment, vehicles, and other property and equipment with various terms and expiration dates. Some rental payments for transportation equipment include minimum rentals plus contingent rentals based on mileage. Contingent rentals are not significant. Rent expense (under operating leases) totaled \$26.8 million, \$21.3 million and \$20.0 million for 2000, 1999 and 1998, respectively.

Assets recorded under capital leases at December 31 consist of:

(In thousands)	2000	1999
Buildings	\$ 27,626	\$ 27,626
Equipment	9,366	—
Less: Accumulated amortization	(8,018)	(6,760)
Total	\$ 28,974	\$ 20,866

Minimum annual rental payments, excluding executory costs such as property taxes, insurance and maintenance, under long-term noncancelable leases, including the synthetic lease described below, as of December 31, 2000 are:

(In thousands)	Capital Leases	Operating Leases
2001	\$ 3,441	\$ 96,433
2002	3,233	73,985
2003	3,233	69,998
2004	3,233	76,184
2005	3,233	59,084
Thereafter	35,330	251,808
Total	\$ 51,703	\$ 627,492
Less amount representing imputed interest	(22,729)	
	payments	capital leases
	\$ 28,974	

On August 6, 1998, MEMCO Barge Line, Inc. (MEMCO), an indirect, wholly-owned subsidiary of FPC, 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 vessels totals \$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, respectively, and \$140.4 million thereafter (excluding the purchase option payment). All MEMCO payment obligations under the transaction documents are unconditionally guaranteed by Progress Capital; those obligations are guaranteed by FPC.

The Company is also a lessor of land and/or buildings and other types of properties it owns under operating leases with various terms and expiration dates. The leased buildings are depreciated under the same terms as other buildings included in diversified business property. Minimum rentals receivable under noncancelable leases as of December 31, 2000, are:

(In thousands)	Amounts
2001	\$ 40,999
2002	31,743
2003	21,962
2004	16,396
2005	13,336
Thereafter	38,062

NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents and short-term obligations approximate fair value due to the short maturities of these instruments. At December 31, 2000 and 1999, there were miscellaneous investments with carrying amounts of approximately \$51 million and \$60 million, respectively, included in miscellaneous other property and investments. The carrying amount of these investments approximates fair value due to the short maturity of certain instruments and certain instruments are presented at fair value. The carrying amount of the Company's long-term debt, including current maturities, was \$6.1 billion and \$3.2 billion at December 31, 2000 and 1999, respectively. The estimated fair value of this debt, as obtained from quoted market prices for the same or similar issues, was \$6.0 billion and \$3.2 billion at December 31, 2000 and 1999, respectively.

External funds have been established as a mechanism to fund certain costs of nuclear decommissioning (See Note 1G). These nuclear decommissioning trust funds are invested in stocks, bonds and cash equivalents. Nuclear decommissioning trust funds are presented at amounts that approximate fair value. Fair value is obtained from quoted market prices for the same or similar investments.

NOTE 10. CAPITALIZATION

As of December 31, 2000, the Company had 227,647,066 shares of authorized but unissued common stock reserved and available for issuance, primarily to satisfy the requirements of the Company's stock plans. The Company intends, however, to meet the requirements of these stock plans with issued and outstanding shares presently held by the Trustee of the Stock Purchase-Savings Plan or with open market purchases of common stock shares, as appropriate. During 2000 and 1999, the Company issued common stock in conjunction with the FPC and NCNG acquisitions, respectively (See Note 2).

There are various provisions limiting the use of retained earnings for the payment of dividends under certain circumstances. As of December 31, 2000, there were no significant restrictions on the use of retained earnings.

NOTE 11. CONTINGENT VALUE OBLIGATIONS

In connection with the acquisition of FPC, the Company issued 98.6 million CVOs. Each CVO represents the right to receive contingent payments based on the performance of four synthetic fuel facilities purchased by subsidiaries of FPC in October 1999. The payments, if any, would be based on the net after-tax cash flows the facilities generate. The initial liability recorded at the acquisition date was approximately \$49.3 million (See Note 2A). The CVO liability was marked-to-market based on the year-end market price. The liability, included in other liabilities and deferred credits, at December 31, 2000, was \$40.4 million.

NOTE 12. REGULATORY MATTERS

A. REGULATORY ASSETS AND LIABILITIES

As regulated entities, the utilities are subject to the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Accordingly, the utilities record certain assets and liabilities resulting from the effects of the ratemaking process, which would not be recorded under generally accepted accounting principles for non-regulated entities. The utilities' ability to continue to meet the criteria for application of SFAS No. 71 may be affected in the future by competitive forces and restructuring in the electric utility industry. In the event that SFAS No. 71 no longer applied to a separable portion of the Company's operations, related regulatory assets and liabilities would be eliminated unless an appropriate regulatory recovery mechanism is provided. Additionally, these factors could result in an impairment of utility plant assets as determined pursuant to SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

At December 31, 2000 and 1999, the balances of the utilities' regulatory assets (liabilities) were as follows:

(In thousands)	2000	1999
Income taxes recoverable through future rates*	\$ 208,997	\$ 229,008
Harris Plant deferred costs	44,813	56,142
Loss on reacquired debt*	25,495	4,719
Other postretirement benefits	15,670	—
Deferred fuel	217,806	81,699
Abandonment costs*	—	1,675
Deferred DOE enrichment facilities-related costs	36,027	40,897
Deferred purchased power contract termination costs	226,656	—
Defined benefit retirement plan	(203,137)	—
Deferred revenues	(63,000)	—
Other regulatory assets and liabilities, net	2,477	—
Total	\$ 511,804	\$ 414,140

*All or certain portions of these regulatory assets have been subject to accelerated amortization (See Note 1F).

B. RETAIL RATE MATTERS

The NCUC and SCPSC approved proposals to accelerate cost recovery of CP&L's nuclear generating assets beginning January 1, 2000, and continuing through 2004. The accelerated cost recovery began immediately after the 1999 expiration of the accelerated amortization of certain regulatory assets (See Note 1F). Pursuant to the orders, the accelerated depreciation expense for nuclear generating assets was set at a minimum of \$106 million with a maximum of \$150 million per year. In late 2000, CP&L received approval from the NCUC and the SCPSC to further accelerate the cost recovery of its nuclear generation facilities by \$125 million in 2000. This additional depreciation will allow CP&L to reduce the minimum accelerated annual depreciation in 2001 through 2004 to \$75 million. The resulting total accelerated depreciation in 2000 was \$275 million. Recovering the costs of its nuclear generating assets on an accelerated basis will better position CP&L for the uncertainties associated with potential restructuring of the electric utility industry.

In June 2000, CP&L filed a request with the NCUC seeking approval to defer sulfur dioxide (SO₂) emission allowance expenses, effective as of January 1, 2000, for recovery in a future general rate case proceeding or by such other means as the NCUC may find appropriate. On January 5, 2001, the NCUC issued an order authorizing CP&L to defer, effective January 1, 2000, the cost of SO₂ emission allowances purchased pursuant to the Clean Air Act. Emission allowance expense of \$16 million that was recorded in 2000 will be reversed in 2001 and recorded as a regulatory asset. The ratemaking treatment of the regulatory asset has not been determined. CP&L is allowed to recover emission allowance expense through the fuel clause adjustment in its South Carolina retail jurisdiction.

In conjunction with the acquisition of NCNG, CP&L agreed to cap base retail electric rates in North Carolina and South Carolina through December 2004. The cap on base retail electric rates in South Carolina was extended to December 2005 in conjunction with regulatory approval to form a holding company. NCNG also agreed to cap its North Carolina margin rates for gas sales and transportation services, with limited exceptions, through November 1, 2003. Management is of the opinion that this agreement will not have a material effect on the Company's consolidated results of operations or financial position.

In conjunction with the FPC merger, CP&L reached a settlement with the Public Staff of the NCUC in which it agreed to reduce rates to all of its non-real time pricing customers by \$3 million in 2002, \$4.5 million in 2003, \$6 million in 2004 and \$6 million in 2005. CP&L also agreed to write off and forego recovery of \$10 million of unrecovered fuel costs in each of its 2000 NCUC and SCPSC fuel cost recovery proceedings. Also in conjunction with the merger, the FPSC opened a docket to review Florida Power's earnings including the effects of the merger. The FPSC's decision is expected by late March 2001.

Florida Power, with the approval of the FPSC, established a regulatory liability to defer a portion of 2000 revenues. If an alternative proposal is not filed by April 2, 2001, Florida Power will be directed to apply the deferred revenues at December 31, 2000, of \$63 million, plus accrued interest, to offset certain regulatory assets related to deferred purchased power termination costs.

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. The balance of this reserve at December 31, 2000, was approximately \$11 million.

C. PLANT-RELATED DEFERRED COSTS

In 1988 rate orders, CP&L was ordered to remove from rate base and treat as abandoned plant certain costs related to the Harris Plant. Abandoned plant amortization related to the 1988 rate orders was completed in 1998 for the wholesale and North Carolina retail jurisdictions and in 1999 for the South Carolina retail jurisdiction. Amortization of plant abandonment costs is included in depreciation and amortization expense and totaled \$15.0 million and \$24.2 million in 1999 and 1998, respectively.

NOTE 13. RISK MANAGEMENT ACTIVITIES AND DERIVATIVE TRANSACTIONS

The Company uses a variety of instruments, including swaps, options and forward contracts, to manage exposure to fluctuations in commodity prices and interest rates. Such instruments contain credit risk if the counterparty fails to perform under the contract. The Company minimizes such risk by performing credit reviews using, among other things, publicly available credit ratings of such counterparties. Potential non-performance by counterparties is not expected to have a material effect on the consolidated financial position or consolidated results of operations of the Company.

A. COMMODITY DERIVATIVES – NON-TRADING

The Company enters into certain forward contracts involving cash settlements or physical delivery that reduce the exposure to market fluctuations relative to the price and delivery of electric products. During 2000, 1999 and 1998, the Company principally sold electricity forward contracts, which can reduce price risk on the Company's available but unsold generation. While such contracts are

deemed to be economic hedges, the Company no longer designates such contracts as hedges for accounting purposes; therefore, these contracts are carried on the consolidated balance sheet at fair value, with changes in fair value recognized in earnings. Gains and losses from such contracts were not material during 2000, 1999 and 1998. Also, the Company did not have material outstanding positions in such contracts at December 31, 2000 or 1999.

B. COMMODITY DERIVATIVES - TRADING

The Company from time to time engages in the trading of electricity commodity derivatives and, therefore, experiences net open positions. The Company manages open positions with strict policies which limit its exposure to market risk and require daily reporting to management of potential financial exposures. When such instruments are entered into for trading purposes, the instruments are carried on the consolidated balance sheet at fair value, with changes in fair value recognized in earnings. The net results of such contracts have not been material in any year and the Company did not have material outstanding positions in such contracts at December 31, 2000 or 1999.

C. OTHER DERIVATIVE INSTRUMENTS

The Company may from time to time enter into derivative instruments to hedge interest rate risk or equity securities risk.

The Company has interest rate swap agreements to hedge its exposure on variable rate debt positions. The agreements, with a total notional amount of \$500 million, were effective in July 2000 and mature in July 2002. Under these agreements, the Company receives a floating rate based on the three-month London Interbank Offered Rate (LIBOR) and pays a weighted-average fixed rate of approximately 7.17%. The fair value of the swaps was a \$9.1 million liability position at December 31, 2000. Interest rate swaps are accounted for using the settlement basis of accounting. As such, payments or receipts on interest rate swap agreements are recognized as adjustments to interest expense.

During 2000, the Company entered into forward starting swap agreements to hedge its exposure to interest rates with regard to future issuances of fixed-rate debt. The agreements, with a total notional amount of \$1.125 billion, will be cash settled at the time that the hedged debt is issued. These agreements have computational periods of two, five and ten years, with \$375 million notional amount for each computational period. Under the agreements, the Company receives a floating rate based on the three-month LIBOR and pays weighted-average fixed rates of approximately 6.65%, 6.76% and 6.89% for the two, five and ten year computational periods, respectively. The fair value of the swaps was a \$37.5 million liability position at December 31, 2000. Forward starting swaps are carried on the consolidated balance sheet at fair value, with corresponding deferred gains or losses. The resulting deferred losses or gains will be amortized and recorded as adjustments to interest expense over the life of the related debt issuances.

The notional amounts of the interest rate swaps and the forward starting swaps are not exchanged and do not represent exposure to credit loss. In the event of default by a counterparty, the risk in these transactions is the cost of replacing the agreements at current market rates.

NOTE 14. STOCK-BASED COMPENSATION PLANS

A. EMPLOYEE STOCK OWNERSHIP PLAN

The Company sponsors the Stock Purchase-Savings Plan (SPSP) for which substantially all full-time employees and certain part-time employees of the former CP&L Energy, Inc. (See Note 1A) are eligible. The SPSP, which has Company matching and incentive goal features, encourages systematic savings by employees and provides a method of acquiring Company common stock and other diverse investments. The SPSP, as amended in 1989, is an Employee Stock Ownership Plan (ESOP) that can enter into acquisition loans to acquire Company common stock to satisfy SPSP common share needs. Qualification as an ESOP did not change the level of benefits received by employees under the SPSP. Common stock acquired with the proceeds of an ESOP loan is held by the SPSP Trustee in a suspense account. The common stock is released from the suspense account and made available for allocation to participants as the ESOP loan is repaid. Such allocations are used to partially meet common stock needs related to Company matching and incentive contributions and/or reinvested dividends. All or a portion of the dividends paid on ESOP suspense shares and on ESOP shares allocated to participants may be used to repay ESOP acquisition loans. To the extent used to repay such loans, the dividends are deductible for income tax purposes.

There were 5,782,376 and 6,365,364 ESOP suspense shares at December 31, 2000 and 1999, respectively, with a fair value of \$284.4 million and \$193.7 million, respectively. ESOP shares allocated to plan participants totaled 13,549,257 and 12,966,269 at December 31, 2000 and 1999, respectively. The Company's matching and incentive goal compensation cost under the SPSP is determined based on matching percentages and incentive goal attainment as defined in the plan. Such compensation cost is allocated to participants' accounts in the

form of Company common stock, with the number of shares determined by dividing compensation cost by the common stock market value at the time of allocation. The Company currently meets common stock share needs with open market purchases and with shares released from the ESOP suspense account. Matching and incentive cost met with shares released from the suspense account totaled approximately \$15.6 million, \$16.3 million and \$15.3 million for the years ended December 31, 2000, 1999 and 1998, respectively. The Company has a long-term note receivable from the SPSP Trustee related to the purchase of common stock from the Company in 1989. The balance of the note receivable from the SPSP Trustee is included in the determination of unearned ESOP common stock, which reduces common stock equity. ESOP shares that have not been committed to be released to participants' accounts are not considered outstanding for the determination of earnings per common share. Interest income on the note receivable and dividends on unallocated ESOP shares are not recognized for financial statement purposes.

B. OTHER STOCK-BASED COMPENSATION PLANS

The Company has compensation plans for officers and key employees of the Company that are stock-based in whole or in part. The two primary active stock-based compensation programs are the Performance Share Sub-Plan (PSSP) and the Restricted Stock Awards program (RSA), both of which were established pursuant to the Company's 1997 Equity Incentive Plan.

Under the terms of the PSSP, officers and key employees of the Company are granted performance shares that vest over a three-year consecutive period. Each performance share has a value that is equal to, and changes with, the value of a share of the Company's common stock, and dividend equivalents are accrued on, and reinvested in, the performance shares. The PSSP has two equally weighted performance measures, both of which are based on the Company's results as compared to a peer group of utilities. Compensation expense is recognized over the vesting period based on the expected ultimate cash payout. Compensation expense is reduced by any forfeitures.

The RSA, which began in 1998, allows the Company to grant shares of restricted common stock to key employees of the Company. The restricted shares vest on a graded vesting schedule over a minimum of three years. Compensation expense, which is based on the fair value of common stock at the grant date, is recognized over the applicable vesting period, with corresponding increases in common stock equity. The weighted average price of restricted shares at the grant date was \$36.97, \$36.63 and \$42.03 in 2000, 1999 and 1998, respectively. Compensation expense is reduced by any forfeitures. Restricted shares are not included as shares outstanding in the basic earnings per share calculation until the shares are no longer forfeitable. Changes in restricted stock shares outstanding were:

	2000	1999	1998
Beginning balance	331,900	265,300	-
Granted	359,844	66,600	274,800
Forfeited	(38,400)	-	(9,500)
Ending balance	653,344	331,900	265,300

The total amount expensed for other stock-based compensation plans was \$15.6 million, \$2.2 million and \$1.3 million in 2000, 1999 and 1998, respectively.

NOTE 15. POSTRETIREMENT BENEFIT PLANS

The Company and some of its subsidiaries have a noncontributory defined benefit retirement (pension) plan for substantially all full-time employees. The Company also has supplementary defined benefit pension plans that provide benefits to higher-level employees.

The components of net periodic pension benefit are:

(In thousands)	2000	1999	1998
Expected return on plan assets	\$ (87,628)	\$ (75,124)	\$ (69,920)
Service cost	22,123	20,467	18,357
Interest cost	56,924	46,846	45,877
Amortization of transition obligation	125	106	106
Amortization of prior service benefit	(1,314)	(1,314)	(158)
Amortization of actuarial gain	(5,721)	(3,932)	(6,440)
Net periodic pension benefit	\$ (15,491)	\$ (12,951)	\$ (12,178)

In addition to the net periodic benefit reflected above, in 2000 the Company recorded a charge of approximately \$21.5 million to adjust one of its supplementary defined benefit pension plans. The effect of the adjustment for this plan is reflected in the actuarial loss (gain) line in the pension obligation reconciliation below.

Prior service costs and benefits are amortized on a straight-line basis over the average remaining service period of active participants. Actuarial gains and losses in excess of 10% of the greater of the pension obligation or the market-related value of assets are amortized over the average remaining service period of active participants.

Reconciliations of the changes in the plan's benefit obligations and the plan's funded status are:

(In thousands)	2000	1999
Pension obligation		
Pension obligation at January 1	\$ 688,124	\$ 678,210
Interest cost	56,924	46,846
Service cost	22,123	20,467
Benefit payments	(55,291)	(41,585)
Actuarial loss (gain)	39,798	(50,120)
Plan amendments	—	5,546
Acquisitions	625,18	28,760
Pension obligation at December 31	\$ 1,376,859	\$ 688,124
Fair value of plan assets at December 31	1,843,410	947,143
Funded status	\$ 466,551	\$ 259,019
Unrecognized transition obligation	495	582
Unrecognized prior service benefit	(16,861)	(18,175)
Unrecognized actuarial gain	(158,541)	(245,343)
Prepaid (accrued) pension cost at December 31, net	\$ 291,644	\$ (3,917)

The net prepaid pension cost of \$291.6 million at December 31, 2000 is recognized in the accompanying consolidated balance sheet as prepaid pension cost of \$373.2 million and accrued benefit cost of \$81.6 million, which is included in other liabilities and deferred credits. The accrued pension cost at December 31, 1999 did not have prepaid components and, therefore, is reflected in other liabilities and deferred credits. The aggregate benefit obligation for those plans where the accumulated benefit obligation exceeded the fair value of plan assets was \$83.6 million at December 31, 2000, and those plans have no plan assets.

Reconciliations of the fair value of pension plan assets are:

(In thousands)	2000	1999
Fair value of plan assets at January 1	\$ 947,143	\$ 830,213
Actual return on plan assets	24,840	127,167
Benefit payments	(55,291)	(41,585)
Employer contributions	1,329	—
Acquisitions	925,389	31,348
Fair value of plan assets at December 31	\$ 1,843,410	\$ 947,143

The weighted-average discount rate used to measure the pension obligation was 7.5% in 2000 and 1999. The weighted-average rate of increase in future compensation for non-bargaining unit employees used to measure the pension obligation was 4.0% in 2000 and 4.2% in 1999. The corresponding rate of increase in future compensation for bargaining unit employees was 3.5% in 2000. There were no bargaining unit employees in 1999. The expected long-term rate of return on pension plan assets used in determining the net periodic pension cost was 9.25% in 2000, 1999 and 1998.

In addition to pension benefits, the Company and some of its subsidiaries provide contributory postretirement benefits (OPEB), including certain health care and life insurance benefits, for retired employees who meet specified criteria.

The components of net periodic OPEB cost are:

(In thousands)	2000	1999	1998
Expected return on plan assets	\$ (4,045)	\$ (3,378)	\$ (3,092)
Service cost	10,067	7,936	7,182
Interest cost	15,446	13,914	13,402
Amortization of prior service cost	107	—	—
Amortization of transition obligation	5,878	5,760	5,641
Amortization of actuarial gain	(819)	(1)	(549)
Net periodic OPEB cost	\$ 26,634	\$ 24,231	\$ 22,584

Prior service costs and benefits are amortized on a straight-line basis over the average remaining service period of active participants. Actuarial gains and losses in excess of 10% of the greater of the OPEB obligation or the market-related value of assets are amortized over the average remaining service period of active participants.

Reconciliations of the changes in the plan's benefit obligations and the plan's funded status are:

(In thousands)	2000	1999
OPEB obligation		
OPEB obligation at January 1	\$ 213,488	\$ 196,846
Interest cost	15,446	13,914
Service cost	10,067	7,936
Benefit payments	(7,258)	(5,769)
Actuarial gain	(12,590)	(7,307)
Plan amendment	—	1,062
Acquisitions	155,770	6,806
OPEB obligation at December 31	\$ 374,923	\$ 213,488
Fair value of plan assets at December 31	54,642	43,235
Funded status	\$(320,281)	\$(170,253)
Unrecognized transition obligation	70,715	76,593
Unrecognized prior service cost	955	1,062
Unrecognized actuarial gain	(25,060)	(17,261)
Accrued OPEB cost at December 31	\$(273,671)	\$(109,859)

Reconciliations of the fair value of OPEB plan assets are:

(In thousands)	2000	1999
Fair value of plan assets at January 1	\$ 43,235	\$ 37,304
Actual return on plan assets	124	5,931
Acquisition	11,283	—
Employer contribution	7,258	5,769
Benefits paid	(7,258)	(5,769)
Fair value of plan assets at December 31	\$ 54,642	\$ 43,235

The assumptions used to measure the OPEB obligation are:

(In thousands)	2000	1999
Weighted-average discount rate	7.50%	7.50%
Initial medical cost trend rate for pre-Medicare benefits	7.2%-7.5%	7.50%
Initial medical cost trend rate for post-Medicare benefits	6.2%-7.5%	7.25%
Ultimate medical cost trend rate	5.0%-5.3%	5.00%
Year ultimate medical cost trend rate is achieved	2005-2009	2006

The expected weighted-average long-term rate of return on plan assets used in determining the net periodic OPEB cost was 9.20% in 2000 and 9.25% in 1999 and 1998. The medical cost trend rates were assumed to decrease gradually from the initial rates to the ultimate rates.

Assuming a 1% increase in the medical cost trend rates, the aggregate of the service and interest cost components of the net periodic OPEB cost for 2000 would increase by \$4.3 million, and the OPEB obligation at December 31, 2000, would increase by \$36.0 million. Assuming a 1% decrease in the medical cost trend rates, the aggregate of the service and interest cost components of the net periodic OPEB cost for 2000 would decrease by \$3.6 million and the OPEB obligation at December 31, 2000, would decrease by \$34.5 million.

During 1999, the Company completed the acquisition of NCNG (See Note 2). During 2000, the Company completed the acquisition of FPC (See Note 2). NCNG's and FPC's pension and OPEB liabilities, assets and net periodic costs are reflected in the above information as appropriate. Effective January 1, 2000, NCNG's benefit plans were merged with those of the Company. FPC's benefit plans are expected to be merged with those of the Company effective January 1, 2002.

NOTE 16. EARNINGS PER COMMON SHARE

Basic earnings per common share is based on the weighted-average of common shares outstanding. Diluted earnings per share includes the effect of the non-vested portion of restricted stock. Restricted stock awards and contingently issuable shares had a dilutive effect on earnings per share for 2000 and 1999 and increased the weighted-average number of common shares outstanding for dilutive purposes by 454,924 in 2000, 290,474 in 1999 and 250,660 in 1998. The weighted-average number of common shares outstanding for dilutive purposes was 157.6 million, 148.6 million and 144.2 million for 2000, 1999 and 1998, respectively.

NOTE 17. INCOME TAXES

Deferred income taxes are provided for temporary differences between book and tax bases of assets and liabilities. Investment tax credits related to regulated operations are amortized over the service life of the related property. A regulatory asset or liability has been recognized for the impact of tax expenses or benefits that are recovered or refunded in different periods by the utilities pursuant to rate orders.

Net accumulated deferred income tax liabilities at December 31 are:

(In thousands)	2000	1999
Accelerated depreciation and property cost differences	\$2,054,509	\$1,583,610
Deferred costs, net	63,085	70,478
Income tax credit carry forward	(103,754)	—
Miscellaneous other temporary differences, net	(150,969)	26,403
Valuation allowance	10,868	—
Net accumulated deferred income tax liability	\$1,873,739	\$1,680,491

Total deferred income tax liabilities were \$2.79 billion and \$2.20 billion at December 31, 2000 and 1999, respectively. Total deferred income tax assets were \$919 million and \$519 million at December 31, 2000 and 1999, respectively. The net of deferred income tax liabilities and deferred income tax assets is included on the consolidated balance sheets under the captions other current liabilities and accumulated deferred income taxes.

The Company has established a valuation allowance of \$10.9 million due to the uncertainty of realizing future tax benefits from certain state net operating loss carryforwards.

Reconciliations of the Company's effective income tax rate to the statutory federal income tax rate are:

	2000	1999	1998
Effective income tax rate	29.7%	40.3%	39.2%
State income taxes, net of federal income tax benefit	(4.8)	(4.6)	(4.7)
Income tax credits	12.2	—	—
Investment tax credit amortization	4.2	1.6	1.5
Harris accelerated depreciation	(1.9)	—	—
Other differences, net	(4.4)	(2.3)	(1.0)
Statutory federal income tax rate	35.0%	35.0%	35.0%

The provisions for income tax expense are comprised of:

(In thousands)	2000	1999	1998
Income tax expense (credit):			
Current— federal	\$ 254,967	\$ 253,140	\$ 254,400
state	61,309	48,075	51,817
Deferred— federal	(84,605)	(30,011)	(34,842)
state	(10,761)	(2,484)	(3,675)
Investment tax credit	(18,136)	(10,299)	(10,206)
Total income tax expense	\$ 202,774	\$ 258,421	\$ 257,494

The Company is a majority owner in seven facilities and a minority owner in two facilities that produce synthetic fuel from fine coal feedstock, 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 significant tax liability owed for previously-taken Section 29 credits, with a significant impact on consolidated results of operations and cash flows. In management's opinion, the Company is complying with all necessary requirements to be allowed such credits under Section 29, but cannot predict the outcome of this matter.

NOTE 18. JOINT OWNERSHIP OF GENERATING FACILITIES

CP&L and Florida Power hold undivided ownership interests in certain jointly owned generating facilities, excluding related nuclear fuel and inventories. Each is entitled to shares of the generating capability and output of each unit equal to their respective ownership interests. Each also pays its ownership share of additional construction costs, fuel inventory purchases and operating expenses. CP&L's and Florida Power's share of expenses for the jointly owned facilities is included in the appropriate expense category.

CP&L's and Florida Power's ownership interest in the jointly owned generating facilities are listed below with related information as of December 31, 2000 (dollars in thousands):

Subsidiary	Facility	Megawatt Capability	Company Ownership Interest	Plant Investment	Accumulated Depreciation	Under Construction
CP&L	Mayo Plant	745	83.83%	\$ 451,769	\$ 218,029	\$ 12,248
CP&L	Harris Plant	860	83.83%	3,026,074	1,255,008	71,250
CP&L	Brunswick Plant	1,631	81.67%	1,422,640	1,121,880	12,555
CP&L	Roxboro Unit No. 4	700	87.06%	242,605	122,651	57,190
Florida Power	Crystal River Plant	782	91.78%	773,300	754,100	14,100

In the table above, plant investment and accumulated depreciation, which includes accumulated nuclear decommissioning, are not reduced by the regulatory disallowances related to the Harris Plant.

NOTE 19. COMMITMENTS AND CONTINGENCIES

A. PURCHASED POWER

Pursuant to the terms of the 1981 Power Coordination Agreement, as amended, between CP&L and Power Agency, CP&L is obligated to purchase a percentage of Power Agency's ownership capacity of, and energy from, the Harris Plant. In 1993, CP&L and Power Agency entered into an agreement to restructure portions of their contracts covering power supplies and interests in jointly owned units. Under the terms of the 1993 agreement, CP&L increased the amount of capacity and energy purchased from Power Agency's ownership interest in the Harris Plant, and the buyback period was extended six years through 2007. The estimated minimum annual payments for these purchases, which reflect capacity costs, total approximately \$32 million. These contractual purchases totaled \$33.9 million, \$36.5 million and \$34.4 million for 2000, 1999 and 1998, respectively. In 1987, the NCUC ordered CP&L to reflect the recovery of the capacity portion of these costs on a levelized basis over the original 15-year buyback period, thereby deferring for future recovery the difference between such costs and amounts collected through rates. In 1988, the SCPSC ordered similar treatment, but with a 10-year levelization period. At December 31, 2000 and 1999, CP&L had deferred purchased capacity costs, including carrying costs accrued on

the deferred balances, of \$44.8 million and \$56.1 million, respectively. Increased purchases (which are not being deferred for future recovery) resulting from the 1993 agreement with Power Agency were approximately \$26 million, \$23 million and \$19 million for 2000, 1999 and 1998, respectively.

During 2000, CP&L had a long-term agreement for the purchase of power and related transmission services from Indiana Michigan Power Company's Rockport Unit No. 2 (Rockport). The agreement provides for the purchase of 250 megawatts of capacity through 2009 with an estimated minimum annual payment of approximately \$31 million, representing capital-related capacity costs. Total purchases (including transmission use charges) under the Rockport agreement amounted to \$61 million, \$59.2 million and \$59.3 million for 2000, 1999 and 1998, respectively. During 1998 and part of 1999, CP&L had an additional long-term agreement to purchase power and related transmission services from Duke Energy. Total purchases under this agreement amounted to \$33.8 million and \$75.5 million for 1999 and 1998, respectively.

Florida Power has long-term contracts for approximately 460 megawatts of purchased power with other utilities, including a contract with The Southern Company for approximately 400 megawatts of purchased power annually through 2010. Florida Power can lower these purchases to approximately 200 megawatts annually with a three-year notice. Total purchases under these agreements amounted to \$104.5 million for 2000. Minimum purchases under these contracts, representing capital-related capacity costs, are approximately \$50 million annually through 2003 and \$30 million annually during 2004 and 2005.

B. 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 coal produced and sold. During 2000, payments made under these agreements amounted to \$42 million.

C. INSURANCE

The Company is a member of Nuclear Electric Insurance Limited (NEIL), which provides primary and excess insurance coverage against property damage to members' nuclear generating facilities. Under the primary program, the Company is insured for \$500 million at each of its nuclear plants. In addition to primary coverage, NEIL also provides decontamination, premature decommissioning and excess property insurance with limits of \$1 billion on the Brunswick Plant, \$1 billion on the Harris Plant, \$800 million on the Robinson Plant, and \$1.1 billion on CR3. An additional shared limit policy of \$1 billion in excess of \$1 billion is also provided through NEIL on the Brunswick and Harris Plants for decontamination, premature decommissioning and excess property.

Insurance coverage against incremental costs of replacement power resulting from prolonged accidental outages at nuclear generating units is also provided through membership in NEIL. The Company is insured thereunder, following a twelve week deductible period, for 52 weeks in weekly amounts of \$2.25 million at Brunswick Unit No. 1, \$2.25 million at Brunswick Unit No. 2, \$2.4 million at the Harris Plant, \$1.96 million at Robinson Unit No. 2 and \$2.1 million at CR3. An additional 104 weeks of coverage is provided at 80% of the above weekly amounts. For the current policy period, the Company is subject to retrospective premium assessments of up to approximately \$13.5 million with respect to the primary coverage, \$15.4 million with respect to the decontamination, decommissioning and excess property coverage, \$2.6 million with respect to the shared limit excess coverage and \$7.1 million for the incremental replacement power costs coverage, in the event covered expenses at insured facilities exceed premiums, reserves, reinsurance and other NEIL resources. These resources as of December 31, 2000 totaled approximately \$4.6 billion. Pursuant to regulations of the NRC, the Company's property damage insurance policies provide that all proceeds from such insurance be applied, first, to place the plant in a safe and stable condition after an accident and, second, to decontamination costs, before any proceeds can be used for decommissioning, plant repair or restoration. The Company is responsible to the extent losses may exceed limits of the coverage described above.

The Company is insured against public liability for a nuclear incident up to \$9.54 billion per occurrence. In the event that public liability claims from an insured nuclear incident exceed \$200 million, CP&L and Florida Power would be subject to a pro rata assessment of up to \$83.9 million and \$88.1 million, respectively, for each reactor owned per occurrence. Payment of such assessment would be made over time as necessary to limit the payment in any one year to no more than \$10 million per reactor owned.

Florida Power self-insures its transmission and distribution lines against loss due to storm damage and other natural disasters. Pursuant to a regulatory order, Florida Power is accruing \$6 million annually to a storm damage reserve and may defer any losses in excess of the reserve. The reserve balance at December 31, 2000 was \$29.5 million.

D. CLAIMS AND UNCERTAINTIES

1. 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 manufactured gas plant (MGP) sites to which both electric utilities and the gas utility have some connection. In this regard, both electric utilities and the gas utility, with other potentially responsible parties, are 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), the Florida Department of Environment and Protection (DEP) and the North Carolina Department of Environment and Natural Resources, Division of Waste Management (DWM).

Both electric utilities, the gas utility and Electric Fuels are 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's subsidiaries 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 consolidated 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. Both electric utilities have recently been asked to provide information to the EPA as part of this initiative and have cooperated in providing the requested information. The EPA has initiated enforcement actions, some of which have resulted in settlement agreements, ranging from \$1.0 billion to \$1.4 billion, by other companies that have been subject to this initiative. The Company cannot predict the outcome of this matter.

The EPA published a final rule approving petitions under section 126 of the Clean Air Act, which requires certain sources to make reductions in nitrogen oxide emissions by 2003. The final rule also includes a set of regulations that affect nitrogen oxide emissions from sources included in the petitions. The North Carolina fossil-fueled electric generating plants are included in these petitions. CP&L, other utilities, trade organizations and other states are participating in litigation challenging the EPA's action. The Company cannot predict the outcome of this matter.

In 1998, the EPA published a final rule addressing the issue of regional transport of ozone. This rule is commonly known as the NOx SIP Call. The EPA's rule requires 23 jurisdictions, including North and South Carolina, but not Florida, to further reduce nitrogen oxide emissions in order to attain a pre-set state NOx emission level. The EPA's rule also suggests to the states that these additional nitrogen oxide emission reductions be obtained from the utility sector. CP&L is evaluating necessary measures to comply with the rule and estimates its related capital expenditures could be approximately \$370 million, which has not been adjusted for inflation. Increased operation and maintenance costs relating to the NOx SIP Call are not expected to be material to the Company's results of operations. Further controls are anticipated as electricity demand increases. CP&L, other utilities, trade organizations and states are participating in litigation challenging the NOx SIP Call. The District of Columbia Circuit Court of Appeals upheld the EPA's NOx SIP Call. Further appeals to the U.S. Supreme Court have been filed. Prior to resolution of a potential appeal, the EPA is requiring regulations in the states involved in the NOx SIP Call including North and South Carolina to comport with the NOx SIP Call. Acceptable state plans can be approved in lieu of the final rules the EPA approved as part of the 126 petitions. North and South Carolina are proceeding to adopt such plans. 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. CP&L, other utilities, trade organizations and states are participating in a further appeal to the U.S. Supreme Court. North Carolina adopted the federal eight-hour ozone standard and is proceeding with the implementation process. North Carolina has promulgated final regulations, which will require CP&L to install nitrogen oxide controls under the State's eight-hour standard. The cost of those controls are included in the cost estimate of \$370 million set forth above.

Both electric utilities and the gas utility have 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 consolidated financial position or results of operations.

2. As required under the Nuclear Waste Policy Act of 1982, CP&L and Florida Power each entered into a contract with the DOE under which the DOE agreed to begin taking spent nuclear fuel by no later than January 31, 1998. All similarly situated utilities were required to sign the same standard contract.

In April 1995, the DOE issued a final interpretation that it did not have an unconditional obligation to take spent nuclear fuel by January 31, 1998. In Indiana & Michigan Power v. DOE, the Court of Appeals vacated the DOE's final interpretation and ruled that the DOE had an unconditional obligation to begin taking spent nuclear fuel. The Court did not specify a remedy because the DOE was not yet in default.

After the DOE failed to comply with the decision in Indiana & Michigan Power v. DOE, a group of utilities petitioned the Court of Appeals in Northern States Power (NSP) v. DOE, seeking an order requiring the DOE to begin taking spent nuclear fuel by January 31, 1998. The DOE took the position that their delay was unavoidable, and the DOE was excused from performance under the terms and conditions of the contract. The Court of Appeals did not order the DOE to begin taking spent nuclear fuel, stating that the utilities had a potentially adequate remedy by filing a claim for damages under the contract.

After the DOE failed to begin taking spent nuclear fuel by January 31, 1998, a group of utilities filed a motion with the Court of Appeals to enforce the mandate in NSP v. DOE. Specifically, this group of utilities asked the Court to permit the utilities to escrow their waste fee payments, to order the DOE not to use the waste fund to pay damages to the utilities, and to order the DOE to establish a schedule for disposal of spent nuclear fuel. The Court denied this motion based primarily on the grounds that a review of the matter was premature, and that some of the requested remedies fell outside of the mandate in NSP v. DOE.

Subsequently, a number of utilities each filed an action for damages in the Court of Claims. In a recent decision, the U.S. Circuit Court of Appeals (Federal Circuit) ruled that utilities may sue the DOE for damages in the Federal Court of Claims instead of having to file an administrative claim with DOE. CP&L and Florida Power are in the process of evaluating whether they should each file a similar action for damages.

CP&L and Florida Power also continue to monitor legislation that has been introduced in Congress which might provide some limited relief. CP&L and Florida Power cannot predict the outcome of this matter.

With certain modifications and additional approval by the NRC, CP&L's spent nuclear fuel storage facilities will be sufficient to provide storage space for spent fuel generated on CP&L's system through the expiration of the current operating licenses for all of CP&L's nuclear generating units. Subsequent to the expiration of these licenses, dry storage may be necessary. CP&L has obtained NRC approval to use additional storage space at the Harris Plant. Florida Power currently is storing spent nuclear fuel onsite in spent fuel pools. If Florida Power does not seek renewal of the 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, CR3 will have sufficient wet storage capacity until 2013, at which time dry storage may be necessary.

3. The Company and its subsidiaries are involved in various litigation matters in the ordinary course of business, some of which involve substantial amounts. Where appropriate, accruals have been made in accordance with SFAS No. 5, "Accounting for Contingencies," to provide for such matters. In the opinion of management, the final disposition of pending litigation would not have a material adverse effect on the Company's consolidated results of operations or financial position.

NOTE 20. SUBSEQUENT EVENT

In February 2001, the Company issued \$3.2 billion of senior unsecured notes with maturities ranging from three to thirty years. Proceeds from this issuance were used to retire short-term obligations issued in connection with the FPC acquisition.

(Dollars in thousands except per share data)

	2000	1999	1998	1997	1996	1995
RESULTS OF OPERATIONS⁽¹⁾						
Operating revenues	\$ 4,118,873	\$ 3,357,615	\$ 3,191,668	\$ 3,036,587	\$ 2,999,273	\$ 3,006,553
Operating expenses	(3,399,315)	(2,517,072)	(2,344,118)	(2,250,610)	(2,214,225)	(2,215,030)
Other income (expense)	223,862	(23,370)	(19,549)	7,292	37,906	20,330
Interest charges, net	(262,285)	(179,464)	(174,236)	(177,288)	(185,370)	(208,175)
Income taxes	(202,774)	(258,421)	(257,494)	(233,716)	(255,916)	(240,683)
Net income	\$ 478,361	\$ 379,288	\$ 396,271	\$ 382,265	\$ 381,668	\$ 362,995

BALANCE SHEET DATA AT YEAR-END

Total utility plant, net	\$10,436,698	\$ 6,764,813	\$ 6,299,540	\$ 6,293,510	\$ 6,399,919	\$ 6,328,508
Total assets	\$20,091,012	\$ 9,494,019	\$ 8,401,406	\$ 8,220,728	\$ 8,364,862	\$ 8,199,655
Capitalization:						
Common stock equity	\$ 5,424,201	\$ 3,412,647	\$ 2,949,305	\$ 2,818,807	\$ 2,690,454	\$ 2,574,743
Preferred stock-redemption not required	92,831	59,376	59,376	59,376	143,801	143,801
Long-term debt, net	5,890,095	3,028,561	2,614,414	2,415,656	2,525,607	2,610,343

OTHER FINANCIAL DATA

Return on average common stock equity (percent)	13.04	11.89	13.82	13.89	14.44	13.87
Ratio of earnings to fixed charges	3.28	4.12	4.38	4.17	4.12	3.67
Number of common shareholders of record	80,289	67,221	67,519	71,697	61,828	66,364
Book value per common share	\$ 26.32	\$ 22.31	\$ 20.47	\$ 19.60	\$ 18.77	\$ 17.95
Basic earnings per common share	\$ 3.04	\$ 2.56	\$ 2.75	\$ 2.66	\$ 2.66	\$ 2.48
Diluted earnings per common share	\$ 3.03	\$ 2.55	\$ 2.75	\$ 2.66	\$ 2.66	\$ 2.48
Dividends declared per common share	\$ 2.075	\$ 2.015	\$ 1.955	\$ 1.895	\$ 1.835	\$ 1.775
Dividend payout (percent)	68.3	78.7	71.1	71.2	69.0	71.6

ENERGY SUPPLY (MILLIONS OF KWH)⁽¹⁾

Generated:

coal	31,132	28,260	27,576	25,545	24,859	23,517
nuclear	23,857	22,451	22,014	21,690	20,284	19,949
hydro	441	520	790	799	882	824
combustion turbines	1,337	435	386	189	68	56
Purchased	5,724	5,132	5,675	6,318	7,292	7,433
Total energy supply (Company share)	62,491	56,798	56,441	54,541	53,385	51,779
Power Agency share ⁽²⁾	4,505	4,353	4,349	4,101	3,616	3,828
Total system energy supply	66,996	61,151	60,790	58,642	57,001	55,607

(1) Results of operations and energy supply data includes information for Florida Progress Corporation since November 30, 2000, the date of acquisition.

(2) Net of CP&L's purchases from Power Agency.

NOTICE OF ANNUAL MEETING

Progress Energy's 2001 annual meeting of shareholders will be held on May 9 at 10 a.m. at the North Carolina Museum of Art in Raleigh, North Carolina. A formal notice of the meeting with a proxy statement and a form of proxy will be mailed to all shareholders in early April.

TRANSFER AGENT AND REGISTRAR

EquiServe, L.P.
P O Box 43012
Providence, RI 02940-3012
Toll-free phone number: 1-800-633-4236

INVESTOR INFORMATION AND SHAREHOLDER INQUIRIES

Investor information is available 24 hours a day, seven days a week by calling Progress Energy's Shareholder Information Line. This automated system features earnings and dividend information, news releases and stock transfer information. Call (919) 546-2300 or toll-free 1-800-718-3132 depending on your location. Company information is also available on the Internet at www.progress-energy.com.

Other questions concerning stock ownership may be directed to Progress Energy's Shareholder Relations. Call toll-free 1-800-662-7232 or write to the following address:

Progress Energy, Inc.
Shareholder Relations
P O Box 1551
Raleigh, NC 27602-1551

SECURITIES ANALYST INQUIRIES

Securities analysts, portfolio managers and representatives of financial institutions seeking information about Progress Energy should contact Robert F. Drennan, Jr., Manager- Investor Relations and Funds Management, at the corporate headquarters address, or call (919) 546-7474.

COMMON STOCK LISTING

Progress Energy's common stock is listed and traded under the symbol PGN on the New York Stock Exchange in addition to regional stock exchanges across the United States.

SHAREHOLDER PROGRAMS

Progress Energy offers the Progress Energy Investor Plus Plan, a direct stock purchase and dividend reinvestment plan, and direct deposit of cash dividends to bank accounts for the convenience of shareholders. For information on these programs, contact Shareholder Relations at the above address or call us toll-free at 1-800-662-7232.

Proxy material, including the Annual Report, can be electronically delivered to shareholders. Electronic delivery provides immediate access to proxy material and allows Internet voting while saving printing and mailing costs. To take advantage of electronic delivery of proxy material, go to www.econsent.com/pgn and follow the instructions.

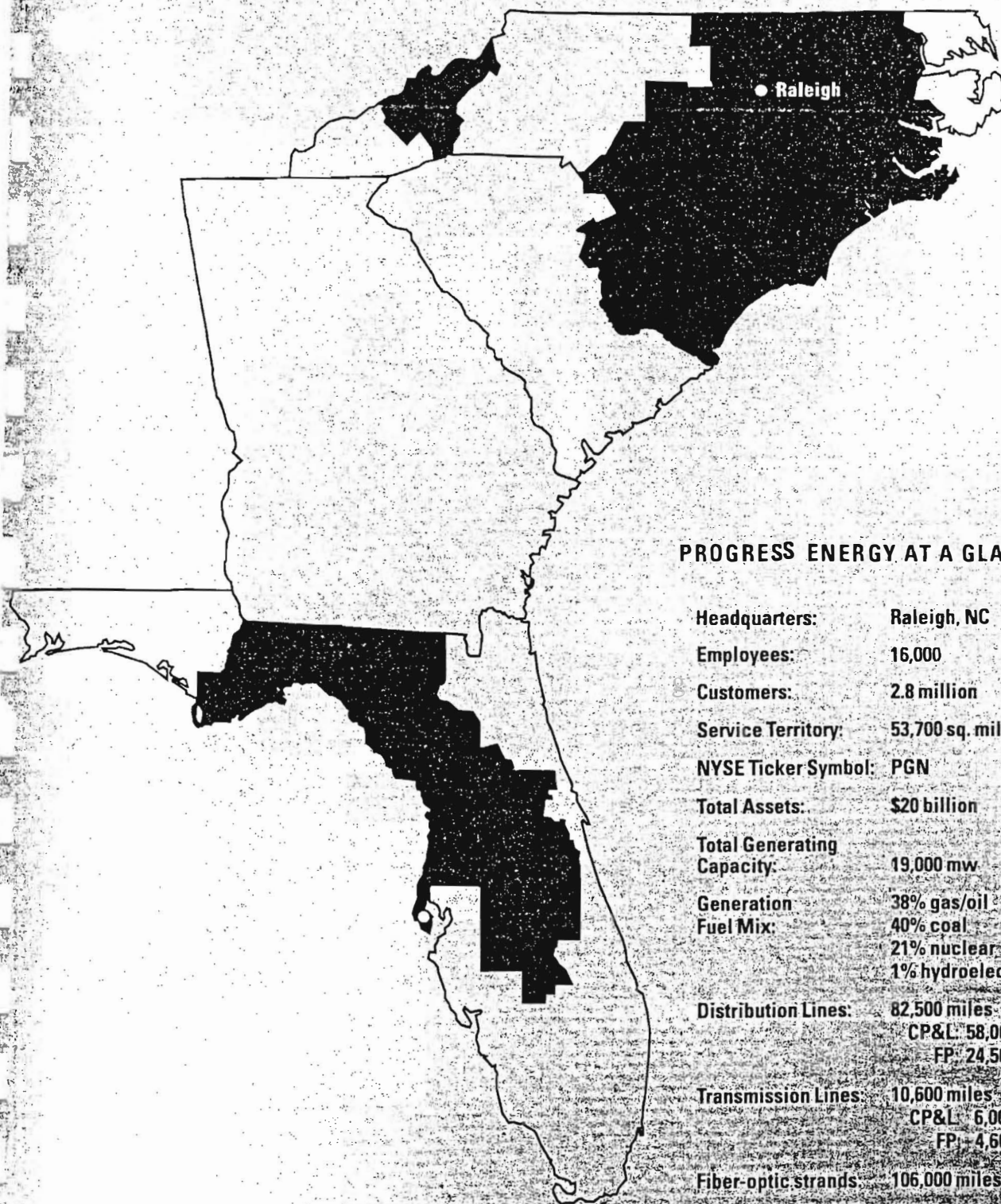
We also offer online access to shareholder accounts via the Internet. To obtain online access to your shareholder account, go to www.equiserve.com. If you have access to Progress Energy, Inc.'s Annual Report at your address, and do not want to receive a copy for your shareholder account, please call our transfer agent, EquiServe, toll-free at 1-800-633-4236 to discontinue receiving an Annual Report by mail.

ADDITIONAL INFORMATION

Progress Energy files periodic reports with the Securities and Exchange Commission that contain additional information about the company. Copies are available to shareholders upon written request to the company's Treasurer at the corporate headquarters address.

This annual report is submitted for shareholders' information. It is not intended for use in connection with any sale or purchase of, or any offer or solicitation of offers to buy or sell, securities.

SERVICE AREA MAP



PROGRESS ENERGY AT A GLANCE

Headquarters:	Raleigh, NC
Employees:	16,000
Customers:	2.8 million
Service Territory:	53,700 sq. miles
NYSE Ticker Symbol:	PGN
Total Assets:	\$20 billion
Total Generating Capacity:	19,000 mw
Generation Fuel Mix:	38% gas/oil 40% coal 21% nuclear 1% hydroelectric
Distribution Lines:	82,500 miles CP&L 58,000 miles FP 24,500 miles
Transmission Lines:	10,600 miles CP&L 6,000 miles FP 4,600 miles
Fiber-optic strands:	106,000 miles
Web site:	www.progress-energy.com

ACKNOWLEDGEMENTS

Many thanks to the CP&L and Florida Power employees who appeared in this report: (p.7) Sam W. Garner, (p.10) Joyce Smith, (p. 10-11) John Pitkevitch, (p.12-13) Kevin J. Kelly, Gary E. Johnson, Timothy H. Stocks, Brian Meadows, Jean McCormack, (p.15) Milan B. Moore. Special thanks to the North Carolina State Museum of Natural Sciences for their photo contribution (p.11)

FLORIDA PUBLIC SERVICE COMMISSION

Explanation: Provide the opinion of independent Certified Public Accountants and other sections of the consolidated financial statements not elsewhere filed for the most recent two years. If not otherwise available, certified financial statements need not be obtained solely to satisfy the MFR.

Type of data shown:

Company: FLORIDA POWER CORPORATION

Projected Test Year Ended xx/xx/xxxx
XX Prior Year Ended 12/31/2000
Witness: Myers

Docket No. 000824-EI

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This information is provided on schedule F-1

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FLORIDA PUBLIC SERVICE COMMISSION

Explanation: Provide a copy of the most recent Form 10-K annual reports to the Securities and Exchange Commission and all Form 10-Q reports filed subsequent to the filing of the latest 10-K.

Type of data shown:

Company: FLORIDA POWER CORPORATION

Projected Test Year Ended xx/xx/xxxx
XX Prior Year Ended 12/31/2000
Witness: Myers

Docket No. 000824-EI

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See Attached.

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

FORM 10-Q

☒ 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 A Florida Corporation 410 South Wilmington Street Raleigh, North Carolina 27601 Telephone (919) 546-6111	59-2147112
1-3274	Florida Power Corporation A Florida Corporation One Progress Plaza St. Petersburg, Florida 33701 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

<u>Registrant</u>	<u>Description</u>	<u>Shares</u>
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)

FLORIDA PROGRESS CORPORATION AND FLORIDA POWER CORPORATION
FORM 10-Q – For the Quarter Ended June 30, 2001

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GLOSSARY OF TERMS

The following abbreviations or acronyms used in the text of this combined Form 10-Q are defined below:

<u>TERM</u>	<u>DEFINITION</u>
AST	Advanced Separation Technologies
Btu	British thermal units
CVO	Contingent Value Obligation
Company or Florida Progress	Florida Progress Corporation
CP&L	Carolina Power and Light Company
CP&L Energy	CP&L Energy, Inc.
CR3	Florida Power's nuclear generating plant, Crystal River Unit No. 3
DOE	United States Department of Energy
Electric Fuels	Electric Fuels Corporation
EPA	United States Environmental Protection Agency
Energy Ventures	Progress Energy Ventures, Inc.
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
Florida Power or the utility	Florida Power Corporation
Florida Progress or the Company	Florida Progress Corporation
FPSC	Florida Public Service Commission
Funding Corp.	Florida Progress Funding Corporation
IRS	Internal Revenue Service
MEMCO	MEMCO Barge Line, Inc.
MGP	Manufactured Gas Plant
MW	megawatts
NEIL	Nuclear Electric Insurance Limited
NRC	United States Nuclear Regulatory Commission
PLR	Private Letter Ruling
Preferred Securities	7.10% Cumulative Quarterly Income Preferred Securities, Series A, of FPC Capital I, fully and unconditionally guaranteed by Florida Progress
Preferred Stock	Florida Power Cumulative Preferred Stock, \$100 par value
Progress Capital	Progress Capital Holdings, Inc.
Progress Energy	Progress Energy, Inc.
Progress Rail	Progress Rail Services Corporation
Progress Telecom	Progress Telecommunications Corporation
PRP	potentially responsible party, as defined in CERCLA
PUHCA	Public Utility Holding Company Act of 1935, as amended
QFs	Qualifying facilities
RTO	Regional Transmission Organization
SEC	United States Securities and Exchange Commission
Section 29	Section 29 of the Internal Revenue Service Code
SFAS	Statements of Financial Accounting Standards
the Trust	FPC Capital I

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

The matters discussed throughout this Form 10-Q that are not historical facts are forward-looking and, accordingly, involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

In addition, forward-looking statements are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" including, but not limited to, statements under the sub-heading "Other Matters" concerning synthetic fuel tax credits and regulatory developments.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made.

Examples of factors that you should consider with respect to any forward-looking statements made throughout this document include, but are not limited to, the following: governmental policies and regulatory actions (including those of the Federal Energy Regulatory Commission, the Environmental Protection Agency, the Nuclear Regulatory Commission, the Department of Energy, the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, as amended, the Florida Public Service Commission), particularly legislative and regulatory initiatives that may impact the speed and degree of the restructuring of the electricity industry and the results of negotiations related to the expiration of Florida Power's rate stipulation; the outcome of legal and administrative proceedings before our courts and principal regulators; risks associated with operating nuclear power facilities, availability of nuclear waste storage facilities, and nuclear decommissioning costs; changes in the economy of areas served by Florida Progress; the extent to which we are able to obtain adequate and timely rate recovery of costs, including potential stranded costs arising from the restructuring of the electricity industry; weather conditions and catastrophic weather-related damage; general industry trends, realization of cost savings related to synergies resulting from the acquisition by Progress Energy, increased competition from energy and gas suppliers, and market demand for energy; inflation and capital market conditions; the success of our direct and indirect subsidiaries; the extent to which we are able to use tax credits associated with the operations of the synthetic fuel facilities; and unanticipated changes in operating expenses and capital expenditures.

