

ORIGINAL  
FILE COPY

**Florida  
Power**  
CORPORATION

**JAMES A. MCGEE**  
SENIOR COUNSEL

June 6, 1997

770694 - ET

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

**Re: Application of Florida Power Corporation to Amend Authority to  
Issue and Sell Securities During the Twelve Months Ending  
December 31, 1997, Pursuant to Section 366.04, Florida Statutes,  
and Chapter 25-8, Florida Administrative Code.**

**Dear Ms. Bayó:**

Enclosed for filing are one certified original and five uncertified copies of the subject Application.

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

Very truly yours,

**James A. McGee**

**JAM/kp  
Enclosures  
cc: Office of Public Counsel**

b:jam/security jr

DOCUMENT NUMBER-DATE

GENERAL OFFICE

05687 JUN-95

3201 Thirty-fourth Street South • Post Office Box 14042 • St. Petersburg, Florida 33733-0042 • (813) 866-5184 • Fax: (813) 866-4931

A Florida Progress Company

FPSC-RECORDS/REPORTING

DOCKET NO. \_\_\_\_\_

**FLORIDA PUBLIC SERVICE COMMISSION**

**TALLAHASSEE, FLORIDA**

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**APPLICATION OF**

**FLORIDA POWER CORPORATION**

**TO AMEND AUTHORITY TO ISSUE AND SELL**

**SECURITIES DURING THE TWELVE MONTHS ENDING DECEMBER 31, 1997**

**PURSUANT TO SECTION 366.04, FLORIDA STATUTES,  
AND CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE**

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**Address communications in connection with this Application to:**

**James P. Fama  
Deputy General Counsel  
Florida Power Corporation  
Post Office Box 14042  
St. Petersburg, Florida 33733**

**Dated: June 6, 1997**

DOCUMENT NUMBER-DATE

**05687 JUN-96**

FPSC-RECORDS/REPORTING

**BEFORE THE**  
**FLORIDA PUBLIC SERVICE COMMISSION**

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**IN RE:           APPLICATION OF FLORIDA POWER  
CORPORATION TO AMEND  
AUTHORITY TO ISSUE AND SELL  
SECURITIES DURING 1997 PURSUANT  
TO SECTION 366.04, FLORIDA  
STATUTES, AND CHAPTER 25-8,  
FLORIDA ADMINISTRATIVE CODE.**

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**WHEREAS, on October 8, 1996, the Petitioner, Florida Power Corporation (the "Company"), filed with the Florida Public Service Commission (the "Commission"), an Application for Authority to Issue and Sell Securities During the Twelve Months Ending December 31, 1997 (the "Original Application");**

**WHEREAS, on December 16, 1996, the Commission issued its Order No. PSC-96-1521-FOF-EI in Docket No. 961216-EI (the "Original Order") approving the Company's Original Application and granting the Company authorization to (a) issue, sell or otherwise incur and have outstanding during 1997 \$1.1 billion of long-term debt securities or obligations, consisting of (i) up to \$400 million outstanding at any time of commercial paper backed by, or borrowings under, the Company's long-term credit agreements, and (ii) \$700 million of other long-term debt, and (b) issue, sell and have outstanding at any time during 1997 short-term unsecured securities and debt obligations in an aggregate amount not in excess of \$400 million;**

**WHEREAS, on May 19, 1997, the Commission approved the Company's Petition in**

Docket No. 970096-EI concerning the Company's acquisition of the Tiger Bay cogeneration facility located in Polk County, Florida, for a purchase price of approximately \$445 million (the "Tiger Bay Transaction");

WHEREAS, when the Original Application was filed, the Company did not anticipate closing the Tiger Bay Transaction, and did not account for the issuance of long-term and possibly also short-term securities to finance the transaction;

WHEREAS, the Company still is planning for the possible issuance of securities as described in the Original Application, but would like additional authority to permit the issuance of securities in connection with the Tiger Bay Transaction;

WHEREAS, the Original Order contains a typographical error that the Company wishes to correct, in order to clarify that the Company is required by Rule 25-8.009, Florida Administrative Code, to file a consummation report within 90 days following the conclusion of any fiscal year in which the Company issues securities, and not, as indicated in the Original Order, within 90 days after the issuance of any securities;

NOW THEREFORE, the Company hereby petitions the Commission to issue an Amended Order to (A) increase the amount of long-term securities and debt obligations that the Company is authorized to issue and sell or otherwise incur during 1997 from \$1.1 billion to \$1.55 billion, consisting of (i) up to \$400 million outstanding at any time of commercial paper backed by, or borrowings under, the Company's long-term credit agreements, and (ii) \$1.15 billion (as opposed to only \$700 million) of other long-term debt, (B) increase the amount of short-term unsecured borrowings and commercial paper that the Company is authorized to issue, sell and have outstanding at any given time during 1997 from \$400 million to \$850 million, and

(C) provide that the Company shall file a consummation report with the Commission in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days after the end of any fiscal year in which it issues securities (as opposed to within 90 days after the issuance of any securities), and in support thereof submits the following information:

1. The Company represents that there have been no material changes in the information contained in paragraphs (1)-(7), 8(a), 8(c) and (10)-(13) of, or the Exhibits to, the Original Application, except that the Company has redeemed its 7.08% Series Cumulative Preferred Stock and 8.55% Medium-Term Notes due 1997, and its commercial paper balances have changed, all as reflected on the updated Exhibit F enclosed herewith. In addition, with the passage of time, certain immaterial changes in such information have occurred in the ordinary course of business, and the Company's balance sheets and statements of income can now be updated through the period ended March 31, 1997. Attached hereto as Schedule A is a copy of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 that contains such updated financial data.

2. With respect to paragraph (8)(b) of the Original Application, there have been no material changes in the information presented therein, except that the Company now estimates that (A) the maximum amount of long-term debt securities or obligations proposed to be issued, sold or otherwise incurred during 1997 is \$1.55 billion (rather than \$1.1 billion), consisting of (i) up to \$400 million outstanding at any time of commercial paper backed by, or borrowings under, the Company's long-term credit agreements, and (ii) \$1.15 billion (rather than \$700 million) of other long-term debt, and (B) the maximum amount of unsecured short-term borrowings and commercial paper classified as short-term debt for accounting purposes that the



Company expects may be outstanding at any given time is \$850 million rather than \$400 million. Although the Company has not as yet during 1997 issued any long-term debt securities, it continues to expect that it may issue long-term and short-term securities during the balance of 1997 for the purposes and as set forth in paragraph 8(b) of the Original Application. The Company now also expects to finance the Tiger Bay Transaction through the issuance of medium-term notes. In addition, it is possible that the Company may prefer not to issue these medium-term notes until it is certain that the Tiger Bay Transaction has closed. In that case, the Company will not receive the proceeds from the sale of the medium-term notes until at least three business days after the Tiger Bay closing date, thus requiring the Company to obtain short-term bridge loan financing to pay the purchase price for the Tiger Bay Transaction until the proceeds from the sale of the medium-term notes are received. As such, the Company may need authority to incur not only \$450 million of additional long-term debt in the form of medium-term notes, but also up to an additional \$450 million of short-term debt in the form of bridge loan financing, in order to complete the Tiger Bay Transaction. Attached is an updated Exhibit G from the Original Application that summarizes the Company's anticipated long and short-term financing activity during 1997.