All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond the control of the Company. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor can it assess the effect of each such factor on the Company.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS of INCOME

Florida Progress Corporation

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	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 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, applicable expense	(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)

	June 30, 2001	December 31, 2000
Assets		
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**Six Months Ended
June 30,

(In thousands)

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,		Six Months Ended June 30,	
	2001	2000	2001	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)**

	June 30, 2001	December 31, 2000
Assets		
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.

Florida Power Corporation

2001 2000

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.

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). 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:

<i>In millions</i>	Non-Executive Termination Costs
Balance at March 31, 2001	\$ 30.4
Payments	(2.4)
Balance at June 30, 2001	<u>\$ 28.0</u>

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:

<i>In millions</i>	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)	-
	<u>\$ 48.0</u>	<u>\$ 69.6</u>

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:

<i>(In thousands)</i>	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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING RESULTS

For the three and six months ended June 30, 2001, as compared to the corresponding periods in the prior year.

Florida Progress' consolidated income from continuing operations for the three and six month periods ended June 30, 2001, was \$101.9 million and \$177.5 million, compared to income from continuing operations of \$106.5 million and \$181.7 million, for the same periods in 2000.

FLORIDA POWER CORPORATION

Florida Power, the largest subsidiary of Florida Progress, reported net income of \$84.3 million and \$155.9 million for the second quarter and first half of 2001, compared to \$79.5 million and \$142.9 million for the comparable periods in 2000.

The components of retail and wholesale electric megawatt-hour sales for the three and six months ended June 30, 2001, and 2000 were as follows:

(In millions of mWh)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2001	2000	% Change	2001	2000	% Change
Residential	4,375	4,358	0.4%	8,525	8,077	5.5%
Commercial	2,900	2,828	2.5	5,231	5,102	2.5
Industrial	995	1,080	(7.9)	1,962	2,164	(9.3)
Governmental	690	685	0.7	1,283	1,266	1.3
Wholesale	977	904	8.1	1,698	1,588	6.9
Total mWh Sales	9,937	9,855	0.8%	18,699	18,197	2.8%

Florida Power's retail kilowatt-hour sales increased slightly during the second quarter of 2001 and for the year to date, compared with 2000. Residential and commercial sectors increased due to continued customer growth. Weather, a key factor influencing usage among residential customers, negatively influenced retail sales for the quarter due to cooler than normal temperatures. Year to date, weather impacts have been flat compared to prior year. Industrial sales declined due to weakness in the phosphate industry.

Wholesale sales increased for the quarter and year to date compared to 2000, which is attributable to higher sales to Seminole Electric Cooperative, Florida Power's largest wholesale customer. The increase reflects an increase in the capacity contract with this customer.

Fuel used in generation and purchased power increased \$80.0 million and \$180.6 million, for the second quarter and first half of 2001, respectively, when compared to the same periods last year. The increase is due mainly to the increased price of coal, oil and gas and increased usage. Fuel and purchased power expenses are recovered primarily through cost recovery clauses and, as such, have no material impact on operating results.

Operations and maintenance expense decreased slightly during the quarter and year to date. The decrease is due primarily to lower employee-related costs resulting from the reorganization after the acquisition by Progress Energy.

Depreciation and amortization increased \$68.9 million year to date primarily due to accelerating the amortization of the Tiger Bay regulatory asset in March 2001. The additional amortization had no significant earnings impact as it was offset by the recognition of \$63 million of revenues that were deferred pursuant to a regulatory order in the fourth quarter of 2000.

ELECTRIC FUELS CORPORATION

Electric Fuels makes up the majority of Florida Progress' diversified operations. The results of operations for Electric Fuels' Energy and Related Services and Rail Services units are discussed below. On July 23, 2001, Progress Energy announced that it had entered into a contract to sell the Inland Marine Transportation business segment to AEP Resources,

Inc., a wholly owned subsidiary of American Electric Power, for a purchase price of \$270 million. Therefore, the results of operations of the Inland Marine Transportation segment are no longer included in Florida Progress' income from continuing operations.

Energy and Related Services - Earnings at the Energy and Related Services Group increased \$16.4 million and \$32.9 million from the three and six month periods in the prior year. The increase was due primarily to higher synthetic fuel sales and related tax credits during the quarter compared with last year (See "Other Matters" below). Improved operating results of the gas operations, resulting from increases in the number of wells and a higher price for natural gas, and an increase in coal deliveries over the prior year also contributed to increased earnings in the Energy and Related Services group.

Rail Services - Results in the Rail Services group decreased \$11.6 million and \$14.6 million for the quarter and first half of 2001 when compared to 2000. Current year results were negatively affected by the significant downturn in the domestic scrap market and the continuing weak market for railcar parts.

OTHER

The other group includes telecommunications, holding company and financing expenses. The increased losses for the three and six months ended June 30, 2001 when compared to the corresponding periods on the prior year are due primarily to the recording of an intra-period income tax allocation adjustment. Generally accepted accounting principles require companies to apply a levelized effective tax rate to interim periods that is consistent with the estimated annual rate. Income tax expense was increased by \$5.5 million for the second quarter and \$20.4 million for the first half of 2001. For the comparable periods in 2000, income tax expense was decreased by \$11.1 million for the second quarter and \$18.7 million for the first half of 2000, to maintain an effective tax rate consistent with the estimated annual rate. The tax credits associated with the Company's synthetic fuel operations lower the overall effective tax rate. These credits, along with seasonal earnings variations, can also cause large swings in the effective tax rate for interim periods. Therefore, this adjustment will vary each quarter, but have no effect on net income for the year. The telecommunications group also had higher losses than the second quarter and first half of 2000 due to continued expansion of the business.

MATERIAL CHANGES IN LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 2001, \$121.7 million was spent on the Florida Power construction program and \$62.5 million was spent in diversified operations.

During the first quarter of 2001, Progress Capital Holdings retired \$31 million in Medium-Term Notes. The \$6 million of medium-term notes that were retired in January had a 9.95% coupon rate and the \$25 million of medium-term notes that were retired in February had a 6.13% coupon rate. Progress Energy issued commercial paper to fund the maturing medium-term notes.

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.

OTHER MATTERS

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.

In its May 3, 2001 recommendation, the FPSC staff expressed concerns related to Florida Power's plans to participate in the creation of the GridFlorida regional transmission organization, or GridFlorida RTO, along with Florida Power & Light Company and Tampa Electric Company. The FPSC staff raised questions about the prudence of establishing the new system and costs associated with the process. Florida Power is continuing to evaluate the concerns that the FPSC staff has raised about the GridFlorida RTO and the impact those concerns might have on the implementation of the GridFlorida RTO plan this year.

On June 27, 2001, the FPSC issued an order establishing a two-phase process for addressing these GridFlorida RTO issues in the context of Florida Power's pending rate case. In the first phase, the FPSC will address the general issues associated with the prudence of the GridFlorida RTO on an expedited basis, with a decision scheduled for October 30, 2001. The second phase will address ratemaking issues and will be decided as part of the general rate proceeding. The Company cannot predict the outcome or impact of these matters.

Regional Transmission Organizations

In October 2000, Florida Power, along with Florida Power & Light Company and Tampa Electric Company filed with the Federal Energy Regulatory Commission, or FERC, an application for approval of a regional transmission organization, or RTO, for peninsular Florida, currently named GridFlorida. On March 28, 2001, FERC issued an order provisionally granting GridFlorida RTO status and directing the GridFlorida applicants to make certain changes in the RTO documents and to file such changes within 60 days. On May 29, 2001, the GridFlorida applicants made the compliance filing as directed by FERC but FERC has not yet issued an order on that compliance filing.

On May 16, 2001, the FPSC initiated dockets to review the prudence of the GridFlorida applicants' decision to form and participate in the GridFlorida RTO. The GridFlorida applicants have announced that they will hold GridFlorida development activities in abeyance. An order on this issue is expected in late October of 2001. The Company cannot predict the outcome of this matter.

On July 12, 2001, FERC issued an order requiring certain parties involved in the GridSouth RTO to develop a plan for a single RTO for the southeast. The GridFlorida applicants and the parties to the GridFlorida docket before FERC were encouraged to participate, but were not required to do so. Florida Power and the other GridFlorida applicants are participating in the mediation. The mediation is scheduled to last 45 days from July 12th, and ten days after the mediation the presiding administrative law judge will submit a proposal to FERC. The Company cannot predict the outcome of this mediation or the effect that it may have on the GridFlorida proceedings currently ongoing before the FERC and the FPSC.

Synthetic Fuels Tax Credits

On April 20, 2001 and May 4, 2001, the Internal Revenue Service (IRS) released Revenue Procedure 2001-30 and Revenue Procedure 2001-34, respectively, that outline the conditions that must be met to receive a Private Letter Ruling (PLR) for Section 29 tax credits from the IRS. PLRs represent advance rulings from the IRS applying its interpretation of the tax law to an entities' facts for Section 29 credits. The Company continues to pursue PLRs for its two majority-owned facilities and two minority-owned facilities that have not received PLRs. In management's opinion, the Company is complying with all the necessary requirements to be allowed such credits under Section 29, although it cannot provide with certainty that it will receive PLRs or prevail, if challenged by the IRS, on any credits taken.

Franchise Litigation

Five cities, with a total of approximately 36,000 customers, have sued Florida Power in various circuit courts in Florida. The lawsuits principally seek (1) a declaratory judgment that the cities have the right to purchase Florida Power's electric distribution system located within the municipal boundaries of the cities, (2) a declaratory judgment that the value of the distribution system must be determined through arbitration, and (3) injunctive relief requiring Florida Power to continue to collect from Florida Power's customers and remit to the cities franchise fees during the pendency of the litigation and as long as Florida Power continues to occupy the cities' rights-of-way to provide electric service, notwithstanding the expiration of the franchise ordinances under which Florida Power had agreed to collect such fees. One circuit court has entered a declaratory judgment and order requiring arbitration to establish the purchase price of Florida Power's facilities within one of the cities. Florida Power has appealed that decision to a district court of appeal. The appeal has been fully briefed and orally argued, and Florida Power is awaiting a decision from the appeals court. To date, no city has attempted to actually exercise the right to purchase any portion of Florida Power's electric distribution system, nor has there been any proceeding to determine the price at which such a purchase could be made. The Company cannot predict the outcome of these matters.

NEW ACCOUNTING STANDARDS

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 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 capacity-energy contract 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.

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Certain market risks are inherent in Florida Progress' financial instruments, which arise from transactions entered into in the normal course of business. Florida Progress' primary exposures are changes in interest rates with respect to long-term debt, commercial paper and the FPC obligated mandatorily redeemable securities of trust, and fluctuations in the return on marketable securities with respect to its nuclear decommissioning trust funds. Florida Progress' exposure to return on marketable securities for the decommissioning trust funds has not changed materially since December 31, 2000. The total fixed rate debt at June 30, 2001 was \$1.6 billion, with an average interest rate of 6.79% and the total commercial paper outstanding at June 30, 2001 was \$500 million, with an average interest rate of 4.20%. Florida Progress also had \$300 million outstanding of FPC mandatorily redeemable securities of trust, with a fixed interest rate of 7.10%.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

1. **Wanda L. Adams, et al. v. Florida Power Corporation and Florida Progress Corporation, U.S. District Court, Middle District of Florida, Ocala Division, Case No. 95-123-C.V.-OC-10.**

See prior discussion of this matter in the 2000 Form 10-K, Item 3, paragraph 3. The plaintiffs filed a motion with the District Court to reopen the case of Akin, et al. vs. Florida Power, and to dismiss the Adams case. The Akin case was originally filed in an effort to preserve the litigation rights of the 61 plaintiffs who opted into the Adams case. The Court had previously stayed the Akin case pending a ruling on Florida Power's motion to decertify the class. Oral arguments were held in January 2001. On July 5, 2001, the Eleventh Circuit Court of Appeals ruled that as a matter of law, disparate claims cannot be brought under the Americans with Disabilities Act. This ruling has the effect of decertifying the Akin case as a class action. The plaintiffs may appeal this ruling. The Company cannot predict the outcome of this matter.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

During the second quarter of 2001, Florida Progress and Florida Power did not file any reports on Form 8-K. However, the following report on Form 8-K was filed in the third quarter of 2001:

Florida Power Corporation

<u>Item Reported</u>	<u>Financial Statements Included</u>	<u>Date of Event</u>	<u>Date Filed</u>
5	No	July 1, 2001	July 23, 2001

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLORIDA PROGRESS CORPORATION
FLORIDA POWER CORPORATION
(Registrants)

Date: August 10, 2001

By: /s/ Peter M. Scott III

Peter M. Scott III
Executive Vice President and
Chief Financial Officer

By: /s/ Robert H. Bazemore, Jr.

Robert H. Bazemore, Jr.
Vice President and Controller
Chief Accounting Officer

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 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 No.	Exact name of Registrant as specified in its charter, state of incorporation, address of principal executive offices, telephone	I.R.S. Employer Identification Number
1-8349	FLORIDA PROGRESS CORPORATION A Florida Corporation 410 South Wilmington Street Raleigh, North Carolina 27601 Telephone (919) 546-6111	59-2147112
1-3274	FLORIDA POWER CORPORATION A Florida Corporation One Progress Plaza St. Petersburg, Florida 33701 Telephone (727) 820-5151	59-0247770

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

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

Registrant	Description of Class	Shares Outstanding at April 30, 2001
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)

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. Each registrant makes no representation as to information relating exclusively to the other registrant.

FLORIDA PROGRESS CORPORATION AND FLORIDA POWER CORPORATION
FORM 10-Q – For the Quarter Ended March 31, 2001

Glossary of Terms

Safe Harbor For Forward-Looking Statements

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Florida Progress Corporation

Consolidated Statements of Income
Consolidated Balance Sheets
Consolidated Statements of Cash Flows

Florida Power Corporation

Statements of Income
Balance Sheets
Statements of Cash Flows

Notes to Financial Statements
Florida Progress Corporation and Florida Power Corporation

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 6. Exhibits and Reports on Form 8-K

Signatures

GLOSSARY OF TERMS

The following abbreviations or acronyms used in the text of this combined Form 10-Q are defined below:

<u>TERM</u>	<u>DEFINITION</u>
AST	Advanced Separation Technologies
Btu	British thermal units
CVO	Contingent Value Obligation
Company or Florida Progress	Florida Progress Corporation
CP&L	Carolina Power and Light Company
CP&L Energy	CP&L Energy, Inc.
CR3	Florida Power's nuclear generating plant, Crystal River Unit No. 3
DOE	United States Department of Energy
Electric Fuels	Electric Fuels Corporation
EPA	United States Environmental Protection Agency
Energy Ventures	Progress Energy Ventures
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
Florida Power or the utility	Florida Power Corporation
Florida Progress or the Company	Florida Progress Corporation
FPSC	Florida Public Service Commission
Funding Corp.	Florida Progress Funding Corporation
IRS	Internal Revenue Service
MEMCO	MEMCO Barge Line, Inc.
MGP	Manufactured Gas Plant
MW	mega watts
NEIL	Nuclear Electric Insurance Limited
NRC	United States Nuclear Regulatory Commission
PLR	Private Letter Ruling
Preferred Securities	7.10% Cumulative Quarterly Income Preferred Securities, Series A, of FPC Capital I, fully and unconditionally guaranteed by Florida Progress
Preferred Stock	Florida Power Cumulative Preferred Stock, \$100 par value
Progress Capital	Progress Capital Holdings, Inc.
Progress Energy	Progress Energy, Inc.
Progress Rail	Progress Rail Services Corporation
Progress Telecom	Progress Telecommunications Corporation
PRP	potentially responsible party, as defined in CERCLA
PUHCA	Public Utility Holding Company Act of 1935, as amended
QFs	Qualifying facilities
RTO	Regional Transmission Organization
SEC	United States Securities and Exchange Commission
Section 29	Section 29 of the Internal Revenue Service Code
SFAS	Statements of Financial Accounting Standards
the Trust	FPC Capital I

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

The matters discussed throughout this Form 10-Q that are not historical facts are forward-looking and, accordingly, involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

In addition, forward-looking statements are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" including, but not limited to, statements under the sub-heading "Other Matters" concerning synthetic fuel tax credits and regulatory developments.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made.

Examples of factors that you should consider with respect to any forward-looking statements made throughout this document include, but are not limited to, the following: governmental policies and regulatory actions (including those of the Federal Energy Regulatory Commission, the Environmental Protection Agency, the Nuclear Regulatory Commission, the Department of Energy, the Florida Public Service Commission), particularly legislative and regulatory initiatives that may impact the speed and degree of the restructuring of the electricity industry and the results of negotiations related to the expiration of Florida Power's rate stipulation; the outcome of legal and administrative proceedings before our courts and principal regulators; risks associated with operating nuclear power facilities, availability of nuclear waste storage facilities, and nuclear decommissioning costs; changes in the economy of areas served by Florida Power; the extent to which we are able to obtain adequate and timely rate recovery of costs, including potential stranded costs arising from the restructuring of the electricity industry; weather conditions and catastrophic weather-related damage; general industry trends, realization of cost savings related to synergies resulting from the acquisition by Progress Energy, increased competition from energy and gas suppliers, and market demand for energy; inflation and capital market conditions; the success of our direct and indirect subsidiaries; the extent to which we are able to use tax credits associated with the operations of the synthetic fuel facilities; and unanticipated changes in operating expenses and capital expenditures.

All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond the control of the Company. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor can it assess the effect of each such factor on the Company.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS of INCOME

Florida Progress Corporation

*Three Months Ended
March 31,*

(In thousands)

2001 2000

Operating Revenues		
Electric	\$ 810,474	\$ 625,309
Diversified businesses	368,706	331,539
Total Operating Revenues	1,179,180	956,848
Operating Expenses		
Fuel used in electric generation	216,386	138,211
Purchased power	125,619	103,125
Operations and maintenance	110,866	113,203
Depreciation and amortization	152,069	85,663
Taxes other than on income	60,109	53,133
Diversified businesses	384,715	324,398
Total Operating Expenses	1,049,764	817,733
Operating Income	129,416	139,115
Other Income (Expense)		
Interest income	38	167
Other, net	(4,461)	(3,452)
Total Other Income (Expense)	(4,423)	(3,285)
Income before Interest Charges and Income Taxes	124,993	135,830
Interest Charges		
Long-term debt	40,660	38,698
Other interest charges	9,861	11,628
Allowance for borrowed funds used during construction	(93)	(401)
Total Interest Charges, Net	50,428	49,925
Income before Income Taxes	74,565	85,905
Income Taxes (Benefit)	(1,423)	9,451
Net Income	\$ 75,988	\$ 76,454

See Notes to financial statements.

CONSOLIDATED BALANCE SHEETS*Florida Progress Corporation (In thousands)*

	March 31, 2001	December 31, 2000
Assets		
Utility Plant		
Electric utility plant in service	\$ 7,007,354	\$ 6,998,135
Accumulated depreciation	(3,776,476)	(3,701,975)
Utility plant in service, net	3,230,878	3,296,160
Held for future use	8,274	8,274
Construction work in progress	159,503	124,988
Nuclear fuel, net of amortization	70,208	39,879
Total Utility Plant, Net	3,468,863	3,469,301
Current Assets		
Cash and cash equivalents	15,701	24,200
Accounts receivable	458,255	506,220
Accounts receivable-affiliates	6,554	507
Taxes receivable	23,441	16,363
Deferred income taxes	-	39,576
Inventory	415,691	373,626
Deferred fuel cost	66,321	90,434
Prepayments	19,779	26,254
Other current assets	26,467	25,251
Total Current Assets	1,032,209	1,102,431
Deferred Debits and Other Assets		
Deferred purchased power contract termination costs	158,518	226,656
Unamortized debt expense	18,803	19,128
Nuclear decommissioning trust funds	398,878	400,719
Non-utility property, net	758,819	746,392
Miscellaneous other property and investments	62,528	55,115
Goodwill, net	115,314	117,331
Other assets and deferred debits	371,708	370,016
Total Deferred Debits and Other Assets	1,884,568	1,935,357
Total Assets	\$ 6,385,640	\$ 6,507,089
Capitalization and Liabilities		
Capitalization		
Common stock	\$ 1,318,879	\$ 1,318,309
Retained earnings	692,055	670,679
Accumulated other comprehensive loss	(1,739)	(1,407)
Preferred stock of subsidiaries-not subject to mandatory redemption	33,497	33,497
Long-term debt, net	2,222,142	2,276,416
Total Capitalization	4,264,834	4,297,494
Current Liabilities		
Current portion of long-term debt	213,206	190,466
Accounts payable	297,841	366,076
Accounts payable-affiliates	21,254	-
Interest accrued	47,528	64,118
Short-term obligations	389,057	467,292
Advances from parent	176,678	45,180
Other current liabilities	267,009	272,945
Total Current Liabilities	1,412,573	1,406,077
Deferred Credits and Other Liabilities		
Accumulated deferred income taxes	307,379	341,605
Accumulated deferred investment tax credits	60,217	62,160
Other liabilities and deferred credits	340,637	399,753
Total Deferred Credits and Other Liabilities	708,233	803,518
Commitments and Contingencies (Note 7)		
Total Capitalization and Liabilities	\$ 6,385,640	\$ 6,507,089

See Notes to financial statements.

CONSOLIDATED STATEMENTS of CASH FLOWS*Florida Progress Corporation**Three Months Ended
March 31,**(In thousands)***2001 2000****Operating Activities:**

Net income	\$ 75,988	\$ 76,454
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	150,466	94,476
Deferred income taxes and investment tax credits, net	24,399	6,267
Deferred fuel cost (credit)	24,113	(10,658)
Changes in working capital, net of effects from sale or acquisition of business		
Net decrease in accounts receivable	45,838	11,422
Net increase in inventories	(58,324)	(39,814)
Net (increase) decrease in prepaids and other current assets	5,259	(16,260)
Net decrease in accounts payable	(46,176)	(56,870)
Net increase (decrease) in other current liabilities	73,765	(38,965)
Other	(28,132)	16,208
Net Cash Provided by Operating Activities	267,196	42,260

Investing Activities:

Property additions	(43,956)	(46,809)
Nuclear fuel additions	(36,019)	-
Other investing activities	(30,068)	(28,348)
Net Cash Used in Investing Activities	(110,043)	(75,157)

Financing Activities:

Proceeds from issuance of long-term debt	87	-
Net increase (decrease) in short-term obligations	(78,235)	81,846
Retirement of long-term debt	(31,703)	(211)
Dividends paid on common stock	(54,611)	(54,730)
Other financing activities	(1,190)	(680)
Net Cash Provided by (Used in) Financing Activities	(165,652)	26,225

Net Decrease in Cash and Cash Equivalents	(8,499)	(6,672)
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Cash and Cash Equivalents at Beginning of the Period	24,200	9,589
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Cash and Cash Equivalents at End of Period	\$ 15,701	\$ 2,917
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Supplemental Disclosures of Cash Flow Information

Cash paid (received) during the period - interest (net of amount capitalized)	\$ 67,980	\$ 61,400
Income taxes (net of refunds)	\$ (22,544)	\$ 17,400

See Notes to financial statements.

STATEMENTS of INCOME

Florida Power Corporation

Three Months Ended
March 31,

(In thousands)	2001	2000
Operating Revenues		
Electric	\$ 810,474	\$ 625,309
Operating Expenses		
Fuel used in electric generation	216,386	138,211
Purchased power	125,619	103,125
Operation and maintenance	110,866	113,203
Depreciation and amortization	152,069	85,663
Taxes other than on income	60,109	53,133
Total Operating Expenses	665,049	493,335
Operating Income	145,425	131,974
Other Income (Expense)		
Interest income	38	167
Other, net	(1,755)	97
Total Other Income (Expense)	(1,717)	264
Income before Interest Charges and Income Taxes	143,708	132,238
Interest Charges		
Long-term debt	24,552	25,892
Other interest charges	4,536	6,303
Allowance for borrowed funds used during construction	(93)	(401)
Total Interest Charges, Net	28,995	31,794
Income before Income Taxes	114,713	100,444
Income Taxes	42,729	36,664
Net Income	71,984	63,780
Dividends on Preferred Stock	378	378
Earnings for Common Stock	\$ 71,606	\$ 63,402

See Notes to financial statements.

BALANCE SHEETS*Florida Power Corporation (In thousands)*

	March 31, 2001	December 31, 2000
Assets		
Utility Plant		
Electric utility plant in service	\$ 7,007,354	\$ 6,998,135
Accumulated depreciation	(3,776,476)	(3,701,975)
Utility plant in service, net	3,230,878	3,296,160
Held for future use	8,274	8,274
Construction work in progress	159,503	124,988
Nuclear fuel, net of amortization	70,208	39,879
Total Utility Plant, Net	3,468,863	3,469,301
Current Assets		
Cash and cash equivalents	-	3,380
Accounts receivable	246,968	289,237
Accounts receivable-affiliates	67,619	38,729
Deferred income taxes	-	39,576
Inventory	156,927	139,116
Deferred fuel cost	66,321	90,434
Prepayments	2,283	9,097
Other current assets	133	-
Total Current Assets	540,251	609,569
Deferred Debits and Other Assets		
Deferred purchased power contract termination costs	158,518	226,656
Unamortized debt expense	9,321	9,526
Nuclear decommissioning trust funds	398,878	400,719
Non-utility property, net	8,900	9,431
Other assets and deferred debits	244,437	233,148
Total Deferred Debits and Other Assets	820,054	879,480
Total Assets	\$ 4,829,168	\$ 4,958,350
Capitalization and Liabilities		
Capitalization		
Common stock equity	\$ 1,982,022	\$ 1,965,028
Preferred stock of subsidiaries-not subject to mandatory redemption	33,497	33,497
Long-term debt, net	1,397,197	1,397,116
Total Capitalization	3,412,716	3,395,641
Current Liabilities		
Current portion of long-term debt	82,000	82,000
Accounts payable	115,656	170,126
Accounts payable-affiliates	42,504	39,526
Taxes accrued	28,132	4,401
Interest accrued	37,080	47,117
Advances from parent	-	20,180
Short-term obligations	182,668	192,530
Other current liabilities	256,409	219,057
Total Current Liabilities	744,449	774,937
Deferred Credits and Other Liabilities		
Accumulated deferred income taxes	376,688	427,477
Accumulated deferred investment tax credits	59,688	61,626
Other liabilities and deferred credits	235,627	298,669
Total Deferred Credits and Other Liabilities	672,003	787,772
Commitments and Contingencies (Note 7)		
Total Capitalization and Liabilities	\$ 4,829,168	\$ 4,958,350

See Notes to financial statements.

STATEMENTS of CASH FLOWS*Florida Power Corporation**Three Months Ended**March 31,**(In thousands)*

2001

2000

Operating Activities:

Net income	\$ 71,606	\$ 63,402
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Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization	150,406	94,346
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Deferred income taxes and investment tax credits, net	7,903	(1,749)
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Deferred fuel cost (credit)	24,113	(10,658)
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Changes in working capital:

Net decrease in accounts receivable	41,325	20,399
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Net increase in inventories	(17,811)	(5,208)
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Net decrease in prepaids and other current assets	6,681	2,279
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Net decrease in accounts payable	(51,492)	(22,268)
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Net decrease in other current liabilities	(19,930)	(2,714)
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Other	(67,306)	250
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Net Cash Provided by Operating Activities	145,495	138,079
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Investing Activities:

Property additions	(43,956)	(46,809)
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Nuclear fuel additions	(36,019)	-
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Other investing activities	(4,427)	(3,804)
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Net Cash Used in Investing Activities	(84,402)	(50,613)
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Financing Activities:

Net decrease in short-term obligations	(9,862)	(36,236)
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Dividends paid on common stock	(54,611)	(51,230)
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Net Cash Used in Financing Activities	(64,473)	(87,466)
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Net Decrease in Cash and Cash Equivalents	(3,380)	-
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Cash and Cash Equivalents at Beginning of the Period	3,380	-
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Cash and Cash Equivalents at End of Period	\$ -	\$ -
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Supplemental Disclosures of Cash Flow Information

Cash paid during the period – interest (net of amount capitalized)	\$ 39,032	\$ 41,200
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income taxes (net of refunds)	\$ 7,362	\$ 3,400
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See Notes to financial statements.

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). 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

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). 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.

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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

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.

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.

NOTE 5. 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 (Preferred Securities) due 2039, 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 (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, 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 6. COMPREHENSIVE INCOME

Comprehensive income for Florida Progress for the three months ended March 31, 2001 and 2000 was \$75.7 million and \$76.3 million, respectively. Florida Power does not have any items of other comprehensive income.

NOTE 7. 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 (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 \$8.3 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.

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.

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 is set for June 2001.

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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING RESULTS

Florida Progress' consolidated earnings for the three month period ended March 31, 2001, were \$76.0 million compared to earnings of \$76.5 million, for the same period in 2000.

FLORIDA POWER CORPORATION

Florida Power, the largest subsidiary of Florida Progress, reported net income of \$71.6 million for the first quarter of 2001, compared to \$63.4 million for the comparable period in 2000.

Florida Power's total kilowatt-hour sales increased 3.4 percent during the first quarter of 2001, compared with 2000. The improvement was primarily due to strong customer growth and colder temperatures in January of 2001.

Retail sales were up 5 percent as Florida Power provided electric service to approximately 38,400 new customers during the first quarter of 2001 compared with the same period last year. Weather, a key factor influencing usage among residential customers, favorably influenced retail sales for the quarter. Usage among residential customers was nearly 12 percent higher during the quarter when compared with the same period last year.

Wholesale sales decreased slightly compared to 2000, which is attributable to lower sales to Seminole Electric Cooperative, Florida Power's largest wholesale customer.

Fuel used in generation and purchased power increased \$78 million and \$22 million, respectively, for the first quarter of 2001 when compared to the same period last year. The increase is due mainly to the increased price of coal, oil and gas and increased usage. Fuel and purchased power expenses are recovered primarily through cost recovery clauses and, as such, have no material impact on operating results.

Operations and maintenance expense decreased slightly during the quarter. The decrease is due primarily to lower employee-related costs resulting from the reorganization after the acquisition by Progress Energy.

Depreciation and amortization increased \$66.4 million primarily due to accelerating the amortization of the Tiger Bay regulatory asset in March 2001. The additional amortization had no significant earnings impact as it was offset by the recognition of \$63 million of revenues that were deferred pursuant to a regulatory order in the fourth quarter of 2000.

ELECTRIC FUELS CORPORATION

Electric Fuels makes up the majority of Florida Progress' diversified operations. The results of operations for Electric Fuels' Energy and Related Services, Rail Services and Inland Marine Transportation units are discussed below.

Energy and Related Services - Earnings at the Energy and Related Services Group increased \$16.5 million from the same period in the prior year. The increase was due primarily to higher synthetic fuel sales and related tax credits during the quarter compared with last year (See "Other Matters" below). Improved operating results of the gas operations, resulting from increases in the number of wells and a higher price for natural gas, also contributed to increased earnings in the Energy and Related Services group.

Rail Services - Results in the Rail Services group decreased \$3.0 million when compared to 2000. Current year results were negatively affected by the significant downturn in the domestic scrap market and the continuing weak market for railcar parts.

Inland Marine Transportation - Earnings from the Inland Marine Transportation group decreased \$0.9 million when compared to last year. The decrease was primarily due to the impact of severe weather conditions and higher diesel fuel costs.

Progress Energy has hired a financial adviser to assist Florida Progress in evaluating its strategic alternatives with respect to the Rail Services and Inland Marine Transportation business segments.

OTHER

The other group includes telecommunications, holding company and financing expenses. The increased loss over the first quarter of 2000 is due primarily to the recording of an intra-period income tax allocation adjustment. Generally accepted accounting principles require companies to apply a levelized effective tax rate to interim periods that is consistent with the estimated annual rate. Income tax expense was increased by \$14.8 million for the first quarter of 2001, and decreased by \$7.6 million for the first quarter of 2000, to maintain an effective tax rate consistent with the estimated annual rate. The tax credits associated with the Company's synthetic fuel operations lower the overall effective tax rate. These credits, along with seasonal earnings variations, can also cause large swings in the effective tax rate for interim periods. Therefore, this adjustment will vary each quarter, but have no effect on net income for the year. The telecommunications group also had slightly higher losses than the first quarter of 2000 due to continued expansion of the business.

MATERIAL CHANGES IN LIQUIDITY AND CAPITAL RESOURCES

Florida Progress' capital expenditures are expected to be funded primarily from internally generated funds, loans from the non-utility money pool (discussed below) and debt. During the first three months of 2001, \$44.0 million was spent on the Florida Power construction program and \$30.1 million was spent in diversified operations.

During the first quarter of 2001, Progress Capital Holdings retired a total of \$31 million in Medium-Term Notes. The \$6 million of medium-term notes that were retired in January had a 9.95% coupon rate and the \$25 million of medium-term notes that were retired in February had a 6.13% coupon rate. Progress Capital issued commercial paper to fund the maturing medium-term notes.

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 that 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.

OTHER MATTERS

Regional Transmission Organization

In October 2000, Florida Power, along with Florida Power & Light Company and Tampa Electric Company, filed with Federal Energy Regulatory Commission (FERC) an application for approval of a Regional Transmission Organization (RTO) for peninsular Florida, currently named GridFlorida. On March 28, 2001, FERC gave preliminary approval for the formation of GridFlorida to manage the power market for peninsular Florida. In conjunction with the preliminary approval, FERC has requested that a new approach on market design issues be submitted within 60 days in addition to a better congestion management plan. See "Regulatory Developments" below for additional GridFlorida developments.

Synthetic Fuels Tax Credits

On April 20, 2001 and May 4, 2001, the Internal Revenue Service (IRS) released Revenue Procedure 2001-30 and Revenue Procedure 2001-34, respectively, that outline the conditions that must be met to receive a Private Letter Ruling (PLR) for Section 29 tax credits from the IRS. PLRs represent advance rulings from the IRS applying its interpretation of the tax law to an entities' facts for Section 29 credits. The Company continues to pursue PLRs for its two majority-owned facilities and two minority-owned facilities that have not received PLRs. In management's opinion, the Company is complying with all the necessary requirements to be allowed such credits under Section 29, although it cannot provide with certainty that it will receive PLRs or prevail on any credits taken.

Regulatory Developments

On May 3, 2001, the FPSC staff recommended to the FPSC that it require Florida Power to submit minimum filing requirements, based on a 2002 projected calendar year, by September 15, 2001 to initiate a base rate proceeding regarding Florida Power's future base rates. The FPSC staff also recommended that pending completion of the Florida Power rate case, annual revenues of \$114 million should be held subject to refund to Florida Power's customers. The FPSC staff has asked the FPSC to consider its recommendations on May 15, 2001. Florida Power's current rate agreement expires on June 30, 2001. On May 14, 2001, Florida Power filed a proposed rate reduction with the FPSC that includes plans to increase generating capacity, improve reliability and enhance customer service. The Company will continue to work with

the FPSC staff and other interested parties to resolve the outstanding issues. The Company cannot predict the outcome of this matter.

In its May 3, 2001 recommendation, the FPSC staff expressed concerns related to Florida Power's plans to participate in the creation of the GridFlorida RTO along with Florida Power & Light Company and Tampa Electric Company. The FPSC staff raised questions about the prudence of establishing the new system and costs associated with the process. The Company is continuing to evaluate the concerns the FPSC staff has raised about GridFlorida and the impact those concerns might have on the implementation of the GridFlorida RTO plan this year. The Company cannot predict the outcome of this matter.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Certain market risks are inherent in Florida Progress' financial instruments, which arise from transactions entered into in the normal course of business. Florida Progress' primary exposures are changes in interest rates with respect to long-term debt, commercial paper and the FPC obligated mandatorily redeemable securities of trust, and fluctuations in the return on marketable securities with respect to its nuclear decommissioning trust funds. Florida Progress' exposure to return on marketable securities for the decommissioning trust funds has not changed materially since December 31, 2000. The total fixed rate debt at March 31, 2001 was \$1.6 billion, with an average interest rate of 6.79% and the total commercial paper outstanding at March 31, 2001 was \$500 million, with an average interest rate of 5.86%. Florida Progress also had \$300 million outstanding of FPC mandatorily redeemable securities of trust, with an average interest rate of 7.10%.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material developments for the matters discussed in the 2000 Form 10-K, Item 3. Certain legal matters are set forth in Part I, Item 1. See Note 7 to the Financial Statements.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

During the first quarter of 2001, Florida Progress and Florida Power filed the following combined reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLORIDA PROGRESS CORPORATION

Date: May 15, 2001

By: /s/ Peter M. Scott III

Peter M. Scott III
Executive Vice President and
Chief Financial Officer

By: /s/ Robert H. Bazemore, Jr.

Robert H. Bazemore, Jr.
Vice President and Controller
Chief Accounting Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLORIDA POWER CORPORATION

Date: May 15, 2001

By: /s/ Peter M. Scott III

Peter M. Scott III
Executive Vice President and
Chief Financial Officer

By: /s/ Robert H. Bazemore, Jr.

Robert H. Bazemore, Jr.
Controller
Chief Accounting Officer

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

FORM 10-K

(Mark One)

☒

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 A Florida Corporation 410 South Wilmington Street Raleigh, North Carolina 27601- Telephone (919) 546-6111	59-2147112
1-3274	FLORIDA POWER CORPORATION A Florida Corporation One Progress Plaza St. Petersburg, Florida 33701 Telephone (727) 820-5151	59-0247770

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
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 ☒ 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. ☒

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:

<u>Registrant</u>	<u>Description</u>	<u>Shares</u>
Florida Progress Corporation	Common Stock (without par value)	98,616,658
Florida Power Corporation	Common Stock (without par value)	100

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GLOSSARY OF TERMS

The following abbreviations or acronyms used in the text of this combined FORM 10-K are defined below:

<u>TERM</u>	<u>MEANING</u>
AFUDC	Allowance for funds used during construction
AOC	Administrative Order on Consent
AST	Advanced Separation Technologies
Btu.....	British thermal units
CAAA	Clean Air Act Amendments of 1990
CERCLA or Superfund	Comprehensive Environmental Response Compensation & Liability Act
CVO	Contingent Value Obligation
Company or Florida Progress.....	Florida Progress Corporation
CP&L	Carolina Power and Light Company
CP&L Energy.....	CP&L Energy, Inc.
CR3	Florida Power's nuclear generating plant, Crystal River Unit No. 3
DOE	United States Department of Energy
EBITDA.....	Earnings before Interest, Taxes, Depreciation and Amortization
Electric Fuels.....	Electric Fuels Corporation
EMF	electromagnetic fields, or electric and magnetic fields
EPA	United States Environmental Protection Agency
ERISA	Employee Retirement Income Security Act of 1974
Energy Ventures.....	Progress Energy Ventures
FASB.....	Financial Accounting Standards Board
FDEP.....	Florida Department of Environmental Protection
FERC.....	Federal Energy Regulatory Commission
Financial Statements	Florida Progress' Financial Statements and Florida Power's Financial Statements, for the year ended December 31, 2000 contained under Item 8 herein
Florida Power or the utility.....	Florida Power Corporation
Florida Progress or the Company.....	Florida Progress Corporation
FPSC	Florida Public Service Commission
FRCC	Florida Reliability Coordinating Council
Funding Corp.	Florida Progress Funding Corporation
Georgia Power.....	Georgia Power Company
IRS	Internal Revenue Service
KV	Kilovolts
kVA.....	Kilovolt Amperes
LTIP	Florida Progress Long-Term Incentive Plan
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MEMCO	MEMCO Barge Line, Inc.
MGP	Manufactured Gas Plant
Mid-Continent.....	Mid-Continent Life Insurance Company
MW	megawatts
NEIL	Nuclear Electric Insurance Limited
NERC.....	North American Electric Reliability Council
NPL.....	National Priorities List
NRC	United States Nuclear Regulatory Commission
PLR	Private Letter Ruling
Preferred Securities.....	7.10% Cumulative Quarterly Income Preferred Securities, Series A, of FPC Capital I, fully and unconditionally guaranteed by Florida Progress
Preferred Stock.....	Florida Power Cumulative Preferred Stock, \$100 par value
Progress Capital	Progress Capital Holdings, Inc.
Progress Energy	Progress Energy, Inc.
Progress Rail.....	Progress Rail Services Corporation
Progress Telecom.....	Progress Telecommunications Corporation
PRP	potentially responsible party, as defined in CERCLA
PUHCA	Public Utility Holding Company Act of 1935, as amended
PURPA	Public Utility Regulatory Policies Act of 1978

GLOSSARY OF TERMS (cont.)

The following abbreviations or acronyms used in the text of this combined FORM 10-K are defined below:

<u>TERM</u>	<u>MEANING</u>
QFs.....	Qualifying facilities
Retirement Plan.....	Florida Progress Corporation Retirement Plan for Exempt and Nonexempt Employees
RI/FS.....	Remedial Investigation and Feasibility Study
RTO.....	Regional Transmission Organization
SEC.....	United States Securities and Exchange Commission
SECI.....	Seminole Electric Cooperative Inc.
Section 29.....	Section 29 of the Internal Revenue Service Code
Seminole or Seminole Electric.....	Seminole Electric Cooperative, Inc.
SERP.....	Florida Progress Corporation Supplemental Executive Retirement Plan
SFAS.....	Statements of Financial Accounting Standards
SNF.....	spent nuclear fuel
TECO.....	Tampa Electric Company
the Trust.....	FPC Capital I
Title IV.....	Title IV, Acid Rain Control
TSR.....	Total Shareholder Return
TRI.....	Toxic Release Inventory

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

The matters discussed throughout this FORM 10-K that are not historical facts are forward-looking and, accordingly, involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Examples of forward-looking statements include, but are not limited to, statements under the following headings in Management's Discussion and Analysis: 1) "Liquidity and Capital Resources" about estimated capital requirements through the year 2003 and future financing plans and 2) "Other Matters" about the effects of new environmental regulations, nuclear decommissioning costs and the effect of electric utility industry restructuring.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made.

Examples of factors that you should consider with respect to any forward-looking statements made throughout this document include, but are not limited to, the following: governmental policies and regulatory actions (including those of the Federal Energy Regulatory Commission, the Environmental Protection Agency, the Nuclear Regulatory Commission, the Department of Energy, the Florida Public Service Commission), particularly legislative and regulatory initiatives that may impact the speed and degree of the restructuring of the electricity industry; the outcome of legal and administrative proceedings before our courts and principal regulators; risks associated with operating nuclear power facilities, availability of nuclear waste storage facilities, and nuclear decommissioning costs; changes in the economy of areas served by Florida Power; the extent to which we are able to obtain adequate and timely rate recovery of costs, including potential stranded costs arising from the restructuring of the electricity industry; weather conditions and catastrophic weather-related damage; general industry trends, realization of cost savings related to synergies resulting from the acquisition by Progress Energy, increased competition from energy and gas suppliers, and market demand for energy; inflation and capital market conditions; the success of our direct and indirect subsidiaries; the extent to which we are able to use tax credits associated with the operations of the synthetic fuel facilities; and unanticipated changes in operating expenses and capital expenditures.

All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond the control of the Company. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor can it assess the effect of each such factor on the Company.

PART I

ITEM 1. BUSINESS

GENERAL

COMPANY

Florida Progress Corporation (Florida Progress or the Company, which term includes consolidated subsidiaries unless otherwise indicated) is a wholly-owned subsidiary of Progress Energy, Inc. (Progress Energy), a registered holding company under the Public Utility Holding Company Act (PUHCA) of 1935. Progress Energy and its subsidiaries, including Florida Progress, are subject to the regulatory provisions of the PUHCA. Florida Progress is the parent company of Florida Power Corporation (Florida Power or the utility) and certain other subsidiaries. Progress Energy controls Florida Power Corporation and the other Florida Progress subsidiaries through its ownership of Florida Progress.

On November 30, 2000, the acquisition of Florida Progress by CP&L Energy, Inc. (CP&L Energy) became effective. On December 4, 2000, the consolidated company was renamed Progress Energy.

Florida Progress' revenues for the year ended December 31, 2000, were \$4.5 billion, and assets at year-end were \$6.5 billion. Its principal executive offices are located at 410 South Wilmington Street, Raleigh, North Carolina 27601-1748, telephone number (919) 546-6111. Information about Florida Progress and its subsidiaries can be found at Progress Energy's home page on the Internet's World Wide Web at <http://www.progress-energy.com>, the contents of which are not a part of this document. Florida Progress was incorporated in Florida on January 21, 1982.

Florida Progress defines its principal business segments as utility and diversified operations. Florida Power, Florida Progress' largest subsidiary, is the utility segment and encompasses all regulated public utility operations (See Item 1 "Business - Utility Operations - Florida Power"). Progress Capital Holdings, Inc. (Progress Capital) is the downstream holding company for Florida Progress' diversified subsidiaries, which provides financing for the non-utility operations. The diversified operations segment includes Electric Fuels Corporation (Electric Fuels), an energy and transportation company. The three primary segments of Electric Fuels are: Energy and Related Services, Rail Services, and Inland Marine Transportation. (See Item 1 "Business-Diversified Operations.") Progress Energy has hired a financial adviser to assist Florida Progress in evaluating its strategic alternatives with respect to two of these business segments, Rail Services and Inland Marine Transportation. For information concerning the revenues, operating profit and assets attributable to Florida Progress' business segments, see Note 13 to Florida Progress' financial statements and Florida Power's financial statements for the year ended December 31, 2000, contained herein under Item 8 (the "Financial Statements").

ACQUISITION

On November 30, 2000, CP&L Energy, which subsequently changed its name to 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 of their shares 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.

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.

Pursuant to the SEC's order dated November 27, 2000, Progress Energy has committed to divest of certain immaterial non-utility businesses. Progress Energy has also agreed to file a response or responses with the SEC by November 30, 2001 that will either provide a legal basis for retaining certain other non-utility businesses or a commitment to divest of those businesses. On March 22, 2001, Progress Energy and the Company filed a post effective amendment requesting an SEC order to divest of certain holdings of EFC.

ENVIRONMENTAL

General

In the areas of air quality, water quality, control of toxic substances and hazardous and solid wastes and other environmental matters, the Company is subject to regulation by various federal, state and local authorities. The Company considers itself to be in substantial compliance with those environmental regulations currently applicable to its business and operations and believes it has all necessary permits to conduct such operations. Environmental laws and regulations constantly evolve and the ultimate costs of compliance cannot always be accurately estimated.

Clean Air Legislation

The 1990 amendments to the Clean Air Act require substantial reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fueled electric generating plants. The Clean Air Act required Florida Power to meet more stringent provisions effective January 1, 2000. The Company meets the sulfur dioxide emissions requirements by fuel switching and maintaining sufficient sulfur dioxide emission allowances. Installation of additional equipment was necessary to reduce nitrogen oxide emissions. Increased operation and maintenance costs, including emission allowance expense, installation of additional equipment and increased fuel costs are not expected to be material to the financial position or results of operations of the Company.

The U.S. Environmental Protection Agency (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 calling for expenditures, 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.

Superfund

The provisions of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), authorize the EPA to require the clean up of hazardous waste sites. This statute imposes retroactive joint and several liability. Some states have similar types of legislation. There are presently several sites with respect to which the Company has been notified by the EPA, the State of Florida or other state agencies with respect to potential liability, as described below in greater detail.

Various organic materials associated with the production of manufactured gas, generally referred to as coal tar, are regulated under various 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 manufactured gas plant (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 EPA and the Florida Department of Environment and Protection (FDEP). Although Florida Power may incur costs at these sites about which it has been notified, based upon current status of these sites, Florida Power does not expect those costs to be material to the financial position or results of operations of the Florida Power.

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.

Other Environmental Matters

Florida Power has filed claims with the Company's general liability insurance carriers to recover costs arising out of actual or potential environmental 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.

UTILITY OPERATIONS - FLORIDA POWER

GENERAL

Florida Power was incorporated in Florida in 1899, and is an operating public utility engaged in the generation, purchase, transmission, distribution and sale of electricity. Florida Power has a total summer generating capacity (including jointly-owned capacity) of 8,012 megawatts (MW). In 2000, the utility accounted for 65% of Florida Progress' consolidated revenues, 76% of its assets and 81% of its income before merger-related and impairment charges.

Florida Power provided electric service during 2000 to an average of 1.4 million customers in west central Florida. Its service area covers approximately 20,000 square miles and includes the densely populated areas around Orlando, as well as the cities of St. Petersburg and Clearwater. Florida Power is interconnected with 20 municipal and 9 rural electric cooperative systems. Major wholesale power sales customers include Seminole Electric Cooperative, Inc. (Seminole) and, Florida Municipal Power Agency. For further information with respect to rates, see Note 14 to the Financial Statements.

BILLED ELECTRIC REVENUES

Florida Power's electric revenues billed by customer class, for the last three years, are shown as a percentage of total electric revenues in the table below:

BILLED ELECTRIC REVENUES

<u>Revenue Class</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Residential	53%	54%	55%
Commercial	24%	24%	23%
Industrial	8%	8%	8%
Other retail	5%	5%	6%
Wholesale	10%	9%	8%

Important industries in the territory include phosphate and rock mining and processing, electronics design and manufacturing and citrus and other food processing. Other important commercial activities are tourism, health care, construction and agriculture.

FUEL AND PURCHASED POWER

General

Florida Power's consumption of various types of fuel depends on several factors, the most important of which are the demand for electricity by Florida Power's customers, the availability of various generating units, the availability and cost of fuel and the requirements of federal and state regulatory agencies. Florida Power's energy mix for the last three years is presented in the following table:

ENERGY MIX PERCENTAGES

<u>Fuel Type</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Coal (1)	34%	35%	38%
Oil	15%	17%	20%
Nuclear	15%	14%	15%
Gas	14%	13%	6%
Purchased Power	22%	21%	21%

(1) Includes synthetic fuel and pet coke.

Florida Power is generally permitted to pass the cost of recoverable fuel and purchased power to its customers through fuel adjustment clauses. The future prices for and availability of various fuels discussed in this report cannot

be predicted with complete certainty. However, Florida Power believes that its fuel supply contracts, as described below, will be adequate to meet its fuel supply needs.

Florida Power's average fuel costs per million British thermal units (Btu) for each year of the three-year period ended December 31, 2000, were as follows:

AVERAGE FUEL COST
(per million Btu)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Coal (1)	\$1.89	\$1.86	\$1.89
Oil (2)	4.15	2.36	2.18
Nuclear	.47	.43	.46
Gas (2)	4.32	3.18	3.22
Weighted Average	2.46	1.91	1.81

(1) Includes synthetic fuel and pet coke.

(2) The unit price for oil and gas increased significantly from 1999 to 2000 due to market conditions. Since these costs are recovered through recovery clauses established by regulators, the increase does not affect net income.

Coal

Florida Power anticipates a combined requirement of approximately 5.5 million to 6.0 million tons of coal and synthetic fuel in 2001. Most of the coal is expected to be supplied from the Appalachian coal fields of the United States. Approximately two-thirds of the fuel is expected to be delivered by rail and the remainder by barge. The fuel is supplied by Electric Fuels pursuant to contracts between Florida Power and Electric Fuels, which expire in 2002 and 2004. (See Note 15 to the Financial Statements.)

For 2001, Electric Fuels has long-term contracts with various sources for approximately 38% of the fuel requirements of Florida Power's coal units. These long-term contracts have price adjustment provisions. Electric Fuels expects to acquire the remainder in the spot market and under short-term contracts. Electric Fuels does not anticipate any problems obtaining the remaining Florida Power requirements for 2001 through short-term contracts and purchases in the spot market. (See Note 15 to the Financial Statements.)

Oil and Gas

Oil is purchased under contracts and in the spot market from several suppliers. The cost of Florida Power's oil is determined by world market conditions. Management believes that Florida Power has access to an adequate supply of oil for the reasonably foreseeable future. Florida Power's natural gas supply is purchased under firm contracts and in the spot market from numerous suppliers and is delivered under firm, released firm and interruptible transportation contracts. Florida Power believes that existing contracts for oil are sufficient to cover its requirements when natural gas transmission that is purchased on an interruptible basis is not available.

Nuclear

Nuclear fuel is processed through four distinct stages. Stages I and II involve the mining and milling of the natural uranium ore to produce a concentrate and the conversion of this uranium concentrate into uranium hexafluoride. Stages III and IV entail the enrichment of the uranium hexafluoride and the fabrication of the enriched uranium hexafluoride into usable fuel assemblies.

Florida Power expects to meet its future nuclear fuel requirements from inventory on hand and amounts received under contract. Although Florida Power cannot predict the future availability of uranium and nuclear fuel services, Florida Power does not currently expect to have difficulty obtaining uranium oxide concentrate and the services necessary for its conversion, enrichment and fabrication into nuclear fuel.

Purchased Power

Florida Power, along with other Florida utilities, buys and sells economy power through the Florida energy brokering system. Florida Power also purchases 1,300 MW of power under a variety of purchase power agreements.

As of December 31, 2000, Florida Power had long-term contracts for the purchase of about 460 MW of purchased power with other investor-owned utilities, including a contract with The Southern Company for approximately 400 MW. Florida Power also purchased 831 MW of its total capacity from certain qualifying facilities (QFs). The capacity currently available from QFs represents approximately 10% of Florida Power's total installed system capacity. (See Item 2 "Properties - Utility Operations," Item 7 "MD&A - Fuel, Purchased Power and Energy Conservation Costs" and Note 15 to the Financial Statements.)

COMPETITION

Electric Industry Restructuring

Florida Power continues to monitor progress toward a more competitive environment and has actively participated in regulatory reform deliberations in Florida. Movement toward deregulation in this state has been affected by recent developments related to deregulation of the electric industry in California.

On January 31, 2001, the Florida 2020 Study Commission voted to forward a "proposed outline for wholesale restructuring" to the Florida legislature for its consideration in the 2001 session. The legislative session begins during the first week of March and concludes during the first week of May. The wholesale restructuring outline is intended to facilitate the evolution of a more robust wholesale marketplace in Florida. The current proposal includes several key provisions such as independent power producers would be allowed to compete in the Florida wholesale market, existing base rates would be frozen for three years and generating assets owned by regulated utilities would be transferred to affiliates at net book value among others. The study commission has a deadline of December 2001 to propose recommendations with respect to retail restructuring.

Regional Transmission Organizations

On December 20, 1999, Federal Energy Regulatory Commission (FERC) issued Order No. 2000 on Regional Transmission Organizations (RTO). The Order required public utilities that own, operate or control interstate electricity transmission facilities to have filed, by October 2000, either a proposal to participate in an RTO or an alternative filing describing efforts and plans to participate in an RTO.