3. With respect to paragraph (9) of the Original Application, there have been no material changes in the information presented therein, except that, as noted in paragraph 2 above, the Company now expects that it may incur up to \$450 million of additional long-term and \$450 million of additional short-term debt to finance the Tiger Bay Transaction. Attached are revised Exhibits C(1) and C(2) from the Original Application, showing the Company's sources and uses of funds and construction expenditures, that have been updated to reflect the

**Tiger Bay Transaction.**

**WHEREFORE, the Company hereby respectfully requests that the Original Order be amended to provide that the Company is authorized (A) to issue and sell or otherwise incur long-term debt securities or obligations totaling \$1.55 billion (as opposed to \$1.1 billion), consisting of (i) up to \$400 million outstanding at any time of commercial paper backed by, or borrowings under, the Company's long-term credit agreements, and (ii) \$1.15 billion (as opposed to \$700 million) of other long-term debt; (B) to issue, sell and have outstanding at any given time during 1997 short-term borrowings and commercial paper in an aggregate amount not in excess of \$850 million (as opposed to \$400 million); and (C) to file a consummation report with the Commission in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days after the end of any fiscal year in which the Company issues securities (as opposed to within 90 days after the issuance of any securities).**

**Respectfully submitted this  
6th day of June, 1997**

**FLORIDA POWER CORPORATION**

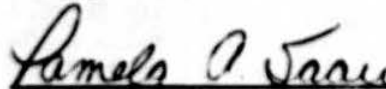
By:   
**James P. Fama  
Deputy General Counsel**

STATE OF FLORIDA     )  
                                  )  
COUNTY OF PINELLAS    )

**CERTIFICATION OF APPLICATION TO AMEND**

Each of the undersigned, James P. Fama and Pamela A. Saari, being first duly sworn, deposes and says that he/she is the Deputy General Counsel, and the Assistant Treasurer, respectively, of FLORIDA POWER CORPORATION, the Applicant herein; that he/she has read the foregoing Application of said Florida Power Corporation and knows the contents thereof; and that the same are true and correct to the best of his/her knowledge and belief.


  
\_\_\_\_\_  
James P. Fama  
Deputy General Counsel

  
\_\_\_\_\_  
Pamela A. Saari  
Assistant Treasurer

STATE OF FLORIDA     )  
                                  )  
COUNTY OF PINELLAS    )

The foregoing instrument was acknowledged before me this 6th day of June, 1997, by James P. Fama and Pamela A. Saari, who are personally known to me and who did take an oath.

(Seal)  LINDA SCHULTZ  
My Comm Exp. 5/17/98  
Bonded By Service Inc  
No. CC473016  
Notary Public 1102648

  
\_\_\_\_\_  
Signature  
Linda Schultz  
\_\_\_\_\_  
Printed Name

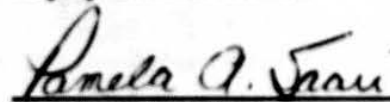


STATE OF FLORIDA     )  
                                  )  
COUNTY OF PINELLAS   )

**CERTIFICATION OF EXHIBITS**

Each of the undersigned, James P. Fama and Pamela A. Saari, being first duly sworn, deposes and says that he/she is the Deputy General Counsel, and the Assistant Treasurer, respectively, of FLORIDA POWER CORPORATION, the Applicant herein; that he/she has read the foregoing Application's exhibits (C(1), C(2), F, G and Schedule A, the Form 10-Q for the quarter ended March 31, 1997) of said Florida Power Corporation and knows the contents thereof; and that the same are true and correct to the best of his/her knowledge and belief.

  
\_\_\_\_\_  
James P. Fama  
Deputy General Counsel

  
\_\_\_\_\_  
Pamela A. Saari  
Assistant Treasurer

STATE OF FLORIDA     )  
                                  )  
COUNTY OF PINELLAS   )

The foregoing instrument was acknowledged before me this 6th day of June, 1997, by James P. Fama and Pamela A. Saari, who are personally known to me and who did take an oath.

(Seal)



LINDA SCHULTZ  
My Comm Exp. 5/17/98  
Bonded By Service Inc  
No. 00472016  
Notary Public (1102616)

  
\_\_\_\_\_  
Signature

Linda Schultz  
\_\_\_\_\_  
Printed Name

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

	<u>12 Months Ending</u> <u>December 31, 1997</u>
<b>OPERATING ACTIVITIES</b>	<b>\$ 545.3</b>
<b>INVESTING ACTIVITIES:</b>	
Tiger Bay Acquisition	(445.0)
Construction Expenditures	(372.1)
Allowance for Funds Used During Construction/Debt	(3.8)
Other Property Additions	(3.1)
Other Investing Activities	<u>(38.5)</u>
<b>Total</b>	<b><u>(862.5)</u></b>
<b>FINANCING ACTIVITIES:</b>	
Issuance of Tiger Bay Long-Term Debt	445.0
Repayment of Tiger Bay Long-Term Debt	(11.1)
Long-Term Debt Repayments <sup>1</sup>	(21.3)
Dividends Paid on Common Stock	(192.5)
Increase (Decrease) in Short-Term Debt	<u>97.4</u>
<b>Total</b>	<b><u>317.5</u></b>
<b>TOTAL INCREASE (DECREASE) IN CASH</b>	<b>\$ <u>0.3</u></b>

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

\\treasury\share\l\p\1997\exhibit.c.1

<sup>1</sup> The Company currently has outstanding \$20.0 million of the 8.55% Series Medium-Term Notes due January 15, 1997, as well as, \$1.3 million of the 6.67% Series Medium-Term Notes due in two installments on April 1, 1997 and October 1, 1997.

**FLORIDA POWER CORPORATION**  
**BUDGET CONSTRUCTION EXPENDITURES FOR 1997**  
(In Millions)

<u>ACCT. PREFIX</u>	<u>BUDGET CLASSIFICATION</u>	<u>BUDGET</u>
	<b>PRODUCTION PLANT</b>	
701	Nuclear Production	\$ 7.3
702/703	Fossil/Other Production	12.4
702	New Steam Generation	102.7
703	New Peaker Generation	<u>0.0</u>
	<b>TOTAL PRODUCTION PLANT</b>	<b>122.4</b>
	<b>TRANSMISSION &amp; SUBSTATIONS</b>	
704	Transmission Lines	19.9
705	Transmission Substations	10.8
710	Distribution Substations	<u>19.4</u>
	<b>TOTAL TRANSMISSION &amp; SUBSTATIONS</b>	<b><u>50.1</u></b>
	<b>DISTRIBUTION LINES &amp; SERVICES</b>	
706	Overhead Lines	57.0
707	Consumer Meters	6.0
708	Overhead Services	3.2
709	O/H & Pad Mounted Transformers	12.2
711	Underground Lines & Services	34.5
735	Energy Conservation	<u>0.3</u>
	<b>TOTAL DISTRIBUTION LINES &amp; SERVICES</b>	<b>113.2</b>
	<b>GENERAL PLANT</b>	
712	Office Equipment	2.2
713	Fleet Equipment	3.8
714	Telecommunications Equipment	19.6
715	Tools and Work Equipment	.1
716	Stores, Shop & Misc. Equipment	1.1
717	Laboratory Equipment	.6
718	Land and Structures	1.9
745	Computer Hardware and Software	<u>20.1</u>
	<b>TOTAL GENERAL PLANT</b>	<b><u>49.4</u></b>
	<b>SUB-TOTAL ELECTRIC PLANT</b>	<b>335.1</b>
120	Nuclear Fuel	<u>37.0</u>
	<b>TOTAL LESS AFUDC</b>	<b>\$ <u>372.1</u></b>