In October 2000, Florida Power, along with Florida Power & Light Company and Tampa Electric Company, filed with FERC an application for approval of an RTO for peninsular Florida, currently named GridFlorida. On January 10, 2001, FERC rendered a positive order on certain aspects of the GridFlorida RTO application, specifically governance and certain financial obligations. The three companies are continuing to make progress towards the development of GridFlorida.

Merchant Plants

In August 1998, Duke Energy filed a petition to build Florida's first merchant power plant, a 514-megawatt facility to be located in Volusia County, Florida. The plant would provide 30 megawatts of energy to the Utilities Commission of the City of New Smyrna Beach and the remaining capacity would be available for wholesale sales.

In a move Florida Power believed to be contrary to the existing state law, the Florida Public Service Commission (FPSC) granted Duke Energy's petition. Florida Power and other Florida utilities filed an appeal of the FPSC's decision with the Florida Supreme Court. In April 2000, the Florida Supreme Court ruled in favor of Florida Power and other utilities and reversed the FPSC's order. In December 2000, Duke Energy filed a petition for certiorari with the U.S. Supreme Court. On March 5, 2001, the U.S. Supreme Court denied Duke Energy's petition for certiorari.

Franchise Agreements

By virtue of state and municipal legislation, Florida Power holds franchises with varying expiration dates in most of the municipalities in which it distributes electric energy. However, Florida Power does serve within a number of municipalities and in all its unincorporated areas without existing franchise ordinances. Approximately 37% of Florida Power's total utility revenues for 2000 were from the incorporated areas of the 109 municipalities that have enacted franchise ordinances. The general effect of these franchises is to provide for the manner in which Florida Power occupies rights-of-way in incorporated areas of municipalities for the purpose of constructing, operating and maintaining an energy transmission and distribution system. All but three of the existing franchises cover a 30-year period from the date enacted. The exceptions are two franchises each with a term of 10 years and expiring in 2001

and 2005, and a franchise with a term of 20 years expiring in 2020. Of the 109 franchises, 17 expire during 2001, 12 expire during 2002, 20 expire between January 1, 2003 and December 31, 2012 and 60 expire between January 1, 2013 and December 31, 2030. Ongoing negotiations are taking place with the municipalities to reach an agreement on franchise terms and to enact new franchise ordinances. In addition to the regulation of rights-of-way, quality of service and flexible terms that anticipate retail competition are among the factors considered by municipalities negotiating new franchise ordinances.

Stranded Costs

An important issue encompassed by industry restructuring is the recovery of "stranded costs." Stranded costs include the generation assets of utilities whose value in a competitive marketplace would be less than their current book value, as well as above-market purchased power commitments to QFs. Thus far, all states that have passed restructuring legislation have provided for the opportunity to recover a substantial portion of stranded costs.

Assessing the amount of stranded costs for a utility requires various assumptions about future market conditions including the future price of electricity. For Florida Power, the single largest stranded cost exposure is its commitment to QFs.

Florida Power has taken a proactive approach to this industry issue. Since 1996, Florida Power has been seeking ways to address the impact of escalating payments from contracts it was obligated to sign under provisions of Public Utility Regulatory Policies Act of 1978 (PURPA).

These efforts have resulted in Florida Power successfully mitigating, through buy-outs and buy-downs of these contracts, more than 25% of its purchased power commitments to QFs.

REGULATORY MATTERS

General

Florida Power is subject to the jurisdiction of the FPSC with respect to retail rates and the issuance of securities among other things. In addition, Florida Power is subject to regulation by FERC with respect to transmission and sales of wholesale power, accounting and certain other matters. The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect revenues equal to its cost of providing service including a reasonable rate of return on its equity. Increased competition, as a result of industry restructuring, may affect the ratemaking process. (See Item 7 "MD&A – Electric Industry Restructuring.")

Florida Power has previously entered into a stipulation agreement committing several parties not to seek any reduction in Florida Power's base rates or authorized range of return on equity. That agreement expires on June 30, 2001.

On July 7, 2000, the FPSC opened a docket to review Florida Power's earnings including the effects of the acquisition by 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.

Retail Rates

The FPSC authorizes retail "base rates" that are designed to provide a utility with the opportunity to earn a specific rate of return on its "rate base", or average investment in utility plant. These rates are intended to cover all reasonable and prudent expenses of utility operations and to provide investors with a fair rate of return. The FPSC has authorized a return on equity range for Florida Power of 11-13% and its retail base rates are based on the mid-point of that range - 12%.

Other Matters

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. (See Note 14 to the Financial Statements.)

NUCLEAR MATTERS

Florida Power has one nuclear generating plant, CR3, which is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC's jurisdiction encompasses broad supervisory and regulatory powers over the construction and operation of nuclear reactors, including matters of health and safety, antitrust considerations and environmental impact. Florida Power has a license to operate the nuclear plant through December 3, 2016. Plans are in place to request the extension of the CR3 operating license in 2005. In May 2000, the NRC consented to the indirect transfer of control of the CR3 operating license that occurred as a result of the acquisition by Progress Energy. Florida Power currently has a 91.8% ownership interest in CR3. (See Note 7 to the Financial Statements.)

Spent nuclear fuel is stored at CR3 pending disposal under a contract with the United States Department of Energy (DOE). (See Note 7 to the Financial Statements.) At the present time, Florida Power has facilities on site for the temporary storage of spent nuclear fuel generated through the year 2011. Florida Power plans to expand the capacity of its facilities on site in 2001, to allow for the temporary storage of spent nuclear fuel generated through the end of the license in 2016.

Enrichment Facilities Decontamination

Florida Power and a number of other utilities are involved in litigation against the United States challenging certain retroactive assessments imposed by the federal government on domestic nuclear power companies to fund the decommissioning and decontamination of the government's uranium enrichment facilities.

On November 1, 1996, Florida Power filed suit against the U.S. Government in the U.S. Court of Claims alleging breach of contract and illegal taking of property without just compensation. The suit arises out of several contracts under which the government provided uranium enrichment services at fixed prices. After Florida Power paid for all services provided under the contracts, the government, through federal legislation enacted in 1992, imposed a retroactive price increase in order to fund the decontamination and decommissioning of the government's gaseous diffusion uranium enrichment facilities. The government is collecting this increase through an annual "special assessment" levied upon all utilities that had enrichment services contracts with the government. Collection of the special assessments began in 1992 and is scheduled to continue for a fifteen-year period.

To date, Florida Power has paid more than \$13 million in special assessments, and if continued throughout the anticipated fifteen-year life, the special assessments would increase the cost of Florida Power's contracts by more than \$23 million. Florida Power seeks an order declaring that all such special assessments are unlawful, and an injunction prohibiting the government from collecting future special assessments, and damages of approximately \$9.5 million, plus interest.

In June 1998, Florida Power, Consolidated Edison Co. and 15 other utilities filed an action for declaratory judgement against the United States in the Southern District Court of New York, challenging the constitutionality of the \$2.25 billion retroactive assessment imposed by the federal government on domestic nuclear power companies to fund the decommissioning and decontamination of the government's uranium enrichment facilities. In August 1998, the utilities filed an Amended Complaint adding several additional utilities as plaintiffs.

In February 1999, the court granted Florida Power's motion to stay the Claims Court action, pending resolution of the District Court case. In April 1999, the District Court ruled that it had subject matter jurisdiction, and denied the Government's motion to transfer the action to the Claims Court. The Government appealed the decision to the U.S. Court of Appeals for the Federal Circuit, which affirmed the District Court ruling. The Government filed for rehearing in January 2001.

EMPLOYEES

As of February 28, 2001, Florida Power had approximately 4,300 regular full-time employees. The International Brotherhood of Electrical Workers represents approximately 2,100 of these full-time employees. The current union contract was ratified in December 1999 and expires in December 2002.

DIVERSIFIED OPERATIONS

GENERAL

Florida Progress' diversified operations are owned directly or indirectly through Progress Capital, a Florida corporation and wholly-owned subsidiary of Florida Progress. Progress Capital holds the capital stock of, and provides funding for, Florida Progress' non-utility subsidiaries. Its primary subsidiary is Electric Fuels.

Formed in 1976, Electric Fuels is an energy and transportation company with operations organized into three business units. Electric Fuels' energy and related services business unit supplies coal to Florida Power's Crystal River Energy Complex and other utility and industrial customers. This business unit also produces and sells natural gas and synthetic fuel along with operating terminal services and offshore marine transportation. Electric Fuels also manages all of Progress Energy's synthetic fuel facilities. Electric Fuels' inland marine transportation business unit, MEMCO Barge Line, Inc. (MEMCO), transports coal and dry-bulk cargoes primarily on the Mississippi, Illinois and Ohio rivers. The rail services business unit, led by Progress Rail Services Corporation (Progress Rail), is one of the largest integrated processors and suppliers of railroad materials in the country. With operations in 24 states, Canada and Mexico, Progress Rail offers a full range of railcar parts, maintenance-of-way equipment, rail and other track material, railcar repair facilities, railcar scrapping and metal recycling as well as railcar sales and leasing.

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, the Inland Marine Transportation segment and the Rail Services segment. The Inland Marine Transportation group is led by MEMCO and the Rail Services group is led by Progress Rail.

In October 1998, Florida Progress formed a new subsidiary, Progress Telecommunications Corporation (Progress Telecom). Progress Telecom owns and operates a voice and data fiber network that stretches from Washington, D.C. to Miami, Florida and conducts primarily as a carrier's carrier business. Progress Telecom markets wholesale fiber-optic-based capacity service in the Southeastern United States to long-distance carriers, internet service providers and other telecommunications companies. Progress Telecom also markets wireless structure attachments to wireless communication companies and governmental entities. As of December 31, 2000, Progress Telecom owned and managed approximately 4,000 route miles and approximately 115,000 fiber miles of fiber optic cable.

COMPETITION

Florida Progress' non-utility subsidiaries compete in their respective marketplaces in terms of price, quality of service, location and other factors. Electric Fuels competes in several distinct markets: its coal and synthetic fuel operations compete in the eastern United States utility and industrial coal markets; its marine transportation and barge operations compete in the coal, grain and bulk products transportation markets on the Ohio, Illinois and lower Mississippi rivers; its marine equipment repair business competes in the inland river and gulf coast repair markets; and its rail operations compete in the railcar repair, parts and associated services markets primarily in the eastern United States, but also in the midwest and west. Factors contributing to Electric Fuels' success in these markets include a competitive cost structure, strategic locations and, in the case of its marine transportation operations, a modern fleet. There are, however, numerous competitors in each of these markets, although no one competitor is dominant in any industry. The business of Electric Fuels and its subsidiaries, taken as a whole, is not subject to significant seasonal fluctuation. Progress Telecom competes with other providers of fiber-optic telecommunications services, including local exchange carriers and competitive access providers, primarily in Florida. (For further information with respect to Florida Progress' non-utility subsidiaries and competition, see Item 7 "MD&A - Diversified Operations.")

EMPLOYEES

As of February 28, 2001, Progress Capital and its subsidiaries had approximately 4,800 regular full-time employees.

ITEM 2. PROPERTIES

GENERAL

Florida Progress believes that its physical properties and those of its subsidiaries are adequate to carry on its and their businesses as currently conducted. Florida Progress and its subsidiaries maintain property insurance against loss or damage by fire or other perils to the extent that such property is usually insured.

UTILITY OPERATIONS

As of December 31, 2000, the total summer generating capacity (including jointly-owned capacity) of Florida Power's generating facilities was 8,012 MW. This capacity was generated by 13 steam units with a capacity of 4,716 MW, two combined cycle units with a capacity of 689 MW and 47 combustion turbine units with a capacity of 2,607 MW. Florida Power's generating plants (all located in Florida) and their capacities at December 31, 2000, were as follows:

Plants	Primary/ Alternate Fuel	Location (County)	1st Year of Commercial Operation	Steam MW	Combined Cycle MW	Combustion Turbine MW	Summer Net Maximum Dependable Capacity MW
Crystal River:		Citrus					
Unit #1	Coal		1966	379	—	—	379
Unit #2	Coal		1969	486	—	—	486
Unit #3 *	Uranium		1977	834	—	—	834
Unit #4	Coal		1982	720	—	—	720
Unit #5	Coal		1984	717	—	—	717
				3,136			3,136
Anclote	Oil/Gas	Pasco	1974	993	—	—	993
Bartow	Oil/Gas	Pinellas	1958	444	—	187	631
Suwannee River	Oil/Gas	Suwannee	1953	143	—	164	307
Hines Unit 1	Gas/Oil	Polk	1999	—	482	—	482
Tiger Bay	Gas	Polk	1997	—	207	—	207
Avon Park	Oil/Gas	Highlands	1968	—	—	52	52
Bayboro	Oil	Pinellas	1973	—	—	184	184
DeBary	Oil/Gas	Volusia	1975	—	—	667	667
Higgins	Gas	Pinellas	1969	—	—	122	122
Intercession City **	Oil/Gas	Osceola	1974	—	—	1,029	1,029
Rio Pinar	Oil	Orange	1970	—	—	13	13
Turner	Oil	Volusia	1970	—	—	154	154
University of Fla.	Gas	Alachua	1994	—	—	35	35
				4,716	689	2,607	8,012

* Represents 100% gross of co-owners total plant capacity. Florida Power's ownership percentage is 91.8%.

** Florida Power and Georgia Power Company (Georgia Power) are co-owners of a 143 MW advanced combustion turbine located at Florida Power's Intercession City site. Georgia Power has the exclusive right to the output of this unit during the months of June through September. Florida Power has that right for the remainder of the year.

As of December 31, 2000, including both the total generating capacity of 8,012 MW and the total firm contracts for purchased power of approximately 1,300 MW (as identified in Item 1 under the heading "Purchased Power"), Florida Power had total capacity resources of approximately 9,312 MW.

Substantially all of Florida Power's utility plant is pledged as collateral for Florida Power's First Mortgage Bonds.

As of December 31, 2000, Florida Power distributed electricity through 359 substations with an installed transformer capacity of 51,557,000 kilovolt amperes (KVA). Of this capacity, 36,658,000 KVA is located in transmission substations and 14,899,000 KVA in distribution substations. Florida Power has the second largest transmission network in Florida. Florida Power has 4,688 circuit miles of transmission lines, of which 2,642 circuit miles are operated at 500, 230, or 115 kilovolts (KV) and the balance at 69 KV. Florida Power has 26,801 circuit miles of distribution lines, which operate at various voltages ranging from 2.4 to 25 KV.

DIVERSIFIED OPERATIONS

Electric Fuels owns and/or operates approximately 6,000 railcars, 100 locomotives, 1,200 river barges and 20 river towboats that are used for the transportation and shipping of coal, steel and other bulk products. Through joint ventures, Electric Fuels has four oceangoing tug/barge units. An Electric Fuels subsidiary, through another joint venture, owns one-third of a large bulk products terminal located on the Mississippi River south of New Orleans. The terminal handles coal and other products. Electric Fuels provides dry-docking and repair services to towboats, offshore supply vessels and barges through operations it owns near New Orleans, Louisiana. Certain river barges and tug/barge units owned or operated by Electric Fuels are subject to liens in favor of certain lenders.

Electric Fuels controls, either directly or through subsidiaries, coal reserves located in eastern Kentucky and southwestern Virginia. Electric Fuels owns properties that contain estimated coal reserves of approximately 2 million tons and controls, through mineral leases, additional estimated coal reserves of approximately 22 million tons. The reserves controlled by Electric Fuels include substantial quantities of high quality, low sulfur coal that is appropriate for use at Florida Power's existing generating units. Electric Fuels' total production of coal during 2000 was approximately 3.7 million tons.

In connection with its coal operations, Electric Fuels subsidiaries own and operate an underground mining complex located in southeastern Kentucky and southwestern Virginia. Other Electric Fuels subsidiaries own and operate surface and underground mines, coal processing and loadout facilities and a river terminal facility in eastern Kentucky, a railcar-to-barge loading facility in West Virginia, and three bulk commodity terminals: one on the Ohio River in Cincinnati, Ohio, and two on the Kanawha River near Charleston, West Virginia. Electric Fuels and its subsidiaries employ both company and contract miners in their mining activities.

An Electric Fuels subsidiary owns a majority interest in a partnership, located in eastern Kentucky, which produces synthetic fuel from three facilities. Another Electric Fuels subsidiary has a minority interest in two other synthetic fuel facilities located in West Virginia. In 1999, Electric Fuels subsidiaries purchased four additional synthetic fuel facilities. Two of the facilities were relocated and began operations at Electric Fuels coal mines in Kentucky and Virginia in 1999. The other two facilities were relocated and began operation at river terminal locations in West Virginia during 2000. Also during 2000, Progress Energy Ventures, a wholly-owned subsidiary of Progress Energy, purchased 90% interests in two of these four recently acquired facilities.

A subsidiary of Electric Fuels has acquired oil and gas leases on about 20,000 acres in Garfield and Mesa Counties, Colorado, containing proven natural gas net reserves of 60.7 billion cubic feet. This subsidiary currently operates 54 gas wells on the properties. Electric Fuels' natural gas production in 2000 was 4.8 billion cubic feet.

Progress Rail, an Electric Fuels subsidiary, is one of the largest integrated processors of railroad materials in the United States, and is a leading supplier of new and reconditioned freight car parts, rail, rail welding and track work components, railcar repair facilities, railcar and locomotive leasing, maintenance-of-way equipment and scrap metal recycling. It has facilities in 24 states, Mexico and Canada.

Another subsidiary of Electric Fuels owns and operates a manufacturing facility at the Florida Power Energy Complex in Crystal River, Florida. The manufacturing process utilizes the fly ash generated by the burning of coal as the major raw material in the production of lightweight aggregate used in construction building blocks.

Progress Telecom provides wholesale telecommunications services throughout the Southeastern United States. Progress Telecom incorporates approximately 115,000 fiber miles in its network including over 100 Points-of-Presence.

As a result of the acquisition by Progress Energy, Progress Telecom now manages the fiber optic network of Caronet, Inc. (Caronet), a subsidiary of Progress Energy, stretching from Atlanta to Washington, D. C. Progress Telecom plans to combine its fiber network with Caronet's fiber network in 2001.

ITEM 3. LEGAL PROCEEDINGS

1. **NCP Lake Power, Inc. v. Florida Power Corporation, Florida Circuit Court, Fifth Judicial Circuit for Lake County, Case No. 94-2354-CA-01**

In re: Petition for Declaratory Statement Regarding the Negotiated Contract for Purchase of Firm Capacity and Energy between Florida Power Corporation and Lake Cogen, LTD., Florida Public Service Commission, Docket No. 980509-EQ.

Florida Power's purchased power contracts with qualifying facilities (QFs) employ separate pricing methodologies for capacity payments and energy payments. Florida Power has interpreted the pricing provision in its qualifying facility 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 contract is based would not have been operated.

On October 21, 1994, NCP Lake Power, Inc. (Lake), a general partner of Lake Cogen, Ltd., filed the above-referenced suit against Florida Power asserting breach of its QF contract and requesting a declaratory judgment. In December 1996, Florida Power filed a petition with the FPSC seeking approval of a settlement agreement between Florida Power and Lake. In November 1997, the FPSC declined approval, finding the proposed settlement would exceed Florida Power's avoided costs.

On April 9, 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. In January 1999, Florida Power filed a Notice of Appeal of this FPSC order with the Florida Supreme Court. Oral argument was heard in December 1999.

Trial on Lake's action was held in Circuit Court in November and December 1998. In April 1999, the judge entered a non-final trial order. The judge granted Lake's breach of contract claim and ruled that Lake is entitled to receive "firm" energy payments during the 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. The judge denied Lake's breach of contract claim relating to a coal-pricing dispute, denied Lake's claim for injunctive relief and denied the Florida Power counterclaims. The court reserved jurisdiction to enable the parties to present evidence on damages. After hearing evidence on damages, in August 1999, the court issued a Final Judgment awarding Lake historic damages in the amount of \$4,480,247. Lake filed a Notice of Appeal, and in September 1999, Florida Power filed a notice of cross appeal. The 5th District Court of Appeals heard oral argument in September 2000, and in an unusual action, the Court suggested that the parties again attempt mediation. The parties met but did not resolve their dispute.

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.

(See Note 15 to the Financial Statements – Commitments and Contingencies – Legal Matters – Qualifying Facilities Contracts.)

2. **Wanda L. Adams, et al. v. Florida Power Corporation and Florida Progress Corporation, U.S. District Court, Middle District of Florida, Ocala Division, Case No. 95-123-C.V.-OC-10.**

On October 13, 1995, Florida Power and Florida Progress were served with a multi-party lawsuit involving 17 former Florida Power employees. The plaintiffs generally alleged discrimination in violation of the Age Discrimination and Employment Act and wrongful interference with pension rights in violation of the Employee Retirement Income Security Act of 1974 ("ERISA") as a result of their involuntary terminations during Florida Power's reduction in force. While no dollar amount is specified, each Plaintiff seeks back pay, reinstatement or front pay through their projected dates of normal retirement, costs and attorney's fees. The Plaintiffs subsequently filed motions adding 39 additional plaintiffs.

In November 1995, Florida Power filed its answer, a motion to dismiss Florida Progress, and a counterclaim against five of the plaintiffs who signed releases, promising, among other things, not to sue Florida Power with respect to matters involving their employment or termination. The counterclaim sought enforcement of the agreement, dismissal of plaintiffs' complaints, and an award of attorney's fees and costs of litigation.

In October 1996, the court approved a joint stipulation to provisionally certify the case as a class action pursuant to the Age Discrimination in Employment Act. By May 28, 1997, the final day for individuals to "opt into" this action, 61 additional former employees elected to do so, for a total of 116 plaintiffs (although, as noted below, four of those plaintiffs have had their federal claims dismissed and 74 others have had their state age claims dismissed).

In June 1998, the judge issued an order on several pending motions. The motion to dismiss Florida Progress was denied, but all the ERISA claims were dismissed and the state age claims of 5 plaintiffs were dismissed. The Motion to Dismiss 4 plaintiffs' federal age claims based on Statute of Limitations violations was granted.

In December 1998, Florida Power and the plaintiffs engaged in informal settlement discussions, which were terminated on December 22, 1998. However, the plaintiffs have filed a motion to enforce a purported \$11 million oral settlement agreement. Florida Power denied that such an agreement existed and filed responsive pleadings to that effect.

In August 1999, the Court dismissed the state law claims of an additional 69 plaintiffs who executed releases upon termination (bringing the total number of state law claims dismissed to 74), granted the Florida Power motion to decertify the class, and denied the plaintiff's motion to enforce the alleged \$11 million oral settlement agreement. 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, in March 2000 the plaintiffs filed a motion with the District Court to reopen the case of Akin, et al. vs. Florida Power, which identified all opt-in plaintiffs as named plaintiffs, and to dismiss the Adams case. The Akin case was originally filed in an effort to preserve the litigation rights of the 61 plaintiffs who opted into the Adams case. The Court stayed the Akin case pending a ruling on Florida Power's motion to decertify the class.

(See Note 15 to the Financial Statements – Commitments and Contingencies – Legal Matters – Age Discrimination Suit.)

3. **Florida Power Corporation v. United States, U.S. Court of Federal Claims, Civil Action No. 96-702C.**

Consolidated Edison Co., et al v. United States, United States District Court, Southern District of New York, Case No. 98-CIV-4115

The Company believes this proceeding does not meet the disclosure standards for this item, and thus will no longer be reported on.

(For additional information see Item 1 – Business – Nuclear Matters—"Enrichment Facilities.")

4. **State of Oklahoma, ex rel. John P. Crawford, Insurance Commissioner v. Mid-Continent Life Insurance Company, District Court of Oklahoma County, State of Oklahoma, Case No. CJ-97-2518-62**

State of Oklahoma, ex rel, John P. Crawford, Insurance Commissioner as Receiver for Mid-Continent Life Insurance Company v. Florida Progress Corporation, a Florida corporation, Jack Barron Critchfield, George Ruppel, Thomas Steven Krzesinski, Richard Korpan, Richard Donald Keller, James Lacy Harlan, Gerald William McRae, Thomas Richard Dlouhy, Andrew Joseph Beal and Robert Terry Stuart, Jr., District Court of Oklahoma County, State of Oklahoma, Case No. CJ-97-2518-62 (part of the same case noted above).

Michael Farrimond, Pamela S. Farrimond, Angela Fry, Jowhna Hill, and Barbara Hodges, for themselves and all others similarly situated v. Florida Progress Corporation, a Florida corporation, Jack Barron Critchfield, George Ruppel, Thomas Steven Krzesinski, Richard Korpan, Richard Donald Keller, James Lacy Harlan, Gerald William McRae, Thomas Richard Dlouhy, Andrew Joseph Beal and Robert Terry Stuart, Jr., District Court of Oklahoma County, State of Oklahoma, Case No. CJ-99-130-65

On April 14, 1997, John P. Crawford, the Oklahoma State Insurance Commissioner (Commissioner), received court approval to seize control as receiver of the operations of Mid-Continent Life Insurance Company (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 from various parties 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 in view of objections and questions raised by various parties. The Court ordered the filing of new proposals by May 2000. In December 1999, Florida Progress accrued an additional provision for loss of \$10 million. 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.

New proposals were submitted to the Commissioner and he 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 pay 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 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. (See Note 15 to the Financial Statements – Contingencies – Mid-Continent Life Insurance Company.)

5. **Calgon Carbon Corporation v. Potomac Capital Investment Corporation, Potomac Electric Power Company, Progress Capital Holdings, Inc., and Florida Progress Corporation, United States District Court for the Western District of Pennsylvania, Civil Action No. 98-0072.**

Calgon Carbon Corporation (Calgon) filed a complaint on January 12, 1998, asserting securities fraud, breach of contract and other claims in connection with the sale to it by two of the defendants in December 1996 of their interests in Advanced Separation Technologies, Incorporated (AST), a corporation engaged in the business of designing and assembling proprietary separation equipment. Prior to closing, Progress Capital, a wholly-owned subsidiary of Florida Progress, owned 80% of the outstanding stock of AST and Potomac Capital Investment Corporation (an entity unaffiliated with Progress Capital or Florida Progress) owned 20%. Calgon paid Progress Capital an aggregate of approximately \$57.5 million (producing net proceeds of approximately \$56 million after certain fees and expenses) in respect of Progress Capital's share of AST's stock. Calgon claims that AST's assets and revenues were overstated and liabilities and expenses were understated for 1996. Calgon also alleges undisclosed facts relating to accounting methodology, poor products, manufacturing and quality control problems and undisclosed warranty claims. Calgon seeks damages, punitive damages and the right to rescind the purchase. The defendants have filed a motion for summary judgement, which is pending. As a result of documents recently produced by the plaintiff which Florida Progress believes undercut several of Calgon's claims, discovery has been reopened. Defendants will be allowed to supplement their motion. (See Note 15 to the Financial Statements – Commitments and Contingencies – Legal Matters – Advanced Separation Technologies.)

6. **In Re: Joint Petition for Determination of Need for an Electrical Power Plant in Volusia County by the Utilities Commission, City of New Smyrna Beach, and Duke Energy New Smyrna Beach Power Company Ltd., L.L.P. Public Service Commission, Docket No. 981042-EM.**

The Company believes this proceeding does not meet the disclosure standards for this item, and thus will no longer be reported on.

7. **Lisa Fruchter, on behalf of herself and all others similarly situated v. Florida Progress Corporation; Richard Korpan; Clarence V. McKee; Richard A. Nunis; Jean Giles Wittner; Michael P. Graney; Joan D. Ruffier; Robert T. Stuart, Jr.; W. D. Frederick; and Vincent J. Naimoli. Circuit Court of the 6th Judicial Circuit in and for Pinellas County, Florida. Case No. 99-6167CI-20**

The Company believes this proceeding does not meet the standards for disclosure of this item, and thus will no longer be reported on.

8. **Wallace Bentley, et al. v. City of Tallahassee, Interstate Fibernet, Inc. and Florida Power Corporation, Circuit Court for Leon County, Florida. Case No. 98-7107.**

In December 1998, Florida Power was served with this 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 Telecom as a defendant and adding counts for unjust enrichment and constructive trust. In January 2000, the court conditionally certified the class statewide. In 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. A final settlement hearing date is set for June 2001. If given final approval, the settlement would not have a material adverse impact on the financial position, results of operations or liquidity of Florida Power or Progress Telecom.

(See Note 15 to the Financial Statements – Commitments and Contingencies – Legal Matters – Easement Litigation.)

9. In the Matter of CP&L Holdings, Inc. (n.k.a. Progress Energy) On Behalf of its Public Utility Subsidiaries and Florida Progress Corporation On Behalf of Its Public Utility Subsidiaries, Federal Energy Regulatory Commission Docket Nos. EC00-55-000 and ER00-1520-000.

In February 2000, CP&L Holdings and Florida Progress filed with the FERC a petition seeking approval of their combination. An Order approving the combination was issued in July 2000. Tampa Electric Company (TECO) has filed a request with FERC asking that it clarify, or in the alternative, grant rehearing of its July Order. The request seeks two new ordering paragraphs. The first paragraph would require the companies to make a filing by October 15, 2000 for an RTO that is in compliance with FERC Order 2000, and that the combination cannot be consummated until the Commission issues an order that the filing is in compliance with Order 2000. The second paragraph would prohibit Florida Power from augmenting its uncommitted generating capacity for five years; other than to serve native load customers or existing firm wholesale transactions. The Company believes that there is no merit to either request, and that issues relating to RTO compliance with FERC Order 2000 belong in the FERC docket that will be opened when the Florida RTO files for FERC approval.

Under the Federal Power Act, requests for rehearing are deemed to have been denied if they are not acted upon within 30 days. FERC may issue an order within the 30 day time period granting or denying the request in whole or in part, or issue a "tolling order" granting the rehearing solely for the purposes of reconsideration. Rehearing requests are sometimes "tolled" to allow FERC additional time in which to rule. If a rehearing request is tolled, FERC rules do not require it to rule on the merits of the request within any time period. The Federal Power Act provides, however, that requests for rehearing do not operate as a stay of a FERC order unless otherwise ordered by FERC. TECO has not sought a stay of FERC's July 12 order. In the absence of a stay or modification of the July 12 order, the request filed by TECO does not affect the authorization previously granted by FERC.

In August 2000, PG&E National Energy Group, PG&E Generating Company and PG&E Energy Trading-Power, L.P. filed motions with FERC in support of Tampa Electric Company's (TECO's) Request for Clarification or Rehearing of the FERC order, which authorized the combination of Florida Progress and CP&L Energy with the requirement that the companies make a filing on or before October 15, 2000 to transfer operational control of their transmission facilities. Also in August, the City of Fayetteville, North Carolina filed a Request for Rehearing and a separate Request for Reconsideration with the FERC. On August 23, 2000, the FERC issued a "tolling order" granting rehearing solely for the limited purpose of further consideration. Rehearing requests are sometimes "tolled" in this manner to allow FERC additional time in which to rule. In October 2000, TECO filed with the FERC a notice of withdrawal of its request for clarification or rehearing. In connection therewith, Florida Power, along with Florida Power & Light Company and TECO, also filed with the FERC in October a comprehensive application for approval of an RTO for peninsular Florida. On February 7, 2001, the FERC issued an order denying the request for rehearing or clarification. Florida Power considers this matter concluded for reporting purposes.

10. In re: Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light. Florida Public Service Commission Docket No. 000824-EI.

The Company believes this proceeding does not meet the disclosure standards for this item, and thus will no longer be reported on.

See Current Regulatory Environment under “Other Matters” in the Management’s Discussion and Analysis section for more information.

The environmental matters previously discussed in this section are now addressed in a generic discussion under Item I, Business, “Environmental Matters.”

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

PART II

ITEM 5. MARKET FOR THE REGISTRANTS' COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

FLORIDA PROGRESS

Prior to the acquisition of Florida Progress by CP&L Energy on November 30, 2000, which was subsequently renamed Progress Energy, Florida Progress' common stock was listed on the New York Stock Exchange and the Pacific Stock Exchange. The high and low sales prices per share, as reported as composite transactions by Bloomberg, and dividends declared per share were as follows:

<u>1999</u>	<u>High</u>	<u>Low</u>	<u>Dividends Declared</u>
First Quarter	\$44 3/4	\$36 7/8	.545
Second Quarter	43 1/4	35 7/8	.545
Third Quarter	48	39 9/16	.545
Fourth Quarter	46 15/16	41 3/16	.545
<u>2000</u>	<u>High</u>	<u>Low</u>	<u>Dividends Declared</u>
First Quarter	\$46 1/2	\$40 1/16	.555
Second Quarter	50 9/16	45 5/16	.555
Third Quarter	53 7/16	46 7/8	.555
Fourth Quarter*	56 1/16	51 13/16	N/A

*The final trading price for Florida Progress was 54 3/16 on November 30, 2000, the effective date of the acquisition by Progress Energy.

Florida Progress receives dividends from Florida Power. Florida Power's Amended Articles of Incorporation and its Indenture dated as of January 1, 1944, under which it issues first mortgage bonds, contain provisions restricting dividends in certain circumstances. At December 31, 2000, Florida Power's ability to pay dividends was not limited by these restrictions.

Florida Progress and Progress Capital have entered into a Second Amended and Restated Guaranty and Support Agreement dated as of August 7, 1996, pursuant to which Florida Progress has unconditionally guaranteed the payment of Progress Capital's debt (as defined in the agreement).

Florida Progress did not issue any equity securities during 2000 that were not registered under the Securities Act. Progress Capital, however, has a privately placed medium-term note program. (See Item 7 "MD&A-Liquidity and Capital Resources -Diversified Operations" and Note 10 to the Financial Statements.)

FLORIDA POWER

All of Florida Power's common stock is owned by Florida Progress, and as a result there is no established public trading market for the stock. For the past three years, Florida Power has paid quarterly dividends to Florida Progress totaling the amounts shown in the Statements of Common Equity in the Financial Statements. Florida Power's amended articles of incorporation, and its Indenture dated as of January 1, 1944, as supplemented, under which it issues first mortgage bonds, contain provisions restricting dividends in certain circumstances. At December 31, 2000, Florida Power's ability to pay dividends was not limited by these restrictions.

ITEM 6. SELECTED FINANCIAL DATA

FLORIDA PROGRESS CORPORATION

The consolidated financial data should be read in conjunction with the financial statements and the notes thereto included elsewhere in this report.

	Years Ended December 31				
	2000	1999	1998	1997	1996
	<i>(in millions except ratios)</i>				
<u>Operating results</u>					
Utility revenues	\$ 2,891.2	\$ 2,632.6	\$ 2,648.2	\$ 2,448.4	\$ 2,393.6
Diversified revenues	1,574.3	1,227.2	961.7	868.0	764.3
Income from continuing operations	144.3 ⁽³⁾	314.9	281.7	54.3 ⁽¹⁾	250.7
Loss from discontinued operations	-	-	-	-	(26.3) ⁽²⁾
Net income	\$ 144.3	\$ 314.9	\$ 281.7	\$ 54.3	\$ 224.4
Ratio of earnings to fixed charges	1.12	2.87	3.13	1.69	3.52
<u>Assets</u>	\$ 6,507.1	\$ 6,414.7	\$ 6,160.8	\$ 5,760.0	\$ 5,348.4
<u>Capitalization</u>					
Long-term debt	2,276.4	2,454.1	2,250.4	2,377.8	1,776.9
Preferred stock of subsidiary	33.5	33.5	33.5	33.5	33.5
Common stock equity	1,987.6	2,008.7	1,862.0	1,776.0	1,924.2
Total capitalization	\$ 4,297.5	\$ 4,496.3	\$ 4,145.9	\$ 4,187.3	\$ 3,734.6

(1) Includes charges for extended nuclear outage costs and a provision for loss on Florida Progress' investment in Mid-Continent. (See Note 15.)

(2) Represents the charge to earnings associated with Florida Progress' divestiture of Echelon International, formerly Progress Credit Corporation.

(3) For 2000, income from continuing operations includes certain merger-related and impairment costs.

FLORIDA POWER CORPORATION

The financial data should be read in conjunction with the financial statements and the notes thereto included elsewhere in this report.

	Years Ended December 31 (in millions except ratios)				
	2000	1999	1998	1997	1996
<u>Operating results</u>					
Utility revenues	\$ 2,891.2	\$ 2,632.6	\$ 2,648.2	\$ 2,448.4	\$ 2,393.6
Earnings for common stock	\$ 210.3 ⁽¹⁾	\$ 265.5	\$ 248.6	\$ 134.4	\$ 232.6
Ratio of earnings to fixed charges	3.82	4.37	3.87	2.75	4.80
Ratio of earnings to fixed charges and preferred stock dividends	3.74	4.29	3.80	2.70	4.40
<u>Assets</u>	\$ 4,958.4	\$ 4,889.1	\$ 4,928.1	\$ 4,900.8	\$ 4,264.0
<u>Capitalization</u>					
Long-term debt	1,397.1	1,478.8	1,555.1	1,754.4	1,296.4
Preferred stock	33.5	33.5	33.5	33.5	33.5
Common stock equity	1,965.0	1,885.0	1,820.1	1,767.5	1,825.5
Total capitalization	\$ <u>3,395.6</u>	\$ <u>3,397.3</u>	\$ <u>3,408.7</u>	\$ <u>3,555.4</u>	\$ <u>3,155.4</u>

(1) For 2000, earnings for common stock include certain merger-related costs.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For 2000 as compared to 1999 and 1999 as compared to 1998

OVERVIEW

Management's Discussion and Analysis includes a review of the operating results and financial condition of Florida Progress Corporation and focuses primarily on Florida Progress' two principal subsidiaries, Florida Power Corporation and Electric Fuels Corporation. Through this analysis we identify the key factors affecting revenues, earnings, cash flows, capital requirements and other financial data.

Florida Power provides electric service to approximately 1.4 million customers in west central Florida and serves a predominately retail customer base.

Progress Capital Holdings, Inc. is a holding company for Florida Progress' diversified operations led by Electric Fuels, an energy and transportation company. Electric Fuels has three primary business segments: Rail Services, Inland Marine Transportation and Energy & Related Services.

Florida Progress' 2000 net income, before \$200.9 million of merger-related and impairment charges after-tax (\$277.7 million pre-tax), was \$345.2 million, an increase of 9.6% over 1999 net income of \$314.9 million. The increase was primarily driven by a 5.3% increase in kilowatt-hour sales (based on system requirements) at Florida Power and increased sales of a coal-based synthetic fuel, which generates income tax credits by Electric Fuels.

Florida Progress' 1999 net income of \$314.9 million increased 11.8% over 1998's net income of \$281.7 million. The increase was primarily driven by a 3.7% increase in kilowatt-hour sales at Florida Power and sales by Electric Fuels of a new coal-based synthetic fuel, which generates tax credits.

ACQUISITION

On November 30, 2000, CP&L Energy, which subsequently changed its name to 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 in exchange for each of their shares 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 of Florida Progress was accounted for using the purchase method 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. The financial statements, footnotes and Management's Discussion and Analysis included in this Form 10-K, reflect the complete 12 months of 2000, 1999 and 1998, as applicable.

FLORIDA POWER CORPORATION

Florida Power's operating results are primarily influenced by customer demand for electricity, its ability to control costs and its authorized regulatory return on equity. Annual demand for electricity is based on the number of customers and their annual usage, with usage largely driven by weather. Since Florida Power serves a predominately retail customer base, operating results are primarily influenced by the level of retail sales and the costs associated with those sales.

The FPSC oversees the retail sales of the state's investor-owned electric utilities and authorizes retail base rates. Base rates and the resulting base revenues are intended to cover all reasonable and prudent expenses of utility operations and provide investors with a fair rate of return.

Costs not covered by base rates include fuel, purchased power and energy conservation expenses. The FPSC allows electric utilities to recover these costs, referred to as "pass-through" costs, through various cost recovery clauses to the extent those costs are prudent. Pass-through costs represent about 44% of Florida Power's annual electric

revenues and about 53% of its operating expenses for 2000. Due to the regulatory treatment of these expenses and the method allowed for recovery, changes from year to year have no material impact on operating results.

The FPSC has authorized a return on equity range for Florida Power of 11-13% and its retail base rates are based on the mid-point of that range — 12%. Each year, Florida Power provides the FPSC with a forecast of the current year's earnings and regulatory return on equity. In 2000, Florida Power used the additional revenues generated in 1999, to offset additional amortization of its Tiger Bay regulatory asset. (See Note 14.)

In 1998, Florida Power experienced higher-than-forecasted sales due to abnormally warm weather and, as a result, took several actions. Those actions included FPSC-approved accelerated write-offs of regulatory assets, deferral of revenues and other measures designed to improve the utility's overall quality of service to its customers.

Florida Power's retail regulatory return on equity for 2000, 1999 and 1998 was 12.7%, 12.4% and 12.3%, respectively.

System Requirements (In millions of kilowatt-hours)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Total	41,242	39,160	37,763

Florida Power's total kilowatt-hour sales based on system requirements increased about 5.3% in 2000 compared with 1999. The increase was due to continued customer growth and increases in weather related usage, along with strong usage due to a favorable economy. Wholesale sales of electricity were up 6.7% due largely to higher kilowatt-hour sales to wholesale customers, primarily Seminole Electric, Florida Power's largest wholesale customer.

During 2000, Florida Power served approximately 24,000 new customers, of which 21,000 were residential customers. This group of customers represents Florida Power's largest customer class and grows about 2% annually. Average usage in 2000 among residential customers was about 3% higher than 1999 due primarily to colder-than-normal temperatures during the latter part of the year.

Florida Power's total kilowatt-hour sales increased 3.7% in 1999 compared with 1998 despite a return to more normal temperatures in 1999. The increase was primarily due to higher kilowatt-hour sales to wholesale customers, primarily Seminole Electric.

Average usage in 1999 among residential customers was about 4% lower than 1998 when hotter-than-normal temperatures caused residential customers to use more energy. Partially offsetting the lower usage per residential customer was the addition of 27,000 new customers, including 22,000 residential customers.

In addition to new customers, Florida Power's non-weather-related usage improved in 1999 over 1998. Non-weather-related usage can increase due to favorable economic factors including higher personal income and low unemployment levels. Customer usage patterns, influenced by items such as the construction of larger homes and increased use of electronics, also drive additional non-weather-related sales.

Utility Revenues

<u>(In millions)</u>	2000 Increase (Decrease)	1999 Increase (Decrease)
	<u>from prior year</u>	
Base revenues:		
Sales of electricity	\$ 64.1	\$ 22.0
Revenue deferral, net	15.7	(24.2)
Other operating revenues	2.5	9.7
Pass-through revenues	176.3	(23.1)
Total utility revenues	\$258.6	\$(15.6)

Growth in base revenues is a key factor contributing to the growth of Florida Power's earnings.

Total utility revenues increased in 2000 compared with 1999 due to customer growth, higher weather-related usage and an increase in fuel costs, which contributed to higher pass-through revenues. For 2000, Florida Power deferred \$63 million of base revenues as approved by the FPSC. Florida Power obtained approval from the FPSC to defer recognition of those revenues to have more time to explore ways the retail customer could benefit earlier than by accelerating the amortization of the Tiger Bay asset. As noted earlier, Florida Power has, in the past, used revenues deferred in one year to offset additional amortization of the Tiger Bay regulatory asset.

Florida Power must inform the FPSC of its plan to use the deferred revenues by April 2, 2001. If Florida Power does not file its plan or if the plan is not approved, Florida Power will use the deferred revenues to accelerate the amortization of the Tiger Bay asset.

Florida Power's 1999 utility revenues were down \$15.6 million compared with 1998. A return to more normal weather in 1999 and an increase in the deferral of base revenues essentially offset the effect of customer growth and non-weather usage growth.

In 1999, Florida Power deferred \$44.4 million of base revenues as approved by the FPSC. In August 2000, Florida Power decided the best use of the additional revenues was to accelerate the amortization of \$44.4 million of its Tiger Bay regulatory asset.

The benefit to customers of accelerating the amortization of the Tiger Bay asset will be a reduction in the amount collected through certain pass-through clauses once the regulatory asset is fully amortized, which is expected to be 2007.

Sales of electricity to Florida Power's largest wholesale customer, Seminole Electric, are expected to decline in accordance with terms under existing contracts. As a result, wholesale base revenues, excluding interchange sales, are expected to decline in 2001. The effect on net income is not expected to be material as Florida Power's retail sales growth will, in part, absorb the decrease in wholesale sales.

Fuel, Purchased Power and Energy Conservation Costs

As previously discussed, fuel, purchased power and energy conservation costs are recovered primarily through recovery clauses established by state and/or federal regulators.

Factors influencing fuel and purchased power costs include demand for electricity, fuel prices, the availability of generating plants and the amount and price of electricity purchased from qualifying facilities (QFs) and other utilities.

Total fuel, and purchased power expenses were \$1.2 billion in 2000 compared with \$1 billion for 1999. The increase resulted from higher system requirements and an increase in the unit price of fuels (primarily natural gas and oil) and purchased power. Since these costs are generally recovered through recovery clauses established by regulators, the increase does not significantly affect net income.

Total fuel and purchased power expenses were \$1 billion in 1999, or about 2% lower than 1998's costs despite a 3.7% increase in system requirements. System requirements are the total amount of energy either produced or purchased to meet total customer energy demand. The decrease was due largely to lower purchased power costs incurred in 1999 compared with 1998.

A key factor influencing Florida Power's purchased power costs are the prices paid to QFs for electricity. Currently, Florida Power receives 831 MW of its total capacity from QFs. In 2000, Florida Power spent \$219.1 million for purchased power capacity payments under all QF contracts. Those payments represented approximately 18.3% of system fuel and purchased power expenses for the year. Costs associated with the contracts raised Florida Power's system average cost for generation in 2000 and 1999, and this trend is expected to continue based on the contracts currently in place and the escalating payment schedules associated with each contract.

Florida Power will continue its effort to mitigate the impact of escalating payments from its QF contracts. (See Note 15 to the Financial Statements - Fuel, Coal and Purchased Power Commitments.)

Factors affecting the level of energy conservation costs include the cost of implementing and maintaining various FPSC-approved conservation programs and credits issued to customers participating in programs where equipment is used to remotely control energy usage among those participants. Florida Power does not expect the level of energy conservation costs to vary materially in the future.

Other Expenses

Other Utility Operating Expenses (Dollars in millions)

	<u>2000</u>	<u>Change</u>	<u>1999</u>	<u>Change</u>	<u>1998</u>
Other operation & maintenance	\$524.1	13.0%	\$463.9	(0.7)%	\$467.3
Depreciation & amortization	\$402.6	15.9%	\$347.5	(1.3)%	\$352.2
Taxes other than on income	\$213.3	5.0%	\$203.1	(.2)%	\$203.5

Operation and maintenance expenses for 2000 were down \$34 million compared with 1999 for recurring expenses after excluding \$94.2 million of merger-related costs. The decrease is due primarily to lower employee salary and benefit costs, from reduced staffing levels, and the timing of certain maintenance and reliability projects.

The combination with Progress Energy is expected to result in certain synergies due to the consolidation of various Florida corporate functions in Raleigh, North Carolina, headquarters for Progress Energy. As a result, Florida Power's operations and maintenance expenses are likely to decline over time as these cost savings are realized.

Operation and maintenance expenses for 1999 were down slightly compared with 1998, due primarily to the absence of additional costs incurred in 1998 for the acceleration of certain maintenance projects and a lump-sum employee pay increase. Excluding those items, which totaled \$24 million, 1999 operation and maintenance costs were up \$19 million. The increase over 1998 was attributable to higher legal expenses associated with a pre-existing age discrimination lawsuit, environmental costs associated with a former plant site and higher employee-related benefits.

Depreciation and amortization expense increased \$55.1 million in 2000 when compared with 1999. Excluding \$44.4 million of accelerated amortization of the Tiger Bay regulatory asset during 2000, depreciation and amortization expense increased \$10.7 million due to higher plant balances resulting primarily from the new Hines Unit 1 being in service the entire year. This 530-megawatt generation plant was added in April 1999.

Depreciation and amortization expense of \$347.5 million in 1999 decreased slightly from 1998 before adjusting for \$10 million of accelerated amortization of the Tiger Bay regulatory asset in 1999. Excluding the accelerated amortization of regulatory assets in 1999 and 1998, depreciation and amortization expense increased \$9 million in 1999 compared with 1998. The increase was due primarily to higher plant balances resulting from the addition of the Hines Unit 1.

Taxes other than on income were up \$10.2 million in 2000 over 1999 primarily due to a \$6.9 million or 6.1% increase in revenue related taxes from a comparable increase in Operating Revenues.

Rate Portion of Settlement Agreement Ends June 30, 2001

Florida Power entered into a settlement agreement in 1997 with several parties, excluding the FPSC, regarding various costs associated with an extended nuclear outage, which occurred in 1997. The settlement agreement provided, among other things, that the parties to the agreement, excluding Florida Power, would not seek or support any reduction in Florida Power's base rates or the authorized range of its return on equity during a four-year period that ends June 30, 2001. While the FPSC is not a party to the agreement, it unanimously approved the settlement agreement. (See Note 14 to the Financial Statements - Extended Nuclear Outage.)

DIVERSIFIED OPERATIONS

Net income (loss) from Diversified Operations was (\$66.0) million, \$62.5 million and \$42.3 million for 2000, 1999 and 1998, respectively. The (\$66.0) million net loss for 2000 includes nonrecurring merger-related and impairment costs of \$130.8 million after-tax. Net income before nonrecurring items for 2000 was therefore \$64.8 million.

Currently, Electric Fuels makes up the vast majority of Florida Progress' diversified operations. The increases in diversified revenues and net income over the last three years are due to the expansion of Electric Fuels. The growth of Electric Fuels has come from all three of its business units but the majority of its growth in income before nonrecurring items during 2000 and 1999 has come from the expansion of its synthetic fuel operations.

Florida Progress recorded a \$25.6 million after-tax charge for merger-related costs, primarily related to investment banker fees.

Electric Fuels Corporation

Electric Fuels' operating results are influenced by several factors, unique to the various markets in which the three business units compete. 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.

Rail Services — The key factor affecting operating results is the demand for railcar and trackwork components and services among the country's major railroads and fleet owners. The production of new rail cars is a key factor in the demand for rail car parts, one of Progress Rail's key products. In addition, the supply and demand for scrap steel directly affects the operating margins of its recycling division.

Inland Marine Transportation — Demand for barge transportation and river conditions on the Mississippi, Illinois and Ohio rivers can significantly affect operating results. Low and high water levels as well as icing conditions can affect the flow of barge traffic, the number of barges each towboat can transport and the cargo carried per barge.

Energy & Related Services — This business unit's operating results are primarily affected by the supply and demand for low-sulfur coal, natural gas and the demand for its coal-based synthetic fuel. Electric Fuels has acquired interests in nine synthetic fuel facilities that combine a petroleum-based product with coal fines to produce a synthetic fuel. During 2000, Energy Ventures purchased 90% interests in two of these facilities. Electric Fuels believes that this fuel qualifies for alternative fuel tax credits as allowed by section 29 of the Internal Revenue Code which expire in 2007.

2000 compared with 1999

Electric Fuels' 2000 net loss of \$25.1 million includes a \$83.6 million after-tax charge for asset impairments at its rail and coal operations and \$21.6 million after-tax merger-related costs. Excluding these charges, Electric Fuels' 2000 net income was \$80.1 million, up \$17.6 million. The 28% improvement in earnings was due primarily to its expanded synthetic fuel operations.

Excluding merger and asset impairment charges of \$43.0 million after-tax, the Rail Services business unit lost approximately \$10 million in 2000, compared to \$21.3 million of net income for 1999. The severe decline in earnings was due to continued weak demand for rail car parts and for track work by the major class one railroads.

In an effort to reduce costs, the major railroads have reduced spending on these types of maintenance items and announced layoffs. In addition, new rail car deliveries dropped nearly 40% during 2000 when compared with 1999. As mentioned above, demand for reconditioned parts, is directly affected by new rail car production. As a result of the preliminary valuation of the Rail Services business segment coupled with a continued decline in the rail services industry, Electric Fuels recorded an after-tax impairment charge of \$36.3 million to write down certain assets.

Inland Marine Transportation group earnings of \$12.7 million, excluding merger-related costs of \$3.7 million after-tax, were up \$2.0 million over last year's results. The increase is attributable to improved operating conditions and an expanded barge fleet. Partially offsetting these results were higher diesel fuel costs.

Earnings from the Energy and Related business unit were \$89.0 million, before merger and asset impairment charges of \$54.9 million after-tax, up \$50.1 million due largely to the addition of four synthetic fuel facilities. This business unit also owns coal mines. Due to the intended changes for the use of these assets by management and a continuing depressed market for coal, Electric Fuels recorded an after-tax impairment charge of \$47.3 million to write down coal reserves.

Electric Fuels' corporate and other costs of \$11.7 million, before merger charges of \$3.6 million, increased \$3.3 million in 2000 over 1999. The increase was primarily due to higher employee benefits related costs and higher incentive pay due to a dramatic increase in earnings before nonrecurring items.

1999 compared with 1998

Electric Fuels' 1999 net income of \$62.5 million represents an increase of \$20.2 million, or 47.8%, over 1998. Most of the increase in 1999 earnings for Rail Services was due to strong demand for railcar parts, which was driven by new railcar production.

The business unit's recycling operations contributed to the increase as a result of an increase in tons sold and an improvement in the market price of scrap steel compared to the last quarter of 1998. The increase in tons of scrap sold was due primarily to 1998 acquisitions of certain recycling businesses.

Electric Fuels continued the expansion of its Rail Services business unit in 1999 through acquisitions, expanding a railcar repair facility and completion of a new trackworks plant in Sherman, Texas. These factors contributed to a 34% increase in earnings from 1998 to 1999.

The Inland Marine Transportation business unit's earnings for 1999 were essentially the same as 1998 despite the addition of approximately 100 new barges. Icy conditions during the first quarter of 1999 and low water conditions later in the year disrupted barge traffic and limited tow capacity. In addition to difficult river conditions during parts of the year, cost increases in diesel fuel negatively impacted operating results in 1999.

Earnings at the Energy & Related Services business unit showed the most improvement over 1998. The increase was due to the sale of about 2 million tons of a new coal-based synthetic fuel and increased production of natural gas.

Electric Fuels' corporate and other costs increased \$4.1 million in 1999 over 1998. The increase was primarily due to higher employee-related benefits.

Florida Progress Interest Expense and Other Income

Florida Progress' interest expense increased \$22.3 million in 2000 over 1999 as a result of higher average debt balances and higher short-term rates. The higher debt balances were due primarily to expansion of Electric Fuels' operations, in particular its synthetic fuel business.

Florida Progress' total interest expense increased \$7.4 million in 1999 compared with 1998. The increase was due primarily to increased other interest charges, which were partially offset by lower long-term interest resulting from lower debt balances and refinancing of higher cost debt at Florida Power. Partially offsetting those reductions were higher debt balances at Electric Fuels as a result of its expansion activities.

Allowance for funds used during construction (AFUDC) is primarily influenced by the amount of Florida Power's construction work-in-progress outstanding during the year. In April 1999, a new 530 MW generation plant was placed in service, which reduced construction work-in-progress balances in 1999 compared with 1998. As a result, AFUDC was lower in 1999.