**FLORIDA POWER CORPORATION  
CAPITAL STOCK AND LONG-TERM DEBT  
As Of March 31, 1997**

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

	<u>Amount Outstanding</u>
<b>First Mortgage Bonds:</b>	
6-1/2% Series, due 1999	75,000,000
7-3/8% Series, due 2002	50,000,000
7-1/4% Series, due 2002	50,000,000
6-1/8% Series, due 2003	70,000,000
6% Series, due 2003	110,000,000
6-7/8% Series, due 2008	80,000,000
8-5/8% Series, due 2021	150,000,000
8% Series, due 2022	150,000,000
7% Series, due 2023	<u>100,000,000</u>
<b>Total First Mortgage Bonds Outstanding</b>	<b>\$ <u>835,000,000</u></b>

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<sup>1</sup> All of the Company's outstanding shares of common stock are owned beneficially and of record by the Company's parent, Florida Progress Corporation.

**FLORIDA POWER CORPORATION  
CAPITAL STOCK AND LONG-TERM DEBT  
As Of March 31, 1997**

	<u>Amount Outstanding</u>
<b>Pollution Control Revenue Bonds:</b>	
7.20% Pinellas, due 2014	\$ 32,200,000
6.35% Citrus, due 2022	90,000,000
6.35% Pasco, due 2022	10,115,000
6-5/8% Citrus, due 2027	<u>108,550,000</u>
<b>Total Pollution Control Revenue Bonds Outstanding</b>	<u><b>240,865,000</b></u>
 <b>Medium-Term Notes:</b>	
6.67%, due 2008	<u>27,300,000</u>
<b>Total Medium-Term Notes Outstanding</b>	<u>27,300,000</u>
<b>Commercial Paper (backed by long-term credit agreement)</b>	<u>200,000,000</u>
<b>Total Long-Term Debt Outstanding:</b>	<b>\$ <u>1,303,165,000</u></b>

With respect to the requirement of paragraphs (d), (e), (f) and (g) of Rule 25-8.002(7), Florida Administrative Code, the Company holds no stock or funded debt as reacquired securities, has pledged no stock or debt, has no stock or debt owned by affiliated corporations (except for the 100 shares of common stock owned by the Company's parent, Florida Progress Corporation), and does not hold any stock or debt in any fund.



**FLORIDA POWER CORPORATION  
FPSC APPLICATION FOR AUTHORITY  
TO ISSUE AND SELL SECURITIES DURING 1997**

(In Millions)

<b>TOTAL LONG-TERM FINANCING AUTHORITY REQUIRED</b>	<b><u>\$ 1,550.0</u></b>
<b>TOTAL SHORT-TERM FINANCING AUTHORITY REQUIRED</b>	<b><u>\$ 850.0</u></b>

**POSSIBLE LONG-TERM FINANCING ACTIVITY DETAIL (1)**

Five-year, long-term revolving credit agreement (or CP backed thereby)	\$ 200.0
Long-term credit agreement (or CP backed thereby) for self insurance or other general corporate purposes	200.0
Issue MTNs to finance Tiger Bay acquisition	450.0
Issue FMBs, MTNs, or other securities and debt obligations to refund the following FMBs:	
7-3/8% Series FMBs due 2002	50.0
7-1/4% Series FMBs due 2002	50.0
8-5/8% Series FMBs due 2021	<u>150.0</u>
	250.0
Issue FMBs, MTNs, or other securities and debt obligations for tender offers for, the defeasance of, or otherwise refunding the following:	
8% Series FMBs due 2022	<u>150.0</u>
	150.0
Issue FMBs, MTNs or other securities and debt obligations to pay off year-end 1997 CP (2)	299.4
Rounding to simplify reporting	<u>0.6</u>
<b>TOTAL LONG-TERM FINANCING AUTHORITY REQUIRED</b>	<b><u>\$ 1,550.0</u></b>

**FLORIDA POWER CORPORATION  
 FPSC APPLICATION FOR AUTHORITY  
 TO ISSUE AND SELL SECURITIES DURING 1997  
 (In Millions)**

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

364-day, short-term revolving credit agreement (or CP backed thereby)	\$	200.0
Other securities and debt obligations, such as borrowing from banks		200.0
Issue short-term debt for bridge financing of Tiger Bay acquisition		<u>450.0</u>
<b>TOTAL SHORT-TERM FINANCING AUTHORITY REQUIRED</b>	<b>\$</b>	<b><u>850.0</u></b>

- 
- 1) These proposed transactions are subject to periodic review and may change due to market conditions or other events that may effect Company business, but at no time will the sum of the transactions exceed the authority requested by this application.
  - 2) The Company assumes that a change in market conditions or the Company's current assumptions would warrant replacing CP at its year-end 1997 balance.
  - 3) This short-term financing shall be in addition to and in excess of the authority conferred on the Company by Section 366.04, Florida Statutes, to issue short-term securities aggregating not more than five percent of the par value of the Company's other outstanding securities.

FMB = First Mortgage Bond

MTN = Medium-Term Note

CP = Commercial Paper

PS = Preferred Stock

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**SCHEDULE A**

**Form 10-Q for the quarter ended March 31, 1997**

**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 March 31, 1997

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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

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

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

Registrant -----	Description of Class -----	Shares Outstanding at March 31, 1997 -----
Florida Progress Corporation	Common Stock, without par value	97,055,597
Florida Power Corporation	Common Stock, without par value	100 (all of which were held by Florida Progress Corporation)

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

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**FLORIDA PROGRESS CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS**

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

	Three Months Ended March 31,	
	1997	1996
	----- (Unaudited)	
<b>REVENUES:</b>		
Electric utility	\$553.8	\$547.3
Diversified	193.7	103.1
	-----	-----
	747.5	730.4
	-----	-----
<b>EXPENSES:</b>		
Electric utility:		
Fuel	94.9	85.0
Purchased power	127.2	122.8
Energy conservation cost	11.0	19.8
Operations and maintenance	110.3	100.3
Depreciation	74.3	77.6
Taxes other than income taxes	48.1	47.2
	-----	-----
	465.8	452.7
	-----	-----
Diversified:		
Cost of sales	171.8	155.1
Other	14.9	15.4
	-----	-----
	186.7	170.5
	-----	-----
<b>INCOME FROM OPERATIONS</b>	95.0	107.2
	-----	-----
<b>INTEREST EXPENSE AND OTHER:</b>		
Interest expense	34.3	34.6
Allowance for funds used during construction	(2.1)	(1.7)
Preferred dividend requirements of Florida Power	0.4	2.3
Other expense (income), net	0.4	(3.4)
	-----	-----
	33.0	31.8
	-----	-----
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	62.0	75.4
Income Taxes	20.0	27.1
	-----	-----
<b>INCOME FROM CONTINUING OPERATIONS DISCONTINUED OPERATIONS, NET OF INCOME TAXES</b>	42.0	48.3
	-----	-----
<b>NET INCOME</b>	\$42.0	\$48.3
	-----	-----
<b>AVERAGE SHARES OF COMMON STOCK OUTSTANDING</b>	97.0	96.5
	-----	-----
<b>EARNINGS PER AVERAGE COMMON SHARE:</b>		
Continuing Operations	\$0.43	\$0.50
Discontinued Operations	-	-
	-----	-----
	\$0.43	\$0.50
	-----	-----
<b>DIVIDENDS PER COMMON SHARE</b>	\$0.525	\$0.515
	-----	-----

Prior periods reflect the recapitalization of the spin-off company, Echelon International, and its associated treatment as discontinued operations. The accompanying notes are an integral part of these financial statements.



**FLORIDA PROGRESS CORPORATION**  
**Consolidated Balance Sheets**  
(In millions)

	March 31, 1997	December 31, 1996
	-----	-----
<b>ASSETS</b>	(Unaudited)	
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Electric utility plant in service and held for future use	\$5,906.5	\$5,965.6
Less - Accumulated depreciation	2,394.9	2,335.0
Accumulated decommissioning for nuclear plant	200.3	193.3
Accumulated dismantlement for fossil plants	123.0	119.6
	-----	-----
Construction work in progress	3,267.5	3,316.9
Nuclear fuel, net of amortization of \$356.7 in 1997 and \$356.7 in 1996	190.2	140.3
	-----	-----
Net electric utility property	59.9	59.9
	-----	-----
Other property, net of depreciation of \$170.1 in 1997 and \$173.0 in 1996	3,525.6	3,517.1
	-----	-----
	314.3	309.3
	-----	-----
	3,839.9	3,826.4
	-----	-----
<b>CURRENT ASSETS:</b>		
Cash and equivalents	14.5	5.2
Accounts receivable, net	200.7	265.0
Inventories at average cost:		
Fuel	80.1	67.1
Materials and supplies	95.4	95.4
Diversified materials	137.2	125.5
Underrecovery of fuel cost	105.6	82.6
Other	48.7	48.2
	-----	-----
	764.2	689.0
	-----	-----
<b>OTHER ASSETS:</b>		
Investments:		
Loans receivable, net	57.6	68.1
Marketable securities	220.2	217.9
Nuclear plant decommissioning fund	219.2	207.0
Joint ventures and partnerships	51.0	41.9
Deferred insurance policy acquisition costs	123.0	120.9
Other	179.6	176.4
	-----	-----
	850.6	833.0
	-----	-----
	\$5,462.7	\$5,348.4
	-----	-----

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

**FLORIDA POWER CORPORATION**  
**Consolidated Balance Sheets**  
(In millions)

	March 31, 1997	December 31, 1996
	-----	-----
<b>CAPITAL AND LIABILITIES</b>	<b>(Unaudited)</b>	
<b>COMMON STOCK EQUITY:</b>		
Common stock	\$1,208.9	\$1,208.3
Retained earnings	707.5	716.5
Unrealized loss on securities available for sale	(3.6)	(0.6)
	-----	-----
	1,912.8	1,924.2
<b>CUMULATIVE PREFERRED STOCK OF FLORIDA POWER:</b>		
Without sinking funds	33.5	33.5
<b>LONG-TERM DEBT</b>	1,820.1	1,776.9
	-----	-----
<b>TOTAL CAPITAL</b>	<b>3,766.4</b>	<b>3,734.6</b>
	-----	-----
<b>CURRENT LIABILITIES:</b>		
Accounts payable	189.2	193.2
Customers' deposits	94.3	81.8
Income taxes payable	37.0	27.8
Accrued other taxes	32.4	13.4
Accrued interest	39.1	48.3
Other	74.9	78.5
	-----	-----
	466.9	443.0
Notes payable	55.9	4.1
Current portion of long-term debt and preferred stock	24.9	34.9
	-----	-----
	547.7	482.0
	-----	-----
<b>DEFERRED CREDITS AND OTHER LIABILITIES:</b>		
Deferred income taxes	465.3	475.4
Unamortized investment tax credits	91.5	93.5
Insurance policy benefit reserves	341.3	325.3
Other postretirement benefit costs	102.0	100.0
Other	148.5	137.6
	-----	-----
	1,148.6	1,131.8
	-----	-----
	<b>\$5,462.7</b>	<b>\$5,348.4</b>
	-----	-----

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

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

Three Months Ended  
March 31,  
1997 1996

(Unaudited)

**OPERATING ACTIVITIES:**

Income from continuing operations	\$42.0	\$48.3
Adjustments for noncash items:		
Depreciation and amortization	83.2	88.0
Deferred income taxes and investment tax credits, net	(12.3)	(6.9)
Increase in accrued other postretirement benefit costs	2.0	1.7
Net change in deferred insurance policy acquisition costs	(2.1)	(2.2)
Net change in insurance policy benefit reserves	16.0	12.8
Changes in working capital, net of effects from acquisition or sale of businesses:		
Accounts receivable	(15.5)	11.5
Inventories	(25.0)	3.0
Underrecovery of fuel cost	(23.0)	(19.0)
Accounts payable	(4.0)	(12.3)
Income taxes payable	9.4	39.0
Accrued other taxes	19.0	20.2
Other	(2.2)	(1.7)
Other operating activities	1.7	11.0
	-----	-----
Cash provided by continuing operations	89.2	193.4
	-----	-----
Adjustments for non-cash items from discontinued operations	-	(12.5)
	-----	-----
	89.2	180.9
	-----	-----

**INVESTING ACTIVITIES:**

Property additions (including allowance for borrowed funds used during construction)	(94.8)	(70.7)
Purchase of loans and securities, net	(4.5)	(11.8)
Proceeds from sale of properties	2.2	3.3
Investing activities of discontinued operations	-	6.7
Other investing activities	(14.2)	(13.3)
	-----	-----
	(111.3)	(85.8)
	-----	-----

**FINANCING ACTIVITIES:**

Repayment of long-term debt	(21.5)	(1.5)
Increase (decrease) in commercial paper with long-term support	54.6	(40.7)
Sale of common stock	-	9.3
Dividends paid on common stock	(51.0)	(49.7)
Increase in short-term debt	51.8	-
Financing activities of discontinued operations	-	(10.2)
Other financing activities	(0.5)	(0.7)
	-----	-----
	33.4	(93.5)
	-----	-----

**NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS**

Beginning cash and equivalents	5.2	4.3
	-----	-----
<b>ENDING CASH AND EQUIVALENTS</b>	<b>\$16.5</b>	<b>\$5.9</b>
	-----	-----

**ENDING CASH AND EQUIVALENTS**

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid during the period for:		
Interest (net of amount capitalized)	\$42.0	\$34.0
Income taxes (net of refunds)	\$28.5	\$7.9

Prior periods reflect the recapitalization of the spin-off company, Echelon International, and its associated treatment as discontinued operations. The accompanying notes are an integral part of these financial statements.