Other income was higher in 1999 as compared to 2000 due primarily to a gain on the sale of property at Florida Power and higher earnings from non-regulated activities.

Income Taxes

Income tax expense decreased each year from 1998 to 2000 primarily due to alternative fuel tax credits generated by the sale of Electric Fuels' synthetic fuels. (See Note 6 to the Financial Statements.)

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

Florida Progress' utility and diversified operations are capital-intensive businesses. As such, Florida Power's construction expenditures and Electric Fuels' and Progress Telecom's capital expenditures and expansion activities largely influence cash requirements.

At Florida Power, cash from operations is the primary source of cash for its construction expenditures, which normally range from approximately \$300 million to \$400 million annually. Over the last three years, Florida Power's cash flow from operations has averaged 190% of its construction expenditures.

Electric Fuels' cash requirements have been influenced by rail acquisitions, acquisitions of synthetic fuel facilities and the expansion of the company's barge fleet. These requirements have been primarily funded from cash from operations and the issuance of debt. 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.

In addition to funding its construction commitments with cash from operations, the companies access the capital markets through the issuance of commercial paper, medium-term notes, preferred securities, and equity through Progress Energy, which can offer issuances of common stock. Other sources of capital for both companies over the last three years include proceeds from the sale and leaseback of equipment, and proceeds from the sale of properties and businesses.

Florida Power's interim financing needs are funded primarily through its commercial paper program. The utility has a \$200-million, 364-day revolving bank credit facility and a \$200-million, long-term revolving bank credit facility expiring in 2004, which are used to back up commercial paper. (See Note 10 to the Financial Statements.) In March 2000, Florida Power established an uncommitted bank bid facility that authorized it to borrow and re-borrow, and have outstanding at any time, up to \$100 million. As of December 31, 2000, there were no loans outstanding under the uncommitted facility. The facility was established to temporarily supplement commercial paper borrowings, as needed.

Florida Power's medium-term note program provides for the issuance of either fixed or floating interest rate notes, with maturities that may range from nine months to 30 years. Florida Power has \$250 million of medium-term notes available for issuance. (See Note 10 to the Financial Statements.)

Progress Capital provides short- and long-term financing facilities for Florida Progress' diversified operations, primarily Electric Fuels and Progress Telecom. With the benefit of a guaranty and support agreement with Florida Progress, Progress Capital helps to lower the cost of capital of the diversified businesses. Progress Capital funds diversified operations primarily through the issuance of commercial paper and medium-term notes.

Progress Capital has revolving bank credit facilities which consist of \$300 million with a 364-day term and a \$300 million long-term facility that expires in 2003. These facilities are used to back up commercial paper. Progress Capital also has uncommitted bank bid facilities that authorize it to borrow and re-borrow, and have outstanding at any time, up to \$300 million. As of December 31, 2000, there were no loans outstanding under the uncommitted facilities. The facilities were established to temporarily supplement commercial paper borrowings, as needed. (See Note 10 to the Financial Statements.)

Progress Capital also has a medium-term note program for the issuance of either fixed or floating interest rate notes with maturities that may range from nine months to 30 years. A balance of \$400 million is available for issuance under this program.

As previously mentioned, Florida Progress became a wholly-owned subsidiary of Progress Energy on November 30, 2000. From that date on, Florida Progress' source of equity funds will come from its parent, Progress Energy.

CASH FLOW FROM OPERATING ACTIVITIES

Cash from operations of \$478.2 million decreased \$208.9 million compared with 1999 due primarily to the underrecovery of fuel costs at Florida Power, operation fluctuations in current assets for electric customers as a result of colder than normal weather in December 2000 compared with December 1999 and nonrecurring merger-related expenses. Florida Power is allowed full recovery of prudently incurred costs through rates charged to customers. (See Item 7, "MD&A - Operating Results - Florida Power.")

Cash from operations of \$687.1 million in 1999 decreased \$190.8 million compared with 1998 due primarily to the absence of \$106.3 million of tax benefits received in 1998. These tax benefits related to Florida Power's 1997 buy-out of the Tiger Bay purchased power contract.

Electric Fuels' most significant operating cash requirement is related to the working capital needs of its rail services and energy operations. The operations of these businesses provide sufficient cash to meet their working capital requirements.

CASH FLOW FROM INVESTING ACTIVITIES

Cash requirements for investing activities during 2000 decreased \$63 million due primarily to lower property additions by Florida Power when compared with 1999. The decrease is due to a reduction in nuclear fuel purchases and nuclear construction spending.

Cash requirements for investing activities for 1999 of \$612.3 million were down \$73.3 million compared with 1998. This was due primarily to fewer acquisitions by Electric Fuels' Rail Services business unit.

Florida Power's construction expenditures totaled \$283.7 million, \$357.7 million and \$310.2 million for 2000, 1999 and 1998, respectively. These expenditures are primarily for distribution lines and generating facilities necessary to meet the needs of the utility's growing customer base.

In planning for its future generation needs, Florida Power develops a forecast of annual demand for electricity, including a forecast of the level and duration of peak demands during the year. These forecasts have historically been developed using a 15% reserve margin. The reserve margin is the difference between a company's net system generating capacity and the maximum demand on the system. In December 1999, the FPSC approved a joint proposal by Florida Power, Florida Power & Light and Tampa Electric Company to increase the reserve margin to 20% by 2004. In response, Florida Power received proposals from qualified bidders, as required by the FPSC, to provide new generating capacity to be available by the end of 2003 as an alternative to Florida Power's option to construct a planned second generating unit at the Hines site. Florida Power's self-build option for Hines Unit 2 was determined to be the most cost-effective alternative. Hines Unit 2 will use the same combined-cycle technology as Hines Unit 1 and is expected to have a summer generating capacity of approximately 495 MW. The cost of the plant is included in the projected construction dollars presented below under the heading "Future Cash Requirements."

Electric Fuels' capital expenditures for 2000, 1999 and 1998 were \$90.9 million, \$163.0 million and \$217.0 million, respectively. These capital expenditures have been primarily for the purchase of barges and towboats, expansion of its synthetic fuel operations and the construction of a new rail car repair and trackworks facility.

MEMCO completed the expansion of its barge fleet during 1999, which now totals 1,200 barges. In 1999 and 1998, proceeds from sale and lease back of \$47 million and \$153 million, respectively, relate to a synthetic lease financing transaction for \$175 million in barges and \$25 million in towboats.

Other capital expenditures for diversified operations are primarily for Progress Telecom and totaled \$104 million in 2000. Progress Telecom expects to spend about \$100 million annually over the next three years for the expansion of its telecom network.

Other investing activities in 1999 decreased \$70.8 million from 1998 primarily due to lower contributions to supplementary retirement plans. Contributions to these plans were \$8.2 million and \$75.3 million in 1999 and 1998, respectively. The contributions to these plans for 2000 were immaterial.

CASH FLOW FROM FINANCING ACTIVITIES

For Florida Progress, an increase in the issuance of short-term debt helped fund the additional cash requirements resulting from the expansion of Electric Fuels synthetic fuel operations. In July 2000, \$75 million of Florida Power's medium-term notes matured. Florida Power's cash flow from operations and a \$71 million equity contribution enabled the utility to reduce its total debt at year-end compared with 1999.

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 advance from Progress Energy in 2000 was not significant.

In 1999 and 1998, Progress Capital issued \$50 million and \$115 million of medium-term notes, respectively, with maturities ranging from two to ten years. The proceeds were primarily used to repay maturing medium-term notes and for other corporate purposes.

In 1999, \$75 million of Florida Power's 6 1/2 % first mortgage bonds matured. The bonds were refinanced with commercial paper. In 1998, Florida Power redeemed \$250 million of first mortgage bonds. The redemption of these bonds was principally funded through the issuance of \$150 million of 30-year medium-term notes bearing an interest rate of 6 3/4 % and commercial paper.

Capital Structure for Florida Progress

As of December 31, 2000 and 1999:

	<u>2000</u>	<u>1999</u>
Common stock	46.2%	44.7%
Preferred stock of subsidiary	.8%	.7%
Debt	53.0%	54.6%

Security Credit Ratings (December 31, 2000)

	Standard & Poor's	Moody's
Florida Power Corporation		
First mortgage bonds	BBB+	A1
Medium-term notes	BBB+	A2
Commercial paper	A-2	P-1
Progress Capital Holdings, Inc.		
Medium-term notes	BBB	A3
Commercial paper	A-2	P-2
FPC Capital I		
Preferred Securities	BBB-	a3

Due primarily to the increase in leverage at Progress Energy as a result of the acquisition of Florida Progress, both, Standard & Poor's and Moody's lowered the rated securities of Florida Power, Progress Capital and FPC Capital I in December 2000.

Future Cash Requirements

Florida Power's three-year construction program totals nearly \$1.2 billion for the 2001-2003 forecast period. It includes planned expenditures of about \$400 million each year. These expenditures are primarily for the expansion of Florida Power's distribution system and generation capacity. Florida Power expects these construction expenditures to be financed primarily with cash from operations.

OTHER MATTERS

CURRENT REGULATORY ENVIRONMENT

General

Florida Power is regulated by the FPSC, FERC, NRC, EPA and by environmental authorities in the state of Florida. In addition, Florida Progress and Florida Power are subject to regulation by the SEC. As a result of regulation, many of the Company's fundamental business decisions, as well as the rate of return it is permitted to earn are subject to the approval of governmental agencies.

Florida Power has previously entered into a stipulation agreement committing several parties not to seek any reduction in Florida Power's base rates or authorized range of return on equity. That agreement expires on June 30, 2001.

On July 7, 2000, the FPSC opened a docket to review Florida Power's earnings including the effects of the acquisition by 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.

Electric Industry Restructuring

The electric utility industry is undergoing changes designed to increase competition in the wholesale and retail electricity markets. The wholesale power market includes sales of electricity to utilities from other utilities and non-utility generators.

This market is regulated by FERC. The retail electricity market includes sales of electricity to end-use customers, i.e., residential, commercial and industrial customers, and is regulated by FPSC.

As a result of the Public Utilities Regulatory Policies Act of 1978 (PURPA) and the Energy Policy Act of 1992 (EPA of 1992), competition in the wholesale electricity market has greatly increased, especially from non-utility generators of electricity. In 1996, FERC issued new rules on transmission service to facilitate competition in the wholesale market on a nationwide basis. The rules give greater flexibility and more choices to wholesale power customers.

Retail Choice

Florida's legislature has not considered a bill to restructure the electric utility industry. The FPSC monitors, through a staff committee, the restructuring activities in other states. In Florida, there has been less incentive to push forward legislative proposals concerning retail choice. This is due primarily to competitive rates for electricity in Florida compared with other states where restructuring legislation has been passed.

In May 2000, the Governor of Florida issued an executive order establishing a 17-member commission to study the issue of restructuring. The commission is scheduled to issue its final report to the Governor of Florida and the Florida legislature by December 1, 2001. The committee submitted an interim report to the Governor and the Florida legislature on January 31, 2001 on wholesale deregulation. The wholesale restructuring outline is intended to facilitate the evolution of a more robust wholesale marketplace in Florida. The current proposal includes several key provisions such as independent power producers would be allowed to compete in the Florida wholesale market, existing base rates would be frozen for three years and generating assets owned by regulated utilities would be transferred to affiliates at net book value among others.

Regional Transmission Organizations

On December 20, 1999, FERC issued its final rules on Regional Transmission Organizations (RTO) designated as "Order 2000." Order 2000 is intended to enhance competitive electricity markets through the establishment of independent regionally operated transmission grids. All public utilities that own, operate or control interstate electric transmission lines were required to file with FERC by October 15, 2000, a proposal for an RTO or an explanation of efforts made by the utility to participate in an RTO. The order provides guidance and specifies minimum characteristics and functions required of an RTO and also states that all RTOs should be operational by December 15, 2001.

In October 2000, Florida Power, along with Florida Power & Light Company and Tampa Electric Company, filed with FERC an application for approval of an RTO for peninsular Florida, currently named GridFlorida. On January 10, 2001, FERC rendered a positive order on certain aspects of the GridFlorida RTO application, governance and certain financial obligations. The three companies are continuing to make progress towards the development of GridFlorida.

Merchant Plants

In August 1998, Duke Energy filed a petition to build Florida's first merchant power plant, a 514 MW facility to be located in Volusia County, Florida. The plant would provide 30 MW of energy to the Utilities Commission of the City of New Smyrna Beach and the remaining capacity would be available for wholesale sales.

In a move Florida Power believed to be contrary to the existing state law, the FPSC granted Duke Energy's petition. Florida Power and other Florida utilities filed an appeal of the FPSC's decision with the Florida Supreme Court. In April 2000, the Florida Supreme Court ruled in favor of Florida Power and other utilities and reversed the FPSC's order. In December 2000, Duke Energy filed a petition for certiorari with the U.S. Supreme Court. On March 5, 2001, the U.S. Supreme Court denied Duke Energy's petition for certiorari.

Nuclear

In the retail jurisdiction, provisions for nuclear decommissioning costs are approved by the FPSC based on site-specific estimates that include the costs for removal of all radioactive and other structures at the site. In the wholesale jurisdiction, the provisions for nuclear decommissioning costs are based on amounts agreed upon by FERC. See Note 7 to the financial statements for a discussion of nuclear decommissioning costs.

As required under the Nuclear Waste Policy Act of 1982, Florida Power entered into a contract with the Department of Energy (DOE) under which the DOE agreed to begin taking spent nuclear fuel by no later than January 31, 1998.

All similarly situated utilities were required to sign the same standard contract. See Note 7 to the financial statements for a discussion of recent DOE developments.

Synthetic Fuels

Electric Fuels is a majority owner in three facilities that produce synthetic fuel from coal fines under the Internal Revenue Service Code 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, including a requirement that the synthetic fuel differs significantly in chemical composition from the coal fines used to produce such synthetic fuel. On October 5, 2000, the limited liability companies applied for Private Letter Rulings (PLRs) with the Internal Revenue Service (IRS) regarding this and several other issues relating to the facilities' qualification for tax credits. On October 26, 2000, the IRS released Revenue Procedure 2000-47, which notified taxpayers that the IRS National Office will not issue PLRs on the question of whether a solid synthetic fuel produced from coal is a "qualified fuel" under Section 29, except in the case of coke and in the case of solid synthetic fuels produced from "waste coal." The procedure also advised taxpayers with pending ruling requests that they can modify their requests to advise the IRS if they are producing solid synthetic fuels from waste coal sources. On December 6, 2000, Electric Fuels submitted a letter to advise the IRS that its facilities with pending ruling requests are producing solid synthetic fuel from waste coal sources and requested that they issue favorable rulings. The IRS has yet to act on the PLRs. Should the tax credits be denied on future audits and Florida Progress fails to prevail through the audit/legal process, there could be significant tax liability owed for previously-taken Section 29 credits, with a significant impact on earnings and cash flows.

In Management's opinion, Florida Progress is complying with all the necessary requirements to be allowed such credits under Section 29 and believes it is probable, although it cannot provide certainty, that it will prevail on any credits taken.

Environmental Matters

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 manufactured gas plant (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 EPA and the FDEP. Although Florida Power may incur costs at these sites about which it has been notified, based upon current status of these sites, Florida Power does not expect those costs to be material to the financial position or results of operations of Florida Power.

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 calling for expenditures, 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.

The Company has filed claims with the Company's general liability insurance carriers to recover costs arising out of actual or potential environmental liabilities. Some claims have been 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 Items

Florida Progress is involved in other litigation. (See Note 15 to the Financial Statements - Legal Matters.)

Even though the inflation rate has been relatively low during the last three years, inflation continues to affect Florida Progress by reducing the purchasing power of the dollar and increasing the cost of replacing assets used in the business. This has a negative effect on Florida Power because regulators generally do not consider this economic loss when setting utility rates. However, such losses are partly offset by the economic gains that result from the repayment of long-term debt with inflated dollars.

MID-CONTINENT LIFE INSURANCE COMPANY

Mid-Continent was placed in receivership in the spring of 1997. Since then, Florida Progress has been working to resolve various issues surrounding Mid-Continent with several parties.

In September 2000, the Oklahoma County District Court approved a rehabilitation plan for Mid-Continent in which American Fidelity would acquire Mid-Continent's policies. In addition, Florida Progress reached a settlement to resolve a policyholders' class action lawsuit, which was approved by the Court. The settlement included Florida Progress agreeing to contribute \$17.5 million, plus attorney's fees and expenses up to approximately \$5 million, towards protecting policyholders from future premium increases. Accordingly, Florida Progress has accrued approximately \$23 million as of December 2000.

In connection with a settlement agreement related to Mid-Continent Life, Florida Progress had charges totaling \$8.1 million after-tax during 2000. In 1999, charges related to Mid-Continent were more than offset by the recognition of certain tax benefits, which resulted in net income of \$3.6 million in 1999. (See Note 15 to the Financial Statements - Mid-Continent Life Insurance Company.)

NEW ACCOUNTING STANDARD

See Note 1 to the financial statements for a discussion of the anticipated impact of new accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the potential loss arising from adverse changes in market rates and prices. Florida Progress is exposed to certain market risks, including changes in interest rates with respect to its long-term debt and commercial paper, and fluctuations in the return on marketable securities with respect to its nuclear decommissioning trust funds. The Company manages its market risk in accordance with its established risk management policies, which may include entering into various derivative transactions.

These financial instruments are held for purposes other than trading. The risks discussed below do not include the price risks associated with non-financial instrument transactions and positions associated with Florida Progress' operations, such as sales commitments and inventory.

INTEREST RATE RISK

The Company manages its interest rate risks through the use of a combination of fixed and variable rate debt. Variable rate debt has rates that adjust in periods ranging from daily to monthly.

The following tables provide information as of December 31, 2000 and 1999, respectively, about the Company's interest rate risk sensitive instruments. The tables present principal cash flows and weighted-average interest rates by expected maturity dates for the fixed long-term debt, commercial paper and the FPC obligated mandatorily redeemable securities of trust.

December 31, 2000								Fair Value December 31
	2001	2002	2003	2004	2005	Thereafter	Total	
(Dollars in millions)								
Fixed rate long-term debt	\$ 191	\$ 87	\$ 275	\$ 68	\$ 48	\$ 1,001	\$ 1,670	\$ 1,651
Average interest rate	6.73%	5.92%	6.37%	6.32%	6.30%	6.94%	6.73%	-
Commercial paper	-	-	\$ 500	-	-	-	\$ 500	\$ 500
Average interest rate	-	-	7.10%	-	-	-	7.10%	-
FPC mandatorily redeemable securities of Trust	-	-	-	-	-	\$300	\$ 300	\$ 272
Fixed rate						7.10%	7.10%	

December 31, 1999								Fair Value December 31
	2000	2001	2002	2003	2004	Thereafter	Total	
(Dollars in millions)								
Fixed rate long-term debt	\$ 163	\$ 186	\$ 84	\$ 278	\$ 71	\$ 1,054	\$ 1,836	\$ 1,640
Average interest rate	5.92%	6.85%	6.11%	6.43%	6.64%	6.97%	6.73%	-
Commercial paper	-	-	-	\$ 484	-	-	\$ 484	\$ 484
Average interest rate	-	-	-	6.03%	-	-	6.03%	-
FPC mandatorily redeemable securities of Trust	-	-	-	-	-	\$ 300	\$ 300	\$ 250
Average interest rate	-	-	-	-	-	7.10%	7.10%	-

MARKETABLE SECURITIES PRICE RISK

Florida Power maintains trust funds, as required by the Nuclear Regulatory Commission, to fund certain costs of decommissioning its nuclear plants. These funds are primarily invested in stocks, bonds and cash equivalents, which are exposed to price fluctuations in equity markets and to changes in interest rates. At December 31, 2000 and 1999, the fair values of these funds were approximately \$400.7 million and \$377.2 million, respectively. The Company actively monitors its portfolio by benchmarking the performance of its investments against certain indices and by maintaining, and periodically reviewing, target allocation percentages for various asset classes. The accounting for nuclear decommissioning recognizes the costs recovered through the Company's regulated electric rates and, therefore, fluctuations in trust fund marketable security returns do not affect the earnings of the Company.

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)**December 31*

Assets	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

Years ended December 31

(In millions)

	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

<i>Florida Progress Corporation</i>		December 31	
<i>(In millions except per share data)</i>		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)			
<i>Florida Power Corporation:</i>			
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
<i>Florida Progress Funding Corporation:</i>			
Mandatorily redeemable preferred securities, maturing 2039	7.10%	300.0	300.0
		300.0	300.0
<i>Progress Capital Holdings:</i>			
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**Years ended December 31**(In millions except per share data)*

	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)*

	<i>First Quarter(a)</i>	<i>Second Quarter(a)</i>	<i>Third Quarter(a)</i>	<i>Fourth Quarter (a)(b)</i>
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*
*(In millions)**Years ended December 31*

	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)

	December 31	
	2000	1999
Assets		
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
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Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization	453.3	385.0	382.7
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Deferred income taxes and investment tax credits, net	(59.5)	(62.2)	36.5
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Changes in working capital

Accounts receivable	(117.2)	(4.9)	37.9
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Inventories	28.0	(35.5)	4.2
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Overrecovered/underrecovered utility fuel costs	(122.1)	9.4	51.7
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Accounts payable	33.6	(5.4)	11.8
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Taxes payable	7.6	5.3	(4.2)
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Prepayments and other	(32.4)	(23.5)	(11.6)
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Other	52.5	41.3	21.4
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Net Cash Provided by Operating Activities	454.1	575.0	779.0
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Investing Activities:

Gross property additions	(283.7)	(357.7)	(310.2)
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Allowance for borrowed funds used during construction	(3.1)	(3.4)	(9.4)
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Other investing activities	(16.4)	(27.5)	(56.8)
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Net Cash Used in Investing Activities	(303.2)	(388.6)	(376.4)
---------------------------------------	---------	---------	---------

Financing Activities:

Proceeds from issuance of long-term debt	-	-	14
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Repayment of long-term debt	(76.8)	(91.6)	(25)
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Dividends paid on common stock	(201.3)	(200.6)	(154.9)
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Equity contributions from Florida Progress	71.0	-	-
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Advances from parent	20.2	-	-
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Increase (decrease) in short-term debt	39.4	105.8	(132.5)
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Net Cash (Used in) Financing Activities	(147.5)	(186.4)	(402.6)
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Net Increase in Cash and Cash Equivalents	3.4	-	-
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Cash and Cash Equivalents at Beginning of the Year	-	-	-
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Cash and Cash Equivalents at End of Year	\$ 3.4	\$ -	\$ -
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Supplemental Disclosures of Cash Flow Information

Cash paid during the year – interest (net of amount capitalized)	\$ 135.0	\$ 114.2	\$ 111.4
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income taxes (net of refunds)	\$ 194.4	\$ 210.9	\$ 107.3
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Non-cash investing activities:

property dividend to Florida Progress	\$ -	\$ -	\$ 41.1
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See Notes to financial statements.

SCHEDULES of CAPITALIZATION*Florida Power Corporation*

December 31

(In millions except per share data)

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**Years ended December 31*

<i>(In millions)</i>	2000	1999	1998
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*

<i>(In millions)</i>	<i>First Quarter(a)</i>	<i>Second Quarter(a)</i>	<i>Third Quarter(a)</i>	<i>Fourth Quarter(a)</i>
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:

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

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:

(In millions)	2000		1999	
	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

<i>(In millions)</i>	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:

<i>(In millions)</i>	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:

(In millions)	Pension Benefits			Other Postretirement Benefits		
	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:

(In millions)	Pension Benefits		Other Postretirement Benefits	
	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)
Curtailement 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).

<i>(In millions)</i>	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:

<i>(In millions)</i>	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.

(In millions)	<u>Purchased Power Capacity Payments</u>		
	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 pay 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.

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

As a result of the acquisition of Florida Progress Corporation (FPC) and Florida Power Corporation (Florida Power) by Progress Energy, Inc. (Progress Energy), management decided to retain Deloitte & Touche LLP (D&T) as its independent public accountants. D&T has served as the independent public accountants for Progress Energy for over fifty years. On March 21, 2001, the Audit Committee of the Board of Directors approved this recommendation and formally elected to (i) engage D&T as the independent accountants for FPC and Florida Power and (ii) dismiss KPMG LLP (KPMG) as such independent accountants.

KPMG's reports on FPC's and Florida Power's financial statements for 2000 and 1999 (the last two fiscal years of KPMG's engagement) contained no adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. D&T became FPC's and Florida Power's independent accountants upon the completion of the 2000 audit and issuance of the related financial statements.

During FPC's and Florida Power's last two fiscal years and the subsequent interim period to the date hereof, there were no disagreements between FPC and Florida Power and KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of KPMG, would have caused them to make reference to the subject matter of the disagreements in connection with their report on the financial statements for such years.

FPC and Florida Power have requested KPMG to furnish it, as promptly as possible, with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements made by FPC and Florida Power in this Form 10-K. A copy of such letter, dated March 28, 2001 is filed as an Exhibit to this Form 10-K.

PART III

For purposes of Part III, "Florida Progress" shall mean Florida Progress Corporation, excluding all consolidated subsidiaries, unless otherwise indicated.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS

On November 30, 2000, Progress Energy, Inc. formerly known as CP&L Energy, Inc., acquired all of the outstanding shares of Florida Progress' common stock in a share exchange. The information provided in response to this item reflects the consummation of the share exchange and is provided for individuals who were serving as directors and executive officers of Florida Progress or Florida Power as of December 31, 2000.

FLORIDA PROGRESS

DIRECTORS

Edwin B. Borden, age 67, is President of The Borden Manufacturing Company, a textile management services company. He has served as a Director of the Company since November 30, 2000 and also serves as a director of Progress Energy, Inc., Carolina Power & Light Company, Jefferson-Pilot Corporation, Ruddick Corporation and Winston Hotels, Inc.

David L. Burner, age 61, is Chairman, President and Chief Executive Officer of The BFGoodrich Company (since July 1997). He previously served as President and Chief Executive Officer (from December 1996 to July 1997) and President (from December 1995 to December 1996) of The BFGoodrich Company and as President, BFGoodrich Aerospace and Executive Vice President of The BFGoodrich Company (from January 1995 to December 1995). He has served as a Director of the Company since November 30, 2000 and also serves as a director of Progress Energy, Inc., Carolina Power & Light Company, Brush Engineered Materials, Inc., Milacron, Inc. and Briggs & Stratton Corporation.

William Cavanaugh III, age 62, is Chairman, President and Chief Executive Officer of the Company (since November 30, 2000). He also serves as Chairman, President and Chief Executive Officer, Progress Energy, Inc. (formerly known as (i) CP&L Holdings, Inc. from August 1999 to February 2000 and (ii) CP&L Energy, Inc. from February 2000 to December 2000), from August 1999 to present; Chairman, Progress Energy Service Company, LLC, (formerly known as CP&L Service Company LLC), from July 2000 to present; Chairman, Florida Power Corporation from November 30, 2000 to present; Chairman, Progress Energy Ventures, Inc. (formerly known as CPL Energy Ventures, Inc.), from March 2000 to present; and Chairman, President and Chief Executive Officer, Carolina Power & Light Company ("CP&L") from May 1999 to present. He previously served as President and Chief Executive Officer, CP&L, from October 1996 to May 1999; and President Chairman (since May 1999), President and Chief Executive Officer of the Company (since October 1996). He previously served as President and Chief Operating Officer of the Company CP&L (from September 1992 to October 1996). He has served as a Director of the Company since November 30, 2000 and also serves as a director of Progress Energy, Inc., (including its subsidiaries listed herein) Carolina Power & Light Company and Duke-Weeks Realty Corporation.

Charles W. Coker, age 67, is Chairman of Sonoco Products Company, a manufacturer of paperboard and paper and plastics packaging products (since April 1998). He previously served as Chairman and Chief Executive Officer of Sonoco Products Company (from 1976 to April 1998). He has served as a Director of the Company since November 30, 2000 and also serves as a director of Progress Energy, Inc., Carolina Power & Light Company, BankAmerica Corporation, Sara Lee Corporation and Springs Industries, Inc.

Richard L. Daugherty, age 65, is the Executive Director of NCSU Research Corporation, a development corporation of the Centennial Campus of North Carolina State University (since March 1995). He has served as a Director of the Company since November 30, 2000 and also serves as a director of Progress Energy, Inc. and Carolina Power & Light Company.

W. D. Frederick, Jr., age 66 is a citrus grower and rancher. He is a retired partner in the law firm of Holland & Knight. He has served as a Director of the Company since 1995 and also serves as a director of Progress Energy, Inc., Carolina Power & Light Company, Blue Cross/Blue Shield of Florida and SunTrust Bank, Central Florida, N.A.

Richard Korpan, age 59, is retired Chairman, President and Chief Executive Officer of Florida Progress Corporation. He served as that company's Chairman from July 1, 1998 to November 30, 2000, and held the positions of President and Chief Executive Officer from 1991 and June 1997, respectively, until November 30, 2000. He has served as a Director of the Company since 1989 and also serves as a director of Progress Energy, Inc. and Carolina Power & Light Company.

Estell C. Lee, age 65, is President of The Lee Company, a building supplies company. She has served as a Director of the Company since November 30, 2000 and also serves as a director of Progress Energy, Inc. and Carolina Power & Light Company.

E. Marie McKee, age 50, is Senior Vice President of Corning Incorporated, a developer of technologies for glass, ceramics, fiber optics and photonics. She has served as a Director of the Company since November 30, 2000 and also serves as a director of Progress Energy, Inc. and Carolina Power & Light Company.

William O. McCoy, age 67, is a partner in Franklin Street Partners, an investment management firm (since 1998). He previously served as Interim Chancellor of the University of North Carolina from April 1999 to August 14, 2000 and as Vice President-Finance of the University of North Carolina from 1995 to 1998. He has served as a Director of the Company since November 30, 2000 and also serves as a director of Progress Energy, Inc., Carolina Power & Light Company, The Kenan Corporation, Liberty Corporation, Duke-Weeks Realty Corporation, TeraGlobal Communications Corp., Acterna Corp. and North Carolina Capital Management Trust and as a Trustee of Fidelity Investments.

John H. Mullin, III, age 59, is Chairman of Ridgeway Farm, LLC, a limited liability company engaged in timber and agricultural activities. He has served as a Director of the Company since November 30, 2000 and also serves as a director of Progress Energy, Inc., Carolina Power & Light Company, Graphic Packaging International Corp. and The Liberty Corporation, and as a Trustee of The Putnam Funds.

Richard A. Nunis, age 68 is President of New Business Solutions, Inc. He previously served as Chairman, Walt Disney Parks & Resorts. He has served as a Director of the Company since 1989 and also serves as a director of Progress Energy, Inc. and Carolina Power & Light Company.

J. Tylee Wilson, age 69, is retired Chairman and Chief Executive Officer of RJR Nabisco, Inc. He has served as a Director of the Company since November 30, 2000 and also serves as a director of Progress Energy, Inc. and Carolina Power & Light Company and BellSouth Corporation.

Jean Giles Wittner, age 66, is President and Secretary of Wittner & Co., Inc. a Florida holding company for companies that provide life insurance products, employee benefit insurance programs, and commercial office leasing and property management services. She has served as a director of the Company since 1982 and also serves as a director of Progress Energy, Inc., Carolina Power & Light Company and Raymond James Bank, FSB.

EXECUTIVE OFFICERS

William Cavanaugh III, age 62

Information concerning Mr. Cavanaugh is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Directors."

H. William Habermeyer, Jr., age 58

President and Chief Executive Officer, Florida Power Corporation, November 30, 2000 to present; Vice President, Carolina Power & Light Company, Western Region, July 1997 to November 2000; Vice President, Carolina Power & Light Company, Nuclear Engineering, August 1995 to July 1997.

William D. Johnson, age 47

Executive Vice President, General Counsel and Secretary of the Company, February 2001 to present; Executive Vice President and Secretary of the Company, November 30, 2000 to February 2001; Executive Vice President, General Counsel and Secretary, Progress Energy, Inc. (formerly known as (i) CP&L Holdings, Inc. from August 1999 to February 2000 and (ii) CP&L Energy, Inc. from February 2000 to December 2000), February 2001 to present; Executive Vice President and Corporate Secretary, Progress Energy, Inc., June 2000 to February 2001;

Senior Vice President and Secretary, CP&L Holdings, Inc., August 1999 to June 2000; Executive Vice President, General Counsel and Corporate Secretary, Progress Energy Service Company, LLC (formerly CP&L Service Company LLC), July 2000 to present; Executive Vice President, General Counsel and Corporate Secretary, Carolina Power & Light Company, November 2000 to present; Senior Vice President and Corporate Secretary, Carolina Power & Light Company, Legal and Risk Management, March 1999 to November 2000; Vice President-Legal Department and Corporate Secretary, Carolina Power & Light Company, 1997 to 1999; Vice President, Senior Counsel and Manager-Legal Department, Carolina Power & Light Company, 1995 to 1997.

Tom D. Kilgore, age 53

President and CEO, Electric Fuels Corporation, November 30, 2000 to present; Group President, CP&L, November 30, 2000 to present; Senior Vice President, Carolina Power & Light Company, Power Operation, August 1998 to November 30, 2000; President and Chief Executive Officer, Oglethorpe Power Corporation, Georgia Transmission Corporation and Georgia Operations Corporation, July 1991 to August 1998. These three companies provide power generation, transmission and system operations services, respectively, to 39 of Georgia's 42 customer-owned Electric Membership Corporations. From 1984 to July 1991, Mr. Kilgore held numerous management positions at Oglethorpe.

Robert B. McGehee, age 58

Executive Vice President of the Company, February 2001 to present; Executive Vice President and General Counsel of the Company, November 30, 2000 to February 2001; Executive Vice President, Progress Energy, Inc. (formerly known as (i) CP&L Holdings, Inc. from August 1999 to February 2000 and (ii) CP&L Energy, Inc. from February 2000 to December 2000) and Carolina Power & Light Company, February, 2001 to present; President and Chief Executive Officer, Progress Energy Service Company, LLC (formerly known as CP&L Service Company LLC), from July 2000 to present; Executive Vice President and General Counsel, Progress Energy, August, 1999 to February, 2001; Executive Vice President and General Counsel, Carolina Power & Light Company, May 2000 to February 2001; Executive Vice President, General Counsel, Chief Administrative Officer and Interim Chief Financial Officer, Carolina Power & Light Company, March 3, 2000 to May 2000; Executive Vice President, General Counsel and Chief Administrative Officer, Carolina Power & Light Company, March 1999 to March 3, 2000; Senior Vice President and General Counsel, Carolina Power & Light Company, May 1997 to March 1999. From 1974 to May 1997, Mr. McGehee was a practicing attorney with Wise Carter Child & Caraway, a law firm in Jackson, Mississippi. He primarily handled corporate, contract, nuclear regulatory and employment matters. From 1987 to 1997 he managed the firm, serving as chairman of its Board from 1992 to May 1997.

Peter M. Scott III, age 51

Executive Vice President and Chief Financial Officer ("CFO") of the Company, November 30, 2000 to present; Executive Vice President and CFO, Progress Energy, Inc. (formerly known as CP&L Energy, Inc.) June, 2000 to present; Executive Vice President and CFO, Florida Power, November 30, 2000 to present; Executive Vice President and CFO, Progress Energy Service Company, LLC (formerly known as CP&L Service Company, LLC), July 2000 to present; Executive Vice President and CFO, Carolina Power & Light Company, May 2000 to present. Before joining the Company, Mr. Scott was President of Scott, Madden & Associates, Inc., a management consulting firm he founded in 1983. The firm advises companies on key strategic initiatives for growing shareholder value.

Robert H. Bazemore, Jr., age 46

Controller and Chief Accounting Officer of the Company, November 30, 2000 to present; Controller and Chief Accounting Officer, Progress Energy, Inc. (formerly known as CP&L Energy, Inc.), June 2000 to present; Controller, Florida Power Corporation, November 30, 2000 to present; Vice President and Controller, Progress Energy Service Company, LLC (formerly CP&L Service Company LLC), July 2000 to present; Vice President and Controller, Carolina Power & Light Company, May 2000 to present; Director, Operations & Environmental Support Department, December 1998 to May 2000; Manager, Financial & Regulatory Accounting, September 1995 to December 1998.

There are no family relationships between any director or any executive officer of Florida Progress. The executive officers serve at the pleasure of the Florida Progress Board of Directors. Each executive officer is appointed annually.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

On September 27, 1999, Florida Progress and its directors were served with a purported class action complaint, Case No. 99-6167C1-20, styled Lisa Fruchter, on behalf of herself and all others similarly situated, v. Florida Progress Corporation; Richard Korpan; Clarence V. McKee; Richard A. Nunis, Jean Giles Wittner; Michael P. Graney; Joan D. Ruffier, Robert T. Stuart, Jr.; W. D. Frederick; and Vincent J. Naimoli. The complaint was filed in the Circuit Court of the 6th Judicial Circuit in and for Pinellas County, Florida on September 14, 1999. The complaint seeks class action status and injunctive relief (1) declaring that the agreement and plan of exchange among CP&L Energy, Inc. (now Progress Energy, Inc.), Florida Progress and Carolina Power & Light Company was entered into in breach of the fiduciary duties of the Florida Progress board of directors, (2) enjoining Florida Progress from proceeding with the share exchange, (3) rescinding the agreement and plan of exchange; (4) enjoining any other business combination until an auction is conducted to obtain the highest price possible for Florida Progress, (5) directing the Florida Progress board of directors to commence such an auction, and (6) awarding the class an unspecified amount of damages. The complaint also seeks an award of costs and attorneys' fees. Florida Progress believes this action is without merit and intends to vigorously defend itself against this action. The share exchange closed on November 30, 2000.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires Florida Progress' executive officers and directors, and persons who own more than ten percent of a registered class of Florida Progress' equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the New York Stock Exchange.

Based upon a review of the copies of such forms furnished to Florida Progress during 2000 or written representations that no forms were required, Florida Progress believes that all Section 16(a) filing requirements applicable to its executive officers and directors with respect to Florida Progress' 2000 fiscal year were met.

FLORIDA POWER

DIRECTORS

William Cavanaugh III, age 62

Information concerning Mr. Cavanaugh is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Directors."

H. William Habermeyer, Jr., age 58

Information concerning Mr. Habermeyer is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Executive Officers."

William D. Johnson, age 47

Information concerning Mr. Johnson is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Executive Officers."

Robert B. McGehee, age 58

Information concerning Mr. McGehee is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Executive Officers."

William S. Orser, age 56

Group President, Florida Power Corporation and Carolina Power & Light Company, November 30, 2000 to present; Executive Vice President, Carolina Power & Light Company, Energy Supply, June 1998 to November 30, 2000; Executive Vice President and Chief Nuclear Officer, Carolina Power & Light Company, December 1996 to June 1998; Executive Vice President, Carolina Power & Light Company, Nuclear Generation, April 1993 to December 1996.

Peter M. Scott III, age 51

Information concerning Mr. Scott is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Executive Officers."

EXECUTIVE OFFICERS

William Cavanaugh III, age 62

Information concerning Mr. Cavanaugh is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Directors."

Don K. Davis, age 55

Executive Vice President of the Company, November 30, 2000 to present; Executive Vice President, Carolina Power & Light Company, May 2000 to present; President and Chief Executive Officer, North Carolina Natural Gas Corporation, July 2000 to present; Chief Executive Officer, Strategic Resource Solutions, June 2000 to present; Executive Vice President, Florida Power Corporation, February 2001 to present. Before joining the Progress Energy, Mr. Davis was Chairman, President and Chief Executive Officer of Yankee Atomic Electric Company and served as Chairman, President and Chief Executive Officer of Connecticut Atomic Power Company from 1997 to May 2000. From January 1992 to December 1996, he was Chief Executive Officer and Director of PRISM Consulting, Inc., a utility management consulting firm he founded.

Fred N. Day IV, age 57

Executive Vice President, Florida Power Corporation and Carolina Power & Light Company, November 30, 2000 to present; Senior Vice President, Carolina Power & Light Company, Energy Delivery, July 1997 to November 30, 2000; Vice President, Carolina Power & Light Company, Western Region, 1995 to July 1997.

Wayne C. Forehand, age 57

Senior Vice President, Florida Power Corporation, November 30, 2000 to present; Vice President, Florida Power Corporation, September 1993 to November 2000.

H. William Habermeyer, Jr., age 58

Information concerning Mr. Habermeyer is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Executive Officers."

C. S. Hinnant, age 56

Senior Vice President, Florida Power Corporation, November 30, 2000 to present; Senior Vice President and Chief Nuclear Officer, Carolina Power & Light Company, June 1998 to present; Vice President, Carolina Power & Light Company, Brunswick Nuclear Plant, April 1997 to May 1998; Vice President, Carolina Power & Light Company, Robinson Nuclear Plant, March 1994 to March 1997.

William D. Johnson, age 47

Information concerning Mr. Johnson is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Executive Officers."

William S. Orser, age 56

Information concerning Mr. Orser is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Power, Directors."

Peter M. Scott III age 51

Information concerning Mr. Scott is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Executive Officers."

Robert H. Bazemore, Jr. age 46

Information concerning Mr. Bazemore is set forth in Part III hereof, under the heading "Directors and Executive Officers of the Registrants – Florida Progress, Executive Officers."

E. Michael Williams, age 52

Senior Vice President, Florida Power Corporation, November 30, 2000 to present; Senior Vice President, Carolina Power & Light Company, June 2000 to present; Before joining the Company, Mr. Williams held the position of Vice President, Fossil Generation, Central and South West Corp., an investor-owned utility.

There are no family relationships between any director or any executive officer of Florida Power. The executive officers serve at the pleasure of the Florida Power Board of Directors. Each executive officer is appointed annually.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Based upon a review of the copies of such forms furnished to Florida Power during 2000 or written representations that no forms were required, Florida Power believes that all Section 16(a) filing requirements applicable to its executive officers and directors with respect to Florida Power's 2000 fiscal year were met.

ITEM 11. EXECUTIVE COMPENSATION

On November 30, 2000, Progress Energy, Inc., formerly known as CP&L Energy, Inc., acquired all of the outstanding shares of Florida Progress' common stock in a share exchange transaction. Following the consummation of the share exchange, the Organization and Compensation Committee of the Progress energy Board of Directors set the compensation for the Progress Energy senior management team, which includes all officers of Florida Progress and/or Florida Power who serve as Senior Vice Presidents or in higher-level positions. The Corporate Governance Committee of the Progress Energy Board set the post-share exchange compensation of the directors of Florida Progress and its subsidiaries. For 2001 and future years, the expectation is that the Progress Energy Board of Directors and its properly designated committees shall set the officer and director compensation for Progress Energy and shall make recommendations as to compensation for directors and officers of its subsidiaries, to be ratified by the boards of directors of the appropriate subsidiaries.

The information provided in response to this item reflects the consummation of the share exchange and is provided for individuals who were serving as directors or executive officers of Florida Progress or Florida Power as of December 31, 2000. Information also has been provided with respect to certain former executive officers of Florida Progress and Florida Power who were not serving as executive officers of Florida Progress or Florida Power on December 31, 2000.

FLORIDA PROGRESS

COMPENSATION OF DIRECTORS

All compensation paid to outside Directors of Progress Energy, Inc. is for services rendered on behalf of Progress Energy, Inc.'s Board of Directors and the boards of Florida Progress Corporation and Carolina Power & Light Company. Sponsorship of certain benefit and deferred compensation plans and arrangements in which the outside Directors participate was transferred from Carolina Power & Light Company to Progress Energy, Inc., effective August 1, 2000. A description of the compensation paid to said outside Directors follows.

Directors who are not employees of Progress Energy, Florida Progress or Carolina Power & Light Company receive an annual retainer of \$35,000, of which \$15,000 is automatically deferred under the Directors' Deferred Compensation Plan (see below), and an attendance fee of \$1,500 per meeting for regularly scheduled Board meetings. Directors who are not employees of Progress Energy, Florida Progress or Carolina Power & Light Company also receive an attendance fee for committee meetings of \$1,000. The Chairman of each Committee receives an additional retainer of \$3,000 per year. Directors who are officers do not receive an annual retainer or attendance fees. All Directors are reimbursed for expenses incident to their service as Directors.

In addition to the \$15,000 annual retainer and any matching contributions under the incentive compensation program that are automatically deferred, outside Directors may elect to defer any portion of the remainder of their annual retainer and Board attendance fees until after the termination of their service on the Board under the Directors' Deferred Compensation Plan. Any deferred fees are deemed to be invested in a number of Units of Common Stock of Progress Energy, but participating Directors receive no equity interest or voting rights in the Common Stock. The number of Units credited to the account of a participating Director is equal to the dollar amount of the deferred fees divided by the average of the high and low selling prices (i.e., market value) of the Common Stock on the day the deferred fees would otherwise be payable to the participating Director. The number of Units in each account is adjusted from time to time to reflect the payment of dividends on the number of shares of Common Stock represented by the Units. Unless otherwise agreed to by the participant and the Board, when the participant ceases to be a member of the Board of Directors, he or she will receive cash equal to the market value of a share of Progress Energy's Common Stock on the date of payment multiplied by the number of Units credited to the participant's account.

Directors are also eligible for matching contributions of up to \$15,000 under an incentive compensation program. Awards under this program are based upon the achievement of the corporate incentive goals established each year by the Board of Progress Energy and used as the basis for a matching contribution of shares of Common Stock for participating employees in Progress Energy's Stock Purchase-Savings Plan. In the event that five of the corporate incentive goals are met, the \$15,000 portion of the annual retainer that is automatically deferred pursuant to the Directors' Deferred Compensation Plan will be increased by 50 percent, with an additional 10 percent increase for each corporate incentive goal met in excess of five (up to a maximum matching contribution of 100 percent). Such matching contribution is automatically deferred until the Director's retirement.

Effective January 1, 1998, the Board of Directors Retirement Plan was replaced by the Non-Employee Director Stock Unit Plan. Directors had the option of rolling the value of their benefits under the Retirement Plan into the Stock Unit Plan. Effective January 1, 2001, the Stock Unit Plan provides for an annual grant of 350 "stock units" (previously 150 stock units) to each non-employee Director who has served on the Board of Carolina Power & Light Company for at least one year and for matching grants of up to 350 additional units (previously up to 150 additional units) to be awarded to those Directors for each year in which certain incentive goals established by the Board are met. Each unit is equal in value to one share of Progress Energy's Common Stock. The number of units is adjusted from time to time to reflect the payment of dividends with respect to the Common Stock of Progress Energy. Benefits under the Plan vest after a participant has been a member of Carolina Power & Light Company's Board for five years, and are payable solely in cash.

All of the Directors who were existing Directors or retired Directors of Carolina Power & Light Company on or prior to September 16, 1998, participate in a Directors' Educational Contribution Plan. The Plan is funded by policies of corporate-owned life insurance on the lives of pairs of Directors, with proceeds payable to Progress Energy at the death of the second to die in each pair. All costs of the Plan are expected to be covered from the life insurance proceeds to be received by Progress Energy. Pursuant to this Plan, Progress Energy will make a contribution in the name of each Director to an educational institution or approved educational foundation or fund in North Carolina or South Carolina selected by the Director and approved by the Executive Committee of the Board of Directors. The contribution will be made at the later to occur of the retirement of the Director from the Board of Directors or ten years from the date of adoption of the Plan. If a Director has served as a Director for at least five but less than ten years at the time the contribution is to be made, Progress Energy will contribute \$250,000 in the name of the Director. If the Director has served for ten or more years, the amount of the contribution will be \$500,000. The Plan was discontinued September 16, 1998 and will not be offered as a benefit for any Director who joins the Board subsequent to that date. The Plan may be terminated at any time in the discretion of the Executive Committee without recourse or obligation to Progress Energy:

Stock Ownership Guidelines

In an effort to more closely link the interests of the Directors with those of shareholders of Progress Energy, in December 2000, the Board of Directors of Progress Energy adopted stock ownership guidelines which are designed to ensure that Progress Energy's outside Directors have a significant financial equity investment in Progress Energy. Those guidelines require the outside Directors to own Progress Energy common stock or Units whose value is equivalent to the value of that stock with a total value equal to five times the annual retainer paid to outside Directors. The stock and/or Units may be acquired over a five-year period and may include Units acquired under the Directors' Deferred Compensation Plan and the Non-Employee Director Stock Unit Plan of Progress Energy.

COMPENSATION OF EXECUTIVE OFFICERS

FORMER EXECUTIVE OFFICERS OF FLORIDA PROGRESS

The following table contains information with respect to compensation awarded, earned or paid during the years 1998-2000 to (i) the individual who served as Chief Executive Officer ("CEO") of Florida Progress through November 30, 2000; and (ii) two individuals for whom disclosures would have been provided pursuant to this item but for the fact that the individuals were not serving as executive officers of Florida Progress at the end of the last completed fiscal year (the individuals referred to in (i) and (ii) are referred to collectively as the "Former Executive Officers" in the Table below and in the section captioned Pension Plan Table, beginning on page 67).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Awards	Payouts	All Other Compensation
		Salary	Bonus	Other Annual Compensation(1)	Restricted Stock Awards(2)	LTIP Payouts(3)	
RICHARD KORPAN Chairman, President and Chief Executive Officer	2000	\$800,000	\$780,000	\$50,462	N/A	N/A	\$15,769,588 ⁴
	1999	766,115	975,000	18,033	519,093	2,076,331	29,700
	1998	650,766	594,000	16,891	N/A	792,754	28,65
RICHARD D. KELLER Group Vice President and	2000	\$420,000	\$378,000	\$34,416	N/A	N/A	\$7,875,036 ⁵
	1999	419,135	475,000	10,147	260,241	1,040,921	17,775

President and Chief Executive Officer, Electric Fuels Corporation	1998	391,926	250,000	4,978	N/A	363,399	17,681
JOSEPH H. RICHARDSON	2000	\$474,088	\$319,200	\$24,645	N/A	N/A	\$8,416,551 ⁶
Group Vice President and	1999	449,135	490,000	3,685	227,558	910,148	19,125
President and Chief Executive Officer, Florida Power Corporation	1998	421,158	382,500	2,625	N/A	437,994	18,900

(1) Amounts represent the reimbursement of taxes on certain perquisites and other personal benefits.

(2) The Former Executive Officers of Florida Progress who met certain stock ownership guidelines and elected to take their LTIP payouts in Common Stock, received an additional 25% of their 1997-1999 Long Term Incentive Plan ("LTIP") award in Restricted Common Stock which vests over a 10-year period with no shares vesting in years one through five and 20% vesting in each of the years six through ten. Dividends are payable on the Restricted Common Stock to the extent and on the same date as dividends are paid on all other shares of Common Stock. All unvested shares of Restricted Common Stock vest immediately upon the consummation of a change in control. Information for fiscal year 1999, represents the dollar value as of February 23, 2000, the date of award, of the total number of shares of Restricted Common Stock awarded to the Former Executive Officers as follows: Richard Korpan 12,341 shares; Joseph H. Richardson 5,410 shares; and Richard D. Keller 6,187 shares.

(3) Information for fiscal year 1999, represents the dollar value as of February 23, 2000, the date of award, of shares of Common Stock earned under the 1997-1999 performance cycle of Florida Progress' LTIP, none of which were restricted. The total number of shares earned, including dividend equivalent shares, is as follows: Richard Korpan 49,363 shares; Joseph H. Richardson 21,638 shares; and Richard D. Keller 24,747 shares.

The payouts listed for the 1997-1999 performance cycle are the result of the Florida Progress' Compensation Committee's determination of slightly below maximum achievement of Florida Progress total shareholder return goal and 77% of maximum payout based on the achievement of Electric Fuels' earnings growth and return on invested capital goal. A mathematical formula was used to convert the goal level achieved into the number of performance shares earned; then, dividend equivalents on shares earned for the period of the performance cycle were added.

(4) Consists of (i) \$7,650 which represents Florida Progress contributions to the Florida Progress Savings Plan; (ii) \$28,350 which represents Florida Progress contributions to the Executive Deferred Compensation Plan; (iii) \$11,551,588 which represents the cash value of shares granted under the Long-Term Incentive Compensation Plan paid due to the change in control of Florida Progress resulting from the share exchange with Progress Energy, Inc.; and (iv) \$4,182,000 which represents severance payments resulting from said change in control.

(5) Consists of (i) \$7,650 which represents Florida Progress contributions to the Florida Progress Savings Plan; (ii) \$11,250 which represents Florida Progress contributions to the Executive Deferred Compensation Plan; (iii) \$3,078 related to the premium paid for group term life insurance; (iv) \$5,846,136 which represents the cash value of shares granted under the Long-Term Incentive Compensation Plan paid due to the change in control of Florida Progress that resulted from the share exchange with Progress Energy, Inc; and (v) \$2,010,000 which represents severance payments resulting from said change in control.

(6) Consists of (i) \$6,694 which represents Florida Progress contributions to the Florida Progress Savings Plan; (ii) \$13,556 which represents Florida Progress contributions to the Management Deferred Compensation Plan; (iii) \$3,774 related to the premium paid for group term life insurance; (iv) \$5,898,801 which represents the cash value of shares granted under the Long-Term Incentive Compensation Plan paid due to the change in control of Florida Progress that resulted from the share

exchange with Progress Energy, Inc; and (v) \$2,497,500 which represents severance payments resulting from said change in control.

Pension Plan Table

The table below illustrates the estimated annual benefits (computed as a straight life annuity beginning at retirement at age 65) payable to the Former Executive Officers listed in the Summary Compensation Table on page 65 under Florida Progress' Retirement Plan for Exempt and Nonexempt Employees ("Retirement Plan"), Nondiscrimination Plan and Supplemental Executive Retirement Plan ("SERP") for specified final average compensation and years of service levels.

Estimated Aggregate Annual Retirement Benefits Payable Under the Retirement Plan for Exempt and Nonexempt Employees, the Nondiscrimination Plan and the Supplemental Executive Retirement Plan

Average Annual Compensation	Service Years						
	5	10	15	20	25	30	35 or more
\$ 200,000	\$ 37,500	\$ 75,000	\$ 112,500	\$ 120,000	\$ 120,000	\$ 120,000	\$ 126,000
300,000	56,250	112,500	168,750	180,000	180,000	180,000	189,000
400,000	75,000	150,000	225,000	240,000	240,000	240,000	252,000
500,000	93,750	187,500	281,250	300,000	300,000	300,000	315,000
600,000	112,500	225,000	337,500	360,000	360,000	360,000	378,000
700,000	131,250	262,500	393,750	420,000	420,000	420,000	441,000
800,000	150,000	300,000	450,000	480,000	480,000	480,000	504,000
900,000	168,750	337,500	506,250	540,000	540,000	540,000	567,000
1,000,000	187,500	375,000	562,500	600,000	600,000	600,000	630,000
1,100,000	206,250	412,500	618,750	660,000	660,000	660,000	693,000
1,200,000	225,000	450,000	675,000	720,000	720,000	720,000	756,000
1,300,000	243,750	487,500	731,250	780,000	780,000	780,000	819,000
1,400,000	262,500	525,000	787,500	840,000	840,000	840,000	882,000
1,500,000	281,250	562,500	843,750	900,000	900,000	900,000	945,000
1,600,000	300,000	600,000	900,000	960,000	960,000	960,000	1,008,000
1,700,000	318,750	637,500	956,250	1,020,000	1,020,000	1,020,000	1,071,000
1,800,000	337,500	675,000	1,012,500	1,080,000	1,080,000	1,080,000	1,134,000
1,900,000	356,250	712,500	1,068,750	1,140,000	1,140,000	1,140,000	1,197,000
2,000,000	375,000	750,000	1,125,000	1,200,000	1,200,000	1,200,000	1,260,000
2,100,000	393,750	787,500	1,181,250	1,260,000	1,260,000	1,260,000	1,323,000

Messrs. Korpan, Keller and Richardson are entitled to benefits under the SERP due to termination of employment following a change in control. These benefits are offset by the benefits payable under the Retirement Plan and the Nondiscrimination Plan. The estimated annual SERP benefit for the Former Executive Officers, prior to any offsets, may be determined using the Pension Plan Table set forth above. For these purposes, the current compensation for each executive that would be used in calculating benefits under the SERP is substantially the same as their 2000 salary and the three year average of their bonuses reported in the summary compensation table on page 65, and the number of years of deemed credited service that would be used in calculating benefits under the SERP for each such executive is as follows: Mr. Korpan, 35 years of service; Mr. Richardson, 30 years of service; and Mr. Keller, 27 years of service. Under the formula used for calculating benefits under the SERP, the maximum benefit payable to each Participant who is a Former Executive Officer would be reached at 16 years of deemed credited service unless the Former Executive Officer would have 35 years of deemed credited service.

Accrued benefits may also be paid under each of the Retirement Plan and Nondiscrimination Plan since the participants terminated employment before age 65 and met the requirements for termination-of-employment benefits in these plans.

Under the Retirement Plan and the Nondiscrimination Plan, the compensation taken into account in calculating benefits is salary only. The years of credited service that would be used in calculating benefits under the formula applicable to the Retirement Plan and the Nondiscrimination Plan (1.8% of final average earnings for each year of service) for the former Named Executive Officers in the summary compensation table on page 65 are as follows: Mr. Korpan, 12 years of service; Mr. Richardson, 25 years of service; and Mr. Keller, 22 years of service. The

benefits under the Retirement Plan and the Nondiscrimination Plan are subject to offset by an amount equal to 1 1/7% of a participant's primary Social Security benefit for each year of service (with a maximum offset of 40%).

Due to the change in control, each Participant, except Mr. Korpan, received credit under the SERP for five additional years of service. The benefits payable from the SERP were as follows: (1) an annuity at age 55 through 59, subject to early payment reductions in the amount of 3% for each year prior to age 60, or at age 60 without reduction; (2) the amount of any federal excise taxes (and income taxes on any reimbursement under this provision) imposed on the executive under Section 4999 of the Internal Revenue Code; and (3) a 50% surviving spouse benefit payable upon death.

CURRENT EXECUTIVE OFFICERS OF FLORIDA PROGRESS

The following table contains information with respect to compensation awarded, earned or paid during the year 2000 to the CEO of Florida Progress and the Company's four most highly compensated executive officers other than the CEO who were serving as executive officers at the end of the last completed fiscal year for services rendered to Florida Progress. These individuals are also executive officers of Progress Energy, Inc. It is not the policy of Progress Energy to allocate compensation paid to its executive officers among the various subsidiaries to which they provide services. Because Florida Progress became a wholly-owned subsidiary of Progress Energy as of November 30, 2000, each executive's base salary as shown in the table is only for the period November 30, 2000 through December 31, 2000.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation		All Other Compensation ⁶ (\$)
		Salary ¹ (\$)	Bonus ² (\$)	Other Annual Compensation ³ (\$)	Awards Restricted Stock Award(s) ^{4,5} (\$)	Payouts LTIP Payouts (\$)	
— William Cavanaugh III, Chairman, President and Chief Executive Officer (elected November 30, 2000)	2000	\$80,836	\$1,285,000	\$126,616 ⁷	\$3,871,402 ⁸	N/A	\$258,389 ⁹
— Robert B. McGehee, Executive Vice President (elected November 30, 2000)	2000	\$31,918	\$352,000 ¹⁰	\$15,901	\$280,030 ¹¹	N/A	\$74,807 ¹²
— Peter M. Scott III Executive Vice President and Chief Financial Officer (elected November 30, 2000)	2000	\$30,126	\$304,000 ¹³	\$50,350	\$1,126,195 ¹⁴	N/A	\$50,485 ¹⁵
— Tom D. Kilgore, President and Chief - Executive Officer - Electric Fuels	2000	\$25,751	\$160,000 ¹⁶	\$48,215 ¹⁷	\$453,753 ¹⁸	N/A	\$61,488 ¹⁹

Corporation

(elected November 30,
2000)

11. William Habermeyer, Jr.	2000	\$15,201	\$55,000	\$14	\$870,171 ²⁰	N/A	\$24,451 ²¹
President and Chief Executive Officer – Florida Power (elected November 30, 2000)							

¹Consists of one-month's base salary prior to (i) employee contributions to the Progress Energy Stock Purchase-Savings Plan and (ii) voluntary deferrals, if any, under the Progress Energy Management Deferred Compensation Plan. See "Other Benefit Opportunities" on page 82.

²Except as otherwise noted, consists of amounts awarded with respect to performance in the stated year under the Progress Energy Management Incentive Compensation Plan. See "Other Annual Compensation Opportunities" on page 78.

³Consists of gross-up payments for certain federal and state income tax obligations, and where indicated by footnote disclosure, certain perquisites.

⁴Includes the value of restricted stock awards as of the grant date (calculated by multiplying the closing market price of Progress Energy's unrestricted stock on the date of grant by the number of shares awarded) granted pursuant to Progress Energy's 1997 Equity Incentive Plan. None of the restricted stock awards will vest, in whole or in part, in under three years from the date of grant. During the period for which the shares are restricted, the grantee will receive all voting rights and cash dividends associated with the restricted stock.

⁵Includes the value of matchable deferrals credited to the account of a participant to replace the value of Progress Energy contributions to the Stock Purchase- Savings Plan that would have been made on behalf of the participant but for the deferral of salary under the Progress Energy Management Deferred Compensation Plan and compensation limitations under Section 415 of the Internal Revenue Code of 1986, as amended ("Phantom Stock Units"). Phantom Stock Units do not represent an equity interest in Progress Energy and the crediting of such Units to a participant's account does not convey any voting rights. However, a Phantom Stock Unit is equal in value at all times to a share of Progress Energy's Common Stock. Additional Phantom Stock Units are credited from time to time to reflect the payment of dividends on the underlying Common Stock. For participants with less than five years of service with Progress Energy, these Phantom Stock Units vest two years from the end of the calendar year in which they are granted. Participants with five or more years of service with Progress Energy are 100% vested in all Phantom Stock Units credited to their accounts. Phantom Stock Units are not deemed "Matured" and therefore available for reallocation to other deemed investment funds chosen by the participant until two years after the end of the Plan Year for which they were allocated. Payment of the value of the Phantom Stock Units will be made in cash and will generally be made on one of the following dates in accordance with the participant's deferral election: (i) the April 1 following the date that is five or more years from the last day of the Plan Year for which the participant's salary deferral is made, (ii) the April 1 following the participant's retirement, or (iii) the April 1 following the first anniversary of the participant's retirement. The amount of the payment will equal the market value of a share of Progress Energy's Common Stock on the payment date of payout multiplied by the number of units credited to the account of the participant. See "Other Benefit Opportunities" on page 82.

⁶Amounts reported in this column include dividends earned in 2000 on awards granted under the Progress Energy Long-Term Compensation Program and dividends allocated in 2000 on awards granted under the Performance Share Sub-Plan of the Progress Energy 1997 Equity Incentive Plan.

⁷Consists of (i) \$48,569 in gross-up payments for certain federal and state income tax obligations; and (ii) certain perquisites, including spousal travel expenses of \$24,371, which exceed thresholds for footnote disclosure.

⁸Consists of (i) 100,000 shares of Progress Energy Restricted Stock valued at \$3,837,594 on September 25, 2000; and (ii) 1,012 Phantom Stock Units based on the market value of a share of Progress Energy Common Stock on the date such units were credited to the account of the participant. Mr. Cavanaugh owns a total of 200,000 shares of Progress Energy Restricted Stock which were valued at \$9,837,500 as of December 31, 2000.

⁹Consists of (i) \$52,486 which represents dividends allocated in 2000 on performance units awarded under the Long-Term Compensation Program; (ii) \$94,576 which represents dividends earned in 2000 on performance shares awarded under the Performance Share Sub-Plan; (iii) \$8,460 which represents Progress Energy contributions under the Stock Purchase-Savings Plan; and (iv) \$102,867 which represents the dollar value of the premium relating to the term portion and the present value of the premium relating to the whole life portion of the benefit to be received pursuant to the Executive Permanent Life Insurance Program.

¹⁰Consists of amounts awarded under the Management Incentive Compensation Plan and as a result of the Progress Energy/Florida Progress transaction.

¹¹Consists of (i) 8,400 shares of Progress Energy Restricted Stock valued at \$272,383 as of July 12, 2000; and (ii) 225 Phantom Stock Units based on the market value of a share of Progress Energy Common Stock on the date such units were credited to the account of the participant. Mr. McGehee owns a total of 33,200 shares of Progress Energy Restricted Stock which were valued at \$1,633,026 as of December 31, 2000.

¹²Consists of (i) \$23,854 which represents dividends allocated in 2000 on performance shares awarded under the Performance Share Sub-Plan; (ii) \$8,460 which represents Progress Energy contributions under the Stock Purchase- Savings Plan; and (iii) \$42,493 which represents the dollar value of the premium relating to the term portion and the present value of the premium relating to the whole life portion of the benefit to be received pursuant to the Executive Permanent Life Insurance Program.

¹³Consists of (i) transition compensation paid pursuant to Mr. Scott's employment agreement, and (ii) amounts awarded under the Management Incentive Compensation Plan and as a result of the Progress Energy/Florida Progress transaction.

¹⁴Consists of (i) 32,700 shares of Progress Energy Restricted Stock valued at \$1,608,431 as of December 31, 2000; and (ii) 70 Phantom Stock Units based on the market value of a share of Progress Energy Common Stock on the date such units were credited to the account of the participant.

¹⁵Consists of (i) \$5,295 which represents dividends allocated in 2000 on performance shares awarded under the Performance Share Sub-Plan; (ii) \$3,094 which represents Progress Energy contributions under the Stock Purchase-Savings Plan; and (iii) 42,096 which represents the dollar value of the premium relating to the term portion and the present value of the premium relating to the whole life portion of the benefit to be received pursuant to the Executive Permanent Life Insurance Program.

¹⁶Mr. Kilgore has elected to defer receipt of 75 percent of this award until after his retirement.

¹⁷Consists of (i) \$1,054 in gross-up payments for certain federal and state income tax obligations and (ii) certain perquisites, including club dues of \$24,301 and an automobile allowance of \$16,200, both of which exceed thresholds for disclosure.

¹⁸Consists of (i) 13,800 shares of Progress Energy Restricted Stock valued at \$447,487 as of July 12, 2000; and (ii) 188 Phantom Stock Units based on the market value of a share of Progress Energy Common Stock on the date such units were credited to the account of the participant. Mr. Kilgore owns a total of 28,400 shares of Progress Energy Restricted Stock which were valued at \$1,396,926 as of December 31, 2000.

¹⁹Consists of (i) \$21,892 which represents dividends allocated in 2000 on performance shares awarded under the Performance Share Sub-Plan; (ii) \$9,420 which represents Progress Energy's contributions under the Stock Purchase Savings Plan; and (iii) \$30,176 which represents the dollar value of the premium relating to the term portion and the present value of the premium relating to the whole life portion of the benefit to be received pursuant to the Executive Permanent Life Insurance Program.

²⁰Consists of (i) 20,200 shares of Progress Energy Restricted Stock which were valued at \$993,588 on December 31, 2000; and (ii) 540 Phantom Stock Units based on the market value of a share of Progress Energy Common Stock on the date such units were credited to the account of the participant.

²¹Consists of (i) \$4,797 which represents dividends allocated in 2000 on performance shares awarded under the Performance Share Sub-Plan; (ii) \$7,795 which represents Progress Energy contributions under the Stock Purchase-Savings Plan; and (iii) \$11,859 which represents the dollar value of the premium relating to the term portion and the present value of the premium relating to the whole life portion of the benefit to be received pursuant to the Executive Permanent Life Insurance Program.

**LONG-TERM INCENTIVE PLAN
AWARDS IN LAST FISCAL YEAR**

<u>name</u>	<u>Number of Units¹</u>	<u>Performance Period Ends</u>
William Cavanaugh III, Chairman, President and Chief Executive Officer	22,759	2002
Robert B. McGehee, Executive Vice President	6,034	2002
Robert M. Scott III, Executive Vice President and Chief Financial Officer.....	5,102	2002
Robert D. Kilgore, President and Chief Executive Officer – Electric Fuels Corporation	5,172	2002
William Habermeyer, Jr., President and Chief Executive Officer Florida Power Corporation.....	1,076	2002

¹Consists of the number of performance shares awarded in 2000 under the Performance Share Sub-Plan of the 1997 Progress Energy Equity Incentive Plan, based on the closing price of a share of Progress Energy's Common Stock on March 1, 2000, as published in *The Wall Street Journal*. Performance Share awards may range from 20% to 75% of a participant's base salary depending on the participant's position and job value. The number of performance shares awarded is recorded in a separate account for each participant, and is adjusted to reflect dividends, stock splits or other adjustments in Progress Energy's Common Stock. The performance period for an award under the Sub-Plan is the three-consecutive-year period beginning in the year in which the award is granted. There are two equally weighted performance measures under the Sub-Plan. One performance measure is Total Shareholder Return ("TSR"), which is defined in the Sub-Plan as the appreciation or depreciation in the value of stock (which is equal to the closing value of the stock on the last trading day of the relevant period minus the closing value of the stock on the last trading day of the preceding year) plus dividends declared during the relevant period divided by the closing value of the stock on the last trading day of the preceding year. The other performance measure is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) growth. Awards under the Sub-Plan vest on January 1 following the end of the three-year performance period, provided, however, that to determine each award vested under the Sub-Plan, the TSR and EBITDA growth of Progress Energy are compared to the TSR and EBITDA growth of a Peer Group comprised of the twenty-six electric utility companies comprising the Standard & Poor's Electric Index. The differences between Progress Energy TSR and EBITDA growth, and the Peer Group TSR and EBITDA growth, respectively, are used to determine the multipliers that will be used to calculate the number of vested performance shares in each participant's account. (Differences in TSR can range from a low of (2.0%) or less to a high of 5% or more, and correspond to multipliers of 0 to 200%. Differences in EBITDA growth can range from a low of less than 0% to a high of 5% or more and correspond to multipliers of 0 to 200%). The multiplier is applied to the number of performance shares in the participant's performance share account to determine the actual number of vested performance shares in that account. The aggregate value of vested performance shares is equal to the number of vested performance shares in the participant's account multiplied by the closing price of Progress Energy's Common Stock, as published in *The Wall Street Journal* on the last trading day before payment of the award.

Awards are paid in cash after expiration of the performance period. Payment can be made in either (i) lump sum on or about April 1 of the year immediately following the performance period or (ii) in accordance with an election to defer in 25% increments, made during the first year of the performance period. In the event of death, disability, retirement or a change-in-control of Progress Energy, any award granted under the Sub-Plan immediately becomes vested. The aggregate value of the vested award is determined using multipliers that are based on the

difference between Progress Energy TSR and EBITDA growth and the Peer Group TSR and EBITDA growth, respectively over the portion of the performance period that was completed before the terminating event occurred. See "Long-Term Compensation Opportunities" on page 80.

PENSION PLAN TABLE

Average Compensation	Estimated Annual Pension at Normal Retirement (Years of Credited Service)		
	10 years	15 years	15 ½ or more years
\$ 190,000	\$76,000	\$114,000	\$117,800
255,000	102,000	153,000	158,100
320,000	128,000	192,000	198,400
385,000	154,000	231,000	238,700
450,000	180,000	270,000	279,000
515,000	206,000	309,000	319,300
555,000	222,000	333,000	344,100
595,000	238,000	357,000	368,900
635,000	254,000	381,000	393,700
675,000	270,000	405,000	418,500
715,000	286,000	429,000	443,300
760,000	304,000	456,000	471,200
795,000	318,000	477,000	492,900
840,000	336,000	504,000	520,800
900,000	360,000	540,000	558,000
960,000	384,000	576,000	595,200
1,020,000	408,000	612,000	632,400

The above table demonstrates senior executive pension benefits payable upon normal retirement under the Supplemental Retirement Plan and Supplemental Senior Executive Retirement Plan at age 65 as a function of average annual income and years of service. Covered compensation under these plans consists only of the amounts in the Salary and Bonus columns of the Summary Compensation Table on page 68. Pursuant to the Supplemental Retirement Plan, a defined benefit plan, benefits are partially offset by Social Security payments and the monthly pension benefit payable upon retirement is based on final five years average compensation (base pay earnings only) multiplied by 1.7% for each year of service up to a maximum of 60%. Benefits under the Supplemental Senior Executive Retirement Plan are fully offset by Social Security benefits and by benefits paid under the Supplemental Retirement Plan. The monthly benefit payable upon retirement under this plan is equal to 4% of the average of a participant's highest three years of eligible earnings for each year of credited service with Progress Energy up to a maximum of 62%. Benefits listed in the table above do not reflect the Social Security or other offset. For purposes of benefits under these plans, Mr. Cavanaugh has more than 15 1/2 years of credited service as well as three or more years of service on the Senior Management Committee, and is thereby entitled to the maximum percentage allowable in the benefit formula under these plans. Mr. McGehee has 13 years of credited service, Mr. Scott has 7 years of credited service, Mr. Kilgore has 7 years of credited service, and Mr. Habermeyer has 7 years of credited service.

EMPLOYMENT AGREEMENTS

Messrs. Cavanaugh, McGehee, Scott, Kilgore and Habermeyer have entered into employment agreements, with one of Progress Energy's subsidiaries (the "Employer"). These agreements provide for base salary, bonuses, perquisites and participation in the various executive compensation plans offered to senior executives of Progress Energy and its subsidiaries. The agreements with Messrs. Cavanaugh, McGehee, Scott and Kilgore each has an effective date of August 1, 2000. The agreement with Mr. Habermeyer has an effective date of November 30, 2000. The agreements all provide that they will remain in effect for three years from the effective date. Each agreement also includes an "Evergrow provision" which provides that each year, the agreement will be extended such that the prospective term will always be three years forward on the anniversary date of the effective date. The Employer may elect not to extend an executive officer's agreement and must notify the officer of such an election at least sixty days prior to the

annual anniversary date of his agreement's effective date. Plan targets, termination and other key provisions of the agreements are discussed below.

Agreement with Mr. Cavanaugh

Mr. Cavanaugh's agreement provides that his target compensation under Progress Energy's Management Incentive Compensation Plan (MICP) was 60% of base salary earnings and increased to 65% effective January 1, 2001. The agreement also provides that Mr. Cavanaugh's target compensation under the Performance Share Sub-Plan (PSSP) of Progress Energy's 1997 Equity Incentive Plan was 75% of his base salary, but increased to 150% effective January 1, 2001. Mr. Cavanaugh's agreement notes that he received a recruitment bonus under the now suspended Deferred Compensation Plan for Key Management Employees that included a payment of \$150,000 deferred for calendar year 1992. That amount will be used to provide retirement income to him of \$121,368 per year for 15 years commencing January 1 following his attainment of age 65. The agreement with Mr. Cavanaugh also provides that as of September 2, 1992, Mr. Cavanaugh was granted 14 years of deemed service for purposes of the Supplemental Senior Executive Retirement Plan (SERP).

The agreement with Mr. Cavanaugh provides that upon termination of employment without cause or constructive termination of employment, he will be provided with his base salary at the current rate for the remainder of the term of the agreement and will be eligible to retain all benefits in which he has vested under existing benefit plans. Additionally, the Employer will reimburse him for certain health benefits for up to 18 months after the termination of his employment. The agreement provides that a constructive termination will be deemed to occur if (i) there is a change in the form of ownership of Progress Energy or the Employer and (ii) Mr. Cavanaugh is offered a new position with a material change in authority, duty, wages or benefits, or Mr. Cavanaugh is asked to relocate more than 50 miles. If Mr. Cavanaugh's employment is constructively terminated, he will be entitled to the greater of the benefits described above or the benefits, if any, to which he is entitled under Progress Energy's Management Change-in-Control Plan. If the Employer terminates Mr. Cavanaugh's employment for cause, he will be eligible to retain all benefits in which he has vested under existing benefit plans, but he shall not be entitled to any form of salary continuance or any form of severance benefits. He will also be entitled to any earned but unpaid salary. The agreement with Mr. Cavanaugh provides that if he terminates his employment voluntarily at any time, he shall retain all vested benefits but shall not be entitled to any form of salary continuance or any form of severance benefit.

Agreement with Mr. McGehee

Mr. McGehee's agreement provides that his target compensation under the MICP was 40% of base salary earnings and increased to 45% effective January 1, 2001. The agreement also provides that Mr. McGehee's target compensation under the PSSP of Progress Energy's 1997 Equity Incentive Plan was 50% of his base salary, and increased to 100% effective January 1, 2001. Mr. McGehee's agreement notes that he received a retention agreement bonus under the now suspended Deferred Compensation Plan for Key Management Employees which vests based on his continued employment beyond age 60. The agreement also notes that upon hire, Mr. McGehee was awarded 10 years of service toward the benefits and vesting requirements of the SERP, three years of which were deemed to have been in service on the Senior Management Committee, solely for purposes of the SERP.

The agreement with Mr. McGehee provides that upon termination of employment without cause or constructive termination of employment, he will be provided with his base salary at the current rate for the remainder of the term of the agreement, and will be eligible to retain all benefits in which he has vested under existing benefit programs. Additionally, the Employer will reimburse him for certain health benefits for up to 18 months after the termination of his employment. The agreement provides that a constructive termination will be deemed to occur if (i) there is a change in the form of ownership of Progress Energy or the Employer and (ii) Mr. McGehee is offered a new position with a material change in authority, duty, wages or benefits, or is asked to relocate more than 50 miles. If Mr. McGehee's employment is constructively terminated, he will be entitled to the greater of the benefits described above or the benefits, if any, to which he is entitled under Progress Energy's Management Change-in-Control Plan. If the Employer terminates Mr. McGehee's employment for cause, he will be eligible to retain all benefits in which he has vested under existing benefit plans, but he shall not be entitled to any form of salary continuance or any form of severance benefits. He will also be entitled to any earned but unpaid salary. The agreement with Mr. McGehee provides that if he terminates his employment voluntarily at any time, he shall retain all vested benefits but shall not be entitled to any form of salary continuance or any form of severance benefit.

Agreement with Mr. Scott

Mr. Scott's agreement provides that his target compensation under the MICP was 40% of base salary earnings and increased to 45% effective January 1, 2001. The agreement also provides that Mr. Scott's target compensation under the PSSP of Progress Energy's 1997 Equity Incentive Plan was 50% of his base salary, but increased to 100% effective January 1, 2001. Pursuant to the terms of his agreement, Mr. Scott received transition compensation of \$100,000 and will be awarded nine years of deemed service toward the benefits and vesting requirements of the SERP.

The agreement with Mr. Scott provides that upon termination of employment without cause or constructive termination of employment, he will be provided with his base salary at the current rate for the remainder of the term of the agreement and will be eligible to retain all benefits in which he has vested under existing benefit plans. Additionally, the Employer will reimburse him for certain health benefits for up to 18 months after the termination of his employment. The agreement provides that a constructive termination will be deemed to occur if (i) there is a change in the form of ownership of Progress Energy or the Employer and (ii) Mr. Scott is offered a new position with a material change in authority, duty, wages or benefits, or Mr. Scott is asked to relocate more than 50 miles. If Mr. Scott's employment is constructively terminated, he will be entitled to the greater of the benefits described above or the benefits, if any, to which he is entitled under Progress Energy's Management Change-in-Control Plan. If the Employer terminates Mr. Scott's employment for cause, he will be eligible to retain all benefits in which he has vested under existing benefit plans, but he shall not be entitled to any form of salary continuance or any form of severance benefits. He will also be entitled to any earned but unpaid salary. The agreement with Mr. Scott provides that if he terminates his employment voluntarily at any time, he shall retain all vested benefits but shall not be entitled to any form of salary continuance or any form of severance benefit.

Agreement with Mr. Kilgore

Mr. Kilgore's agreement provides that his target compensation under the MICP was 35% of base salary earnings and increased to 45% effective January 1, 2001. The agreement also provides that Mr. Kilgore's target compensation under the PSSP of Progress Energy's Equity Incentive Plan was 50% of his base salary, but increased to 100% effective January 1, 2001. Mr. Kilgore's agreement notes that pursuant to a 1998 employment agreement with Carolina Power & Light Company, he received a retention bonus under the now suspended Deferred Compensation Plan for Key Management Employees which vests based on continued employment until or beyond age 60. The agreement also notes that Mr. Kilgore has been awarded five years of service solely in connection with the benefits and vesting requirements of the SERP.

The agreement with Mr. Kilgore provides that upon termination of employment without cause or constructive termination of employment, he will be provided with his base salary at the current rate for the remainder of the term of the agreement and will be eligible to retain all benefits in which he has vested under existing benefit programs. Additionally, the Employer will reimburse him for certain health benefits for up to 18 months after the termination of his employment. The agreement provides that a constructive termination will be deemed to occur if (i) there is a change in the form of ownership of Progress Energy or the Employer and (ii) Mr. Kilgore is offered a new position with a material change in authority, duty, wages or benefits, or Mr. Kilgore is asked to relocate more than 50 miles. If Mr. Kilgore's employment is constructively terminated, he will be entitled to the greater of the benefits described above or the benefits, if any, to which he is entitled under Progress Energy's Management Change-in-Control Plan. If the Employer terminates Mr. Kilgore's employment for cause, he will be eligible to retain all benefits in which he has vested under existing benefit plans, but he shall not be entitled to any form of salary continuance or any form of severance benefits. He will also be entitled to any earned but unpaid salary. The agreement with Mr. Kilgore provides that if he terminates his employment voluntarily at any time, he shall retain all vested benefits but shall not be entitled to any form of salary continuance or any form of severance benefit.

Agreement with Mr. Habermeyer

Mr. Habermeyer's agreement provides that his target compensation under the MICP was 45% of base salary earnings effective January 1, 2001. The agreement also provides that Mr. Habermeyer's target compensation under the PSSP of the Progress Energy 1997 Equity Incentive Plan is 100% of his base salary, effective January 1, 2001.

The agreement with Mr. Habermeyer provides that upon termination of employment without cause or constructive termination of employment, he will be provided with his base salary at the current rate for the remainder of the term of the agreement and will be eligible to retain all benefits in which he has vested under existing benefit plans. Additionally, the Employer will reimburse him for certain health benefits for up to 18 months after the termination

of his employment. The agreement provides that a constructive termination will be deemed to occur if (i) there is a change in the form of ownership of the Employer and (ii) Mr. Habermeyer is offered a new position with a material change in authority, duty, wages or benefits, or Mr. Habermeyer is asked to relocate more than 50 miles. If Mr. Habermeyer's employment is constructively terminated, he will be entitled to the greater of the benefits described above or the benefits, if any, to which he is entitled under Progress Energy's Management Change-in-Control Plan. If the Employer terminates Mr. Habermeyer's employment for cause, he will be eligible to retain all benefits in which he has vested under existing benefit plans, but he shall not be entitled to any form of salary continuance or any form of severance benefits. He will also be entitled to any earned but unpaid salary. The agreement with Mr. Habermeyer provides that if he terminates his employment voluntarily at any time, he shall retain all vested benefits but shall not be entitled to any form of salary continuance or any form of severance benefit.

REPORT OF BOARD COMMITTEE ON ORGANIZATION AND COMPENSATION

Since the consummation of the share exchange, the composition of the Boards of Directors of Florida Progress and Progress Energy has been identical. The following report is the report of the Committee on Organization and Compensation of the Progress Energy Board of Directors (the "Committee") with respect to the compensation of executive officers of Progress Energy and its subsidiaries, including Florida Progress and Florida Power. The executive officers of Progress Energy include those individuals who are executive officers of Florida Progress and/or Florida Power. It is not the policy of Progress Energy to allocate compensation paid to its executive officers among the various subsidiaries to which they provide services.

Florida Progress' executive compensation program is administered by the Committee on Organization and Compensation of the Progress Energy Board of Directors (the "Committee"). The six-member Committee is composed entirely of independent outside Directors who are not eligible to participate in any compensation program in which Florida Progress executives participate other than the Progress Energy 1997 Equity Incentive Plan.

Compensation Principles

Comparison Groups

Progress Energy uses an independent executive benefits consulting firm to assist Progress Energy in meeting its compensation objectives. Each year, this consulting firm provides the Committee with an analysis comparing overall compensation paid to Progress Energy's executives with overall compensation paid to executives of two comparison groups of electric utility companies. One comparison group consists of the twenty-two electric utility companies with fossil fuel and nuclear operations in the eastern portion of the United States. The other comparison group consists of a broad group of electric utilities across the United States. While these comparison groups are different from the group of companies comprising the Standard & Poor's Electric Index, which is a published industry index, the Committee believes these electric utility companies are appropriate for overall compensation comparisons because they reflect the appropriate labor markets for Progress Energy's executives.

Progress Energy's executive compensation program consists of four major elements: base salary; other annual compensation opportunities; long-term compensation opportunities; and other benefit opportunities. The Committee's objective in administering this program is to structure, through a combination of these elements, an overall compensation package for executives which approximates in value the median level to third quartile of overall compensation paid to executives of the comparison group. Overall compensation paid to Progress Energy's executives in 2000 met this objective.

Stock Ownership Guidelines

In an effort to more closely link the interests of Progress Energy's management with those of its shareholders, the Board of Directors of Progress Energy adopted stock ownership guidelines, which are designed to ensure that Progress Energy's management has a significant financial equity investment in Progress Energy. Those guidelines require Progress Energy's officers and department heads to own from 1 to 4 times their base salary in the form of Progress Energy stock within five years. (The specific multiplier applied to base salary depends upon the individual's position.) In addition to shares owned outright, the following are considered stock owned by executives and department heads for purposes of the guidelines: (1) stock held in any defined benefit, defined contribution, ESOP or other stock-based plan; (2) performance units or phantom stock ("derivative securities") deferred under an

annual incentive plan; (3) performance units or phantom stock earned and deferred in any long-term incentive plan account; (4) restricted stock awards; and (5) stock held in a family trust or immediate family holdings.

Section 162(m)

Section 162(m) of the Internal Revenue Code imposes a limit, with certain exceptions, on the amount a publicly held corporation may deduct for compensation over \$1 million paid or accrued with respect to the company's Chief Executive Officer and any of the other four most highly compensated officers. Certain performance-based compensation is, however, specifically exempt from the deduction limit. To qualify as exempt, compensation must be made pursuant to a plan that is (1) administered by a committee of outside directors, (2) based on achieving objective performance goals and (3) disclosed to and approved by the shareholders. The 2000 compensation for the current executive officers of Progress Energy does not exceed the limit, except in the case of Mr. Cavanaugh, who had nondeductible compensation of approximately \$467,979, which was attributable to restricted stock dividends, miscellaneous income and a non-deferred bonus.

The Committee believes the current design of Progress Energy's compensation program is sound in linking pay to performance, and allowing appropriate flexibility in determining amounts to be awarded. Therefore, Progress Energy does not have a policy that requires the Committee to qualify compensation awarded to executive officers for deductibility under Section 162(m) of the Code. The Committee does, however, consider the impact of Section 162(m) when determining executive compensation, and the 1997 Equity Incentive Plan is intended to minimize the effect of this provision. Although the Committee is not required to qualify executive compensation paid to Progress Energy executives for exemption from Section 162(m), it will continue to consider the effects of Section 162(m) when making compensation decisions.

Elements of Executive Compensation Program

Set forth below is a description of the major elements of Progress Energy's executive compensation program and their relationship to corporate performance, as well as a summary of the actions taken by the Committee with respect to the compensation of the Chief Executive Officer.

Sponsorship of the various benefit and deferred compensation plans described below was transferred from Carolina Power & Light Company to Progress Energy, Inc., effective August 1, 2000.

Base Salary

Executives within Progress Energy receive a base salary determined by the Committee based upon the value of their position compared to competitively established salary ranges, their individual performance and overall corporate performance. The Committee does not utilize specific targets or a specific mathematical formula in determining base salaries. The Committee in its discretion approved the base salaries of the Chief Executive Officer and the named executives, as set forth in the Summary Compensation Tables on pages 68 and 84. These salaries were based on each executive's level of responsibility within Progress Energy, the competitive (median to third quartile) level of compensation for executives in the comparison group of utilities, the achievement of corporate goals and individual merit performance as qualitatively determined by the Committee.

Other Annual Compensation Opportunities

Management Incentive Compensation Plan

Progress Energy sponsors the Management Incentive Compensation Plan for its senior executives, department heads and selected key employees. In order for awards to be made under the plan, two conditions must be satisfied. First, a contribution must be earned by one or more groups of employees under the corporate incentive feature of Progress Energy's Stock Purchase-Savings Plan, a tax qualified 401(k) plan. Incentive matching contributions are earned by participating employees if at least five out of ten annual corporate and business unit goals are met. (See the description of the Stock Purchase-Savings Plan under "Other Benefit Opportunities" below.) Second, Progress Energy's return on common equity and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) growth for the most recent three-year period must be above the median of those companies in a comparison group that is comprised of the twenty-six electric utility companies comprising Standard & Poor's Electric Index.

If participants at or above the department head level within Progress Energy are eligible for awards, then the Committee in its discretion determines whether awards are to be made and, if so, in what amounts. If participants

below the department head level within Progress Energy are eligible for awards, then the Chief Executive Officer has sole and complete authority to approve such awards.

Awards consist of both a corporate component and a noncorporate component. Award opportunities, expressed as a percentage of annual base salary earnings, are applicable to both components of an award. The corporate component of an award is based upon the overall performance of Progress Energy. The noncorporate component of an award is based upon the level of attainment of business unit/subsidiary, departmental and individual performance measures. Those measures are evaluated in terms of three levels of performance -- outstanding, target and threshold -- each of which is related to a particular payout percentage. If earned, awards are either paid in cash in the succeeding year or deferred to a later date, as elected by each individual participant. Deferred awards are recorded in the form of performance units. Each performance unit is generally equivalent to a share of Progress Energy's Common Stock.

The threshold requirements for award eligibility, as discussed above, were met and exceeded in 2000. At a meeting of the Committee on March 21, 2001, based on highly commendable performance, awards were made at the discretion of the Committee to the named executives, including the Chief Executive Officer, as set forth in the Summary Compensation Table on pages 68 and 84 under the Bonus column.

Long-Term Compensation Opportunities

1997 Equity Incentive Plan

The 1997 Equity Incentive Plan, which was approved by Progress Energy's shareholders in 1997, allows the Committee to make various types of awards to officers, other key employees, and also Directors of the Company, its affiliates and subsidiaries. Selection of participants is within the sole discretion of the Committee. Thus, the number of persons eligible to participate in the Plan and the number of grantees may vary from year to year. The Plan was effective as of January 1, 1997, and will expire on January 1, 2007, provided, however, that all awards made prior to and outstanding on that date shall remain valid in accordance with their terms and conditions.

The 1997 Equity Incentive Plan is a broad umbrella plan that allows Progress Energy to enter into Award Agreements with participants and adopt various individual Sub-Plans that will permit the grant of the following types of awards: nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance units, performance shares and other stock unit awards or stock-based forms of awards. The Plan sets forth certain minimum requirements for each type of award, with detailed provisions regarding awards to be set out either in Award Agreements or in the Sub-Plans adopted under the Plan. Subject to adjustment as provided in the Plan, the maximum aggregate number of shares that may be issued over the years pursuant to awards made under the Plan cannot exceed 5,000,000 shares of Common Stock, which may be in any combination of options, restricted stock, performance shares, or any other right or option.

Under the terms of the Plan, the Committee may grant awards in a manner that qualifies them for the performance-based exception to Section 162(m) of the Internal Revenue Code of 1986, as amended, or it may grant awards that do not qualify for the exemption.

Performance Share Sub-Plan

Pursuant to the provisions of the 1997 Equity Incentive Plan, the Committee adopted the Performance Share Sub-Plan, which governs the issuance of performance share awards to Progress Energy officers and key employees, as selected by the Committee in its sole discretion. A "performance share" is a unit granted to a participant, the value of which is equal to the value of a share of Progress Energy's Common Stock. The Committee may grant performance share awards which range from 20% to 75% (from 40% to 150%, effective January 1, 2001) of a participant's base salary, depending upon the participant's position and job value. (For purposes of the Sub-Plan, base salary is not reduced to reflect salary deferrals and does not include incentive compensation.) The number of performance shares awarded is recorded in a separate account for each participant, and is adjusted to reflect dividends, stock splits or other adjustments in Progress Energy's Common Stock.

The performance period for an award under the Sub-Plan is the three consecutive year period beginning in the year in which the award is granted. There are two equally weighted performance measures under the Sub-Plan. One performance measure is Total Shareholder Return ("TSR"), which is defined in the Sub-Plan as the appreciation or depreciation in the value of stock (which is equal to the closing value of the stock on the last trading day of the relevant period minus the closing value of the stock on the last trading day of the preceding year) plus dividends declared during the relevant period, divided by the closing value of the stock on the last trading day of the preceding year. The other performance measure is EBITDA growth. Awards under the Sub-Plan vest on January 1 following the end of a three-year performance period, provided, however, that the following methodology is used to determine each award vested under the Sub-Plan: 1) the TSR and EBITDA growth for Progress Energy for each year during the performance period is determined; 2) those annual figures are averaged to determine the Progress Energy TSR and EBITDA growth, respectively; 3) the average TSR and EBITDA growth for all Peer Group utilities for each year during the performance period is determined (the Peer Group is comprised of the twenty-six major electric utility companies within the Standard & Poor's Electric Index); 4) those figures are averaged, respectively, to determine the Peer Group TSR and EBITDA growth; 5) the Peer Group TSR and EBITDA growth for the performance period is subtracted from the Progress Energy TSR and EBITDA growth, respectively, for the performance period; 6) the differences between the Progress Energy TSR and EBITDA growth and the Peer Group TSR and EBITDA growth, respectively, are used to determine the multipliers that will be used to calculate the number of vested performance shares in each participant's account. (Differences in TSR can range from a low of (2.0%) or less to a high of 5% or more, and correspond to multipliers of 0 to 200%. Differences in EBITDA growth can range from a low of less than 0% to a high of 5% or more and correspond to multipliers of 0 to 200%.); and 7) the multipliers are each applied independently to one-half of the number of performance shares in the participant's performance share account to determine the actual number of vested performance shares in that account. The aggregate value of vested performance shares is equal to the number of vested performance shares in the

participant's account multiplied by the closing price of Progress Energy's Common Stock, as published in *The Wall Street Journal* on the last trading day before payment of the award.

Awards are paid in cash after expiration of the performance period. Payment can be made in either (i) lump sum on or about April 1 of the year immediately following the performance period or (ii) in accordance with an election to defer in 25% increments, made during the first year of the performance period. In the event of death, disability, retirement or a change-in-control of Progress Energy, any award granted under the Sub-Plan immediately becomes vested. The aggregate value of the vested award is determined using multipliers that are based on the difference between Progress Energy TSR and EBITDA growth and the Peer Group TSR and EBITDA growth, respectively, over the portion of the performance period that was completed before the terminating event occurred.

Prior to 1997, Progress Energy sponsored a Long-Term Compensation Program; however, that Program was terminated upon the shareholders' approval of Progress Energy's 1997 Equity Incentive Plan. (All awards made and outstanding under the Long-Term Compensation Program prior to its termination remain valid in accordance with their terms and conditions.)

Restricted Stock Awards

Section 9 of the 1997 Equity Incentive Plan provides for the granting of shares of restricted stock by the Committee to "key employees" within Progress Energy in such amounts and for such duration and/or consideration as it shall determine. The Plan defines "key employee" as an officer or other employee within Progress Energy, who, in the opinion of the Committee, can contribute significantly to the growth and profitability of, or perform services of major importance to, Progress Energy. Each restricted stock grant must be evidenced by an agreement specifying the period of restriction; the conditions that must be satisfied prior to removal of the restriction; the number of shares granted, and such other provisions as the Committee shall determine.

Restricted stock covered by each award made under the Plan will be provided to and become freely transferable by the recipient after the last day of the period of restriction and/or upon the satisfaction of other conditions as determined by the Committee. If the grant of restricted stock is performance based, the total period of restriction for any or all shares or units of restricted stock granted shall be no less than one (1) year. Any other shares of restricted stock issued pursuant to the Plan must provide that the minimum period of restrictions shall be three (3) years, which period of restriction may permit the removal of restrictions on no more than one-third (1/3) of the shares of restricted stock at the end of the first year following the grant date, and the removal of the restrictions on an additional one-third (1/3) of the shares at the end of each subsequent year. The Plan provides that in no event shall any restrictions be removed from shares of restricted stock during the first year following the grant date, except in the event of a change in control.

During the period of restriction, recipients of shares of restricted stock granted under the Plan may exercise full voting rights with respect to those shares, and shall be entitled to receive all dividends and other distributions paid with respect to those shares. If any such dividends or distributions are paid in shares, those shares shall be subject to the same restrictions on transferability as the restricted stock with respect to which they were distributed.

Other Benefit Opportunities

The following additional benefit opportunities are also available to Progress Energy's senior executives:

- Effective January 1, 2000, Progress Energy established the Management Deferred Compensation Plan, an unfunded, deferred compensation arrangement established for the benefit of a select group of management and highly compensated employees of Progress Energy and its participating subsidiaries. (The Plan has replaced the Deferred Compensation Plan for Key Management Employees and the Executive Deferred Compensation Plan.) Under the Plan, an eligible employee may elect to defer a portion of his or her salary until the April 1 following the date that is five or more years from the last day of the Plan Year for which the deferral is made, the April 1 following his or her date of retirement, or the April 1 following the first anniversary of his or her date of retirement. Deferrals will be made to deferral accounts administered pursuant to the Plan in the form of deemed investments in certain deemed investment funds individually chosen by each participating employee from a list of investment options provided pursuant to the Plan. Additionally, qualifying participants will receive matching allocations from Progress Energy (generally reflecting foregone Progress Energy allocations to participants' 401(k) accounts due to such salary deferrals, and/or Progress Energy Company allocations to the participants' 401(k) accounts due to certain Internal Revenue Code limits), which will be allocated to a Progress Energy account that will be deemed

initially to be invested in hypothetical shares of Progress Energy's Common Stock. These allocations do not represent an equity interest in Progress Energy and convey no voting rights to their owners. However, additional allocations are credited from time to time to reflect the payment of dividends on Progress Energy's Common Stock. When a participant's Progress Energy account has matured, pursuant to the terms of the Plan, the participant may reallocate any part of such account among the deemed investment funds chosen by the participant.

- Progress Energy has implemented an executive split dollar life insurance program which consists of two separate plans. The first plan provides life insurance coverage approximately equal to three times salary for senior executives. The second plan provides additional life insurance coverage approximately equal to three times salary for those officers of Progress Energy who are also members of Progress Energy's Board of Directors.
- Progress Energy also provides broad-based employee benefit plans for senior executives of participating companies. Under the Stock Purchase-Savings Plan, a salary reduction plan under Section 401(k) of the Internal Revenue Code of 1986, as amended ("Code"), full-time, highly compensated employees of participating companies may invest up to 12% of earnings (up to a maximum of \$10,500 in 2000) on a before-tax basis in Progress Energy's Common Stock and other investment options. Progress Energy makes a matching allocation of 50% of such investment (up to 3% of eligible earnings) which is invested in Progress Energy Common Stock. Under an incentive feature, Progress Energy's allocation may be increased by up to an additional 50% if certain strategic corporate and business unit financial, operating, safety, customer satisfaction, and other performance goals are met. Progress Energy also sponsors the Supplemental Retirement Plan, a defined benefit plan which covers eligible full-time employees of participating companies who have been employed within Progress Energy for at least one year. The right to receive pension benefits under this plan is vested after five years. The monthly pension benefit payable upon retirement is based on final five years average compensation (base pay earnings only) multiplied by 1.7% for each year of service up to a maximum of 60%, less projected age 65 Social Security benefits multiplied by 1.43% for each year of service up to a maximum of 50%. Effective January 1, 1999, the Supplemental Retirement Plan was amended to implement a cash balance formula feature. Accruals will continue under both formulas for eligible participants through December 31, 2003. At that time, benefit accruals based upon the "five years average compensation" formula will be frozen.
- The Restoration Retirement Plan is an unfunded retirement plan for a select group of management or highly compensated employees of participating companies. The Plan "restores" the full benefit that would be provided under the Supplemental Retirement Plan but for certain Code limits imposed on the benefit levels of highly compensated employees. Generally, the benefit for participants is a monthly benefit payment equal to the difference between (i) a participant's accrued benefit under the Supplemental Retirement Plan without regard to the Internal Revenue Service compensation and benefit limits; and (ii) a participant's accrued benefit as calculated under the Supplemental Retirement Plan. (Effective January 1, 2000, this Plan also applies to any employee who defers more than 10% of his salary under the new Management Deferred Compensation Plan.) The eligibility and vesting requirement for this Plan are the same as those for the Supplemental Retirement Plan. Participants eligible to receive benefits under the Supplemental Executive Retirement Plan forego participation in and rights under this Plan.
- The Supplemental Senior Executive Retirement Plan provides a retirement benefit for eligible senior executives equal to 4% of the average of their highest three years of base salary earnings and annual bonus for each year of credited service with Progress Energy up to a maximum of 62%. Benefits under this Plan are fully offset by Social Security benefits and by benefits paid under Progress Energy's Supplemental Retirement Plan.
- Progress Energy's senior executives also receive certain perquisites and other personal benefits. In addition, executives received gross-up payments in 2000 for related federal and state income tax obligations, as disclosed in the Summary Compensation Table on pages 68 and 84.

Compensation of Chief Executive Officer

Compensation in 2000 for the Chief Executive Officer was consistent with the compensation principles described above and reflected performance of Progress Energy and the individual in 2000, as well as services in 2000. The determination of his compensation by the Committee was qualitative in nature and based on a variety of factors,

including comparison group compensation data, attainment of various corporate goals, total shareholder return, financial and operating performance, individual performance and other factors. Specific mathematical weights were not assigned to these factors. Overall compensation in 2000 fell within the targeted level (median to third quartile) of overall compensation paid to chief executive officers in the comparison groups.

The Committee considered the substantial progress Progress Energy made towards implementing its strategy of becoming a super-regional energy provider for the Southeast. Specifically, the Committee considered the progress made toward completion of Progress Energy's acquisition of Florida Progress Corporation, noting that this transaction would double the size of Progress Energy. Additionally, the Committee considered Progress Energy's progress towards its goal of creating a holding company, noting that the new structure would provide Progress Energy with the flexibility and speed needed to act swiftly and decisively in the increasingly competitive utility industry. The Committee also took into account the success of Progress Energy's expansion efforts, including the additions of new gas units at the Asheville and Lee plants and the on-going construction of new plants in Rowan and Richmond counties in North Carolina and in Monroe, Georgia. The Committee noted that these additions would have a key role in Progress Energy's ability to develop its wholesale business. The Committee took into account the success of Progress Energy in dealing with important regulatory issues, including industry restructuring, at the state and federal levels. The Committee considered the fact that the leadership provided by Mr. Cavanaugh contributed significantly to Progress Energy's success in achieving corporate goals, implementing strategic initiatives, achieving national leadership in the fields of nuclear power and electric utility operations, focusing on leadership development and succession planning, implementing programs designed to enhance the diversity of Progress Energy's work force, improving customer and community relations and supporting the economic growth and quality of life in Progress Energy's service area.

Committee on Organization and Compensation

Charles W. Coker, Chairman
Edwin B. Borden
William O. McCoy
E. Marie McKee
Richard A. Nunis
J. Tylee Wilson

FLORIDA POWER

COMPENSATION OF DIRECTORS

The directors of Florida Power Corporation are also executive officers of Progress Energy, Inc. and are not compensated separately for services rendered to Florida Power Corporation.

COMPENSATION OF EXECUTIVE OFFICERS

Information regarding the individual who served as the CEO of Florida Power through November 30, 2000 and two additional individuals for whom disclosures would have been provided but for the fact that they were not serving as executive officers of Florida Power as of the end of the last fiscal year is provided above in the Summary Compensation Table on page 65.

The Table below provides compensation information regarding the CEO of Florida Power Corporation and the four most highly compensated executive officers other than the CEO who were serving as executive officers at the end of the last completed fiscal year. These individuals are also executive officers of Progress Energy, Inc. It is not the policy of Progress Energy to allocate compensation paid to its executive officers among the various subsidiaries to whom they provide services. Because Florida Progress became a wholly-owned subsidiary of Progress Energy as of November 30, 2000, each executive's base salary as shown in the table is only for the period November 30, 2000 through December 31, 2000.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation ³ (\$)	Long-Term Compensation		All Other Compensation ⁶ (\$)
		Salary ¹ (\$)	Bonus ² (\$)		Awards	Payouts	
					Restricted Stock Award(s) ^{4,5} (\$)	LTIP Payouts (\$)	
H. William Habermeyer, Jr., President and Chief Executive Officer (elected November 30, 2000)	2000	\$15,201	\$55,000	\$14	\$870,171 ⁷	N/A	\$24,451 ⁸
William S. Orser, Group President - (elected November 30, 2000)	2000	\$40,709	\$275,000	\$7,144	\$178,624 ⁹	N/A	\$105,758 ¹⁰
Peter M. Scott III Executive Vice President and Chief Financial Officer (elected November 30, 2000)	2000	\$30,126	\$304,000 ¹¹	\$50,350	\$1,126,195 ¹²	N/A	\$50,485 ¹³
William D. Johnson, Executive Vice President, General Counsel and Secretary	2000	\$23,918	\$239,000 ¹⁴	\$26,734	\$405,131 ¹⁵	N/A	\$38,012 ¹⁶

(elected November
30, 2000)

Fred N. Day, IV, Executive Vice President (elected November 30, 2000)	2000	\$22,043	\$131,000 ¹⁷	\$6,723	\$314,915 ¹⁸	N/A	\$62,763 ¹⁹
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¹Consists of one-month's base salary prior to (i) employee contributions to the Progress Energy Stock Purchase-Savings Plan and (ii) voluntary deferrals, if any, under the Progress Energy Management Deferred Compensation Plan. See "Other Benefit Opportunities" on page 82.

²Except as otherwise noted, consists of amounts awarded with respect to performance in the stated year under the Progress Energy Management Incentive Compensation Plan. See "Other Annual Compensation Opportunities" on page 78.

³Consists of gross-up payments for certain federal and state income tax obligations, and where indicated by footnote disclosure, certain perquisites.

⁴Includes the value of restricted stock awards as of the grant date (calculated by multiplying the closing market price of Progress Energy's unrestricted stock on the date of grant by the number of shares awarded) granted pursuant to Progress Energy's 1997 Equity Incentive Plan. None of the restricted stock awards will vest, in whole or in part, in under three years from the date of grant. During the period for which the shares are restricted, the grantee will receive all voting rights and cash dividends associated with the restricted stock.

⁵Includes the value of matchable deferrals credited to the account of a participant to replace the value of Progress Energy contributions to the Stock Purchase- Savings Plan that would have been made on behalf of the participant but for the deferral of salary under the Management Deferred Compensation Plan and compensation limitations under Section 415 of the Internal Revenue Code of 1986, as amended ("Phantom Stock Units"). Phantom Stock Units do not represent an equity interest in Progress Energy and the crediting of such Units to a participant's account does not convey any voting rights. However, a Phantom Stock Unit is equal in value at all times to a share of Progress Energy's Common Stock. Additional Phantom Stock Units are credited from time to time to reflect the payment of dividends on the underlying Common Stock. For participants with less than five years of service with Progress Energy, these Phantom Stock Units vest two years from the end of the calendar year in which they are granted. Participants with five or more years of service with Progress Energy are 100% vested in all Phantom Stock Units credited to their accounts. Phantom Stock Units are not deemed "Matured" and therefore available for reallocation to other deemed investment funds chosen by the participant until two years after the end of the Plan Year for which they were allocated. Payment of the value of the Phantom Stock Units will be made in cash and will generally be made on one of the following dates in accordance with the participant's deferral election: (i) the April 1 following the date that is five or more years from the last day of the Plan Year for which the participant's salary deferral is made, (ii) the April 1 following the participant's retirement, or (iii) the April 1 following the first anniversary of the participant's retirement. The amount of the payment will equal the market value of a share of Progress Energy's Common Stock on the payment date of payout multiplied by the number of units credited to the account of the participant. See "Other Benefit Opportunities" on page 82.

⁶Amounts reported in this column include dividends earned in 2000 on awards granted under the Progress Energy Long-Term Compensation Program and dividends allocated in 2000 on awards granted under the Performance Share Sub-Plan of the Progress Energy 1997 Equity Incentive Plan.

⁷Consists of (i) 20,200 shares of Progress Energy Restricted Stock which were valued at \$993,588 on December 31, 2000; and (ii) 540 Phantom Stock Units based on the market value of a share of Progress Energy Common Stock on the date such units were credited to the account of the participant.

⁸Consists of (i) \$4,797 which represents dividends allocated in 2000 on performance shares awarded under the Performance Share Sub-Plan; (ii) \$7,795 which represents Progress Energy contributions under the Stock Purchase- Savings Plan; and (iii) \$11,859 which represents the dollar value of the premium relating to the term portion and the present value of the premium relating to the whole life portion of the benefit to be received pursuant to the Executive Permanent Life Insurance Program.

⁹Consists of (i) 5,000 shares of Progress Energy Restricted Stock valued at \$162,133 as of July 12, 2000; and (ii) 499 Phantom Stock Units based on the market value of a share of Progress Energy Common Stock on the date such units were credited to the account of the participant. Mr. Orser owns a total of 45,000 shares of Progress Energy Restricted Stock which were valued at \$2,213,438 as of December 31, 2000.

¹⁰Consists of (i) \$21,326 which represents dividends earned in 2000 on performance units awarded under the Long-Term Compensation Program; (ii) \$35,087 which represents dividends allocated in 2000 on performance shares awarded under the Performance Share Sub-Plan; (iii) \$9,420 which represents Progress Energy contributions under the Stock Purchase-Savings Plan; and (iv) \$39,925 which represents the dollar value of the premium relating to the term portion and the present value of the premium relating to the whole life portion of the benefit to be received pursuant to the Executive Permanent Life Insurance Program.