**FLORIDA POWER CORPORATION  
FINANCIAL STATEMENTS**

**FLORIDA POWER CORPORATION**  
**Statements of Income**  
(In millions)

	Three Months Ended March 31,	
	1997	1996
	(Unaudited)	
<b>OPERATING REVENUES:</b>		
Residential	\$290.7	\$316.0
Commercial	124.2	115.1
Industrial	51.9	47.8
Sales for resale	37.1	43.0
Other	49.9	25.4
	553.8	547.3
<b>OPERATING EXPENSES:</b>		
<b>Operation:</b>		
Fuel	94.9	85.0
Purchased power	127.2	122.8
Energy conservation cost	11.0	19.8
Operations and maintenance	110.3	100.3
Depreciation	74.3	77.6
Taxes other than income taxes	48.1	47.2
<b>Income taxes:</b>		
Currently payable	32.2	30.2
Deferred, net	(8.0)	(3.0)
Investment tax credits, net	(2.0)	(2.0)
	22.2	25.2
	488.0	477.9
<b>OPERATING INCOME</b>	65.8	69.4
<b>OTHER INCOME AND DEDUCTIONS:</b>		
Allowance for equity funds used during construction	1.3	0.9
Miscellaneous other expense, net	(1.0)	(0.5)
	0.3	0.4
<b>INTEREST CHARGES</b>		
Interest on long-term debt	22.3	22.1
Other interest expense	3.0	3.3
	25.3	25.4
Allowance for borrowed funds used during construction	(0.8)	(0.8)
	24.5	24.6
<b>NET INCOME</b>	41.6	45.2
<b>DIVIDENDS ON PREFERRED STOCK</b>	0.4	2.3
	41.2	42.9
<b>NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK</b>	41.2	42.9

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

**FLORIDA POWER CORPORATION**  
**Balance Sheets**  
(In millions)

	March 31, 1997	December 31, 1996
	-----	-----
	(Unaudited)	
<b>ASSETS</b>		
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Electric utility plant in service and held for future use	\$5,986.5	\$5,965.6
Less - Accumulated depreciation	2,394.9	2,335.8
Accumulated decommissioning for nuclear plant	200.3	193.3
Accumulated dismantlement for fossil plants	123.8	119.6
	-----	-----
Construction work in progress	3,267.5	3,316.9
Nuclear fuel, net of amortization of \$356.7 in 1997 and \$356.7 in 1996	198.2	140.3
	-----	-----
	59.9	59.9
	-----	-----
	3,525.6	3,517.1
	-----	-----
Other property, net	12.3	13.3
	-----	-----
	3,537.9	3,530.4
	-----	-----
<b>CURRENT ASSETS:</b>		
Cash and equivalents	12.9	-
Accounts receivable, less reserve of \$4.1 in 1997 and \$4.1 in 1996	181.3	174.7
Inventories at average cost:		
Fuel	53.8	47.2
Materials and supplies	95.4	95.4
Underrecovery of fuel cost	105.6	82.6
Deferred income taxes	33.7	35.6
Other	6.5	6.2
	-----	-----
	489.2	441.7
	-----	-----
<b>OTHER ASSETS:</b>		
Nuclear plant decommissioning fund	219.2	207.8
Unamortised debt expense, being amortised over term of debt	24.5	25.0
Other	58.1	59.1
	-----	-----
	301.8	291.9
	-----	-----
	\$4,328.9	\$4,264.0
	-----	-----

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



**FLORIDA POWER CORPORATION**  
**Balance Sheets**  
(In millions)

	March 31, 1997	December 31, 1996
	----- (Unaudited)	-----
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION:</b>		
Common stock	\$1,004.4	\$1,004.4
Retained earnings	813.9	821.1
	-----	-----
	1,818.3	1,825.5
<b>CUMULATIVE PREFERRED STOCK:</b>		
Without sinking funds	33.5	33.5
<b>LONG-TERM DEBT</b>		
	1,296.5	1,296.4
	-----	-----
<b>TOTAL CAPITAL</b>	<b>3,148.3</b>	<b>3,155.4</b>
	-----	-----
<b>CURRENT LIABILITIES:</b>		
Accounts payable	104.3	115.5
Accounts payable to associated companies	22.5	21.2
Customers' deposits	94.3	81.7
Income taxes payable	34.3	10.4
Accrued other taxes	29.1	10.0
Accrued interest	34.9	34.8
Other	40.8	47.3
	-----	-----
	360.2	320.9
Notes payable	55.9	4.1
Current portion of long-term debt	1.3	21.3
	-----	-----
	417.4	346.3
	-----	-----
<b>DEFERRED CREDITS AND OTHER LIABILITIES:</b>		
Deferred income taxes	465.8	472.3
Unamortized investment tax credits	90.9	92.8
Other postretirement benefit costs	98.3	96.5
Other	108.2	100.7
	-----	-----
	763.2	762.3
	-----	-----
	<b>\$4,328.9</b>	<b>\$4,264.0</b>
	*****	*****

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

**FLORIDA POWER CORPORATION**  
**Statements of Cash Flows**  
(In millions)

	Three Months Ended March 31,	
	1997	1996
	----- (Unaudited)	
<b>OPERATING ACTIVITIES:</b>		
Net income after dividends on preferred stock	\$41.2	\$42.9
Adjustments for noncash items:		
Depreciation and amortization	76.3	82.0
Deferred income taxes and investment tax credits, net	(10.0)	(5.0)
Increase in accrued other postretirement benefit costs	1.8	1.5
Allowance for equity funds used during construction	(1.3)	(0.9)
Changes in working capital:		
Accounts receivable	(6.6)	8.6
Inventories	(6.6)	17.6
Underrecovery of fuel cost	(23.0)	(19.0)
Accounts payable	(11.2)	0.2
Accounts payable to associated companies	1.3	(3.8)
Income taxes payable	23.9	25.3
Accrued other taxes	19.1	20.3
Other	5.9	5.0
Other operating activities	4.7	14.8
	-----	-----
	115.5	189.5
	-----	-----
<b>INVESTING ACTIVITIES:</b>		
Construction expenditures	(81.2)	(58.6)
Allowance for borrowed funds used during construction	(0.8)	(0.8)
Additions to nonutility property	(0.4)	(0.6)
Proceeds from sale of properties	1.2	1.2
Other investing activities	(4.8)	(13.3)
	-----	-----
	(86.0)	(72.1)
	-----	-----
<b>FINANCING ACTIVITIES:</b>		
Repayment of long-term debt	(20.0)	-
Decrease in commercial paper with long term support	-	(80.3)
Dividends paid on common stock	(48.4)	(46.9)
Equity contributions from parent	-	12.5
Increase in short-term debt	51.8	-
	-----	-----
	(16.6)	(114.7)
	-----	-----
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	12.9	2.7
Beginning cash and equivalents	-	0.8
	-----	-----
<b>ENDING CASH AND EQUIVALENTS</b>	\$12.9	\$3.5
	-----	-----
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest (net of amount capitalized)	\$23.7	\$18.9
Income taxes (net of refunds)	\$7.8	\$4.8