¹¹Consists of (i) transition compensation paid pursuant to Mr. Scott's employment agreement and (ii) amounts awarded under the Management Incentive Compensation Plan, and as a result of the Progress Energy/Florida Progress transaction.

¹²Consists of (i) 32,700 shares of Progress Energy Restricted Stock valued at \$1,608,431 as of December 31, 2000; and (ii) 70 Phantom Stock Units based on the market value of a share of Progress Energy Common Stock on the date such units were credited to the account of the participant.

¹³Consists of (i) 5,295 which represents dividends allocated in 2000 on performance shares awarded under the Performance Share Sub-Plan; (ii) \$3,094 which represents Progress Energy contributions under the Stock Purchase-Savings Plan; and (iii) 42,096 which represents the dollar value of the premium relating to the term portion and the present value of the premium relating to the whole life portion of the benefit to be received pursuant to the Executive Permanent Life Insurance Program.

¹⁴Consists of amounts awarded under the Management Incentive Compensation Plan and as a result of the Progress Energy/Florida Progress transaction.

¹⁵Consists of (i) 12,400 shares of Progress Energy Restricted Stock valued at \$402,090 as of July 12, 2000; and (ii) 87 Phantom Stock Units based on the market value of a share of Progress Energy Common Stock on the date such units were credited to the account of the participant. Mr. Johnson owns a total of 24,600 shares of Progress Energy Restricted Stock which were valued at \$1,210,012 as of December 31, 2000.

¹⁶Consists of (i) \$14,276 which represents dividends allocated in 2000 on performance shares awarded under the Performance Share Sub-Plan; (ii) \$8,460 which represents Progress Energy contributions under the Stock Purchase-Savings Plan; and (iii) \$15,276 which represents the dollar value of the premium relating to the term portion and the present value of the premium relating to the whole life portion of the benefit to be received pursuant to the Executive Permanent Life Insurance Program.

¹⁷Mr. Day has elected to defer receipt of 25 percent of this award until after his date of retirement.

¹⁸Consists of (i) 9,600 shares of Progress Energy Restricted Stock valued at \$311,295 as of July 12, 2000; and (ii) 107 Phantom Stock Units based on the market value of a share of Progress Energy Common Stock on the date such units were credited to the account of the participant. Mr. Day owns a total of 17,600 shares of Progress Energy Restricted Stock which were valued at \$648,434 as of December 31, 2000.

¹⁹Consists of (i) \$17,890 which represents dividends allocated in 2000 on performance shares awarded under the Performance Share Sub-Plan; (ii) \$8,700 which represents Progress Energy contributions under the Stock Purchase-Savings Plan; and (iii) \$36,173 which represents the dollar value of the premium relating to the term portion and the present value of the premium relating to the whole life portion of the benefit to be received pursuant to the Executive Permanent Life Insurance Program.

**LONG-TERM INCENTIVE PLAN
AWARDS IN LAST FISCAL YEAR**

<u>Name</u>	<u>Number of Units¹</u>	<u>Performance Period Ends</u>
H. William Habermeyer, Jr., President and Chief Executive Officer	1,076	2002
William S. Orser, Group President.....	8,190	2002
Peter M. Scott III, Executive Vice President and Chief Financial Officer.....	5,102	2002
William D. Johnson, Executive Vice President, General Counsel and Secretary.....	4,483	2002
Fred N. Day, IV, Executive Vice President.....	4,483	2002

¹Consists of the number of performance shares awarded in 2000 under the Performance Share Sub-Plan of the Progress Energy 1997 Equity Incentive Plan, based on the closing price of a share of Progress Energy's Common Stock on March 1, 2000, as published in *The Wall Street Journal*. Performance Share awards may range from 20% to 75% of a participant's base salary depending on the participant's position and job value. The number of performance shares awarded is recorded in a separate account for each participant, and is adjusted to reflect dividends, stock splits or other adjustments in Progress Energy's Common Stock. The performance period for an award under the Sub-Plan is the three-consecutive-year period beginning in the year in which the award is granted. There are two equally weighted performance measures under the Sub-Plan. One performance measure is Total Shareholder Return ("TSR"), which is defined in the Sub-Plan as the appreciation or depreciation in the value of stock (which is equal to the closing value of the stock on the last trading day of the relevant period minus the closing value of the stock on the last trading day of the preceding year) plus dividends declared during the relevant period divided by the closing value of the stock on the last trading day of the preceding year. The other performance measure is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) growth. Awards under the Sub-Plan vest on January 1 following the end of the three-year performance period, provided, however, that to determine each award vested under the Sub-Plan, the TSR and EBITDA growth of Progress Energy are compared to the TSR and EBITDA growth of a Peer Group comprised of the twenty-six electric utility companies comprising the Standard & Poor's Electric Index. The differences between Progress Energy TSR and EBITDA growth, and the Peer Group TSR and EBITDA growth, respectively, are used to determine the multipliers that will be used to calculate the number of vested performance shares in each participant's account. (Differences in TSR can range from a low of (2.0%) or less to a high of 5% or more, and correspond to multipliers of 0 to 200%. Differences in EBITDA growth can range from a low of less than 0% to a high of 5% or more and correspond to multipliers of 0 to 200%). The multiplier is applied to the number of performance shares in the participant's performance share account to determine the actual number of vested performance shares in that account. The aggregate value of vested performance shares is equal to the number of vested performance shares in the participant's account multiplied by the closing price of Progress Energy's Common Stock, as published in *The Wall Street Journal* on the last trading day before payment of the award.

Awards are paid in cash after expiration of the performance period. Payment can be made in either (i) lump sum on or about April 1 of the year immediately following the performance period or (ii) in accordance with an

election to defer in 25% increments, made during the first year of the performance period. In the event of death, disability, retirement or a change-in-control of Progress Energy, any award granted under the Sub-Plan immediately becomes vested. The aggregate value of the vested award is determined using multipliers that are based on the difference between the Progress Energy TSR and EBITDA growth and the Peer Group TSR and EBITDA growth, respectively over the portion of the performance period that was completed before the terminating event occurred. See "Long-Term Compensation Opportunities" on page 80.

PENSION PLAN TABLE

Average Compensation	Estimated Annual Pension at Normal Retirement (Years of Credited Service)		
	10 years	15 years	15 ½ or more years
\$ 190,000	\$76,000	\$114,000	\$117,800
255,000	102,000	153,000	158,100
320,000	128,000	192,000	198,400
385,000	154,000	231,000	238,700
450,000	180,000	270,000	279,000
515,000	206,000	309,000	319,300
555,000	222,000	333,000	344,100
595,000	238,000	357,000	368,900
635,000	254,000	381,000	393,700
675,000	270,000	405,000	418,500
715,000	286,000	429,000	443,300
760,000	304,000	456,000	471,200
795,000	318,000	477,000	492,900
840,000	336,000	504,000	520,800
900,000	360,000	540,000	558,000
960,000	384,000	576,000	595,200
1,020,000	408,000	612,000	632,400

The above table demonstrates senior executive pension benefits payable upon normal retirement under the Supplemental Retirement Plan and Supplemental Senior Executive Retirement Plan at age 65 as a function of average annual income and years of service. Covered compensation under these plans consists only of the amounts in the Salary and Bonus columns of the Summary Compensation Table on page 84. Pursuant to the Supplemental Retirement Plan, a defined benefit plan, benefits are partially offset by Social Security payments and the monthly pension benefit payable upon retirement is based on final five years average compensation (base pay earnings only) multiplied by 1.7% for each year of service up to a maximum of 60%. Benefits under the Supplemental Senior Executive Retirement Plan are fully offset by Social Security benefits and by benefits paid under the Supplemental Retirement Plan. The monthly benefit payable upon retirement under this plan is equal to 4% of the average of a participant's highest three years of eligible earnings for each year of credited service with Progress Energy up to a maximum of 62%. Benefits listed in the table above do not reflect the Social Security or other offset. For purposes of benefits under these plans, Mr. Habermeyer has 7 years of credited service, Mr. Orser has 7 years of credited service, Mr. Scott has 7 years of credited service, Mr. Johnson has 15 years of credited service, three of which are credited for service on the Senior Management Committee, and Mr. Day has 15 1/2 years of credited service.

EMPLOYMENT AGREEMENTS

Messrs. Habermeyer, Orser, Scott, Johnson and Day have entered into employment agreements, with one or more of Progress Energy's subsidiaries (the "Employer"). These agreements provide for base salary, bonuses, perquisites and participation in the various executive compensation plans offered to senior executives of Progress Energy and its subsidiaries. The agreement with Mr. Habermeyer has an effective date of November 30, 2000. The agreements with Messrs. Cavanaugh, McGehee, Scott and Kilgore each has an effective date of August 1, 2000. The agreements all provide that they will remain in effect for three years from the effective date. Each agreement also includes an "Evergrow provision" which provides that each year, the agreement will be extended such that the prospective term will always be three years forward on the anniversary date of the effective date. The Employer may elect not to extend an executive officer's agreement and must notify the officer of such an election at least sixty days prior to the

annual anniversary date of his agreement's effective date. Plan targets, termination and other key provisions of the agreements are discussed below.

Agreement with Mr. Habermeyer

Information concerning the employment agreement with Mr. Habermeyer is set forth in Part III hereof under the heading "Executive Compensation – Florida Progress, Compensation of Executive Officers."

Agreement with Mr. Orser

Mr. Orser's agreement provides that his target compensation under the MICP was 40% of base salary earnings and increased to 45% effective January 1, 2001. The agreement also provides that Mr. Orser's target compensation under the PSSP of Progress Energy's 1997 Equity Incentive Compensation Plan was 50% of his base salary, and increased to 100% effective January 1, 2001. Mr. Orser's agreement notes that pursuant to a 1993 employment agreement with Carolina Power & Light Company, he received a recruitment bonus under the now suspended Deferred Compensation Plan for Key Management Employees, and that he is credited with nine years of service solely for purposes of determining benefits in connection with that bonus. The agreement also notes that Mr. Orser is automatically deemed vested for his benefits under the SERP, and will be deemed eligible for early retirement benefits under the SERP at age 60, assuming his continued employment at the Company until age 60.

The agreement with Mr. Orser provides that upon termination of employment without cause or constructive termination of employment, he will be provided with his base salary at the current rate for the remainder of the term of the agreement, and will be eligible to retain all benefits in which he has vested under existing benefit plans. Additionally, he will be entitled to certain health benefits. The agreement provides that a constructive termination will be deemed to occur if (i) there is a change in the form of ownership of Progress Energy or the Employer and (ii) Mr. Orser is offered a new position with a material change in authority, duty, wages or benefits, or is asked to relocate more than 50 miles. If Mr. Orser's employment is constructively terminated, he will be entitled to the greater of the benefits described above or the benefits, if any, to which he is entitled under Progress Energy's Management Change-in-Control Plan. If the Employer terminates Mr. Orser's employment for cause, he will be eligible to retain all benefits in which he has vested under existing benefit plans, but he shall not be entitled to any form of salary continuance or any form of severance benefits. He will also be entitled to any earned but unpaid salary. The agreement with Mr. Orser provides that if he terminates his employment voluntarily at any time, he shall retain all vested benefits but shall not be entitled to any form of salary continuance or any form of severance benefit. The agreement also provides that if, while Mr. Orser is between the ages of 55 and 60, his employment is terminated without cause, or constructively terminated or if he voluntarily terminates his employment, he will receive \$153,912 (less applicable taxes) a year for life, less benefits payable under the Supplemental Retirement Plan and in lieu of any SERP benefit. Additionally, Mr. Orser will be eligible to retain all benefits in which he has vested under existing benefit plans.

Agreement with Mr. Scott

Information concerning the employment agreement with Mr. Scott is set forth in Part III hereof under the heading "Executive Compensation-Florida Progress, Compensation of Executive Officers."

Agreement with Mr. Johnson

Mr. Johnson's agreement provides that his target compensation under the MICP was 35% of base salary earnings and increased to 45% effective January 1, 2001. The agreement also provides that Mr. Johnson's target compensation under the PSSP of Progress Energy's 1997 Equity Incentive Plan was 50% of his base salary, but increased to 100% effective January 1, 2001. The agreement with Mr. Johnson also notes Mr. Johnson will be awarded 7 years of deemed service for purposes of the SERP. Three of those years will also be deemed service on the Senior Management Committee.

The agreement with Mr. Johnson provides that upon termination of employment without cause or constructive termination of employment, he will be provided with his base salary at the current rate for the remainder of the term of the agreement and will be eligible to retain all benefits in which he has vested under existing benefit plans. Additionally, the Employer will reimburse him for certain health benefits for up to 18 months after the termination of his employment. The agreement provides that a constructive termination will be deemed to occur if (i) there is a change in the form of ownership of Progress Energy or the Employer and (ii) Mr. Johnson is offered a new position with a material change in authority, duty, wages or benefits, or Mr. Johnson is asked to relocate more than 50 miles.

If Mr. Johnson's employment is constructively terminated, he will be entitled to the greater of the benefits described above or the benefits, if any, to which he is entitled under Progress Energy's Management Change-in-Control Plan. If the Employer terminates Mr. Johnson's employment for cause, he will be eligible to retain all benefits in which he has vested under existing benefit plans, but he shall not be entitled to any form of salary continuance or any form of severance benefits. He will also be entitled to any earned but unpaid salary. The agreement with Mr. Johnson provides that if he terminates his employment voluntarily at any time, he shall retain all vested benefits but shall not be entitled to any form of salary continuance or any form of severance benefit.

Agreement with Mr. Day

Mr. Day's agreement provides that his target compensation under the MICP was 35% of base salary earnings and increased to 45% effective January 1, 2001. The agreement also provides that Mr. Day's target compensation under the PSSP of Progress Energy's 1997 Equity Incentive Plan was 50% of his base salary, but increased to 100% effective January 1, 2001.

The agreement with Mr. Day provides that upon termination of employment without cause or constructive termination of employment, he will be provided with his base salary at the current rate for the remainder of the term of the agreement and will be eligible to retain all benefits in which he has vested under existing benefit plans. Additionally, the Employer will reimburse him for certain health benefits for up to 18 months after the termination of his employment. The agreement provides that a constructive termination will be deemed to occur if (i) there is a change in the form of ownership of Progress Energy or the Employer and (ii) Mr. Day is offered a new position with a material change in authority, duty, wages or benefits, or Mr. Day is asked to relocate more than 50 miles. If Mr. Day's employment is constructively terminated, he will be entitled to the greater of the benefits described above or the benefits, if any, to which he is entitled under Progress Energy's Management Change-in-Control Plan. If the Company terminates Mr. Day's employment for cause, he will be eligible to retain all benefits in which he has vested under existing benefit plans, but he shall not be entitled to any form of salary continuance or any form of severance benefits. He will also be entitled to any earned but unpaid salary. The agreement with Mr. Day provides that if he terminates his employment voluntarily at any time, he shall retain all vested benefits but shall not be entitled to any form of salary continuance or any form of severance benefit.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

FLORIDA PROGRESS

Security Ownership of Certain Beneficial Owners

All of Florida Progress' common stock is held beneficially and of record by Progress Energy, Inc. None of Florida Progress' directors or executive officers owns any shares of Florida Progress' common stock.

Security Ownership of Management

The following table describes the beneficial ownership of the Common Stock of Progress Energy, Inc. and ownership of Progress Energy, Inc. Common Stock units as of December 31, 2000, of (i) all current Directors and nominees for Director of Florida Progress, (ii) each executive officer of Florida Progress named in the Summary Compensation Table presented on page 68 of this document and (iii) all Directors and executive officers of Florida Progress as a group. A unit of Common Stock does not represent an equity interest in Progress Energy, Inc. and possesses no voting rights, but is equal in value at all times to a share of Common Stock. As of December 31, 2000, none of the individuals or group in the above categories owned one percent (1%) or more of Progress Energy, Inc.'s voting securities.

NAME	NUMBER OF SHARES OF COMMON STOCK BENEFICIALLY OWNED ¹ AND UNITS REPRESENTING SHARES OF COMMON STOCK ^{2,3,4,5,6,7}	
Edwin B. Borden	5,042 22,333 ²	Common Stock Units
David L. Burner	0 2,689 ³	Common Stock Units
William Cavanaugh III	219,989 ⁸ 144,116 ^{4,5,6,7}	Common Stock Units
Charles W. Coker	4,448 ⁹ 26,785 ²	Common Stock Units
Richard L. Daugherty	947 15,020 ²	Common Stock Units
W. D. Frederick, Jr.	1,000 74 ³	Common Stock Units
H. William Habermeyer, Jr.	22,773 2,701 ^{5,6}	Common Stock Units
Tom D. Kilgore	31,381 14,996 ^{5,6,7}	Common Stock Units
Richard Korpan	1,000 0	Common Stock Units
Estell C. Lee	4,484 ¹⁰ 21,952 ²	Common Stock Units
William O. McCoy	1,000 7,461 ²	Common Stock Units
Robert B. McGehee	36,179 ¹¹ 16,167 ^{5,6,7}	Common Stock Units
E. Marie McKee	600 2,869 ³	Common Stock Units
John H. Mullin, III	1,000 3,525 ²	Common Stock Units
Richard A. Nunis	2,000 0	Common Stock Units
Peter M. Scott III	32,802 5,329 ^{5,6}	Common Stock Units
J. Tylee Wilson	5,000 6,518 ²	Common Stock Units
Jean Giles Wittner	1,000 0	Common Stock Units
Shares of Progress Energy Common Stock beneficially owned by all directors and executive officers of Florida Progress as a group (20 persons)		Common Stock
		400,519

¹Unless otherwise noted, all shares of Common Stock set forth in the table are beneficially owned, directly or indirectly, with sole voting and investment power, by such shareholder.

²Consists of units representing Common Stock of Progress Energy under the Directors' Deferred Compensation Plan and the Non-Employee Director Stock Unit Plan (see "Compensation of Directors" on page 63).

³Consists of units representing Common Stock of Progress Energy under the Directors' Deferred Compensation Plan.

⁴Consists of performance units under the Progress Energy Long-Term Compensation Program.

⁵Consists of performance shares awarded under the Performance Share Sub-Plan of the Progress Energy 1997 Equity Incentive Plan (see "Long-Term Incentive Plan Awards Table" on page 72 and footnote 1 thereunder for performance shares awarded in 2000).

⁶Consists of phantom stock units to replace the value of Progress Energy contributions to the Stock Purchase-Savings Plan that would have been made but for the deferral of salary under the Progress Energy Management Deferred Compensation Plan and contribution limitations under Section 415 of the Internal Revenue Code of 1986, as amended (see "Summary Compensation Table" on page 68 and footnote 5 thereunder).

⁷Consists of performance units recorded to reflect awards deferred under the Progress Energy Management Incentive Compensation Plan.

⁸Includes 200,000 shares of Progress Energy Restricted Stock and 7,823 shares with shared voting and investment power owned by members of immediate family to which beneficial ownership has not been disclaimed.

⁹Includes 4,248 shares with shared voting and investment power owned by members of immediate family to which beneficial ownership has not been disclaimed.

¹⁰Includes 160 shares with shared voting and investment power owned by members of immediate family to which beneficial ownership has not been disclaimed.

¹¹Includes 33,200 shares of Progress Energy Restricted Stock.

FLORIDA POWER

Security Ownership of Certain Beneficial Owners

All of Florida Power's common stock is held beneficially and of record by Florida Progress. None of Florida Power's directors or executive officers owns any shares of Florida Power's common or preferred stock.

Security Ownership of Management

MANAGEMENT OWNERSHIP OF COMMON STOCK

The following table describes the beneficial ownership of the Common Stock of Progress Energy, Inc. and ownership of Progress Energy, Inc. Common Stock units as of December 31, 2000, of (i) all Florida Power Directors, (ii) each executive officer of Florida Power named in the Summary Compensation Table presented on page 84 of this document and (iii) all Directors and executive officers of Florida Power as a group. A unit of Common Stock does not represent an equity interest in Progress Energy, Inc. and possesses no voting rights, but is equal in value at all times to a share of Common Stock. As of December 31, 2000, none of the individuals or group in the above categories owned one percent (1%) or more of Progress Energy, Inc.'s voting securities.

**NUMBER OF SHARES OF COMMON STOCK
BENEFICIALLY OWNED¹ AND UNITS REPRESENTING
SHARES OF COMMON STOCK^{2,3,4,5,6}**

NAME		
William Cavanaugh III	219,989 ⁶	Common Stock
	144,116 ^{2,3,4,5}	Units
Fred N. Day IV	23,447	Common Stock
	11,453 ^{3,4,5}	Units
H. William Habermeyer, Jr.	22,773	Common Stock
	2,702 ^{3,4}	Units
William D. Johnson	27,157	Common Stock
	10,198 ^{3,4,5}	Units
Peter M. Scott III	32,802	Common Stock
	5,329 ^{3,4}	Units
William S. Orser	51,615 ⁷	Common Stock
	33,171 ^{2,3,4}	Units
Shares of Progress Energy Common Stock beneficially owned by all directors and executive officers of Florida Power as a group (10 persons)	449,057	Common Stock

¹Unless otherwise noted, all shares of Common Stock set forth in the table are beneficially owned, directly or indirectly, with sole voting and investment power, by such shareholder.

²Consists of performance units under the Progress Energy Long-Term Compensation Program.

³Consists of performance shares awarded under the Performance Share Sub-Plan of the 1997 Progress Energy Equity Incentive Plan (see "Long-Term Incentive Plan Awards Table" on page 87 and footnote 1 thereunder for performance shares awarded in 2000).

⁴Consists of phantom stock units to replace the value of Progress Energy's contributions to the Stock Purchase-Savings Plan that would have been made but for the deferral of salary under the Management Deferred Compensation Plan and contribution limitations under Section 415 of the Internal Revenue Code of 1986, as amended (see "Summary Compensation Table" on page 84 and footnote 5 thereunder).

⁵Consists of performance units recorded to reflect awards deferred under the Progress Energy Management Incentive Compensation Plan.

⁶Includes 200,000 shares of Progress Energy Restricted Stock and 7,823 shares with shared voting and investment power owned by members of immediate family to which beneficial ownership has not been disclaimed.

⁷Includes 45,000 shares of Restricted Stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On November 30, 2000, CP&L Energy, Inc., a North Carolina corporation, acquired all of the outstanding common stock of Florida Progress Corporation, a Florida corporation, 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 (renamed Progress Energy, Inc. effective December 4, 2000), Florida Progress and Carolina Power & Light Company, a North Carolina corporation.

Mr. Korpan, a nominee to the Company's Board of Directors, and formerly an officer and director of Florida Progress had interests in the share exchange that were different from and in addition to his rights as a Florida Progress shareholder. He received the following consideration as a result of those interests: \$11,551,588

representing payouts under the change-in-control provisions of the Long-Term Incentive Plan; \$4,182,000 representing severance payments; and 79,033 Progress Energy Contingent Value Obligations (CVOs). (Each contingent value obligation represents the right to receive contingent payments based upon the net after-tax cash flow to Progress Energy generated by certain synthetic fuel plants.) Mr. Korpan is also entitled to receive continuation of welfare benefits comparable to those in place before the transaction for 36 months following termination, with lifetime access to medical insurance at his expense thereafter; and reimbursement for reasonable legal fees and disbursements related to the taxation of payments made to the individual, not to exceed \$15,000.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K FOR FLORIDA PROGRESS AND FLORIDA POWER

- (a) 1. Financial Statements, notes to Financial Statements and report thereon KPMG LLP are found in Item 8 "Financial Statements and Supplementary Data" herein.

2. The following Financial Statement Schedules are included herein:

Florida Progress

II-Valuation and Qualifying Accounts
for the years ended December 31, 2000, 1999 and 1998

Florida Power

II-Valuation and Qualifying Accounts
for the years ended December 31, 2000, 1999 and 1998

All other schedules are not submitted because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

3. Exhibits filed herewith:

<u>Number</u>	<u>Exhibit</u>	<u>Florida Progress</u>	<u>Florida Power</u>
*2	Amended and Restated Agreement and Plan of Exchange by and among Carolina Power and Light Company, Florida Progress Corporation and CP&L Energy, Inc., dated as of August 22, 1999, amended and restated as of March 3, 2000. (Filed as Annex A to the Florida Progress preliminary proxy statement on-Schedule 14 A, as filed with the SEC on March 6, 2000).	X	
*3. (a)	Amended Articles of Incorporation, as amended, of Florida Power. (Filed as Exhibit 3(a) to the Florida Power Form 10-K for the year ended December 31, 1991, as filed with the SEC (File No. 1-3274) on March 30, 1992.)		X
*3. (b)	Restated Articles of Incorporation, as amended, of Florida Progress. (Filed as Exhibit 3(a) to Florida Progress' Form 10-K for the year ended December 31, 1991, as filed with the SEC on March 30, 1992.)	X	
*3. (c)	Bylaws of Florida Power, as amended to date. (Filed as Exhibit 3.(b) to the Florida Power Form 10-K for the year ended December 31, 1995, as filed with the SEC on March 20, 1996.)		X
*3. (d)	Bylaws of Florida Progress, as amended March 3, 2000 (Filed as Exhibit 3.(a) to the Florida Progress Form 10-K for the year ended December 31, 1999, as filed with the SEC on March 30, 2000.)	X	
*3. (e)	Bylaws of Florida Progress as amended July 10, 2000,	X	

(Filed as Exhibit 3 to the Florida Progress Form 10-Q for the quarter ended June 30, 2000, as filed with the SEC on August 11, 2000.)

*4. (a)	Indenture, dated as of January 1, 1944 (the "Indenture"), between Florida Power and Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees. (Filed as Exhibit B-18 to Florida Power's Registration Statement on Form A-2 (No. 2-5293) filed with the SEC on January 24, 1944.)	X	X
*4. (b)	Twenty-Ninth Supplemental Indenture, dated as of September 1, 1982, between Florida Power and Morgan Guaranty Trust Company of New York and Florida National Bank, as Trustees, with reference to the modification and amendment of the Indenture. (Filed as Exhibit 4(c) to Florida Power's Registration Statement on Form S-3 (No. 2-79832) filed with the SEC on September 17, 1982.)	X	X
*4. (c)	Seventh Supplemental Indenture, dated as of July 1, 1956, between Florida Power and Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees, with reference to the modification and amendment of the Indenture. (Filed as Exhibit 4(b) to Florida Power's Registration Statement on Form S-3 (No. 33-16788) filed with the SEC on September 27, 1991.)	X	X
*4. (d)	Eighth Supplemental Indenture, dated as of July 1, 1958, between Florida Power and Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees, with reference to the modification and amendment of the Indenture. (Filed as Exhibit 4(c) to Florida Power's Registration Statement on Form S-3 (No. 33-16788) filed with the SEC on September 27, 1991.)	X	X
*4. (e)	Sixteenth Supplemental Indenture, dated as of February 1, 1970, between Florida Power and Morgan Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees, with reference to the modification and amendment of the Indenture. (Filed as Exhibit 4(d) to Florida Power's Registration Statement on Form S-3 (No. 33-16788) filed with the SEC on September 27, 1991.)	X	X
*4. (f)	Rights Agreement, dated as of November 21, 1991, between Florida Progress and Manufacturers Hanover Trust Company, including as Exhibit A the form of Rights Certificate. (Filed as Exhibit 4(a) to Florida Progress' Form 8-K dated November 21, 1991, as filed with the SEC on November 27, 1991.)	X	

*4. (g)	Thirty-Eighth Supplemental Indenture dated as of July 25, 1994, between Florida Power and First Chicago Trust Company of New York, as successor Trustee, Morgan Guaranty Trust Company of New York, as resigning Trustee, and First Union National Bank of Florida, as resigning Co-Trustee, with reference to confirmation of First Chicago Trust Company of New York as successor Trustee under the Indenture. (Filed as exhibit 4(f) to Florida Power's Registration Statement on Form S-3 (No. 33-55273) as filed with the SEC on August 29, 1994.)	X	X
*4. (h)	Amendment to Shareholder Rights Agreement dated February 20, 1997, between Florida Progress and The First National Bank of Boston. (Filed as Exhibit 4(a) to the Florida Progress Form 10-K for the year ended December 31, 1996, as filed with the SEC on March 27, 1997.)	X	
*4. (i)	Form of Certificate representing shares of Florida Progress Common Stock. (Filed as Exhibit 4(b) to the Florida Progress Form 10-K for the year ended December 31, 1996, as filed with the SEC on March 27, 1997.)	X	
*4. (j)	Second Amendment to Shareholder Rights Agreement dated as of August 22, 1999, between Florida Progress and BankBoston, N.A. (Filed as Exhibit 4 to the combined Florida Progress and Florida Power Form 8-K dated August 22, 1999.)	X	
*10. (a)	Second Amended and Restated Guaranty and Support Agreement dated as of August 7, 1996. (Filed as Exhibit 4 to Florida Progress' Form 10-Q for the quarter ended June 30, 1996).	X	
+*10. (b)(1)	Florida Progress Corporation Long-Term Incentive Plan, approved by Florida Progress' Shareholders on April 19, 1990. (Filed as Exhibit 10(d) to Florida Progress' Form 10-Q for the quarter ended March 31, 1990, as filed with the SEC on May 14, 1990).	X	X
+*10. (b)(2)	Stock Plan for Non-Employee Directors of Florida Progress Corporation and Subsidiaries. (Filed as Exhibit 4.(k) to the Florida Progress Registration Statement on Form S-8 (No. 333-02619) as filed with the SEC on April 18, 1996.)	X	X
+*10. (b)(3)	Executive Optional Deferred Compensation Plan. (Filed as Exhibit 10.(c) to the Florida Progress Form 10-K for the year ended December 31, 1996 as filed with the SEC on March 27, 1997.)	X	X
+*10. (b)(4)	Agreement between Florida Progress and	X	

	Kenneth E. Armstrong dated as of January 30, 1998 regarding change in control. (Filed as Exhibit 10(b) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)		
+*10. (b)(5)	Agreement between Florida Progress and Jeffrey R. Heinicka dated as of January 30, 1998 regarding change in control. (Filed as Exhibit 10(d) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)	X	
+*10. (b)(6)	Agreement between Florida Progress and Richard D. Keller dated as of January 30, 1998 regarding change in control (Filed as Exhibit 10(e) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)	X	
+*10. (b)(7)	Agreement between Florida Progress and Richard Korpan dated as of January 30, 1998, regarding change in control. (Filed as Exhibit 10.(f) to the Florida Progress Form 10-K for the year ended December 31, 1997 as filed with the SEC on March 18, 1998.)	X	
+*10. (b)(8)	Agreement between Florida Progress and Joseph Richardson dated as of January 30, 1998, regarding change in control. (Filed as Exhibit 10.(g) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)	X	
+*10. (b)(9)	Employment Agreement between Florida Progress and Richard Korpan dated March 1, 1998. (Filed as Exhibit 10(h) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)	X	
+*10. (b)(10)	Phantom Stock Plan for the benefit of Non-Employee Directors of Florida Progress Corporation. (Filed as Exhibit 10.(a) to the Florida Progress Form 10-K for the year ended December 31, 1998, as filed with the SEC on March 19, 1999.)	X	
+*10. (b)(11)	Agreement between Florida Progress and William G. Kelley dated as of January 30, 1998, regarding change in control. (Filed as Exhibit 10.(b) to the Florida Progress Form 10-K for the year ended December 31, 1998, as filed with the SEC on March 19, 1999.)	X	
+*10.(b)(12)	Management Incentive Compensation Plan of Florida Progress Corporation, as amended December 14, 1999. (Filed as Exhibit 10.(a) to the Florida Progress Form 10-K for the year ended December 31, 1999, as filed with the SEC on	X	X

March 30, 2000.)

+*10.(b)(13)	Agreement between Florida Progress and Richard Korpan dated as of January 30, 1998 regarding change in control, as amended August 19, 1999. (Filed as Exhibit 10.(b) to the Florida Progress Form 10-K for the year ended December 31, 1999, as filed with the SEC on March 30, 2000.)	X	
+*10.(b)(14)	Agreement between Florida Progress and Joseph H. Richardson dated as of January 30, 1998 regarding change in control, as amended August 19, 1999. (Filed as Exhibit 10.(c) to the Florida Progress Form 10-K for the year ended December 31, 1999, as filed with the SEC on March 30, 2000.)	X	
+*10. (b)(15)	Employment Agreement between Florida Progress and Richard Korpan dated as of March 1, 1998, as amended August 19, 1999. (Filed as Exhibit 10.(d) to the Florida Progress Form 10-K for the year ended December 31, 1999, as filed with the SEC on March 30, 2000.)	X	
+*10. (b)(16)	Florida Progress Supplemental Executive Retirement Plan, as amended and restated effective February 20, 1997. (Filed as Exhibit 10.(e) to the Florida Progress Form 10-K for the year ended December 31, 1999, as filed with the SEC on March 30, 2000.)	X	X
-+*10.(b)(17)	Resolutions of the Board of Directors of Carolina Power & Light Company dated May 8, 1991, amending the Directors Deferred Compensation Plan (filed as Exhibit 10(b), File No. 33-48607).	X	
-+*10.(b)(18)	1997 Equity Incentive Plan, approved by shareholders of Carolina Power & Light Company on May 7, 1997, effective as of January 1, 1997 (filed as Appendix A to Carolina Power & Light Company's 1997 Proxy Statement, File No. 1-3382).	X	X
-+*10.(b)(19)	Carolina Power & Light Company Restricted Stock Agreement, as approved January 7, 1998, pursuant to Carolina Power & Light Company's 1997 Equity Incentive Plan (filed as Exhibit No. 10 to Carolina Power & Light Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998, File No. 1-3382.)	X	X
-+*10.(b)(20)	Carolina Power & Light Company Restoration Retirement Plan, as amended January 1, 1999 (filed as Exhibit No. 10b(20) to Carolina Power & Light Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 1-3382).	X	X
-+*10.(b)(21)	Performance Share Sub-Plan of the Carolina Power & Light Company 1997 Equity	X	X

Incentive Plan, as Revised and Restated
March 17, 1999 (filed as Exhibit 10b(21)
to Carolina Power & Light Company's Annual
Report on Form 10-K for the fiscal year ended
December 31, 1999, File No. 1-3382).

-+*10.(b)(22)	Amended Management Incentive Compensation Plan of Carolina Power & Light Company, as amended January 1, 2000 (filed as Exhibit 10b(22) to Carolina Power & Light Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, File No. 1-3382).	X	X
-+*10.(b)(23)	Carolina Power & Light Company Management Deferred Compensation Plan, adopted as of January 1, 2000, (filed as Exhibit 4 to Carolina Power & Light Company's Form S-8 dated October 25, 1999, File No. 333-89685).	X	X
-+*10.(b)(24)	Amended and Restated Supplemental Senior Executive Retirement Plan of Carolina Power & Light Company, effective January 1, 1984, as last amended March 15, 2000 (filed as Exhibit 10b(24) to Carolina Power & Light Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, File No. 1-3382).	X	X
+*10.(b)(25)	Employment Agreement dated August 1, 2000 between CP&L Service Company LLC and William Cavanaugh III (filed as Exhibit 10(i) to Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, File No. 1-15929 and No. 1-3382)	X	
+*10.(b)(26)	Employment Agreement dated August 1, 2000 between Carolina Power & Light Company and William S. "Skip" Orser (filed as Exhibit 10(ii) to Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, File No. 1-15929 and No. 1-3382).		X
+*10.(b)(27)	Employment Agreement dated August 1, 2000 between Carolina Power & Light Company and Tom Kilgore (filed as Exhibit 10(iii) to Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, File No. 1-15929 and No. 1-3382).	X	
+*10.(b)(28)	Employment Agreement dated August 1, 2000 between CP&L Service Company LLC and Robert McGehee (filed as Exhibit 10(iv) to Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, File No. 1-15929 and No. 1-3382).	X	
+*10.(b)(29)	Form of Employment Agreement dated August 1, 2000 (i) between Carolina Power & Light Company	X	X

and Don K. Davis; and (ii) between CP&L Service Company LLC and Peter M. Scott III; and (iii) between CP&L Service Company LLC and William D. Johnson (filed as Exhibit 10(v) to Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, File No. 1-15929 and No. 1-3382).

+*10.(b)(30)	Form of Employment Agreement dated August 1, 2000 between Carolina Power & Light Company and (i) Fred Day IV, (ii) C.S. "Scotty" Hinnant and (iii) E. Michael Williams (filed as Exhibit 10(vi) to Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, File No. 1-15929 and No. 1-3382.)		
*+10.(b)(31)	Florida Power Corporation Management Incentive Compensation Plan, effective January 1, 2001 (filed as Exhibit 10b(25) to Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-15929 and No. 1-3382.)	X	
+10.(b)(32)	Employment Agreement dated November 30, 2000 between Carolina Power & Light Company, Florida Power Corporation and H. William Habermeyer.	X	X
12	Statement of Computation of Ratios.		X
16	Letter regarding change in certifying accountant	X	X
21	Subsidiaries of Florida Progress.	X	
23. (a)	Consent of KPMG	X	
23. (b)	Consent of KPMG		X
24	Powers of Attorney are included in the signature pages of this Form 10-K.	X	X

X Exhibit is filed for that respective company.

* Incorporated herein by reference as indicated.

+Management contract or compensation plan or arrangement required to be filed as an exhibit to this report pursuant to Item 14(c) of Form 10-K.

- Sponsorship of this management contract or compensation plan or arrangement was transferred by Carolina Power & Light Company to Progress Energy, Inc., effective August 1, 2000.

In reliance upon Item 601(b)(4)(iii) of Regulation S-K, certain instruments defining the rights of holders of long-term debt of Florida Progress and its consolidated subsidiaries are not being filed herewith, because the total amount authorized thereunder does not exceed 10% of the total assets of Florida Progress and its subsidiaries on a consolidated basis. Florida Progress hereby agrees to furnish a copy of any such instruments to the SEC upon request.

Florida Progress will furnish to its security holders any exhibit to this Form 10-K upon written request at a reasonable charge for copying and mailing. Written requests should be made to Mr. Thomas R. Sullivan, Treasurer, P.O. Box 1551, Raleigh, North Carolina 27602.

(b) Reports on Form 8-K

Form 8-K dated (date of earliest event reported) October 25, 2000, as filed with the SEC on October 25, 2000, reporting under Item 5 "Other Events" Florida Progress' and Florida Power's third quarter 2000 earnings.

Form 8-K dated (date of earliest event reported) November 15, 2000, as filed with the SEC on November 15, 2000, reporting under Item 5 "Other Events" Florida Progress reporting a quarterly dividend.

Form 8-K dated (date of earliest event reported) November 30, 2000, as filed with the SEC on December 8, 2000, reporting under Item 1 "Changes in Control of Registrant" the acquisition of Florida Progress by Progress Energy.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: 3/28/01

FLORIDA PROGRESS CORPORATION
(Registrant)

By: /s/ Peter M. Scott III
Peter M. Scott III
Executive Vice President and
Chief Financial Officer

By: /s/ Robert H. Bazemore, Jr.
Robert H. Bazemore, Jr.
Vice President and Controller
(Chief Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William Cavanaugh III</u> (William Cavanaugh III, Chairman, President and Chief Executive Officer)	Principal Executive Officer and Director	<u>3/21/01</u>
<u>/s/ Peter M. Scott III</u> (Peter M. Scott III, Executive Vice President and Chief Chief Financial Officer)	Principal Financial Officer	<u>3/21/01</u>
<u>/s/ Edwin B. Borden</u> (Edwin B. Borden)	Director	<u>3/21/01</u>
<u>/s/ David L. Burner</u> (David L. Burner)	Director	<u>3/21/01</u>
<u>/s/ Charles W. Coker</u> (Charles W. Coker)	Director	<u>3/21/01</u>
<u>/s/ Richard L. Daugherty</u> (Richard L. Daugherty)	Director	<u>3/21/01</u>
<u>/s/ W.D. Frederick, Jr.</u> (W.D. Frederick, Jr.)	Director	<u>3/21/01</u>

<u>/s/ Richard Korpan</u> (Richard Korpan)	Director	<u>3/21/01</u>
<u>/s/ Estell C. Lee</u> (Estell C. Lee)	Director	<u>3/21/01</u>
<u>/s/ William O. McCoy</u> (William O. McCoy)	Director	<u>3/21/01</u>
<u>/s/ E. Marie McKee</u> (E. Marie McKee)	Director	<u>3/21/01</u>
<u>/s/ John H. Mullin, III</u> (John H. Mullin, III)	Director	<u>3/21/01</u>
<u>/s/ Richard A. Nunis</u> (Richard A. Nunis)	Director	<u>3/21/01</u>
<u>/s/ J. Tylee Wilson</u> (J. Tylee Wilson)	Director	<u>3/21/01</u>
<u>/s/ Jean Giles Wittner</u> (Jean Giles Wittner)	Director	<u>3/21/01</u>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: 3/28/01

FLORIDA POWER CORPORATION
(Registrant)

By: /s/ Peter M. Scott III
Peter M. Scott III
Executive Vice President and
Chief Financial Officer

By: /s/ Robert H. Bazemore, Jr.
Robert H. Bazemore, Jr.
Controller
(Chief Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William Cavanaugh III</u> (William Cavanaugh III, Chairman)	Principal Executive Officer and Director	<u>3/21/01</u>
<u>/s/ William H. Habermeyer, Jr.</u> (H. William Habermeyer, Jr., President and Chief Executive Officer)	Principal Executive Officer and Director	<u>3/21/01</u>
<u>/s/ Peter M. Scott III</u> (Peter M. Scott, Executive Vice President and Chief Chief Financial Officer)	Principal Financial Officer and Director	<u>3/21/01</u>
<u>/s/ Robert B. McGehee</u> (Robert B. McGehee)	Director	<u>3/21/01</u>
<u>/s/ William D. Johnson</u> (William D. Johnson)	Director	<u>3/21/01</u>
<u>/s/ William H. Habermeyer, Jr.</u> (William H. Habermeyer, Jr.)	Director	<u>3/21/01</u>
<u>/s/ William S. Orser</u> (William S. Orser)	Director	<u>3/21/01</u>

Schedule II

FLORIDA PROGRESS CORPORATION
Valuation and Qualifying Accounts
For the Years Ended December 31, 2000, 1999, and 1998
(In millions)

Description	Balance at Beginning of Period	Additions Charged to Expense	Deductions	Other Add (Ded)	Balance at End of Period
FOR THE YEAR ENDED DECEMBER 31, 2000					
Nuclear refueling outage reserve	<u>\$ 0.5</u>	<u>\$ 10.6</u>	<u>\$ 0.3</u>	<u>\$ -</u>	<u>\$ 10.8</u>
Allowance for doubtful accounts	<u>\$ 5.8</u>	<u>\$ 25.1</u>	<u>\$ 4.5</u>	<u>\$ (0.2)</u>	<u>\$ 26.2</u>
FOR THE YEAR ENDED DECEMBER 31, 1999					
Nuclear refueling outage reserve	<u>\$19.9</u>	<u>\$ 1.4</u>	<u>\$ 20.8</u>	<u>\$ -</u>	<u>\$ 0.5</u>
Allowance for doubtful accounts	<u>\$ 5.0</u>	<u>\$ 4.5</u>	<u>\$ 3.6</u>	<u>\$ (0.1)</u>	<u>\$ 5.8</u>
FOR THE YEAR ENDED DECEMBER 31, 1998					
Nuclear refueling outage reserve	<u>\$ 22.2</u>	<u>\$ -</u>	<u>\$ 2.3</u>	<u>\$ -</u>	<u>\$19.9</u>
Allowance for doubtful accounts	<u>\$ 4.0</u>	<u>\$ 4.0</u>	<u>\$ 3.3</u>	<u>\$ 0.3</u>	<u>\$ 5.0</u>

Schedule II

FLORIDA POWER CORPORATION
Valuation and Qualifying Accounts
For the Years Ended December 31, 2000, 1999, and 1998
(In millions)

Description	Balance at Beginning Of Period	Additions Charged to Expense	Deductions (See Note)	Other Add (Ded)	Balance at End of Period
FOR THE YEAR ENDED DECEMBER 31, 2000					
1999 Nuclear Refueling Outage Reserve (#11)	\$ (0.3)	\$ -	\$ 0.3	\$ -	\$ -
2001 Nuclear Refueling Outage Reserve (#12)	0.8	10.6	(0.6)	-	10.8
	<u>\$.5</u>	<u>\$ 10.6</u>	<u>\$ (0.3)</u>	<u>\$ -</u>	<u>\$ 10.8</u>
Allowance for doubtful accounts	<u>\$ 4.0</u>	<u>\$ 4.3</u>	<u>\$ 3.2</u>	<u>\$.1</u>	<u>\$ 5.2</u>
FOR THE YEAR ENDED DECEMBER 31, 1999					
1999 Nuclear Refueling Outage Reserve (#11)	\$ 19.9	\$ 0.6	\$ 20.8	\$ -	\$ (0.3)
2001 Nuclear Refueling Outage Reserve (#12)	-	0.8	-	-	0.8
	<u>\$ 19.9</u>	<u>\$ 1.4</u>	<u>\$ 20.8</u>	<u>\$ -</u>	<u>\$ 0.5</u>
Allowance for doubtful accounts	<u>\$ 3.8</u>	<u>\$ 3.2</u>	<u>\$ 2.9</u>	<u>\$ (.1)</u>	<u>\$ /</u>
FOR THE YEAR ENDED DECEMBER 31, 1998					
1999 Nuclear Refueling Outage Revenue (#11)	\$ 22.2	\$ -	\$ 2.3	\$ -	\$ 19.9
	<u>\$ 22.2</u>	<u>\$ -</u>	<u>\$ 2.3</u>	<u>\$ -</u>	<u>\$ 19.9</u>
Allowance for doubtful accounts	<u>\$ 3.2</u>	<u>\$ 3.6</u>	<u>\$ 3.3</u>	<u>\$.3</u>	<u>\$ 3.8</u>

Note: Deductions are payments of actual expenditures related to the outage.

FLORIDA PROGRESS CORPORATION
Statement of Computation of Ratios
(Dollars In Millions)

Ratio of Earnings to Fixed Charges:

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Net Income	\$144.3	\$314.9	\$281.7	\$54.3	\$250.7
Add:					
Operating Income Taxes	<u>(116.8)</u>	<u>91.7</u>	<u>148.6</u>	<u>66.4</u>	<u>145.9</u>
Income Before Taxes	27.5	406.6	430.3	120.7	396.6
Total Interest Charges	244.4	214.7	199.7	170.3	147.0
Preferred Dividend Requirements of Subsidiary	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>5.8</u>
Total Earnings (A)	<u>\$273.4</u>	<u>\$622.8</u>	<u>\$631.5</u>	<u>\$292.5</u>	<u>\$549.4</u>
Fixed Charges including Preferred Stock Dividends (B)	<u>244.7</u>	<u>216.6</u>	<u>202.0</u>	<u>173.6</u>	<u>156.1</u>
Ratio of Earnings to Fixed Charges (A/B)	<u>1.12</u>	<u>2.87</u>	<u>3.13</u>	<u>1.69</u>	<u>3.52</u>

FLORIDA POWER CORPORATION
Statement of Computation of Ratios
(Dollars In Millions)

Ratio of Earnings to Fixed Charges:

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Net Income	\$211.8	\$267.0	\$250.1	\$135.9	\$238.4
Income Taxes	<u>150.5</u>	<u>151.3</u>	<u>141.0</u>	<u>69.9</u>	<u>135.9</u>
Income Before Taxes	362.3	418.3	391.1	205.8	374.3
Total Interest Charges	<u>128.5</u>	<u>124.0</u>	<u>136.5</u>	<u>117.3</u>	<u>98.4</u>
Total Earnings (A)	<u>\$490.8</u>	<u>\$542.3</u>	<u>\$527.6</u>	<u>\$323.1</u>	<u>\$472.7</u>
Fixed Charges (B)	<u>\$128.5</u>	<u>\$124.0</u>	<u>\$136.5</u>	<u>\$117.3</u>	<u>\$98.4</u>
Preferred Dividends grossed up for effective tax rate	2.6	2.3	2.3	2.3	9.1
Total Fixed Charges plus Preferred Dividends (C)	<u>131.1</u>	<u>126.3</u>	<u>138.8</u>	<u>119.6</u>	<u>107.5</u>
Ratio of Earnings to Fixed Charges (A/B)	<u>3.82</u>	<u>4.37</u>	<u>3.87</u>	<u>2.75</u>	<u>4.80</u>
Ratio of Earnings to Fixed Charges and Preferred Dividends (A/C)	<u>3.74</u>	<u>4.29</u>	<u>3.80</u>	<u>2.70</u>	<u>4.40</u>

Letter Regarding Change in Certifying Accountant

Securities and Exchange Commission
Washington, DC 20549

March 28, 2001

Ladies and Gentlemen:

We were previously principal accountants for Florida Progress Corporation (FPC) and Florida Power Corporation (Florida Power) and, under the date of February 15, 2001, we reported on the financial statements of FPC and subsidiaries and Florida Power as of and for the years ended December 31, 2000 and 1999. On March 28, 2001, our appointment as principal accountants was terminated. We have read FPC's and Florida Power's statements included under Item 9 of their December 31, 2000 combined Form 10-K, and we agree with such statements, except that we are not in a position to agree or disagree with FPC's and Florida Power's statements that the change was approved by the audit committee of the board of directors and that Deloitte & Touche LLP was not consulted regarding any of the matters or events set forth in Item 304 (a) (2) of Regulation S-K.

Very truly yours,

/s/KPMG LLP
KPMG LLP

Subsidiaries of Florida Progress Corporation

December 31, 2000

<u>Name of Subsidiary *</u>	<u>State of Incorporation</u>
Utility segment:	
Florida Power Corporation	Florida
Diversified segment:	
Progress Capital Holdings, Inc.	Florida
Electric Fuels Corporation	Florida
MEMCO Barge Line, Inc.	Delaware
Progress Rail Services Corporation	Alabama
Progress Telecommunications Corporation	Florida

* Each subsidiary does business under its own name.

Board of Directors

Florida Progress Corporation:

We consent to incorporation by reference in the registration statements No. 33-51573 on Form S-3, No. 33-47623 on Form S-8, No. 2-93111 on Form S-3, No. 333-94143 on Form S-8, No. 333-66161 on Form S-8, and No. 333-07853 on Form S-3 of Florida Progress Corporation of our report dated February 15, 2001 relating to the consolidated balance sheets and consolidated schedules of capitalization of Florida Progress Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, cash flows and common equity and comprehensive income for each of the years in the three-year period ended December 31, 2000 and related schedule, which report appears in the December 31, 2000 annual report on Form 10-K of Florida Progress Corporation.

/s/KPMG LLP

KPMG LLP

St. Petersburg, Florida

March 28, 2001

Board of Directors
Florida Power Corporation:

We consent to incorporation by reference in the registration statements No. 33-62210 on Form S-3, No. 33-55273 on Form S-3, and No. 333-29897 on Form S-3 of Florida Power Corporation of our report dated February 15, 2001, relating to the balance sheets and schedules of capitalization of Florida Power Corporation as of December 31, 2000 and 1999, and the related statements of income, cash flows and common equity for each of the years in the three-year period ended December 31, 2000, and related schedule, which report appears in the December 31, 2000 annual report on Form 10-K of Florida Power Corporation.

/s/KPMG LLP
KPMG LLP
St. Petersburg, Florida

March 28, 2001

FLORIDA PUBLIC SERVICE COMMISSION

Explanation: Supply the results of the most recent FERC audit
finding, and compliance steps undertaken.

Type of data shown:

Company: FLORIDA POWER CORPORATION

Projected Test Year Ended xx/xx/xxxx

XX Prior Year Ended 12/31/2000

Docket No. 000824-EI

Witness: Myers

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Attached is the most recent FERC audit finding.

2ND Draft
12/8/94 pm

Results of the Examination
of the
Books and Records
of

FLORIDA POWER CORPORATION
Docket No. FA94-56-000

For the Period
1/1/90 through 12/31/93

Conducted by
Division of Audits
Office of Chief Accountant
Federal Energy Regulatory Commission

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I. Tariff Exceptions

(1) Accounting and Billing for Fuel Assembly Repair Costs

The Company incorrectly capitalized repair costs related to nuclear fuel assemblies. Also, it incorrectly included the repair costs as a component of fuel costs in determining fuel adjustment clause (FAC) billings to wholesale customers.

Background of Issue

In June 1990 the Company removed five failed fuel assemblies from Batch 9 in connection with a refueling operation. It transferred unamortized original cost of the failed assemblies (\$9.3 million) from Account 120.3, Nuclear Fuel in Reactor, to Account 120.4, Spent Nuclear Fuel. The Company continued amortization of original costs related to the failed assemblies over the remaining burn life of Batch 9.

The Company determined that it should repair and recage the five failed assemblies. It repaired and recaged the assemblies at a total cost of \$729,795. The Company accumulated the repair and recaging costs in Account 186, Miscellaneous Deferred Debits.

In June 1992, the Company transferred the \$729,795 of repair costs from Account 186 to Account 120.1, Nuclear Fuel in Process 0.1. Nuclear Fuel in Process of Refinement, Conversion, Enrichment and Fabrication. It did not accrue any allowance for funds used during construction based upon the repair costs.

In July 1992, the Company reinserted the repaired assemblies into Batch 11 and transferred the original costs from Account 120.4 back to Account 120.3. It did not include these original costs in its computations of amortization applicable to Batch 11.

In July 1992, the Company also transferred the \$729,795 of accumulated repair costs from Account 120.1 to Account 120.3. It assigned the repair cost as a component of the original cost of Batch 11 assemblies to be amortized over the burn life of that batch.

Amortization of the capitalized repair cost is charged to Account 518, Nuclear Fuel Expense, and thus is included in billings to wholesale customers through the FAC.

Discussion of Accounting Requirements

Under the Commission's accounting requirements, a utility is required to account for damaged fuel assemblies as follows:

(1) If available information indicated that it was probable that the utility could not repair the assemblies and return them to service, it should immediately charge the unamortized cost of the assemblies to Account 518. However, if the amount of the remaining unamortized cost was large enough to significantly distort the fuel expense for a given month, the utility could request approval from the appropriate regulatory commission(s) to recover such amounts in future periods. A utility planning to seek special recovery of such amounts from its regulatory commission(s) could defer the unamortized costs and amortize the amounts to expense over the rate recovery period.

(2) If available information indicated that it was probable that the utility could reuse the assemblies after repair, the utility should transfer the original cost of the fuel assemblies from Account 120.3 to Account 120.2, Nuclear Fuel Materials and Assemblies - Stock Account. After the assemblies are repaired and, upon return to the reactor, the utility should transfer the cost of the assemblies back to Account 120.3. Then, it should amortize the cost to Account 518, based on the thermal energy produced.

(3) It should charge the cost of repairing the assemblies to Account 520, Steam Expenses, the instructions to which state in part:

This account shall include the cost of labor, materials used and expenses incurred in production of steam through nuclear processes, and similar expenses for operation of any auxiliary superheat facilities.