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

FLORIDA PROGRESS CORPORATION AND FLORIDA POWER CORPORATION  
NOTES TO FINANCIAL STATEMENTS

- 1) On November 31, 1996, the Board of Directors of Florida Progress Corporation ("Florida Progress") declared a spin-off distribution to common shareholders of record on December 5, 1996, of the common shares of Echelon International Corporation ("Echelon"). Echelon comprised Florida Progress' lending, leasing and real estate operations. As a result of the spin-off, the former operations of Echelon are shown as discontinued operations in the accompanying Consolidated Statements of Income for the three months ended March 31, 1996. Net assets of Echelon as of December 18, 1996, the date of the spin-off, were \$194.5 million. This amount has been charged against Florida Progress' retained earnings in the accompanying December 31, 1996 Consolidated Balance Sheet to reflect the distribution of Echelon common shares. As used in this Form 10-Q, the term Florida Progress includes its consolidated subsidiaries unless otherwise indicated.
- 2) As ordered by the Florida Public Service Commission ("PPSC"), Florida Power Corporation ("Florida Power") is in its third year of conducting a three-year test for residential revenue decoupling which began in January 1995. The difference between target revenues and actual revenues is included as a current asset or current liability on the balance sheet. Revenue decoupling increased residential revenues by \$7.5 million and reduced residential revenues by \$12.5 million for the three months ended March 31, 1997 and 1996, respectively.
- 3) In February 1997, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standard ("FAS") No. 128, "Earnings per Share" ("EPS"). It replaces the standards for computing EPS under Accounting Principles Board Opinion No. 15, "Earnings per Share," and makes the computations comparable to international EPS standards. Florida Progress will be required to adopt this standard for financial statements issued for the year ending December 31, 1997. Florida Progress' application of FAS No. 128 is not expected to have a material impact on EPS.  
Also in February 1997, the FASB issued FAS No. 129, "Disclosure of Information about Capital Structure," which designates certain disclosure requirements for public and nonpublic entities. Florida Progress currently discloses the information required by FAS No. 129. Accordingly, FAS No. 129 will not have any effect on the financial statements of Florida Progress.
- 4) **CONTRACTS**  
**POWER PURCHASE AGREEMENTS** - The purchased power contracts entered into with qualifying facilities employ separate pricing methodologies for capacity payments and energy payments. Four cogenerators filed suit against Florida Power over the contract payment terms. Florida Power entered into settlement agreements with three of the four cogenerators. One of those agreements already has been finalized and litigation terminated. The other two agreements are awaiting approvals from the PPSC and others before being finalized. Management does not expect that the results of these legal actions will have a material impact on Florida Power's financial position, operations or liquidity.

Florida Power was threatened in late 1995 with litigation from another cogeneration developer, which claimed interference involving an effort to obtain a gas transportation contract with a third party. However, no legal action has been taken by the developer.

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

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

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

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

Florida Power is a member of NEIL, an industry mutual insurer, which provides business interruption and extra expense coverage in the event of a major accidental outage at a covered nuclear power plant. Florida Power is subject to a retroactive premium assessment under this policy in the event of adverse loss experience. Florida Power's present maximum share of any such retroactive assessment is \$2.5 million per policy year.

Florida Power also maintains nuclear property damage insurance and decontamination and decommissioning liability insurance totaling \$2.1 billion. The first layer of \$500 million is purchased in the commercial insurance market with the remaining excess coverage purchased from NEIL. Florida Power is self-insured for any losses that are in excess of this coverage. Under the terms of the NEIL policy agreements, Florida Power could be assessed up to a maximum of \$10.3 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.

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

Florida Power and former subsidiaries of Florida Progress, whose properties were sold in prior years, have been identified by the Environmental Protection Agency ("EPA") as potentially responsible parties ("PRPs") at certain sites. In addition to these designated sites, there are other sites where affiliates may be responsible for additional environmental cleanup, including a coal gasification plant site that



Florida Power previously owned and operated. There are five parties that have been identified as PPs for this gas site, including Florida Power. Liability for the cleanup costs of these sites is joint and several.

Florida Progress believes that its subsidiaries will not be required to pay a disproportionate share of the costs for cleanup of these sites. Florida Progress' best estimates indicate that its proportionate share of liability for cleaning up all sites ranges from \$1.7 million to \$5.4 million. It has reserved \$1.7 million against these potential costs. The EPA is expected to further study the coal gasification plant site, which could cause Florida Power to increase its reserve for its portion of liability for cleanup costs. Although estimates of any additional costs are not available, the results of the tests are not expected to have a material effect on Florida Progress' financial position, results of operations or liquidity.

**AGE DISCRIMINATION SUIT** - Florida Power and Florida Progress have been named defendants in an age discrimination lawsuit involving 117 former Florida Power employees. While no dollar amount was requested, each plaintiff seeks back pay, reinstatement or front pay through their projected dates of normal retirement, costs and attorneys' fees. In October 1996, the court approved an agreement between parties to provisionally certify this case as a class action suit under the Age Discrimination in Employment Act. The court determined that the final day to opt into the case would be May 28, 1997. Estimates of the potential liability associated with this lawsuit cannot be determined until the size of the potential class has been determined, and the final decision on whether to certify the case as a class action suit has been made.

**MID-CONTINENT LIFE INSURANCE COMPANY** - On April 14, 1997, the Insurance Commissioner of the state of Oklahoma received approval from the Oklahoma County District Court to temporarily seize control of the operations of Mid-Continent Life Insurance Company ("Mid-Continent"), a wholly owned subsidiary of Florida Progress. The Insurance Commissioner alleged, among other things, that Mid-Continent has made misrepresentations with respect to the sale of its extra-life policies, and that actuarial studies reflect that if Mid-Continent is unable to raise the premiums on its policies, Mid-Continent's statutorily required reserves are inadequate by an amount in excess of \$125 million. Mid-Continent denies the misrepresentation allegations and believes it is currently solvent, but would have a reserve deficiency after 2020 unless premium rates are increased or other actions are taken to address the deficiency. A hearing has been set for May 21, 1997 in Oklahoma City for Mid-Continent to appear before the court to show cause why an order of rehabilitation should not be entered against Mid-Continent and a receiver appointed. The outcome of the proceeding is uncertain. However, if the court orders a receiver to be appointed and the order is sustained on appeal, Florida Progress would likely lose a substantial portion of its investment in Mid-Continent. Alternatively, if the court denies the request for a receiver to be appointed, this proceeding and its attendant publicity is expected to make it difficult for Mid-Continent to address its future premium deficiency problem, and for Florida Progress to recover its investment in Mid-Continent. In either case, litigation against Florida Progress could ensue. However, management believes that there is no basis for any material claims against Florida Progress in connection with this matter. Mid-Continent's earnings in 1996 were \$1.9 million, which represents less than 1% of Florida Progress' 1996 consolidated earnings. As of March 31, 1997, Florida Progress' equity investment in Mid-Continent was approximately \$85 million, and its tax basis is significantly less.

**RATE INCREASE INVESTIGATION** - In February 1997, the FPSC approved Florida Power's request to increase fuel rates to recover the deferred costs of



replacement power which was associated with the outage at Florida Power's CR3 nuclear plant and incurred from September 2, 1996 through March 1997. In conjunction with this approval, the FPSC ordered its staff to begin an immediate investigation concerning the reasons for CR3's current outage. The additional revenues needed to pay for these increased costs for replacement power are subject to refund pending the outcome of this investigation. Florida Power estimates that replacement power costs related to the outage are approximately \$10 million per month, with weather and the availability of alternative energy sources being the principal factors that can affect actual costs. The FPSC has scheduled a hearing for June 1997, with a final FPSC decision expected in August 1997. Florida Power expects to file an additional request with the FPSC for replacement power costs that are incurred after March 1997 to the date the unit eventually restarts, which is expected to occur by year-end 1997. The outage is needed for modifications required to address certain backup safety issues. These modifications have already been made for similarly designed plants at other utilities. Accordingly, management believes it is probable that the FPSC, after completing its investigation, will approve the recovery of replacement power costs incurred during the outage.

- 5) In the opinion of management, the accompanying financial statements include all adjustments deemed necessary to summarize fairly and reflect the financial position and results of operations of Florida Progress and Florida Power for the interim periods presented. Results for the first quarter are not necessarily indicative of results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto in the combined Form 10-K of Florida Progress and Florida Power for the year ended December 31, 1996 (the "1996 Form 10-K").

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

### **OPERATING RESULTS**

Florida Progress' earnings per share from continuing operations for the three-month period ended March 31, 1997, were \$.43 compared to \$.50 for the same period in 1996. Florida Power, Florida Progress' largest operating unit, reported earnings of \$.42 per share compared to \$.44 per share for the same period last year. The decrease is primarily due to higher costs associated with the extended outage of Florida Power's Crystal River nuclear power plant ("CR3"), and costs associated with planned outages of fossil-fuel plants. Diversified earnings per share were \$.01 compared to \$.06 last year. The decrease resulted primarily from lower earnings at Electric Fuels Corporation ("Electric Fuels"), Florida Progress' energy and transportation subsidiary. Electric Fuels' gross margins were down for the quarter primarily due to increased operating expenses associated with flood conditions along the Ohio and Mississippi rivers, and increased diesel fuel costs.

### **Florida Power - Operating Revenues**

Florida Power's operating revenues were \$6.5 million or 1.2% higher for the three-month period ended March 31, 1997, compared to the same period in 1996. Although kilowatt hour sales were lower for the three months ended March 31, 1997 compared to last year, due primarily to mild weather in 1997, residential revenue decoupling adjustments increased residential revenues by \$7.5 million for the first quarter of 1997. Revenue decoupling reduced residential revenues by \$12.5 million for the three months ended March 31, 1996,

due to abnormally cold weather in 1996. Residential revenue decoupling eliminates the earnings impact abnormal weather has on residential revenues. Florida Power's largest customer group. See Note 2 to the Financial Statements and Note 4 to the Financial Statements under the heading "Rate Increase Investigation".

#### Florida Power - Operating Expenses

Fuel and purchased power costs were \$14.3 million or 6.9¢ higher for the quarter ended March 31, 1997 compared to the same period in 1996 due primarily to increased replacement fuel costs incurred because of the extended shutdown of the CRJ nuclear unit and increased capacity payments. Florida Power recovered substantially all of its fuel and purchased power costs through a FPSC ordered fuel adjustment clause, thereby eliminating any significant impact on net income. See "Florida Power - Purchased Power" below and Note 4 to the Financial Statements under the heading "Rate Increase Investigation".

Other operation and maintenance expenses for the three months ended March 31, 1997, were \$10 million or 10¢ higher than the same period last year due primarily to additional maintenance costs associated with the prolonged outage of CRJ and maintenance costs associated with planned outages of certain fossil-fuel plants. For further information regarding the outage of CRJ, see "Florida Power - Nuclear Operations" below.

#### Florida Power - Purchased Power

As previously reported in the 1996 Form 10-K, Part II, Item 7, under "Operating Results - Florida Power - Fuel and Purchased Power", costs associated with purchased power contracts with qualifying facilities raised Florida Power's system average cost for generation in 1995 and 1996, and this trend is expected to continue. While the higher costs are being recovered, there is concern for the impact on future financial results due to uncertainty associated with industry deregulation and increased competition. Florida Power is continuing to seek ways to mitigate the impact of escalating payments required under contracts it was obligated to sign under provisions of the Public Utilities Regulatory Policies Act of 1976.

On April 1, 1997, the FPSC approved the negotiated settlement agreement relating to a cogeneration contract between Florida Power and Pasco Cogen, Ltd. ("Pasco Cogen"). The negotiated settlement agreement is expected to result in net savings to customers of \$183 million for the period from 2002 to the end of the contract due to the buy-out of the last four years and seven months of the contract. The settlement includes a reduction of energy during off-peak hours from 109 megawatts ("Mw") to 96 Mw and a revised energy pricing mechanism.

Florida Power has two other agreements pending before the FPSC that are similar to the buy-out of the Pasco Cogen contract. These two contracts represent approximately 190 Mw or 18¢ of the 1050 Mw of total capacity Florida Power receives from 16 qualifying facilities. See prior discussion related to these contracts in the 1996 Form 10-K, Item 3, paragraphs 3 and 4.

In January 1997, Florida Power agreed, subject to FPSC approval, to acquire the 220-megawatt Tiger Bay cogeneration facility near Ft. Meade, Florida ("Tiger Bay") for a purchase price of \$445 million. The agreement includes the plant, equipment, spare parts and assigned contracts. In the first quarter 1997, the Florida Industrial Power Users Group and the Office of Public Counsel for the state of Florida intervened to oppose the purchase, but in April 1997 Florida Power entered into a stipulation agreement which resolves all disputes with these parties. On May 7, 1997, the staff of the FPSC recommended that the stipulation agreement be approved. The FPSC is scheduled to vote on the

agreement on May 19, 1997. The proposed transaction is expected to close in July 1997. Tiger Bay is Florida Power's largest cogeneration power supplier, representing more than 20% of the capacity it receives from qualifying facilities. Net savings to customers from this transaction are estimated to be between \$2 billion and \$2.4 billion. In addition to the savings, the Tiger Bay facility is a new gas-fired combined cycle plant that is well engineered and located close to Florida Power's Mines Energy Complex in Polk County.

If the FPSC approves the purchase of the Tiger Bay facility and the purchase closes, Florida Power believes that the cumulative effect of all agreements reached with operators of qualifying facilities would be to reduce the estimated total amount of above-market costs associated with its qualifying facility purchase power commitments over the lives of those contracts by approximately 30%. For further information concerning the Tiger Bay purchase, see paragraph 2 under Part II, Item 1 "Legal Proceedings".

#### **Florida Power - Nuclear Operations**

In September 1996, Florida power shut down its CR3 nuclear plant to fix a broken oil pipe in the main turbine. When the repairs were completed in October 1996, Florida Power determined modifications were required to address certain backup safety system design issues. Implementing the required safety system modifications necessitated that CR3 remain shut down.

As safety standards evolved over the last twenty years, all nuclear plants were faced with decisions on how to meet Nuclear Regulatory Commission ("NRC") regulatory requirements. While some utilities made extensive plant modifications, Florida Power chose engineering approaches that satisfied NRC regulatory requirements while reducing shut-down periods and costs to its customers.

This approach worked satisfactorily until 1996 when it was determined that some of the changes made during a scheduled refueling outage in early 1996 could not fully meet prescribed safety margins under certain postulated emergency situations. Florida Power has determined that the only way to meet the required safety margins under all circumstances is to make equipment modifications.