ITEMS

2. Fuel handling including removal, insertion, disassembly and preparation for cooling operations and shipment. . . . [Emphasis added.]

Under the above requirements, the Company should have accounted for the damaged assemblies as follows:

(1) In June 1990, the Company should have transferred the original cost of the damaged fuel assemblies to Account 120.2, pending repair of the fuel assembly instead of Account 120.4. The instructions to Account 120.2 state in

part:

. . . This account shall also include the original cost of partially irradiated fuel assemblies being held in stock for reinsertion in a reactor which had been transferred from Account 120.3, Nuclear Fuel Assemblies in Reactor. . . .

After completion of the repair work and upon reinsertion in the reactor as part of Batch 11, the Company should have transferred the original cost to Account 120.3.

(2) The Company should not have assigned the repair costs for the five fuel assemblies to Account 186 or, subsequently to, Account 120.1. Instead, it should have recorded the amounts as expenses by charging Account 520, Steam Expenses.

(3) During the repair period the original costs of the failed assemblies should properly be recorded in Account 120.2, and no amortization expense should be charged to Account 518.

Discussion of Rate Requirements

Section 35.14 of the Commission's regulations addresses the relationship between the accounting and FAC requirements. Section 35.14(a) states in part:

(6) . . . The cost of nuclear fuel shall be that as shown in Account 518, . . .

As mentioned in the previous section, the amortization of repair costs related to the damaged fuel assemblies were not properly includible in Account 518. Instead, the Company should have charged repair costs when incurred to Account 520. Since the costs were not properly chargeable to Account 518, the Company's inclusion of the costs in FAC billings was in violation of the filed tariff.

Furthermore, because amortization of the original cost of the failed assemblies was recorded during the remaining burn life of Batch 9 instead of over the burn life of Batch 11, customers served during the life of Batch 9 were improperly billed for FAC recovery of amortization expenses that should apply to customers served during the life of Batch 11.

Recommendations

We recommend the Company:

- (1) revise procedures to ensure that it records costs related to damaged nuclear fuel assemblies consistent with the requirements of the Uniform System of Accounts;
- (2) record the necessary correcting entry to remove any unamortized costs related to repair costs of the damaged fuel assemblies from the nuclear fuel accounts;
- (3) recompute billings to wholesale customers by eliminating the repair costs included as amortization expenses in the cost of fuel, beginning with the date that it first included such amounts in the billing through the final date of any such billing; and
- (4) make refunds, with interest computed in accordance with Section 35.19a of the Commission's regulations, for any overcollected amounts.

(2) Purchased Power Costs Improperly Included in Wholesale Fuel Adjustment Clause (FAC) Billings

The Company improperly included costs for energy purchased from qualified facility (QF) generators in FAC billings.

Background of Issue

During the period under audit the Company purchased electric energy from a number of cogenerators under long term contracts. All of the cogenerators have QF status. Total energy purchases from QFs in the four years ended December 31, 1993 amounted to \$158 million. The Company recovered approximately \$8 million of these energy purchase costs through FAC billings to wholesale customers under procedures that were not in compliance with wholesale tariffs.

Discussion of Rate Requirements

The Commissions regulations under Section 35.14 of the applicable Code of Federal Regulations (18CFR) states in part:

(a)(2) Fuel and purchased economic power (F) shall be the cost of:

. . . (ii) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (a)(2)(iii) of this section;

(iii) The total cost of the purchase of economic power, as defined in paragraph (a)(11) of this section, if the reserve capacity of the buyer is adequate . . . ;

(iv) Energy charges for any purchase if the total amount of energy charges incurred for the purchase is less than the buyer's total avoided variable cost. . .

The Company's practice of including the entire cost of energy purchases from QFs in computations used to determine billings to wholesale customers was improper because it was not in compliance with its filed FAC.

On April 8, 1994, the Commission approved a Company rate modification filing and a prefiling agreement with requirements customers (Docket No. ER94-961-000). Under the prefiling agreement the customers waived their rights to any refunds associated with the prior recovery of certain QF purchased power costs that were improperly recovered through FAC billings.

The Company advises that it discontinued any improper wholesale billing practices after the date of the Commission's approval letter. Consistent with the approval letter, no refunds are recommended as a result of the audit review of QF energy costs recovered through the FAC during the audit period. However, as indicated in the its letter of April 8, 1994, the Commission does not preclude the ordering of refunds at a later date.

Recommendation

We recommend the Company review its wholesale FAC billings procedures to ensure that future fuel cost recovery practices comply with its Commission approved FACs.

(3) Accounting for the Cost of Fuel Additives

The Company incorrectly includes certain fuel additive costs as fuel expense to be recovered through its wholesale FAC.

Background of Issue

The Company records certain the additive costs in Account 151, Fuel Stock. The additives are associated with No. 6 and No. 4 fuel oils, and include:

- Magnesium - used to control the vanadium, a chemical element, buildup that can accumulate on the boiler tubes during burn.
- Biocide - used to control the growth of Microbes in the fuel.

The Company presently is recovering the additive costs through the FAC as a cost of fuel. The Company states that the additive costs are used in developing the base fuel factor.

Discussion of Accounting Requirements

The instructions to Account 151 state in part:

This Account shall include the book cost of fuel on hand.

Since the additives are not fuel, the Company should not have recorded the additive costs in Account 151.

Discussion of Rate Requirements

The Company's tariff describes fuel as the "costs as defined in section 35.14, as amended, of the Commission's Regulations under the Federal Power Act, Title 18, Part One, Subpart B of the Code of Federal Regulations."

Section 35.14 (a) (2) (i) describes fuel cost that may be collected through the FAC as "Fossil and nuclear fuel consumed in the utilities own plants. . . ."

Section 35.14(a) of the Commission's Regulations under the Federal Power Act, also state in part:

- (6) The cost of fossil fuel shall include no items other than those listed in Account 151 of the

Commission's Uniform System of Accounts for Public Utilities and Licensees.

The fuel additive costs were not eligible for wholesale FAC treatment since the costs were not part of the items listed in Account 151.

Recommendation

We recommend the Company:

(1) revise its procedures to ensure that it stops recording fuel additive costs in Account 151; and

(2) recompute billings for each wholesale customer covering the periods the Company collected additive costs through its wholesale FAC by eliminating the cost of the fuel additives from the cost of fuel.

II. Compliance Exceptions

(1) Accounting for Fuel Adjustment Clause (FAC) True ups

The Company is incorrectly accounting for its FAC over/under recovery true ups in various ways:

- 1) When the company has an over recovery of fuel costs it record it as a credit in Account 182.3, Other Regulatory Assets, (it formerly used Account 186, Miscellaneous deferred Debits) instead of Account 254, Other Regulatory Liabilities.
- 2) The Company does not use interest expense or interest income accounts to recorded the interest portion of its over/under recovered fuel costs.
- 3) The Company uses Account 557, Other Expenses, to record the corresponding entry to Account 182.3, Other Regulatory Assets, when it records its over/under recovery true ups instead of the appropriate revenue account.
- 4) At month end the Company records an estimated over/under recovery true up of fuel cost. However, when the actual amount is calculated the Company does not adjust its estimate on a timely basis.

Background of Issue

The Company uses Account 182.3 to record any over recoveries of fuel costs. If for a six month accrual period the Company normally is in a net over recovered position, it has a credit balance in Account 182.3.

The Company's FAC allows it to accrue over/under recoveries for six months. The accrual periods are April through September and October through March. The Company returns/collects the over/under recovery during the last four months of next accrual period as a separate line item on billings. The Company also calculates interest on the over/under recovery. The tariff language states:

In addition, each sale for resale delivery point shall be charged or credited during the last four months of each subsequent six-month period by a dollar amount equal to the sun of the following:

- A. The dollar amount equal to the difference between the

monthly fuel adjustment based on actual fuel costs during the preceding six-month period and the monthly fuel adjustment collected during the same preceding six-month period.

B. Interest compounded monthly on the amount computed each month pursuant to Item A above . . .

C. Interest compounded monthly for the two months following such six-month period on the total amount included in Items A and B above . . .

The distribution of the dollar amounts as determined by the sum of paragraphs A, B, and C above shall be collected or refunded in equal amounts during the last four months of each six-month period.

The Company records the interest income or expense on under recovers and over recoveries of FAC billings in Accounts 182.3 and 557. If it is in an under recovery position, Account 182.3 is debited and Account 557 is credited. If it is an over recovery position, Account 557 is debited and Account 182.3 is credited. This accounting applies to the monthly FAC over/under FAC accrual and the monthly interest accrual. The Company used Account 456, Other Electric revenues, and Accounts 182.3 and 254 to record retail FAC over/under recoveries.

At month end closing, regulatory accounting staff records an estimated FAC over/under recovery and the applicable interest. After month end regulatory accounting sends the actual fuel cost to customer accounting staff and customer accounting prepares a worksheet which tracks the actual over/under recovery. The Company does not record the true-up of the estimate to actual until the second or third month after the accrual period ends.

Accounting Requirements

If the net accrual for a FAC accrual period is an over recovery the over recovery should be recorded in Account 254, Other Regulatory Liabilities. The Company records this scenario as a credit in Account 182.3.

The Instructions to Account 254, Other Regulatory Liabilities, state in part:

A. This account shall include the amounts of regulatory liabilities, not includible in other accounts, imposed on the utility by the ratemaking actions of regulatory agencies.

The Company should record over recovery of FAC billings in Account 254.

The Company records the over/under recovery of FAC billing to account 557. Since the FAC billings effect the amount of income the Company collects the over/under recovery of FAC billings should be offset against the appropriate revenue account.

The Company records FAC interest income and expense in Account 557. The interest income and expense should be recorded in accordance with the Uniform System of Account requirements. The instructions to Account 419, Interest and Dividend Income, state in part:

This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other interest bearing assets. . . .

The under recovery of FAC billing create a regulatory which by Commission, wholesale FAC, and FPSC, Florida Public Service Commission, retail FAC, orders are interest bearing. Thus, interest income applicable to FAC underrecoveries should be recorded in Account 419.

The instructions to Account 431, Other interest expense, state in part:

This account shall include all interest charges not provided for elsewhere.

The over recovery of FAC billings create a regulatory liabilities. These liabilities are subject to interest. Thus, interest expense should be recorded in Account 431 for FAC over recoveries.

The Company should true up its estimated FAC over/under accrual to actual when it becomes known. The Company does not true-up estimates to actual on a timely basis. General Instruction 11, Accounting to be on an Accrual Basis, states in part:

A. The utility is required to keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amounts which affect the accounts. If bills covering such transactions have not been received or rendered, the amounts shall be estimated and appropriate adjustments made when the bills are received.

Recommendation

We recommend the Company revise its procedures to ensure:

- (1) it records net FAC over recoveries in Account 254,
 - (2) it records FAC interest income and expense in the accounts prescribed in the Uniform System of Accounts,
 - (3) it records the FAC over/under recoveries in the appropriate revenue account, and
 - (4) it adjusts its FAC over/under recovery accrual on a timely basis.
-

(2) Accounting for Fuel Contract Processing Costs

The Company incorrectly included in Account 518, Nuclear Fuel Expense, certain fuel contract processing costs.

Background of Issue

The Company included in Account 518 charges that are not eligible for FAC recovery. The Company did not include these expenses in its FAC. The charges relate to the contractual process of acquiring, negotiating and amending nuclear fuel contracts. Prior to August 1993 these charges originated from the Nuclear Fuel Management Support staff and after that date from the Fuels Management Department.

Discussion of Accounting Requirements

Account 518, Nuclear Fuel Expense, lists four categories of charges that may be recorded therein. Account 518 states in part:

- A. This account shall be debited and account 120.5, Accumulated Provision for Amortization of Nuclear Fuel Assemblies, credited for the amortization of the net cost of nuclear fuel assemblies
- B. This cost shall also include the cost involved when fuel is leased.
- C. This account shall also include the cost of other fuels

D. This account shall also be debited or credited as appropriate for significant changes in the amounts estimated as the net salvage value of uranium

The charges described above are not included within the definition of items to be charged to Account 518.

Recommendation

We recommend that the Company revise its procedures to record fuel contract processing charges in Account 520, Steam expenses.

(3) Accounting for Pension Expense

The Company did not establish regulatory liabilities related to the amount by which pension expense allowed in wholesale rate levels, for the years of 1992 and 1993, exceeded its recorded pension expense for these years.

Background of Issue

In 1987, the Company adopted the accounting guidelines set forth in SFAS No. 87, Employers' Accounting for Pensions. SFAS prescribes, in part, the determination of accruals for pension expense.

For 1992 and 1993, pension expense of \$4,598,000 and \$4,050,618 were allowed in wholesale rates. But for the above-mentioned years, the company's allocation of pension expense did not equal the pension expense allowed in rate levels. The Company only allocated \$2,961,670 in 1992 and \$863,647 in 1993. As a result, differences of \$ 1,636,330 and \$3,186,971 existed in 1992 and 1993, between the allocation expense and the amount allowed in rates. To determine the wholesale portion amounts, the above differences were multiplied times the separation factors of 5.04% and 5.53% respectively. The regulatory liabilities then are \$82,471 for 1992 and \$176,239 for 1993.

In Dockets No. ER92-436-000 and ER93-299-000, the Company filed cost in service requests in support of its proposed rate changes. The Commission approved the settlement of Docket No. ER92-436-000 on January 26, 1993 and the settlement of Docket No. ER93-299-000 on January 25, 1994.

Discussion of Accounting Requirements

The Commission has required Companies to use special accounting in instances where costs are included in rate levels in periods other than the period in which the costs are ordinarily charged to expense under the Uniform System of Accounts requirements.

The Company recorded amounts for pension expense that were lower than the established rate levels. Therefore, the Company should have recorded as a liability the effect of the excess of pension expense allowed in rate levels over the Company's allocation of pension expense. It should have debited Account 926, Employee Pensions and Benefits, and credited Account 254, Other Regulatory Liabilities.

The instructions to the above-mentioned Accounts 926 and 254 state in part:

Account 926,

"A. This account shall include pensions paid to or on behalf of retired employees, or accruals to provide for pensions, or payments for the purchase of annuities for this purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes,...

Account 254

"B. The amounts included in this account are to be established by those credits which would have been included in net income determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that: 1) such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services;..."

Recommendation

We recommend the Company:

(1) Revise procedures to ensure that it establishes a liability in the appropriate account for the differences, in 1992 and 1993, between pension expense determined under requirements of the Uniform System of Accounts and Generally Accepted Accounting Principles, and the pension expense allowance provided in rate levels.

(2) Record appropriate adjusting journal entry to establish the required liability for the differences, in 1992 and 1993, between pension expense determined for accounting purposes and the pension allowances provided in rates:

(4) Accounting for Costs Incurred on Behalf of subsidiary service Companies

The Company inappropriately charged to utility expenses certain costs it had incurred on behalf of two subsidiary companies.

Background of Issue

In 1991, the Company decided to switch from coal fueled generation to combined cycle gas-fired units at its Polk County station. In connection with the planned switch, the Company assigned a task force to explore gas fuel source alternatives available, including the possible construction of certain pipeline facilities by a partnership of two newly created subsidiary companies. Since the subsidiaries were not yet active, the Company accumulated about \$1.4 million in start-up costs, incurred on their behalf, under Job Orders charged to Account 186, Miscellaneous Deferred Debits. The new subsidiary companies would be joint owners of the pipeline facilities, if any were constructed, and the costs in Account 186 would be transferred to investments in subsidiaries.

In October 1993, the Company cancelled any plans for construction of a subsidiary owned pipeline. It also wrote-off fifty percent (\$567,365) of the 9/30/93 balance of the Account 186 Job Orders by a charge to Account 421, Miscellaneous Nonoperating Income. The Company's journal entry did not disclose the reason for classifying one-half of Job Order costs incurred through 9/30/93 in Account 421.

In November 1993, the Company wrote-off the remainder of the 9/30/93 balance in the Job Order account plus Job Order costs that accrued in October, an aggregate of \$658,453, by a charge to Account 930.2, Miscellaneous General Expenses. In December 1993, it charged Job Order costs incurred in November, \$198,617, to Account 930.2.

Discussion of Accounting Requirements

The instruction to Account 426.5, Other Deductions, states in part:

"This account shall include other miscellaneous expenses which are non-operating in nature, but which are properly deductible before determining total income before interest charges.

Costs incurred on behalf of subsidiary companies with an intent to transfer such costs to investments in subsidiaries at a later date do not represent utility operating expenses. Upon determining that the amounts recorded in Job Orders under Account 186 were no longer representative of viable subsidiary investments, the Company should have charged the amounts to Account 426.5.

Recommendations

We recommend the Company:

- (1) revise procedures to ensure that it classifies any future write-offs of similar costs in the appropriate account.
- (2) prepare a memo journal necessary entries to correct the above accounting deficiencies.

(5) Miscellaneous Accounting Misclassifications

The Company improperly classified certain transactions in Account 930.2, Miscellaneous General Expenses.

From a selection of disbursements made in connection with activities related to civic groups and charities, many of the items reviewed appeared to be payments clearly addressed in the Company's Accounting Guidelines. The Company's guidelines direct these expenses to be recorded in FERC accounts for Other Deductions (Account 426 Series). Most of items classified in the wrong account were small dollar items.

Recommendation

We recommend the Company strengthen its procedures to ensure that it records similar charges in the future consistent with the requirements of the Uniform System of Accounts.

(6) Accounting for Service Costs Allocated from Parent Company

The Company incorrectly classified certain charges paid to Florida Progress Corporation, the parent company, for various services provided.

Background of Issue

The parent company bills subsidiaries, including the Company, for allocated amounts of service costs it incurs to provide benefits to the subsidiaries. The costs relate to accounting, legal, tax management, and various other services.

The Company, records payments for all such services in Account 930.2, Miscellaneous General Expenses, instead of under the account classifications it would use were it to incur the costs directly.

Discussion of Accounting Requirements

General Instruction 14, Transactions with Associated Companies, under the Uniform System of Accounts, states in part:

. . . Transactions with associated companies shall be recorded in the appropriate accounts for transactions of the same nature. . . .

The Company should have classified the costs of various services allocated by its parent in the same accounts that it would have used if the Company had incurred the costs itself.

Recommendation

We recommend the Company revise procedures to ensure it classifies allocated costs of the various services provided by Florida Progress Corporation in the appropriate accounts as required under General Instruction 14 of the Uniform System of Accounts.

(7) Accounting for Purchases and Sales of Utility Plant

The Company did not file with the Commission all clearing entries for sales of operating units or systems.

Background of Issue

In 1991 the Company sold distribution facilities to Withlacoochee River Electric Coop for \$18,424.

In 1990 the Company sold distribution facilities to Sumter Electric Cooperative for \$3,210.

In 1990 and 1992 the Company purchased distribution facilities from Withlacoochee River Electric Coop. In 1990 there were three purchases - 3/90 for \$172,553, 7/90 for \$71,905, 7/70 for \$22323. In 1992 the purchase was recorded 5/92 for \$31,238.

In 1991 the Company purchased distribution facilities from Tri-County Electric. This was on 3/91 for 16,807.

In 1990 the Company purchased distribution facilities from Sumter Electric for \$11,061.

In 1993 the Company purchased distribution facilities from Sumter Electric Coop..

The Company used Account 102 to record and clear all of the above sales and purchase transactions. However, it did not make filings of Account 102 clearing entries with the Commission.

Discussion of Accounting Requirements

The instructions to Account 102 state in part:

B. Within six months from the date of acquisition or sale of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

The Company should have filed with the Commission its proposed journal entries to clear the amounts recorded in Account 102.

Recommendation

We recommend the Company revises procedures to ensure that in the future it files proposed journal entries with the Commission to clear amount from Account 102.

(8) Accounting for Changes in Depreciation Rates

The Company made changes to depreciation rates beginning November 30, 1990. The depreciation rate changes were not approved by the Commission.

Background of Issue

Until November 30, 1990 the Company used the same depreciation rates for wholesale and retail jurisdictions. Since December 1990 depreciation rates approved by the Commission have not changed.

Effective December 1, 1990 the Florida Public Service Commission (FPSC) approved revised depreciation rates for retail jurisdictional purposes. The revised depreciation rates comported with changes in retail tariffs. The revised retail rates are generally higher than Commission approved rates.

In an attempt to satisfy the need to reflect depreciation expenses at different rates for wholesale and retail jurisdictional purposes, the Company began recording depreciation expense in amounts that represent a blending of the rates of each jurisdiction. The Company maintains separate depreciation work records in order to determine depreciation expenses that comply with each jurisdiction. From these separate computations it develops a "blended" amount which is then used to record depreciation expense in the accounting records.

Discussion of Accounting Requirements

Section 301(a) of the Federal Power Act gives the Commission authority over the accounts and records of jurisdictional public utilities. Section 302(a) of the Act gives the Commission authority over the rates of depreciation used by such utilities:

. . . Each licensee and public utility shall conform its depreciation accounts to the rates so ascertained , determined, and fixed (by the Commission). . . .

The Company should record depreciation expense in Account 403, Depreciation Expense, and corresponding credit amounts in Account 108, Accumulated Provision for Depreciation of Electric Utility Plant, that comport with depreciation rates approved by the Commission.

In circumstances where a state commission has ordered use of higher depreciation rates for retail jurisdictional purposes, the Company should record any additional expense in Account 407, with corresponding amounts credited to Account 228.4, Accumulated Miscellaneous Operating Provisions.

Recommendation

We recommend the Company:

(1) Revise its procedures to ensure it complies with Commission regulations applicable to the accounting for depreciation expenses and

(2) record a correcting entry to transfer any depreciation computed in excess the Commission approved rates presently recorded in account 108 to account 228.4.

FLORIDA PUBLIC SERVICE COMMISSION

Explanation: For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.

Type of data shown:

Company: FLORIDA POWER CORPORATION

XX Projected Test Year Ended 12/31/2002

Prior Year Ended xx/xx/xxxx

Docket No. 000824-EI

Witness: Crisp

1 DESCRIPTION OF INPUT VARIABLES:

MONTHLY

2 (1) FPC AVERAGE BILLING DAYS PER SALES MONTH
 3 (2) FLORIDA TOTAL PERSONAL INCOME - IN MILLIONS OF DOLLARS
 4 (3) PERSONAL CONSUMPTION EXPENDITURES - IMPLICIT PRICE DEFLATOR - 1996=100
 5 (4) ELECTRICITY PRICES - FPC'S PRICE OF ELECTRICITY BY MAJOR CUSTOMER CLASS - CENTS/KWH
 6 (5) U.S. CONSUMER PRICE INDEX - ALL URBAN CONSUMERS - 1982-1984=100
 7 (6) FLORIDA INDUSTRIAL PRODUCTION INDEX (MANUFACTURING) - 1992=100.
 8 (7) FLORIDA MANUFACTURING EMPLOYMENT - IN THOUSANDS
 9 (8) FLORIDA COMMERCIAL EMPLOYMENT - IN THOUSANDS
 10 (9) FLORIDA GOVERNMENTAL EMPLOYMENT - IN THOUSANDS
 11 (10) SERVICE AREA WEIGHTED BILLING MONTH HEATING AND COOLING DEGREE DAYS
 12 (11) FPC MONTHLY NONDISPATCHABLE DSM IMPACTS - MWH

ANNUAL

14
 15 (12) TOTAL SERVICE AREA POPULATION
 16 (13) DATE AND HOUR OF SEASONAL PEAK DEMAND
 17 (14) RECORDED SYSTEM SEASONAL PEAK MW
 18 (15) COINCIDENT WHOLESALE MW AT TIME OF SEASONAL PEAK
 19 (16) INTERRUPTIBLE MW SERVED AT TIME OF SEASONAL PEAK
 20 (17) DIRECT LOAD CONTROL EXERCISED AT TIME OF SEASONAL PEAK
 21 (18) NONDISPATCHABLE DSM IMPACTS AT TIME OF SEASONAL PEAK
 22 (19) FIRM RETAIL PEAK MW BEFORE IMPACTS OF DSM
 23 (20) FPC WEIGHTED SYSTEM TEMPERATURES AT TIME OF SEASONAL PEAK (2 HR/24 HR AVERAGE)
 24 (21) FPC ADJUSTED RETAIL CUSTOMERS IN MONTH OF SEASONAL PEAK

26 DESCRIPTION OF OUTPUT VARIABLES:

27 (20) FPC MONTHLY CUSTOMERS BY MAJOR CUSTOMER CLASS
 28 (21) FPC MONTHLY ENERGY USE PER CUSTOMER BY RESIDENTIAL, COMMERCIAL AND PUBLIC AUTHORITY CLASS - KWH
 29 (22) FPC MONTHLY ENERGY SALES BY INDUSTRIAL PHOSPHATE, NONPHOSPHATE & STREET LIGHTING CLASS SALES - MWH
 30 (23) FPC MONTHLY COINCIDENT FIRM RETAIL PEAK BEFORE CONSERVATION & DLC - MW
 31 (24) FPC MONTHLY COINCIDENT INTERRUPTIBLE & CURTAILABLE SERVICE DEMAND - MW
 32 (25) FPC MONTHLY WHOLESALE PEAK - MW

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002
Docket No. 000824-EI			___ Prior Year Ended xx/xx/xxxx
			Witness: Crisp

Line No.	Year	Month	(1)	(2)	(3)	(4)				(5)	(6)	(7)
			Avg. Billing Days	FL. Total Pers. Income	Inc. Deflator PCE-IPD	Price of Electricity by Customer Class				U.S. CPI	FL. Ind Prod Index - Manuf.	FL. Emp't. Manufacturing
						RES	COML	IND	Pub Auth			
1												
2	1991	1	31.80	264,048	87.8	7.138	5.784	4.472	5.540	134.6	95.8	501.9
3	1991	2	29.60	264,821	88.0	7.146	5.916	4.484	5.594	134.8	95.1	499.6
4	1991	3	29.40	265,799	88.2	7.144	5.929	4.469	5.560	135.0	95.3	497.8
5	1991	4	30.75	266,780	88.4	7.127	5.723	4.347	5.463	135.2	95.5	494.2
6	1991	5	29.45	267,765	88.6	7.070	5.696	4.357	5.434	135.6	95.6	493.2
7	1991	6	30.80	268,154	88.8	7.028	5.649	4.511	5.363	136.0	96.2	492.0
8	1991	7	30.45	268,544	89.0	7.021	5.615	4.323	5.327	136.2	96.7	485.8
9	1991	8	31.15	268,934	89.2	6.995	5.592	4.352	5.256	136.6	97.3	488.3
10	1991	9	30.55	269,852	89.4	6.991	5.596	4.396	5.327	137.2	97.4	489.4
11	1991	10	29.65	270,773	89.7	6.934	5.581	4.340	5.308	137.4	97.6	489.1
12	1991	11	30.10	271,697	89.9	6.965	5.645	4.230	5.404	137.8	97.8	491.6
13	1991	12	31.65	273,006	90.2	6.923	5.666	4.260	5.319	137.9	98.0	490.6
14	1992	1	31.95	274,321	90.5	6.895	5.629	4.234	5.343	138.1	98.2	483.7
15	1992	2	29.50	275,642	90.7	6.882	5.773	4.299	5.416	138.6	98.4	483.4
16	1992	3	29.40	276,745	90.9	6.964	5.720	4.424	5.351	139.3	98.8	484.8
17	1992	4	29.75	277,852	91.1	7.003	5.626	4.141	5.280	139.5	99.3	482.1
18	1992	5	30.50	278,964	91.4	6.950	5.516	4.114	5.193	139.7	99.8	483.6
19	1992	6	30.75	280,133	91.5	6.867	5.449	4.128	5.169	140.2	100.0	484.4
20	1992	7	30.80	281,307	91.7	6.821	5.377	4.168	5.072	140.5	100.3	480.8
21	1992	8	30.80	282,485	91.9	6.814	5.375	4.119	5.016	140.9	100.5	479.5
22	1992	9	30.25	283,654	92.1	6.827	5.403	4.129	5.127	141.3	100.8	480.8
23	1992	10	29.95	284,828	92.3	6.852	5.449	4.180	5.118	141.8	101.1	481.8
24	1992	11	30.00	286,006	92.6	7.113	5.502	4.223	5.181	142.0	101.4	483.9
25	1992	12	31.80	287,176	92.7	6.963	5.464	4.113	5.085	141.9	101.7	485.8
26												
27												

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002
Docket No. 000824-EI			___ Prior Year Ended xx/xx/xxxx
			Witness: Crisp

Line No.	Year	Month	(8)	(9)	(10)			(11)	Year	(12)
			FL. Emp't. Commercial	FL. Emp't. Government	Service Area Weighted Billing Month		Nondisp. DSM Impacts - Mwh	Service Area Population		
					HDDs	Res CDDs	Com'l CDDs			
1										
2	1991	1	3644.5	861.0	68.3	0	184.2	41,347	1980	3,045,509
3	1991	2	3663.8	869.5	99.7	0	108.8	32,882	1981	3,153,313
4	1991	3	3693.1	874.3	92.5	6.1	106.3	27,812	1982	3,251,461
5	1991	4	3663.9	872.6	23.8	58.9	263.4	25,336	1983	3,343,661
6	1991	5	3661.1	876.6	0.4	370.1	496.3	26,608	1984	3,455,803
7	1991	6	3654.7	860.6	0	580.4	623.8	28,711	1985	3,583,736
8	1991	7	3617.9	806.3	0	719	735.2	28,746	1986	3,704,212
9	1991	8	3629.8	803.0	0	801.3	801.6	33,329	1987	3,824,876
10	1991	9	3626.5	860.8	0	788.4	790.5	30,219	1988	3,937,374
11	1991	10	3631.0	871.0	0.7	490.9	578.2	26,940	1989	4,058,226
12	1991	11	3682.3	880.2	39.2	118.8	288.7	29,044	1990	4,163,028
13	1991	12	3716.8	875.8	96.6	14.1	168.1	38,107	1991	4,268,010
14	1992	1	3665.9	865.3	140.3	1.6	73.2	43,104	1992	4,346,125
15	1992	2	3695.2	873.2	173.8	0	49.4	34,623	1993	4,432,988
16	1992	3	3732.7	909.5	68.6	0	128.4	29,464	1994	4,521,584
17	1992	4	3732.1	876.4	55.2	3.9	121	26,809	1995	4,617,980
18	1992	5	3732.2	878.6	20.2	43.1	246.6	28,433	1996	4,704,102
19	1992	6	3729.6	868.1	3.1	325.8	489.9	30,791	1997	4,801,846
20	1992	7	3698.8	816.2	0	751.3	754.6	31,065	1998	4,894,503
21	1992	8	3702.2	803.1	0	817.2	817.5	36,062	1999	5,012,899
22	1992	9	3705.1	882.3	0	754.5	757.3	32,924	2000	5,152,262
23	1992	10	3741.9	888.0	0.6	481.3	560	29,518	2001	5,273,386
24	1992	11	3796.5	892.5	12.6	75.4	279.9	31,747	2002	5,372,165
25	1992	12	3852.8	888.0	110.8	72.9	187.6	41,793		
26										
27										

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Docket No. 000824-EI			___ Prior Year Ended xx/xx/xxxx
			Witness: Crisp

Line No.	Year	Month	(1)	(2)	(3)	(4)				(5)	(6)	(7)
			Avg. Billing Days	FL. Total Pers. Income	Inc. Deflator PCE-IPD	Price of Electricity by Customer Class				U.S. CPI	FL. Ind Prod Index - Manuf.	FL. Empl't. Manufacturing
						RES	COML	IND	Pub Auth			
1												
2	1993	1	31.85	288,351	92.9	7.014	5.431	4.165	5.078	142.6	102.1	482.3
3	1993	2	29.55	289,531	93.1	6.999	5.546	4.207	5.135	143.1	102.4	485.5
4	1993	3	29.40	291,858	93.3	6.956	5.573	3.909	5.109	143.6	102.6	487.0
5	1993	4	30.25	294,203	93.4	7.868	6.020	4.360	5.527	144.0	102.8	486.0
6	1993	5	29.95	296,567	93.6	7.904	5.990	4.404	5.552	144.2	103.0	486.9
7	1993	6	30.60	297,230	93.7	7.687	5.899	4.460	5.527	144.4	103.1	486.9
8	1993	7	30.65	297,894	93.9	7.587	5.863	4.588	5.482	144.4	103.3	483.1
9	1993	8	31.15	298,559	94.0	7.528	5.820	4.436	5.432	144.8	103.4	483.5
10	1993	9	30.30	300,049	94.2	7.563	5.814	4.459	5.476	145.1	103.9	484.2
11	1993	10	29.90	301,547	94.3	7.638	5.863	4.510	5.485	145.7	104.3	484.7
12	1993	11	30.05	303,052	94.5	7.847	5.856	4.417	5.499	145.8	104.8	485.3
13	1993	12	31.70	302,968	94.6	7.828	5.794	4.292	5.393	145.8	105.2	486.8
14	1994	1	30.65	302,885	94.7	7.700	5.930	4.274	5.452	146.2	105.6	482.4
15	1994	2	29.40	302,801	94.8	7.772	5.955	4.306	5.513	146.7	106.1	483.8
16	1994	3	29.40	305,147	95.0	7.919	5.930	4.348	5.460	147.2	106.7	485.5
17	1994	4	32.05	307,511	95.1	7.874	5.717	4.227	5.338	147.4	107.4	482.8
18	1994	5	29.55	309,893	95.3	7.820	5.821	4.364	5.418	147.5	108.2	483.7
19	1994	6	30.65	311,314	95.6	7.741	5.745	4.341	5.417	148.0	108.6	485.8
20	1994	7	30.65	312,742	95.9	7.679	5.701	4.349	5.314	148.4	109.1	481.8
21	1994	8	29.70	314,177	96.1	7.701	5.734	4.355	5.369	149.0	109.6	483.1
22	1994	9	31.85	316,357	96.3	7.690	5.670	4.280	5.266	149.4	110.3	483.7
23	1994	10	29.75	318,553	96.4	8.106	6.052	4.653	5.694	149.5	111.0	482.4
24	1994	11	30.10	320,764	96.6	8.154	6.081	4.679	5.710	149.7	111.7	485.8
25	1994	12	31.55	322,732	96.7	8.185	6.004	4.540	5.632	149.7	112.3	487.2
26												
27												

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Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002
Docket No. 000824-EI			__ Prior Year Ended xx/xx/xxxx
			Witness: Crisp

Line No.	Year	Month	(8)	(9)	(10)			(11)	Year	(12)
			FL. Emp't. Commercial	FL. Emp't. Government	Service Area	Weighted Billing Month		Nondisp. DSM Impacts - Mwh		Service Area Population
					HDDs	Res CDDs	Com'l CDDs			
1										
2	1993	1	3795.9	875.0	67.6	0	158.4	47,524		
3	1993	2	3848.1	888.3	121.6	0	86	38,852		
4	1993	3	3889.9	893.4	145.2	0	43.3	33,183		
5	1993	4	3915.7	895.7	51.2	0	127.5	29,905		
6	1993	5	3912.4	890.4	11.8	37	221.8	32,060		
7	1993	6	3919.8	880.2	0	355.7	523.3	34,768		
8	1993	7	3887.5	829.9	0	739.8	741.8	35,258		
9	1993	8	3898.2	817.2	0	876.5	876.5	40,770		
10	1993	9	3912.2	885.4	0	749.1	749.1	37,397		
11	1993	10	3938.7	906.3	0.3	497.5	583.6	33,424		
12	1993	11	3989.0	908.0	32.7	130.3	326.7	35,513		
13	1993	12	4048.1	909.7	77.7	10.1	168.6	47,378		
14	1994	1	3986.1	900.6	242.1	0	21.4	54,322		
15	1994	2	4035.0	913.7	155.7	0	76.7	44,855		
16	1994	3	4085.9	919.5	55.5	0	134.7	37,686		
17	1994	4	4097.7	921.2	28.4	86	245.1	33,574		
18	1994	5	4100.1	917.1	1.1	228.1	418.6	36,277		
19	1994	6	4107.4	907.7	0	451.5	545.5	39,202		
20	1994	7	4070.2	851.0	0	707.4	712.7	39,660		
21	1994	8	4087.3	835.1	0	652.1	660.3	45,483		
22	1994	9	4109.5	924.4	0	664.6	672.3	41,634		
23	1994	10	4115.1	931.2	0.1	431.6	520.8	36,975		
24	1994	11	4179.9	973.2	2.2	94.4	363.6	38,797		
25	1994	12	4249.4	932.3	29.9	29.6	254.3	51,823		
26										
27										

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Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xxxx Witness: Crisp
Docket No. 000824-EI			

Line No.	Year	Month	(1) Avg. Billing Days	(2) FL. Total Pers. Income	(3) Inc. Deflator PCE-IPD	(4) Price of Electricity by Customer Class				(5) U.S. CPI	(6) FL. Ind Prod Index - Manuf.	(7) FL. Empl't. Manufacturing
						RES	COML	IND	Pub Auth			
1												
2	1995	1	30.50	324,711	96.9	8.077	6.084	4.538	5.669	150.3	112.8	481.3
3	1995	2	29.65	326,703	97.2	8.011	6.227	4.536	5.741	150.9	113.4	483.7
4	1995	3	29.40	328,092	97.3	8.150	6.197	4.544	5.692	151.4	113.5	485.6
5	1995	4	31.40	329,488	97.5	8.404	5.857	4.341	5.474	151.9	113.7	484.5
6	1995	5	30.20	330,889	97.7	8.203	5.876	4.452	5.569	152.2	113.8	486.2
7	1995	6	30.80	332,487	97.9	8.024	5.880	4.434	5.458	152.5	114.0	487.6
8	1995	7	30.50	334,093	98.0	8.031	6.019	4.551	5.656	152.5	114.3	482.2
9	1995	8	29.70	335,707	98.2	7.999	5.894	4.448	5.603	152.9	114.5	485.1
10	1995	9	31.90	337,396	98.3	7.990	5.827	4.414	5.436	153.2	114.8	488.1
11	1995	10	29.70	339,094	98.4	8.109	5.953	4.431	5.589	153.7	115.2	488.0
12	1995	11	29.60	340,801	98.6	8.344	5.970	4.384	5.591	153.6	115.5	491.4
13	1995	12	30.65	343,133	98.8	8.373	6.015	4.278	5.563	153.5	115.6	494.1
14	1996	1	30.50	345,481	99.0	8.050	6.097	4.268	5.609	154.4	115.8	486.8
15	1996	2	31.05	347,845	99.2	8.129	6.032	4.272	5.602	154.9	115.9	489.6
16	1996	3	29.40	349,593	99.4	8.216	6.121	4.267	5.592	155.7	116.8	490.9
17	1996	4	30.35	351,350	99.6	8.309	6.001	4.210	5.529	156.3	117.7	487.5
18	1996	5	29.85	353,115	99.8	8.287	5.963	4.265	5.523	156.6	118.6	489.9
19	1996	6	32.20	354,698	99.9	8.037	5.849	4.272	5.444	156.7	119.2	491.0
20	1996	7	30.45	356,287	100.0	8.109	6.078	4.575	5.709	157.0	119.9	486.5
21	1996	8	31.15	357,884	100.2	8.049	6.060	4.588	5.623	157.3	120.6	489.9
22	1996	9	30.55	359,152	100.4	8.100	6.046	4.516	5.723	157.8	121.1	491.1
23	1996	10	29.65	360,424	100.6	8.246	6.155	4.591	5.710	158.3	121.6	488.5
24	1996	11	30.10	361,700	100.9	8.403	6.184	4.552	5.776	158.6	122.1	491.2
25	1996	12	31.50	364,374	101.1	8.401	6.147	4.590	5.657	158.6	122.8	493.7
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FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002
Docket No. 000824-EI			___ Prior Year Ended xx/xx/xxxx
			Witness: Crisp

Line No.	Year	Month	(8)	(9)	(10)			(11)	Year	(12)
			FL. Empl't.	FL. Empl't.	Service Area Weighted Billing Month			Nondisp. DSM		Service Area
			Commercial	Government	HDDs	Res CDDs	Com'l CDDs	Impacts - Mwh		Population
1										
2	1995	1	4180.4	917.2	143.1	0	67.8	59,281		
3	1995	2	4234.4	932.5	230.3	0	33.6	49,419		
4	1995	3	4285.3	939.8	89.8	0	98	41,295		
5	1995	4	4255.5	936.3	15.2	18.7	213.5	37,055		
6	1995	5	4266.9	935.4	1.2	262.7	429.1	40,283		
7	1995	6	4276.6	921.6	0	602.9	630.8	43,593		
8	1995	7	4224.5	856.2	0	636.2	667.7	44,205		
9	1995	8	4248.2	841.4	0	729.2	729.2	50,603		
10	1995	9	4269.1	931.0	0	787.3	788.4	46,446		
11	1995	10	4286.4	932.4	0.3	647.2	670.5	41,380		
12	1995	11	4362.2	937.7	26	233.7	355.3	42,996		
13	1995	12	4424.2	938.7	95.1	10.6	99.5	57,004		
14	1996	1	4320.4	927.5	269.1	0	73.1	64,926		
15	1996	2	4375.4	940.4	219.9	0	37.5	54,883		
16	1996	3	4430.9	970.2	163.8	0	75.4	45,756		
17	1996	4	4403.2	941.7	99.5	0	118.9	41,622		
18	1996	5	4418.7	940.1	8.4	214.4	371.7	45,268		
19	1996	6	4420.2	924.8	0.1	604.9	646.5	49,046		
20	1996	7	4386.6	858.3	0	731.8	738.1	49,939		
21	1996	8	4416.5	849.5	0	802.6	802.6	56,694		
22	1996	9	4435.2	938.4	0	717.1	721.4	52,071		
23	1996	10	4460.8	944.9	1.4	470.4	547	46,541		
24	1996	11	4531.3	952.3	21.3	127.7	293.8	48,172		
25	1996	12	4596.9	952.4	75.6	13.2	111	64,240		
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FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xxxx Witness: Crisp
Docket No. 000824-EI			

Line No.	Year	Month	(1)	(2)	(3)	(4)				(5)	(6)	(7)
			Avg. Billing Days	FL. Total Pers. Income	Inc. Deflator PCE-IPD	Price of Electricity by Customer Class				U.S. CPI	FL. Ind Prod Index - Manuf.	FL. Empl't. Manufacturing
						RES	COML	IND	Pub Auth			
1												
2	1997	1	32.10	367,067	101.3	8.235	6.163	4.415	5.739	159.1	123.5	488.2
3	1997	2	29.50	369,780	101.5	8.356	6.295	4.441	5.741	159.6	124.2	490.4
4	1997	3	29.40	371,413	101.6	8.511	6.196	4.509	5.744	160.0	124.9	491.1
5	1997	4	30.80	373,053	101.7	8.900	6.356	4.631	5.922	160.2	125.5	490.3
6	1997	5	29.45	374,701	101.8	8.864	6.461	4.764	6.050	160.1	126.2	491.7
7	1997	6	30.75	376,580	101.9	8.594	6.350	4.608	5.960	160.3	127.0	492.0
8	1997	7	30.45	378,469	102.0	7.718	5.562	4.092	5.192	160.5	127.8	489.7
9	1997	8	29.75	380,367	102.1	8.194	6.054	4.487	5.683	160.8	128.5	492.5
10	1997	9	30.55	382,184	102.2	8.234	6.065	4.544	5.695	161.2	129.3	494.1
11	1997	10	31.05	384,010	102.3	8.294	6.028	4.476	5.666	161.6	130.0	492.4
12	1997	11	30.10	385,845	102.4	8.580	6.093	4.531	5.716	161.5	130.8	494.7
13	1997	12	31.70	388,507	102.5	8.498	6.031	4.502	5.641	161.3	131.1	496.8
14	1998	1	31.90	391,188	102.5	8.350	6.038	4.361	5.646	161.6	131.4	490.5
15	1998	2	29.50	393,887	102.5	8.462	6.043	4.389	5.698	161.9	131.8	492.5
16	1998	3	29.35	395,733	102.6	8.508	6.131	4.379	5.610	162.2	132.0	492.6
17	1998	4	30.30	397,587	102.7	8.652	6.173	4.448	5.773	162.5	132.2	494.9
18	1998	5	30.05	399,450	102.8	8.615	6.184	4.485	5.831	162.8	132.5	495.3
19	1998	6	30.70	401,055	102.9	8.315	6.057	4.492	5.664	163.0	132.5	497.1
20	1998	7	29.40	402,667	103.1	8.266	6.072	4.478	5.699	163.2	132.5	492.3
21	1998	8	30.80	404,285	103.2	8.292	6.017	4.487	5.708	163.4	132.6	491.8
22	1998	9	30.25	405,630	103.3	8.307	6.030	4.483	5.702	163.6	133.2	492.9
23	1998	10	29.95	406,979	103.4	8.383	6.063	4.472	5.694	164.0	133.9	492.8
24	1998	11	30.05	408,332	103.6	8.596	6.123	4.494	5.853	164.0	134.6	494.4
25	1998	12	31.65	409,480	103.7	8.618	5.968	4.356	5.633	163.9	134.7	494.7
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FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 __ Prior Year Ended xx/xx/xxxx Witness: Crisp
Docket No. 000824-EI			

Line No.	Year	Month	(8)	(9)	(10)			(11)	Year	(12)
			FL. Empl't. Commercial	FL. Empl't. Government	Service Area HDDs	Weighted Res CDDs	Billing Month Com'l CDDs	Nondisp. DSM Impacts - Mwh		Service Area Population
1										
2	1997	1	4520.9	947.7	133.8	0	79.9	73,193		
3	1997	2	4566.6	954.8	137.6	0	60.7	61,432		
4	1997	3	4619.3	956.4	25	24.6	220.9	50,871		
5	1997	4	4620.4	955.0	6.2	7.1	247.6	45,627		
6	1997	5	4631.5	956.0	6	86.9	285.1	49,332		
7	1997	6	4633.6	943.2	0.2	376.3	523.9	53,430		
8	1997	7	4601.4	877.4	0	704.3	720.4	54,403		
9	1997	8	4627.4	867.9	0	754.3	754.9	60,905		
10	1997	9	4656.5	951.1	0	761.6	775.1	55,567		
11	1997	10	4671.0	962.0	0.3	585	644.7	49,185		
12	1997	11	4727.7	965.5	31.7	122.4	254.9	50,711		
13	1997	12	4795.7	969.2	101.9	11.6	134.7	68,271		
14	1998	1	4733.3	964.6	157.8	15.6	135.4	77,565		
15	1998	2	4782.1	969.5	168.4	4	58.6	64,839		
16	1998	3	4824.1	974.0	135.3	5	68.7	53,314		
17	1998	4	4797.9	967.2	63.5	20.1	187.9	47,569		
18	1998	5	4805.1	967.9	6.8	135	308.1	51,717		
19	1998	6	4824.5	952.6	0	663.6	690.6	56,442		
20	1998	7	4789.0	890.0	0	849.4	849.4	57,823		
21	1998	8	4808.1	873.5	0	827.7	827.7	64,445		
22	1998	9	4824.4	963.5	0	776.4	780.4	58,829		
23	1998	10	4872.2	973.5	0	649.6	661.1	51,931		
24	1998	11	4932.7	978.6	5.8	197.8	349.5	53,744		
25	1998	12	4998.5	982.7	19.6	14.8	255.2	73,561		
26										
27										

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xxxx Witness: Crisp
Docket No. 000824-EI			

Line No.	Year	Month	(1)	(2)	(3)	(4)				(5)	(6)	(7)
			Avg. Billing Days	FL. Total Pers. Income	Inc. Deflator PCE-IPD	Price of Electricity by Customer Class				U.S. CPI	FL. Ind Prod Index - Manuf.	FL. Empl't Manufacturing
						RES	COML	IND	Pub Auth			
1												
2	1999	1	31.95	410,631	103.9	8.396	5.966	4.326	5.556	164.3	134.8	488.9
3	1999	2	29.55	411,785	104.0	8.649	6.036	4.287	5.470	164.5	134.9	491.4
4	1999	3	29.40	413,533	104.2	8.576	6.045	4.325	5.612	165.0	135.6	491.2
5	1999	4	30.60	415,289	104.4	8.601	5.991	4.272	5.607	166.2	136.3	489.4
6	1999	5	29.60	417,052	104.6	8.510	6.076	4.387	5.668	166.2	137.0	489.2
7	1999	6	30.60	418,766	104.8	8.343	5.964	4.389	5.586	166.2	139.1	490.0
8	1999	7	30.65	420,488	104.9	8.280	5.899	4.366	5.522	166.7	141.2	484.8
9	1999	8	31.15	422,216	105.1	8.189	5.886	4.401	5.536	167.1	143.3	484.3
10	1999	9	30.30	424,184	105.3	8.227	5.894	4.371	5.579	167.9	144.0	483.7
11	1999	10	29.90	426,162	105.5	8.349	5.960	4.376	5.607	168.2	144.7	484.7
12	1999	11	30.05	428,149	105.7	8.602	6.017	4.341	5.660	168.3	145.5	486.3
13	1999	12	31.70	431,407	106.0	8.605	5.910	4.315	5.534	168.3	146.6	488.9
14	2000	1	30.65	434,691	106.3	8.359	5.952	4.277	5.531	168.8	147.7	483.9
15	2000	2	30.80	437,999	106.6	8.209	5.999	4.386	5.579	169.8	148.8	486.2
16	2000	3	29.40	441,057	106.8	8.549	5.938	4.299	5.538	171.2	150.5	488.9
17	2000	4	31.05	444,137	106.9	8.548	5.915	4.331	5.518	171.3	152.3	486.3
18	2000	5	30.55	447,238	107.1	8.396	5.976	4.475	5.655	171.5	154.0	486.9
19	2000	6	30.80	449,210	107.3	8.274	6.037	4.509	5.606	172.4	155.6	488.5
20	2000	7	31.95	451,190	107.4	8.419	6.168	4.720	5.784	172.8	157.2	485.3
21	2000	8	29.65	453,179	107.6	8.444	6.209	4.833	5.893	172.8	158.8	485.0
22	2000	9	31.95	455,721	107.8	8.415	6.144	4.757	5.836	173.7	159.4	485.5
23	2000	10	29.65	458,278	107.9	8.570	6.259	4.752	5.906	174.0	159.9	486.2
24	2000	11	29.80	460,849	108.1	8.851	6.302	4.704	5.957	174.1	160.5	487.4
25	2000	12	30.60	463,170	108.3	8.647	6.250	4.746	5.864	174.0	161.7	488.6
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FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 — Prior Year Ended xx/xx/xxxx Witness: Crisp
Docket No. 000824-EI			

Line No.	Year	Month	(8)	(9)	(10)			(11)	Year	(12)
			FL. Emp't. Commercial	FL. Emp't. Government	Service Area	Weighted	Billing Month	Nondisp. DSM Impacts - Mwh		Service Area Population
					HDDs	Res CDDs	Com'l CDDs			
1										
2	1999	1	4888.2	965.7	138.5	0	108.7	81,185		
3	1999	2	4949.3	978.0	65.2	0	110.6	67,724		
4	1999	3	4994.3	981.8	125.1	0	37	55,588		
5	1999	4	4981.2	980.2	33.2	29.6	159.7	49,351		
6	1999	5	4987.7	979.4	15.5	109.2	297.5	53,723		
7	1999	6	5010.9	964.1	1.2	356	507.1	58,696		
8	1999	7	4953.0	895.6	0	651.5	653.4	60,128		
9	1999	8	4976.8	881.5	0	825	825	66,940		
10	1999	9	4982.9	973.2	0	750.7	754.7	61,134		
11	1999	10	5019.3	988.5	0.3	542.1	589.3	53,798		
12	1999	11	5090.7	996.8	15.7	176.6	315.1	55,748		
13	1999	12	5162.2	1002.5	47.1	4.9	182.3	76,764		
14	2000	1	5075.2	991.6	121.6	0	81.6	84,620		
15	2000	2	5121.0	1001.5	219.5	0	26.6	70,462		
16	2000	3	5184.4	1009.7	42.7	0	92.3	57,746		
17	2000	4	5172.5	1011.8	14.2	20.3	192.1	51,051		
18	2000	5	5183.8	1031.1	6.3	107.4	288.8	55,634		
19	2000	6	5207.1	999.1	0	621.9	678.6	60,843		
20	2000	7	5162.7	923.2	0	760.4	774.3	62,325		
21	2000	8	5185.5	904.9	0	726.7	726.7	69,322		
22	2000	9	5198.3	999.4	0	776.9	780.2	63,330		
23	2000	10	5236.4	1013.5	5.4	452.5	514.5	55,583		
24	2000	11	5304.8	1018.3	16.4	21.3	197.6	57,661		
25	2000	12	5370.1	1024.4	134.9	0	93	79,812		
26										
27										

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002
Docket No. 000824-EI			___ Prior Year Ended xx/xx/xxxx
			Witness: Crisp

Line No.	Year	Month	(1)	(2)	(3)	(4)				(5)	(6)	(7)
			Avg. Billing Days	FL. Total Pers. Income	Inc. Deflator PCE-IPD	Price of Electricity by Customer Class				U.S. CPI	FL. Ind Prod Index - Manuf.	FL. Empl't. Manufacturing
						RES	COML	IND	Pub Auth			
1												
2	2001	1	31.95	465,503	108.5	8.682	6.516	4.977	6.116	175.1	162.8	483.9
3	2001	2	29.55	467,847	108.7	8.911	6.584	4.982	6.164	175.8	163.9	485.7
4	2001	3	29.40	470,373	108.9	9.135	6.537	4.961	6.099	176.2	163.7	486.1
5	2001	4	30.05	472,912	109.0	9.458	6.932	4.996	6.573	176.5	163.6	484.8
6	2001	5	30.15	475,466	109.2	9.406	6.890	5.491	6.540	176.9	163.4	484.4
7	2001	6	30.80	477,374	109.4	9.186	6.897	5.523	6.562	177.2	163.8	484.4
8	2001	7	30.50	479,290	109.5	9.028	6.782	5.391	6.452	177.5	164.2	484.5
9	2001	8	29.70	481,213	109.7	9.008	6.783	5.556	6.462	177.8	164.6	484.5
10	2001	9	31.95	483,103	109.9	9.011	6.807	5.487	6.481	178.1	165.4	484.7
11	2001	10	29.65	485,000	110.1	9.141	6.797	5.386	6.456	178.5	166.1	484.8
12	2001	11	30.60	486,904	110.3	9.279	6.839	5.440	6.491	178.8	166.9	485.0
13	2001	12	31.30	489,005	110.4	9.268	6.818	5.383	6.461	179.2	167.7	485.1
14	2002	1	32.25	491,116	110.5	8.821	6.451	5.001	6.093	179.5	168.4	485.2
15	2002	2	29.50	493,235	110.6	8.902	6.557	5.281	6.203	179.9	169.2	485.3
16	2002	3	28.95	495,352	110.8	8.984	6.461	5.026	6.094	180.3	170.0	485.5
17	2002	4	29.35	497,478	111.1	9.028	6.472	5.056	6.118	180.7	170.8	485.7
18	2002	5	29.45	499,613	111.3	8.979	6.433	5.195	6.095	181.1	171.6	485.9
19	2002	6	32.20	501,770	111.5	8.762	6.437	5.070	6.107	181.6	172.6	486.0
20	2002	7	29.05	503,937	111.8	8.682	6.404	5.014	6.077	182.0	173.6	486.1
21	2002	8	31.15	506,112	112.0	8.663	6.403	5.038	6.078	182.5	174.6	486.2
22	2002	9	32.00	508,157	112.2	8.665	6.428	5.073	6.103	182.9	175.2	486.2
23	2002	10	30.30	510,210	112.4	8.793	6.417	4.991	6.079	183.4	175.9	486.2
24	2002	11	30.90	512,271	112.6	8.929	6.460	5.119	6.119	183.8	176.5	486.2
25	2002	12	32.05	514,440	112.8	8.921	6.439	5.033	6.088	184.2	177.4	486.3
26												
27												

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xxxx Witness: Crisp
Docket No. 000824-EI			

Line No.	Year	Month	(8)	(9)	(10)			(11)	Year	(12)
			FL. Empl't. Commercial	FL. Empl't. Government	Service Area	Weighted Billing Month		Nondisp. DSM Impacts - Mwh		Service Area Population
					HDDs	Res CDDs	Com'l CDDs			
1										
2	2001	1	5287.7	1010.3	335.6	0	45.5	87,181		
3	2001	2	5340.0	1023.6	189.6	0	64.2	72,490		
4	2001	3	5394.1	1029.0	49.3	3.2	152.4	59,338		
5	2001	4	5373.0	1022.4	38.8	21.7	170.5	52,263		
6	2001	5	5389.6	1021.8	7.3	159.2	331.8	57,008		
7	2001	6	5405.1	1022.4	0.3	495.6	587.7	62,394		
8	2001	7	5420.6	1023.0	0	745.1	756.8	63,903		
9	2001	8	5436.1	1023.6	0	800.2	801.9	71,017		
10	2001	9	5450.0	1024.3	0	780.7	786.5	64,908		
11	2001	10	5463.9	1025.1	1.5	535.4	598.8	56,834		
12	2001	11	5477.8	1025.8	21.3	160.1	323.1	59,011		
13	2001	12	5492.8	1026.5	84.6	29.6	174.3	82,041		
14	2002	1	5507.9	1027.2	188.9	2.1	90.3	89,753		
15	2002	2	5523.0	1027.9	193	0.3	63.2	74,520		
16	2002	3	5536.6	1028.7	114.3	7.5	101.9	60,929		
17	2002	4	5550.2	1029.5	43.2	34.8	189.5	53,474		
18	2002	5	5563.9	1030.3	7.3	159.2	331.8	58,381		
19	2002	6	5577.1	1031.1	0.3	495.6	587.7	63,943		
20	2002	7	5590.3	1031.8	0	745.1	756.8	65,479		
21	2002	8	5603.6	1032.6	0	800.2	801.9	72,711		
22	2002	9	5617.2	1033.4	0	780.7	786.5	66,483		
23	2002	10	5630.8	1034.3	1.5	535.4	598.8	58,080		
24	2002	11	5644.5	1035.1	21.3	160.1	323.1	60,357		
25	2002	12	5657.1	1036.0	84.6	29.6	174.3	84,277		
26										
27										

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:	
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended	12/31/2002
Docket No. 000824-EI			___ Prior Year Ended	xx/xx/xxxx
			Witness:	Crisp

Line No.	(13) DATE/TIME OF SEASONAL PEAK		(14) RECORDED PEAK DEMAND		(15) COINCIDENT WHOLESALE MW		(16) INTERRUPTIBLE MW SERVED	
	WINTER	SUMMER	WINTER	SUMMER	WINTER	SUMMER	WINTER	SUMMER
1								
2	01/15/75 08:00	08/19/75 17:00	3,010	2,975	486	490	185	165
3	01/19/76 08:00	07/16/76 17:00	3,530	3,223	622	502	165	187
4	01/19/77 11:00	06/27/77 18:00	3,899	3,407	676	559	34	175
5	02/07/78 09:00	08/29/78 18:00	4,135	3,521	694	618	155	186
6	01/04/79 08:00	07/31/79 18:00	4,224	3,667	740	622	157	191
7	03/03/80 09:00	08/02/80 18:00	4,419	3,995	830	737	21	218
8	01/13/81 09:00	06/16/81 18:00	5,088	4,355	932	815	40	208
9	01/12/82 08:00	09/13/82 17:00	5,347	4,086	1,017	777	139	173
10	01/14/83 08:00	08/22/83 18:00	4,701	4,610	995	922	149	163
11	12/27/83 09:00	08/09/84 18:00	4,913	4,163	1,005	522	118	201
12	01/22/85 09:00	06/05/85 17:00	5,813	4,548	721	432	40	164
13	01/28/86 08:00	08/01/86 17:00	5,977	4,644	767	332	146	133
14	02/10/87 08:00	08/26/87 18:00	5,087	5,196	519	468	167	224
15	01/28/88 08:00	07/12/88 18:00	6,188	5,309	726	518	183	199
16	02/24/89 08:00	08/07/89 18:00	6,137	5,832	659	647	202	240
17	12/23/89 18:00	06/20/90 19:00	6,817	5,946	982	625	0	198
18	02/16/91 09:00	08/08/91 17:00	6,056	5,925	770	658	163	192
19	01/17/92 08:00	07/07/92 17:00	6,982	6,357	970	806	181	150
20	03/15/93 07:00	08/05/93 17:00	6,219	6,729	849	828	155	272
21	02/03/94 08:00	06/27/94 18:00	6,955	6,681	970	783	199	262
22	02/09/95 08:00	08/15/95 15:00	7,722	7,128	1,129	956	223	269
23	02/05/96 08:00	07/22/96 18:00	8,807	7,164	1,485	824	45	309
24	01/19/97 08:00	07/03/97 17:00	8,066	7,462	1,234	868	290	288
25	03/13/98 08:00	07/02/98 16:00	6,885	8,004	908	941	318	291
26	01/06/99 08:00	08/13/99 18:00	8,936	8,412	1,735	1,517	26	233
27	01/27/00 08:00	08/08/00 18:00	9,303	8,500	1,729	1,319	235	277
28	01/05/01 08:00		9,839		1,983		67	

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For each forecasting model used to estimate test year projections for customers, demand, and energy, provide the historical and projected values for the input variables and the output variables used in estimating and/or validating the model. Also, provide a description of each variable, specifying the unit of measurement and the time span or cross sectional range of the data.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002
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			Witness: Crisp

Line No.	(17) NONDISPATCHABLE DSM MW		(18) DLC EXERCISED MW		(19) FIRM RETAIL MW BEFORE DSM		(20) DESIGN TEMP @ PEAK		(21) ADJ. RETAIL CUSTS @ PEAK	
	WINTER	SUMMER	WINTER	SUMMER	WINTER	SUMMER	WINTER	SUMMER	WINTER	SUMMER
1										
2	0	0	0	0	2,339	2,320	41.4	92.2	624,350	613,478
3	0	0	0	0	2,743	2,534	36.4	92.6	644,225	635,935
4	0	0	250	0	3,439	2,673	31.8	94.1	668,961	659,102
5	0	0	0	0	3,286	2,717	38.0	91.2	701,882	691,792
6	0	0	0	0	3,327	2,854	37.7	91.5	730,140	726,349
7	0	0	141	0	3,709	3,040	34.2	93.1	775,020	764,662
8	11	11	0	0	4,127	3,343	30.8	96.7	801,716	791,513
9	22	27	0	0	4,213	3,163	29.1	90.8	830,172	822,953
10	58	69	76	0	3,691	3,594	40.9	94.1	859,698	852,465
11	75	82	156	72	4,021	3,594	38.4	93.0	886,872	893,238
12	102	96	135	97	5,289	4,145	28.7	94.3	936,052	928,859
13	126	122	253	0	5,443	4,301	31.8	92.4	976,507	970,634
14	143	129	200	0	4,744	4,633	42.8	91.7	1,024,646	1,014,200
15	151	136	0	0	5,430	4,728	40.5	93.0	1,058,748	1,048,149
16	162	146	493	0	5,931	5,091	38.3	92.3	1,102,500	1,092,480
17	165	150	384	0	6,384	5,273	26.3	90.8	1,129,063	1,122,294
18	169	154	0	0	5,292	5,229	39.5	90.9	1,169,303	1,146,522
19	181	162	0	0	6,012	5,563	39.5	91.0	1,186,907	1,168,596
20	190	184	782	0	6,187	5,813	39.4	92.3	1,218,531	1,205,312
21	222	199	7	0	6,015	5,835	41.6	91.0	1,254,853	1,228,882
22	242	235	1,062	160	7,674	6,298	34.7	93.2	1,280,232	1,260,652
23	273	261	1,272	45	8,822	6,337	30.3	91.5	1,302,498	1,278,863
24	309	280	111	44	6,962	6,630	35.7	93.8	1,324,925	1,296,969
25	316	314	516	49	6,491	7,135	43.9	94.7	1,355,628	1,325,391
26	388	342	870	226	8,433	7,230	35.1	93.1	1,374,606	1,353,544
27	423	355	314	54	8,076	7,313	37.5	91.6	1,405,422	1,386,281
28	444		951		9,184		34.2	92.6	1,444,592	1,410,641
29							36.0	92.6	1,474,947	1,435,942

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	Provide actual projected (as applicable) and normal monthly heating degree days for the utility's service territory for the test year and the five previous years. Provide this information both by calendar month and by billing month. Provide a description of how the actual, projected and normal heating degree days for the utility's service territory are derived.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002
Docket No. 000824-EI			___ Prior Year Ended xx/xx/xxxx
			Witness: Crisp

Line No.	Month	Billing Month						Calendar Month					
		1996	1997	1998	1999	2000	Normal Test Year	1996	1997	1998	1999	2000	Normal Test Year
1	January	269	134	158	139	122	189	226	161	138	125	174	201
2	February	220	138	168	65	220	193	185	53	137	108	112	129
3	March	164	25	135	125	43	114	161	1	130	66	6	63
4	April	100	6	64	33	14	43	19	9	12	13	15	11
5	May	8	6	7	16	6	7	0	0	0	6	0	1
6	June	0	0	0	1	0	0	0	0	0	0	0	0
7	July	0	0	0	0	0	0	0	0	0	0	0	0
8	August	0	0	0	0	0	0	0	0	0	0	0	0
9	September	0	0	0	0	0	0	0	0	0	0	0	0
10	October	1	0	0	0	5	2	6	7	0	5	6	4
11	November	21	32	6	16	16	21	46	56	9	21	81	46
12	December	76	102	20	47	135	85	129	184	66	132	235	145

13

14

15 Description:

16

17 Heating Degree Days are developed for each of 3 weather stations (St Pete, Orlando and Tallahassee) used to develop FPC system weighted weather conditions. The calculation starts with a 65 °F base and subtracts the average of daily maximum and minimum temperatures. HDD= 65 - Average Daily Temperature. If HDD less than 0, then HDD = 0. After this is completed for each weather station, weights are applied - based upon a percent share of weather sensitive energy sales - resulting in a system weighted average HDD. The weights are St Pete - 45%, Orlando - 50% and Tallahassee - 5%.

18

19

20 Normal weather conditions are developed using a 25-year average of service area weighted HDD's by month (1975 - 1999).

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FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	Provide actual projected (as applicable) and normal monthly cooling degree days for the utility's service territory for the test year and the five previous years. Provide this information both by calendar month and by billing month. Provide a description of how the actual, projected and normal cooling degree days for the utility's service territory are derived.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002
Docket No. 000824-EI			___ Prior Year Ended xx/xx/xxxx
			Witness: Crisp

Line No.	Month	Billing Month						Calendar Month					
		1996	1997	1998	1999	2000	Normal Test Year	1996	1997	1998	1999	2000	Normal Test Year
1	January	0	0	16	0	0	2	0	0	16	0	0	1
2	February	0	0	4	0	0	0	0	7	0	0	0	1
3	March	0	25	5	0	0	8	0	23	7	0	15	26
4	April	0	7	20	30	20	35	64	35	31	117	7	79
5	May	214	87	135	109	107	159	553	264	435	169	440	371
6	June	605	376	664	356	622	496	638	566	876	600	705	699
7	July	732	704	849	652	760	745	807	776	857	783	762	818
8	August	803	754	828	825	727	800	736	811	838	817	763	815
9	September	717	762	776	751	777	781	635	674	669	599	684	680
10	October	470	585	650	542	453	535	208	249	405	348	115	286
11	November	128	122	198	177	21	160	40	24	21	17	0	47
12	December	13	12	15	5	0	30	0	8	0	0	0	5

13
14
15 Description:

16 Cooling Degree Days are developed for each of 3 weather stations (St Pete, Orlando and Tallahassee) used to develop FPC system weighted weather conditions. The calculation starts with the maximum daily temperature less 85. This
 17 result is added to the minimum daily temperature less 55. If this sum is 15 or less, CDD is set equal to zero for determining residential class weather sensitivity. For commercial class weather sensitivity, there is no minimum if 15. CDD =
 18 $((\text{Max}-85) + (\text{Min}-55)) - 15$. If either term is less than zero, then that term is set to zero. After this is completed for each weather station, weights are applied - based upon a percent share of weather sensitive energy sales - resulting in a
 19 system weighted average CDD. The weights are St Pete - 45%, Orlando - 50% and Tallahassee - 5%.

20
 21 Normal weather conditions are developed using a 25-year average of service area weighted CDD's by month (1975 - 1999).

22
 23
 24
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FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 __ Prior Year Ended xx/xx/xxxx
Docket No. 000824-EI			Witness: Myers/Crisp/Williams/Young/Forehand

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10	I. GENERAL ASSUMPTIONS	Myers, Crisp	2
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13	II. OPERATING ASSUMPTIONS	Myers, Williams, Young	7
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FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002
Docket No. 000824-EI			___ Prior Year Ended xx/xx/xxxx
			Witness: Myers/Crisp

Line

I. General Assumptions

No. FORECAST ASSUMPTIONS - CUSTOMER ENERGY & DEMAND FORECAST

1 Normal weather conditions are assumed over the forecast horizon. For kilowatt-hour sales projections normal weather is based on a historical twenty-five year average of service area weighted billing month degree days. Seasonal
2 peak demand projections are based on a twenty-five year historical average of system-weighted temperatures at time of seasonal peak.

3

4 The population projections produced by the Bureau of Economic and Business Research (BEBR) at the University of Florida as published in "Florida Population Studies Bulletin No. 128 (May 2001) provide the basis for development
5 of the customer forecast. State and national economic assumptions produced by WEFA in their national and Florida forecasts (March 2001) are also incorporated.

6

7

8

9 Within the State of Florida the phosphate mining industry accounts for 75% of the U.S. phosphate supply and 35% of the global need. This energy intensive industry, which in the FPC service area consists of six major producers
10 with either national and/or international influence upon the supply of phosphate-based fertilizers, consumed 30.5% of industrial class kWh energy sales in 2000. Load and energy consumption at the FPC-served mining or chemical
11 processing sites depend heavily on plant operations which are heavily influenced by both micro- and macroeconomic conditions. There is presently excess mining capacity in the industry due to weak farm commodity prices
12 worldwide. Weak farm commodity prices lead to lower crop production, which results in less demand for fertilizer products. In addition, the export market for fertilizer has dried up since the Asian/Russian financial crisis. Going
13 forward, energy consumption is expected to remain weak. Phosphate energy consumption - as a percentage of total FPC Industrial class usage - is expected to fall to 27% in the 2001-2002 timeframe, the second lowest share ever
14 seen. A return to even a 35% share - recorded just a year ago - is not expected in the short term.

14

15

16

17

18 Florida Power Corporation (FPC) supplies load and energy service to wholesale customers on a "full", "partial" and "supplemental" requirement basis. Full requirements customers' demand and energy is assumed to grow at a rate
19 that approximates their historical trend. Partial requirements customer load is assumed to reflect the current contractual obligations received by FPC as of May 31, 2001. The forecast of energy and demand to the partial
20 requirements customers reflect the nature of the stratified load they have contracted for, plus their ability to receive dispatched energy from power marketers any time it is more economical for them to do so. Contracts for partial
21 requirements service included in this forecast are with FMPA, the cities of New Smyrna Beach, Tallahassee and Homestead, Reedy Creek Utilities, and Florida Power & Light. FPC's arrangement with Seminole Electric Cooperative,
22 Inc. (SECI) is to serve "supplemental" service over and above stated levels they commit to supply themselves. SECI's projection of their system's requirements in the FPC control area has been incorporated into this forecast. This
23 forecast also incorporates two firm bulk power contracts with SECI. The first is a multi-part contract to supply 605 MW for three years ending in December 2001. An option to extend one piece of this contract, (150 MW) has been exe
24 A second 3-year agreement with SECI to sell up to 300 MW of peaking power beginning in 2000 and going through 2002 has also been reflected in the forecast.

24

25 This forecast assumes that FPC will successfully renew all future franchise agreements. This forecast incorporates demand and energy reductions from FPC'S dispatchable and non-dispatchable DSM programs required to meet the
26 approved goals set by the Florida Public Service Comm.

27

28 Expected energy and demand reductions from self-service cogeneration are also included in this forecast. FPC will supply the supplemental load of self-service cogeneration customers. While FPC offers "standby" service to all
29 cogeneration customers, the forecast does not assume an unplanned need for standby power.

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION Company: FLORIDA POWER CORPORATION Docket No. 000824-EI	Explanation: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown: XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xxxx Witness: Myers/Crisp
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Line I. General Assumptions (Cont'd)
No.

1 **FORECAST ASSUMPTIONS - CUSTOMER, ENERGY & DEMAND FORECAST (Continued)**

2

3 This forecast assumes that the regulatory environment and the obligation to serve our retail customers will continue throughout the forecast horizon. The ability of wholesale customers to switch suppliers has ended the company's obligation to serve these customers beyond their contract life. As a result, the company does not plan for generation resources unless a long-term contract is in place. Current "all requirements" customers are assumed to not renew their contracts with FPC. Current "partial requirements" contracts are projected to terminate as terms reach their expiration date. Deviation from these assumptions can occur as new information received indicates that a wholesale customer has limited options in the marketplace to replace FPC capacity more economically.

6

7

8 The economic outlook for this forecast calls for a significant moderation of national and State economic growth compared to rates seen in the 1990s. Energy price escalation and the bursting of the stock market bubble have acted to deflate consumer confidence and effectively halt new capital investment in many industries nationwide. While no economic recession -- two negative quarters of GDP growth -- is incorporated in this forecast, the growth rate of the U.S. national economy has ground to a halt in early 2001. The manufacturing and high tech sectors can be classified as in recession and are putting a serious drag on the economy as a whole. The current stretch of economic expansion -- which has become the longest period of economic expansion in the history of our nation -- is now in serious risk of stalling out.

11

12 The assumption that the national economy will skirt a full-blown recession is based upon the belief that the U.S. Congress and the Federal Reserve Board (FRB) will enact an appropriate mixture of fiscal and monetary policy actions.

13 Economic stimulus from a Federal tax cut, while marginal in the short term, has been enacted. Swift and significant reductions to government-controlled interest rates by the Federal Reserve Board during the first half of 2001 assures most economists that the economy will react (with a lag) and pick up by year end.

14

15

16 Over-riding this, however, is the fear that a "reverse wealth-effect" will take hold of the economy and depress consumer demand. The "wealth-effect", caused by the record run-up in the U.S. stock market in the later 1990s, created a sizeable increase in consumer demand these past few years. Today, after a loss of several trillion dollars of wealth in the stock market and rising unemployment, the fear is that the consumer will rein in spending and pay down their record levels of debt.

18

19

20

21 On a Statewide basis, interest rates and energy prices will continue to influence the pace of economic growth in Florida through their impacts on the construction and tourism industries. The Florida construction industry is expected to feel the impact of corporate mergers and consolidations with respect to commercial and industrial floor space requirements. The State has seen its fair share of corporate mergers in the banking, telecommunications and utility industries, and has not been immune to the impact of "DOT-com" failures. Office vacancy rates are reported to have risen dramatically of late. The tourism industry is reported to have performed well during the winter 2000-2001 but by mid-year hotel vacancy rates and theme park attendance have dropped precipitously. Looking forward, high consumer debt levels in a weak economic environment place an added risk on this industry's ability to avoid some economic pain.

26

27 Another Florida industry sector increasing in importance, export-related industries, is expected to stall in 2001 as Central and South American economies flounder. Florida has developed significant trade relations with its neighbors to the south and continues to attract a significant number of tourists from this area. Areas of Latin America are reeling from drought conditions and a serious electricity shortage, which are not helping economic matters.

28

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xxxx Witness: Myers/Crisp
Docket No. 000824-EI			

Line No.	I. General Assumptions (Cont'd)	
1	<u>FORECAST ASSUMPTIONS - CUSTOMER, ENERGY & DEMAND FORECAST (Continued)</u>	
2		
3	Personal income growth is expected to continue growing but not at the torrid pace experienced in recent years. Employment growth will moderate resulting in slower growth in total wages. Slower growth in hourly earnings as well as	
4	transfer payments should also hold down income growth in the years ahead. The low interest rate environment also means lower returns on bank deposits – a significant part of retiree income.	
5		
6	Growth in energy consumption is directly tied to the levels of economic activity in the State, nation and around the world, but demographic forces play a major role as well. Factors that influence in-migration rates to Florida impact	
7	residential customer growth, especially since the difference between births and deaths contribute little to Florida's growing population. The University of Florida's latest projection (May 2001) shows a significant fall off in population	
8	growth for the 29 county area which Florida Power provides residential service. This is due to the characteristics of the age cohorts reaching retirement age this decade. Those now reaching retirement age were born during the	
9	Great Depression – a period of very low birth rates. This is expected to temporarily hold down Florida population growth by reducing the numbers of retirees entering the State.	
10		
11	CUSTOMER GROWTH RATE = 1.85%	SALES GROWTH RATE =2.53%
12		
13		
14	<u>GENERAL INFLATION RATES -</u>	
15	The projected inflation rate for 2002 was 2.56%. However, the 2002 Budget did not assume any specific rate but was based on justified needs. In instances where specific rates	
16	were available, they were used.	
17		
18	<u>WAGE AND SALARY INCREASE -</u>	
19	3.75% based upon assessment of: (1) competition; (2) impact of inflation (3) corporate bargaining unit agreement; and (4) merit increases for all non-bargaining unit employees	
20	beginning in April 2002.	
21		
22	<u>COMMON STOCK DIVIDENDS -</u>	
23	Dividends in 2002 (in millions): \$63.3 for each quarter.	
24		
25	<u>PROPERTY TAX PAYMENT -</u>	
26	2002 Property Taxes to be paid in November, 2002.	
27		
28	<u>FRANCHISE FEE PAYMENT -</u>	
	Paid to cities on a monthly basis	

FLORIDA PUBLIC SERVICE COMMISSION

Company: FLORIDA POWER CORPORATION

Docket No. 000824-EI

For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.

Type of data shown:

XX Projected Test Year Ended 12/31/2002

___ Prior Year Ended xx/xx/xxxx

Witness: Myers/Crisp

Line
No.

I. General Assumptions (Cont'd)

1 FINANCINGS -

2
3 No new issues of long-term debt are included in the 2002 forecast. 2002 financing needs are assumed to be met with additional borrowings under the Company's long-term commercial paper program and through short-term debt.
4 \$32.2 million of long-term debt redemptions related to sinking fund payments and scheduled maturities for 2002 are included in the cash flow forecast.
5
6
7
8

9 RESIDUAL FUEL OIL ASSUMPTIONS

10 Crude Oil supply will remain relatively stable through the forecast period.
11
12 U.S. Government policy is not expected to impact the residual or light oil market except that environmental restrictions will increase the relative demand and price of lower sulfur oils.
13
14 Weather is assumed to be normal throughout the period.
15
16 Fuel oil demand will remain relatively stable throughout the period except that the demand for lower sulfur oil will gradually displace the demand for higher sulfur oil.
17
18 Changes to refining product mix will tend to balance residual fuel supply with demand.
19
20 Mismatches between the two above mentioned factors combined with uncertain weather will cause periodic mismatches in supply/demand balances and wider short term fluctuations in prices than presented in this forecast
21

22 DISTILLATE FUEL OIL ASSUMPTIONS

23 Crude Oil supply will remain relatively stable through the forecast period.
24
25 U.S. Government policy is not expected to impact the residual or light oil market except that environmental restrictions will increase the relative demand and price of lower sulfur oil such as distillate fuel oil.
26
27 Weather is assumed to be normal throughout the period.

FLORIDA PUBLIC SERVICE COMMISSION Company: FLORIDA POWER CORPORATION Docket No. 000824-EI	Explanation: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown: XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xxxx Witness: Myers/Crisp
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Line No.	I. General Assumptions (Cont'd)
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1 FUEL PRICES (Cont'd)

2

3 DISTILLATE FUEL OIL ASSUMPTIONS (Cont'd)

4 Low sulfur #2 oil demand will increase relative to high sulfur #2 oil as it is used as a back-up fuel for natural gas as well as on-road diesel fuel.

5

6

7 NATURAL GAS ASSUMPTIONS

8 Overall supply of natural gas will be adequate except during extreme weather and during pipeline outages.

9

10 Interruptible supply from Florida Gas Transmission and South Georgia Natural Gas will be available in limited quantities as the pipeline capacity is utilized for firm supply contracts for Florida Power Corporation

11

12 The Gulfstream Pipeline will come into service in mid 2002.

13

14

15

16 COAL ASSUMPTIONS

17

18 Coal Price Projections are provided by Electric Fuels Corporation and represent an estimate of EFC's price to Florida Power for coal delivered to the plant sites in accordance with the delivery schedules projected. It assumes

19 environmental restrictions on coal quality remain in effect as per current plans: 2.1 lbs. per million BTU sulfur dioxide limit for C.R. 1&2 and 1.2 lbs. per million BTU sulfur dioxide limit for C.R. 4&5. However expected

20 environmental restrictions do impact the market for low sulfur coals causing demand and prices to be higher than would otherwise be expected.

21

22

23 NUCLEAR FUEL EXPENSE ASSUMPTIONS

24 Nuclear Fuel amortization projections (nuclear fuel expense) are based on a combination of actual dollar expenditures, estimates of future cash expenditures for contractual commitments, projected allowance for funds used

25 during construction (AFUDC) of each reload batch and the amount of energy (BTU's) extracted during a particular cycle from each batch utilized.

26

27

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 _ Prior Year Ended xx/xx/xxxx Witness: Myers/Williams/Young
Docket No. 000824-EI			

II. Operating Assumptions
Income Statement

Line
No.

- 1 Operating Revenue
- 2
- 3 A. Base Revenue - KWH sales are determined by the Load Forecasting Department.
- 4
- 5 B. Fuel adjustment Revenue - No change in the methodology presently in place for the recovery of fuel expense
- 6
- 7 C. Energy Conservation Revenue - No change in the methodology presently in place for the recovery of energy conservation expenses
- 8
- 9 D. Franchise Revenue - Assumed that an average historic tax rate would be representative for 2002
- 10
- 11 E. Other Operating Revenue - Pole attachments, rentals, and miscellaneous other service revenues assumed that current rental agreements would remain in effect during 2002 and that service revenues would be impact by the forecasted customer growth rate
- 12
- 13
- 14 F. Unbilled Revenue - The forecasted unbilled revenues are calculated as the change in monthly accrued utility revenues
- 15
- 16
- 17
- 18 Fuel Expense and Purchased Power
- 19 Fuel expense and purchased power is determined by the Company's production cost simulation model. The model uses input from fuel price forecasts, purchased power contracts, generating unit operating characteristics, maintenance outage schedules and other pertinent data to determine the most economical way to satisfy the corporate forecast of demand and energy.
- 20
- 21
- 22
- 23
- 24 Depreciation Expense
- 25 Depreciation expense is determined using forecasted 2002 monthly Electric Plant in Service. Depreciation rates were approved by the Florida Public Service Commission in Docket No. 971570-EI, Order No. 98-1723-FOF-EI, December 18, 1998. Dismantlement expense was based on the Company's study submitted as part of Docket No. 010031-EI. Decommissioning expense was based on the Company's study, submitted as part of FPSC Docket No. 001835-EI.
- 26
- 27

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

Explanation: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.

Company: FLORIDA POWER CORPORATION

Projected Test Year Ended 12/31/2002

Prior Year Ended xx/xx/xxxx

Docket No. 000824-EI

Witness: Myers/Williams/Young

II. Operating Assumptions

Income Statement

Line

No.

1

2 Amortization of Limited Plant

3 Amortization of intangible plant, ECCR plant, Gas Conversion projects and the Sebring/Tiger Bay regulatory assets were based on current approved rates.

4

5

6 Taxes Other Than Income Taxes

7

8 Taxes other than income taxes include property taxes, payroll related taxes, revenue related taxes, as well as credit for those taxes transferred to other accounts. The property taxes reflect an estimate of next year's taxes by the tax department, payroll related taxes were estimated based on budgeted payroll and rates in current law. Revenue related taxes are based on current law and franchise agreement and the budgeted revenues.

9

10

11

12

13 Income Taxes

14

15 Federal and state statutory tax rates are based upon law in effect at the time the forecast was prepared. Temporary timing differences are fully normalized. Investment Tax Credit is amortized over the remaining lives of related equipment as required by the Internal Revenue Service under Section 46 of the IRS Code. Excess deferred income taxes for protected items are flowed back in accordance with Section 203(e) of the Tax Reform Act of 1986.

16

17

18

19 Other Income and Deduction (Net)

20

21 Donations and other deductions are based on the budget submission from the business units. Income on the Life Insurance (Rabbi Trust) is based on assumptions of project cost and market conditions. Non-

22 operating income is based on projections from the business units of the non-regulated activity.

23 Gross Interest Expense

24

25 Interest Expense for Long Term Debt is determined by the series interest rate applied to the amount outstanding. There are no new issues in the 2002 forecast. Interest expense on short-term debt is determined by applying the assumed rate of 4.92% on the average outstanding amount each month. Interest on customer deposits is calculated using a blended interest rate applied against the projected total customer deposit balance. Customer deposit balance is based on historical relationship between total deposits and number of customers. Interest on tax deficiencies was predicted on a three year amortization of the outstanding amount.

26

FLORIDA PUBLIC SERVICE COMMISSION Explanation: For a projected test year, provide a schedule of assumptions used in Type of data shown:

Company: FLORIDA POWER CORPORATION developing projected or estimated data. At a minimum, state XX Projected Test Year Ended 12/31/2002

Docket No. 000824-EI assumptions used for balance sheet, income statement, and sales ___ Prior Year Ended xx/xx/xxxx

Witness: Myers/Williams/Young

II. Operating Assumptions

Average Annual Net Unit Heat Rates for 2002

Line No.	(A)		(B)	(A)		(B)
	Plant & Unit		Average Net Heat Rate (BTU/KWH)*	Plant & Unit		Average Net Heat Rate (BTU/KWH)*
1	Anclote	1	10,383	Peakers		
2	Anclote	2	10,142	Avon Park	1	17,810
3	Bartow	1	10,218	Avon Park	2	15,752
4	Bartow	2	10,352	Bartow	1	16,287
5	Bartow	3	9,964	Bartow	2	16,766
6	Crystal	1	9,772	Bartow	3	16,286
7	Crystal	2	9,569	Bartow	4	16,212
8	Crystal	3	10,163	Bayboro	1	14,723
9	Crystal	4	9,527	Bayboro	2	15,036
10	Crystal	5	9,469	Bayboro	3	14,559
11	Hines	1	7,184	Bayboro	4	14,834
12	Suwannee	1	12,435	DeBary	1	15,477
13	Suwannee	2	13,793	DeBary	2	14,650
14	Suwannee	3	11,138	DeBary	3	16,155
15	Tiger Bay	1	7,201	DeBary	4	16,538
16				DeBary	5	16,200
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xxxx
Docket No. 000824-EI			Witness: Myers/Williams/Young

II. Operating Assumptions

Average Annual Net Unit Heat Rates for 2002 (cont.)

Line No.	(A)		(B)	(A)		(B)
	Plant & Unit		Average Net Heat Rate (BTU/KWH)*	Plant & Unit		Average Net Heat Rate (BTU/KW)
1	DeBary	6	14,997	Rio Pinar	1	16,541
2	DeBary	7	14,603	Suwannee	1	14,388
3	DeBary	8	14,809	Suwannee	2	13,844
4	DeBary	9	14,346	Suwannee	3	14,473
5	DeBary	10	15,338	Turner	1	16,581
6	Higgins	1	17,880	Turner	2	17,110
7	Higgins	2	17,589	Turner	3	16,192
8	Higgins	3	17,436	Turner	4	16,492
9	Higgins	4	17,502	Univ of Fla	1	9,459
10	InterCity	1	14,536			
11	InterCity	2	14,804			
12	InterCity	3	15,050			
13	InterCity	4	14,665			
14	InterCity	5	14,013			
15	InterCity	6	14,345			
16	InterCity	7	14,587			
17	InterCity	8	14,674			
18	InterCity	9	13,943			
19	InterCity	10	15,128			
20	InterCity	11	11,423			
21	InterCity	12	13,950			
22	InterCity	13	14,002			
23	InterCity	14	14,098			
24						

25 * Includes start-up BTU's.

26 ** Units currently on Extended Cold Shutdown Status.

FLORIDA PUBLIC SERVICE COMMISSION	Explanation: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:
Company: FLORIDA POWER CORPORATION		XX Projected Test Year Ended 12/31/2002
Docket No. 000824-EI		___ Prior Year Ended xx/xx/xxxx
		Witness: Myers/Williams/Young

II. Operating Assumptions

Outage Rates for 2002

Line No.	Steam Plant		(A) Equivalent Forced Outage Rate	(B) Weekend Maintenance Outage Rate	(C) Total Unavailable Outage Rate
1					
2	Anclole	1	1.69	2.09	3.78
3	Anclole	2	2.37	3.51	5.88
4					
5	Bartow	1	5.18	0.00	5.18
6	Bartow	2	4.83	0.00	4.83
7	Bartow	3	3.99	0.00	3.99
8					
9	Crystal River	1	3.83	3.48	7.31
10	Crystal River	2	6.48	1.44	7.92
11	Crystal River	3	4.00	0.00	4.00
12	Crystal River	4	5.22	0.13	5.35
13	Crystal River	5	2.23	0.14	2.37
14					
15	Hines	1	3.45	0.00	3.45
16					
17	Suwannee	1	0.65	0.70	1.35
18	Suwannee	2	0.00	0.58	0.58
19	Suwannee	3	9.70	0.66	10.36
20					
21	Tiger Bay	1	5.59	2.46	8.05
22					
23					
24					
25					

FLORIDA PUBLIC SERVICE COMMISSION

Explanation: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.

Type of data shown:

Company: FLORIDA POWER CORPORATION

XX Projected Test Year Ended 12/31/2002

___ Prior Year Ended xx/xx/xxxx

Docket No. 000824-EI

Witness: Myers/Williams/Young

II. Operating Assumptions

Outage Rates for 2002 (Cont'd)

Line No.	Peaker Site and Units	(A) Equivalent Forced Outage Rate	(B) Maintenance Outage Rate *	(C) Total Unavailable Outage Rate	
1					
2	Avon Park	1,2	7.00	0.00	7.00
3					
4	Bartow	1,2,3,4	2.21	0.00	2.21
5					
6	Bayboro	1,2,3,4	0.95	0.00	0.95
7					
8	DeBary	1,2,3,4,5,6	3.00	0.00	3.00
9	DeBary	7,8,9,10	1.12	0.00	1.12
10					
11	Higgins	1,2,3,4	3.18	0.00	3.18
12					
13	InterCity	1,2,3,4,5,6	2.01	0.00	2.01
14	InterCity	7,8,9,10	0.70	0.00	0.70
15	InterCity	11	4.12	0.00	4.12
16	InterCity	12,13,14	1.00	0.00	1.00
17					
18	Rio Pinar	1	2.01	0.00	2.01
19					
20	Suwannee	1,2,3	0.25	0.00	0.25
21					
22	Turner	1,2,3,4	3.93	0.00	3.93
23					
24	Univ of Fla	1	4.10	0.00	4.10
25	Notes: * Because of low total usage hours on peakers, the maintenance outages are incorporated in the forced outages.				
26	** Denotes units on Extended Cold Shutdown status.				

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 — Prior Year Ended xx/xx/xxxx
Docket No. 000824-EI			Witness: Myers/Williams/Young

II. Operating Assumptions
Planned Maintenance for 2002

Line No.	Steam Plant		(A) Start Date	(B) End Date	(C) Outage Duration (Days)	(D) Total Days
1						
2	Anclole	2	October 19	December 6	48	48
3						
4	Bartow	1	September 14	October 11	28	28
5	Bartow	2	February 23	March 1	7	7
6	Bartow	3	March 2	April 12	42	42
7						
8	Crystal River	2	September 28	December 13	75	75
9	Crystal River	4	March 2	May 13	73	73
10						
11	Hines	1	April 6	April 19	14	14
12	Hines	1	November 2	November 15	14	14
13						
14	Suwannee	1	February 9	March 1	21	21
15	Suwannee	2	May 4	May 24	21	21
16	Suwannee	3	April 13	May 3	21	21
17						
18	Tiger Bay	1	February 23	March 29	35	35
19	Tiger Bay	1	October 12	October 25	14	14

Notes: Units not listed have no planned maintenance during 2002.

Scheduled maintenance for 2002 is based on Fossil Generation Department projections dated July 5, 2001.

FLORIDA PUBLIC SERVICE COMMISSION

Explanation: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.

Type of data shown:

Company: FLORIDA POWER CORPORATION

XX Projected Test Year Ended 12/31/2002

___ Prior Year Ended xx/xx/xxxx

Docket No. 000824-EI

Witness: Myers/Williams/Young

II. Operating Assumptions

Net Unit Capacity Rating for 2002

Line No.	Plant and Unit		(A)	(B)
			Net* Summer (Mw)	Net* Winter (Mw)
1				
2	Ancote	1	498	522
3	Ancote	2	495	522
4				
5	Bartow	1	121	123
6	Bartow	2	119	121
7	Bartow	3	204	208
8				
9	Crystal	1	379	383
10	Crystal	2	486	491
11	Crystal	3 ***	765	782
12	Crystal	4	720	735
13	Crystal	5	717	732
14				
15	Hines	1	482	529
16				
17	Suwannee	1	32	33
18	Suwannee	2	31	32
19	Suwannee	3	80	81
20				
21	Tiger Bay	1	207	223
22				
23	Total Steam		5,336	5,517

*** Crystal River 3 net ratings have been adjusted for sale of 8.2% of capacity.

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002
Docket No. 000824-EI			___ Prior Year Ended xx/xx/xxxx
			Witness: Myers/Williams/Young

II. Operating Assumptions

Net Unit Capacity Ratings for 1992 (Cont'd)

Line No.	Peaker Site and Units	(A) Net* Summer (Mw)	(B) Net* Winter (Mw)	Notes:
1				
2	Avon Park	1,2	52	64
3				* All ratings are maximum dependable capability. Summer ratings are effective May 1 through October 31. Winter ratings are effective November 1 through April 30.
4	Bartow	1,2,3,4	187	219
5				
6	Bayboro	1,2,3,4	184	232
7				** Denotes units on Extended Cold Shutdown status.
8	DeBary	1,2,3,4,5,6	324	390
9	DeBary	7,8,9,10	343	372
10				*** Crystal River 3 net ratings have been adjusted for sale of 8.2% of capacity.
11	Higgins	1,2,3,4	122	134
12				
13	InterCity	1,2,3,4,5,6	294	366
14	InterCity	7,8,9,10	352	376
15	InterCity	11	143	170
16	InterCity	12,13,14	240	282
17				
18	Rio Pinar	1	13	16
19				
20	Suwannee	1,2,3	164	201
21				
22	Turner	1,2,3,4	154	194
23				
24	Univ of Fla	1	35	41
25	Total Peakers	2,607	3,057	
26				
27	System Total	7,943	8,574	
28				

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xx*
Docket No. 000824-EI			Witness: Myers/Williams/Young/Forehand

Line No. III. Construction Budget Assumptions

1 Facility Assumptions - Functional Area

2

3

4 Production Plant

5

6 The forecasted 2002 expenditures include \$95.7 million for the construction of a new combined cycle unit at the Hines Energy Complex. Planned in service date for this unit is fall, 2003. This unit will add capacity of approximately 567 MW. Additionally, there is \$29.0 million in expenditures for the upgrade/refurbishment of the fossil plants at the Crystal River site. In general, all projects are justified on the basis of environmental, safety, regulatory requirements, and/or discretion (where benefits exceed cost).

8

9

10 Transmission and Distribution Plant

11

12 Delivery plant expenditures for 2002 include those expenditures required to provide the infrastructure for the projected customer growth, maintain existing level of service, as well as \$51.0 million to improve the quality of service and reliability to existing customer base. In October 2000, Florida Power, along with Florida Power & Light Company and Tampa Electric Company filed with the FERC an application for approval of a regional transmission organization, or RTO, for peninsular Florida, currently named GridFlorida. The FPSC has established a separate proceeding to determine the appropriate transmission organization to serve Florida. Because of subsequent uncertainties about the timing and costs of the formation of GridFlorida or another RTO, no costs related to the formation an RTO are included in the 2002 forecast.

15

16

17 General Plant

18

19 General plant expenditures are used to a) provide proper equipment for new employees with proper equipment to perform their jobs, b) replace existing equipment that can not be properly maintained or repaired.

20

21

22

23 NUCLEAR FUEL

24 There are no nuclear fuel purchases projected in 2002.

25

26

27 ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION - 7.81%

28

29 The system level of CWIP allowed in rate base was assumed to be the amount associated with work order projects not eligible for AFUDC and work order projects ready for service but accruing additional expenditures.

This amount is consistent with the amount authorized at the time this forecast was prepared.

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xxxx
Docket No. 000824-EI			Witness: Myers/Williams/Young/Forehand

Line	III. Construction Budget Assumptions
No.	

1

2 OVERHEADS

3 Basis for Loading Non-Productive Time, Inclement Weather, Administrative and General Expenses, and Taxes:

4

5

6

(Millions)

7 **NON-PRODUCTIVE TIME** Vacation \$ 16.2 7.92%

8 Holiday 10.2 4.91%

9 Sick and Accident 5.0 2.38%

10 Accident (Company connected) 0.5 0.23%

11 Other (jury duty, etc.) 1.3 0.64%

12 Total \$ 33.2 16.08%

13

14 **ADMINISTRATIVE AND GENERAL** Injuries and Damages Liability, Claims \$ 2.0 0.96%

15 Medical and Life 32.1 15.44%

16 Saving Plan 10.2 4.94%

17 Sharing the Success and MICP 17.2 8.29%

18 Total \$ 61.5 29.63%

19

20 **TAXES** F.I.C.A. \$ 20.3 8.85%

21 Federal Unemployment 0.2 0.10%

22 State Unemployment 1.4 0.59%

23 Total \$ 21.9 9.54%

24

25 **INCLEMENT WEATHER** \$ 0.8 2.60%

26

27 **TOTAL** 57.85%

28

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:	
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended	12/31/2002
Docket No. 000824-EI			___ Prior Year Ended	xx/xx/xxxx
			Witness:	Myers

Line IV. Balance Sheet Assumptions

No.

1 UTILITY PLANT

2

3 ELECTRIC PLANT IN SERVICE

4

5 The timing and dollar amount of additions related to major projects is based on the current budget submissions from the business units. The dollar amount for minor project additions and blanket additions is also based on the current budget submission from the business units. The timing of these additions is based on a percentage of the prior month CWIP balance and historical trends. Retirements are based on known amortization schedules and historical trends.

7

8 PLANT PURCHASED OR SOLD

9 There is no activity projected for this account during 2002.

10

11 ELECTRIC PLANT HELD FOR FUTURE USE

12 Existing electric plant held for future use will not be placed in service before December 31, 2002. There are no additional closings to this account projected for 2002.

13

14

15 CONSTRUCTION WORK IN PROGRESS

16 Total expenditures are derived from the 2002 Corporate Construction Budget. Allowance for Funds Used During Construction is calculated at an annual rate of 7.81%

17

18

19 ACCUMULATED PROVISION FOR DEPRECIATION

20 Depreciation expense is derived from the Budget income statement. Plant retirements are taken from monthly Electric Plant in-service activity.

21

22 ACCUMULATED AMORTIZATION OF ELECTRIC PLANT

23 The only activity affecting this account is the monthly amortization expense from the income statement.

24

25

26 NUCLEAR FUEL

27 There are no nuclear fuel purchased projects in 2002, therefore the changes represent the forecasted nuclear fuel burn from the Production Simulation Model.

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:	
Company: FLORIDA POWER CORPORATION			<input checked="" type="checkbox"/> Projected Test Year Ended	12/31/2002
			<input type="checkbox"/> Prior Year Ended	xx/xx/xxxx
Docket No. 000824-EI			Witness:	Myers

Line IV. Balance Sheet Assumptions (Continued)

No.

1 NON-UTILITY PROPERTY

2 Represents the change resulting from additions and depreciation on property assets utilized in the non-regulated business.

3

4 ACCUMULATED PROVISION FOR DEPRECIATION - NON-UTILITY

5 The monthly balance will increase by the provision for depreciation.

6

7 OTHER PROPERTY AND INVESTMENTS8 OTHER INVESTMENTS

9 The monthly balance will remain unchanged for the budget year.

10

11

12 OTHER SPECIAL FUNDS

13

14 Primarily the Nuclear Plant Decommissioning Fund - The funding for decommissioning costs will occur monthly based on the last allowed level of expenses authorized by the FPSC and FERC. The changes in 2000 are based on Company's study submitted as part of Docket No. 001835-EI. Income taxes are calculated on taxable fund earnings and are paid quarterly. The Company segregates the funds into Retail and Wholesale funds and qualified/non-qualified. The qualified funds are funded with pre-tax dollars; the non-qualified funds with after tax dollars.

16

17

18 CURRENT AND ACCRUED ASSETS19 CASH

20 Monthly balances are derived from the budgeted cash forecast.

21

22 SPECIAL DEPOSITS

23 Monthly balances related to deposits on mortgaged property sold or destroyed are assumed to be zero. Monthly balances related to condemnation proceedings will remain constant throughout the test year.

25

26 WORKING FUNDS

27 Assumed that the monthly balance of working funds for employees and various company offices would be constant.

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:	
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended	12/31/2002
			___ Prior Year Ended	xx/xx/xxxx
Docket No. 000824-EI			Witness:	Myers

Line IV. Balance Sheet Assumptions (Continued)
No.

1 **CURRENT AND ACCRUED ASSETS (CONTINUED)**

2 **TEMPORARY CASH INVESTMENT**

3 Temporary cash investments are a function of the budgeted cash receipts and disbursements.

4

5 **NOTES RECEIVABLE**

6 Notes receivable is assumed to remain constant for the budget year.

7

8 **NOTES AND ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES**

9 The monthly balances in accounts receivable from associated companies will remain constant for the year.

10

11 **ACCOUNTS RECEIVABLE**

12

13 The monthly balances for Customer Accounts Receivable was projected assuming that 42% of a forecasted month's revenue would be received as cash that month and 58% would be collected in the subsequent month. The allowance for bad debts was maintained at historical write-off levels and increased only due to customer and revenue growth.

14

15 **MATERIALS AND SUPPLIES**

16 The monthly net additions for materials and supply inventory are derived from the Company's Corporate Model and will remain constant throughout the year.

17

18 **FUEL STOCK**

19

20 The fuel inventory level was projected by subtracting the estimated cost of the fuel burn as determined by the Production Simulation Model and the average inventory cost and adding the projected costs to purchase additional fuel at forecasted prices sufficient to bring inventory to targeted quantity levels.

21

22 **PREPAYMENTS**

23 Monthly balances based on expected payment dates for insurance and the related amortization period for these amounts.

24

25 **ACCRUED UTILITY REVENUES**

26 The value of the unbilled KWH reflects the weighted average (by revenue class) of the base revenues for each month.

27

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:	
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended	12/31/2002
Docket No. 000824-EI			___ Prior Year Ended	xx/xx/xxxx
			Witness:	Myers

IV. Balance Sheet Assumptions (Continued)

Line No.	
1	OTHER CURRENT ASSETS
2	The change in other current assets reflects the change to prepaid pension cost which results in the pension credit on the income statement. All other asset accounts will remain constant during the year.
3	
4	DEFERRED DEBITS
5	UNAMORTIZED DEBT EXPENSE
6	Monthly balances are assumed to change by the amortization expense on existing issues of debt and the assumed additional expenses associated with new long-term financing.
7	
8	EXTRAORDINARY PROPERTY LOSSES
9	No new property losses are forecasted for the year.
10	
11	PRELIMINARY SURVEY AND INVESTIGATION
12	There are no additions to this account projected for the test year. There is no balance assumed in the budget.
13	
14	CLEARING ACCOUNTS
15	The monthly balances are based on historical activity.
16	
17	MISCELLANEOUS DEFERRED DEBITS
18	
19	The monthly balance for miscellaneous job orders is based on historical trends. The monthly balance related to energy conservation load management devices is assumed to change by the amount of additional investment and amortization expenses. The monthly balances related to accumulated deferred fuel expenses will be derived from the Budget income statement. The monthly balances related to accumulated deferred ECCR expenses will be derived from the Budget income statement.
20	
21	
22	RESEARCH AND DEVELOPMENT EXPENDITURES
23	The expenditures are assumed to be cleared to the appropriate accounts in the current month, therefore, there is no monthly balance.
24	
25	ACCUMULATED DEFERRED INCOME TAXES
26	The net monthly provision for deferred taxes is as provided in the Budget income statement.
27	

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:	
Company: FLORIDA POWER CORPORATION			<input checked="" type="checkbox"/> Projected Test Year Ended	12/31/2002
			<input type="checkbox"/> Prior Year Ended	xx/xx/xxxx
Docket No. 000824-EI			Witness:	Myers

Line IV. Balance Sheet Assumptions (Continued)
No.

1 PROPRIETARY CAPITAL2 **COMMON STOCK**

3 No changes are expected during 2002

4

5 **PREFERRED STOCK**

6 No changes are expected during the year.

7

8 **OTHER PAID IN CAPITAL**

9 No changes are expected during the year.

10

11 **UNAPPROPRIATED RETAINED EARNINGS**12 The projected monthly balances are expected to increase by the monthly earnings applicable to common from the Budget income
13 statement and will be reduced by expected common dividends to be paid during the year.

14

15

16 LONG-TERM DEBT

17

18 **FIRST MORTGAGE BONDS**

19

20 No new issues of long-term debt are included in the 2002 forecast. Redemption of \$30 million of 6.54% Medium Term Notes in July 2002 along with redemption of \$1.1 million of the Sebring issue in April and October.

21

22

23

24

25

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27

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:	
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended	12/31/2002
			__ Prior Year Ended	xx/xx/xxxx
Docket No. 000824-EI			Witness:	Myers

Line	IV. Balance Sheet Assumptions (Continued)
No.	

1 OTHER NON-CURRENT LIABILITIES

2

3 ACC PROVISION - RATE REFUND

4 The liability will decrease as monthly payments are made.

5

6

7 PROPERTY INSURANCE RESERVE

8 The account balance will change by the January accrual for storm damage as shown on the income statement. Insurance deductible has been reached.

9

10

11 CURRENT AND ACCRUED LIABILITIES**12 NOTES PAYABLE**

13 Short-term borrowing requirements are as determined in the Budget cash forecast.

14

15

16 ACCOUNTS PAYABLE

17 The monthly balances for fuel, purchased power, trade payables and Nuclear Fuel Disposal Cost are derived from the Company's Corporate Model.

18

19

20 ACCOUNTS PAYABLE TO ASSOCIATED COMPANY

21 The monthly balances are derived from information provided by Associated Companies.

22

23

24 CUSTOMER DEPOSITS

25 The growth rate is based upon a historical trends.

26

27

FLORIDA PUBLIC SERVICE COMMISSION	Explanation:	For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown:	
Company: FLORIDA POWER CORPORATION			XX Projected Test Year Ended	12/31/2002
			___ Prior Year Ended	xx/xx/xxxx
Docket No. 000824-EI			Witness:	Myers

Line No. IV. Balance Sheet Assumptions (Continued)

1 CURRENT AND ACCRUED LIABILITIES (CONT)

2 TAXES ACCRUED

3 The monthly balances are assumed to increase by the accruals as shown in the Budget income statement and decrease by the
4 quarterly cash disbursements.

5

6 INTEREST ACCRUED

7 The monthly balances are assumed to increase by the accruals as shown in the Budget income statement and decrease by
8 the cash disbursements.

9

10 DIVIDENDS DECLARED - COMMON STOCK

11 Dividends declared and paid in the current month.

12

13 OTHER TAX COLLECTIONS PAYABLE

14 The monthly tax accruals comes from the Budget income statement. Payments for other taxes are derived from an analysis of each specific "Other Tax"

15

16

17 MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES

18 The monthly balances are determined by individual analysis of each account.

19

20

21 DEFERRED CREDITS

22 CUSTOMER ADVANCES

23 The monthly balance is assumed to remain constant for the year.

24

25

26 MEDICAL & LIFE RESERVE - RETIREES

27 The reserve balance will change as a result of the retiree medical accrual as reflected on the income statement and decreased by the expected cash payments based on historical trends.

FLORIDA PUBLIC SERVICE COMMISSION Company: FLORIDA POWER CORPORATION Docket No. 000824-EI	Explanation: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. At a minimum, state assumptions used for balance sheet, income statement, and sales forecast.	Type of data shown: XX Projected Test Year Ended 12/31/2002 ___ Prior Year Ended xx/xx/xxxx Witness: Myers
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Line IV. Balance Sheet Assumptions (Continued)
No.

1

2 **NUCLEAR REFUELING AND MAINTENANCE OUTAGE RESERVE**

3 The reserve balance increases by the monthly accrual for the 2003 outage as reflected on the income statement and decreases by some minor expenses incurred in 2002 and appropriately charged to the

4 2003 outage.

5

6 **OTHER DEFERRED CREDITS**

7 The monthly activity related to deferred fuel revenues will be taken from the Budget income statement. Other deferred credits are based on historical trends.

8

9

10 **ACCUMULATED DEFERRED INVESTMENT TAX CREDIT**

11 The net monthly balance for investment tax credit is determined from the activity shown in the Budget income statement.

12

13

14 **REGULATORY ASSET - DEFERRED LIABILITY FAS 109**

15 Monthly balances reflect changes on the income statement.

16

17

18

19 **ACCUMULATED DEFERRED INCOME TAXES**

20 **ACCELERATED AMORTIZATION PROPERTY, OTHER PROPERTY, AND NON-PROPERTY**

21 The net monthly balance will be determined from the Budget income statement.

22

23

24

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