Florida Power and CR3 have received much adverse publicity regarding fines and critical evaluations made by the NRC, including placement of CR3 on the NRC's "Watch List" on January 27, 1997. Although the media made a link between the shutdown and the Watch List, the Watch List is not the reason for the outage and is not expected to lengthen the shutdown.

Florida Power has hired several senior nuclear professionals, experienced in plant recoveries, to lead the return of CR3 to service. The new nuclear management team has established a restart plan to return CR3 to service by year-end 1997. For additional information related to the details of this plan and the work to be performed during the outage, see Florida Power's Form 8-K dated May 12, 1997.

As a result of further evaluations of the work to be performed during the outage, Florida Power now estimates operations and maintenance ("O&M") expenses could range from \$80 million to \$100 million higher than its original target for 1997 nuclear O&M expenses. Total nuclear O&M expenses for CR3 could range from \$170 million to \$190 million in 1997. Capital expenditures for 1997 could range from \$30 million to \$45 million higher than the original budget for 1997 nuclear capital expenditures. Total nuclear capital expenditures for 1997 could range from \$40 million to \$55 million.

The impact of the nuclear outage on O&M expenses is expected to be limited to 1997 since the additional expenses are expected to be nonrecurring items. These



outage expenses will impact 1997 earnings. However, Florida Power's strong fundamentals remain unchanged. Management continues to take a long-term view of dividend policy and makes its recommendation to the board of directors after considering the company's business plan, projected earnings growth and outlook for the electric utility industry.

In February 1997, the FPSC approved Florida Power's request to increase fuel rates to recover the deferred costs of replacement power incurred through March 1997 associated with the outage at CRJ. In conjunction with this approval, the FPSC ordered its staff to begin an immediate investigation concerning the reasons for CRJ's current outage. See Note 4 to the financial statements under the heading "Rate Increase Investigation".

For further information concerning the outage at CRJ, see paragraph 3 under Part II, Item 1 "Legal Proceedings" herein, and the 1996 Form 10-K, Part II, Item 7, under "Operating Results - Florida Power - Nuclear Operations" and "Operating Results - Florida Power - Fuel and Purchased Power".

#### **Florida Progress Diversified Operations**

Florida Progress' diversified revenues were \$10.6 million higher for the three months ended March 31, 1997 compared to the same period last year due primarily to recent acquisitions and increased sales from rail services operations at Electric Fuels. Gross margins were down for the quarter primarily due to increased operating expenses associated with flood conditions along the Ohio and Mississippi rivers, and increased diesel fuel costs.

On April 14, 1997, the Insurance Commissioner of the state of Oklahoma received approval from the Oklahoma County District Court to temporarily seize control of the operations of Mid-Continent. See Note 4 to the financial statements under the heading "Mid-Continent Life Insurance Company" and paragraph 6 under Part II, Item 1 "Legal Proceedings".

#### **LIQUIDITY AND CAPITAL RESOURCES**

Florida Power budgeted \$172 million, excluding allowance for funds used during construction, for its 1997 construction program, of which \$81.1 million was spent during the first three months of the year. These expenditures were financed primarily with funds from operations. As reported under the heading "Operating Results - Florida Power - Nuclear Operations" herein, nuclear capital expenditures for 1997 could range between \$30 to \$45 million higher than the original budget for nuclear capital expenditures because of CRJ nuclear plant modifications. Florida Power anticipates using debt financing for these additional capital expenditures.

On January 15, 1997, Florida Power redeemed all \$20 million of its maturing 8.55% series medium-term notes using funds from operations.

Florida Power's ratio of earnings to fixed charges was 4.73 for the twelve months ended March 31, 1997. See Exhibit 12 filed herewith.

#### **\*SAVY HANSON'S STATISTICAL MODEL**

#### **THE PRIVATE SECURITY INVESTMENT REPORT ACT OF 1995**

In this report, Florida Power has projected that CRJ will return to service by year-end 1997, and that it is probable that the FPSC will approve the recovery of replacement fuel during the outage. Also, Florida Power has estimated the O&M expenses and capital expenditures for CRJ nuclear plant modifications during 1997, and has anticipated that the O&M expenses incurred during the outage will be limited to 1997. Florida Power has estimated the savings associated with

various transactions to mitigate the forecasted above-market costs associated with commitments to purchase power from qualifying facilities. In so doing, Florida Power has forecasted future market prices for wholesale electricity as well as the prices to be paid under its commitments to purchase power from qualifying facilities in arriving at estimates of savings it believes it will realize from those transactions.

**Elk Passers**

These statements, and any other statements contained in this report that are not historical facts, are forward-looking statements that are based on a series of projections and estimates regarding the economy, the electric utility industry and Florida Progress' other businesses in general, and on key factors which impact Florida Progress directly. The projections and estimates relate to the pricing of services, the actions of regulatory bodies, the success of new products and services, and the effects of competition.

Key factors that have a direct bearing on Florida Progress' ability to attain these projections include continued annual growth in customers, successful execution of the CBI restart plan, successful cost containment efforts and the efficient operation of Florida Power's existing and future generating units. Also, in developing its forward-looking statements, Florida Progress has made certain assumptions relating to productivity improvements and the favorable outcome of various commercial, legal and regulatory proceedings, the lack of unforeseen new CBI plant modifications that could extend the outage beyond 1997, and the lack of disruption to its markets.

If Florida Progress' projections and estimates regarding the economy, the electric utility industry and key factors differ materially from what actually occurs, or if various proceedings have unfavorable outcomes, Florida Progress' actual results could vary significantly from the performance projected in the forward-looking statements.

#### PART II. OTHER INFORMATION

**Item 1. Legal Proceedings.**

1. **Pasco Coogan, Ltd. v. Florida Power Corporation, Florida Circuit Court, Sixth Judicial Circuit for Pasco County, Case No. 94-5331-CA-DIV-1.**

In re: Petition for Expedited Approval of Settlement with Pasco Coogan, Ltd., Florida Public Service Commission, Docket No. 96167-BI.

See prior discussion of this matter in the 1996 Form 10-K, Item 3, paragraph 2. On April 1, 1997, the FERC approved the negotiated settlement agreement between Florida Power and Pasco Coogan.

2. In re: Petition for expedited approval of an agreement to purchase the Tiger Bay cogeneration facility and terminate the related purchased power contracts, FERC Docket No. 970996-BQ.

See prior discussion of this matter in the 1996 Form 10-K, Item 3, paragraph 8. In April 1997, Florida Power, the Office of Public Counsel ("OPC") and the Florida Industrial Power Users Group ("FIPUG") entered into a stipulation agreement pursuant to which OPC and FIPUG withdrew all objections to Florida Power's petition for approval of its agreement to purchase the Tiger Bay facility. Under the terms of the agreement, Florida Power will raise base a portion of the Tiger Bay purchase price. In return, Florida Power agreed to record the remainder of the purchase cost as a regulatory asset, and recover this amount using Tiger Bay purchase power



contract revenues as if the purchase contracts were still in effect. These revenues will be applied toward payments owed under a gas supply contract which will be assigned from the cogeneration project to Florida Power. When the regulatory asset is fully recovered and the gas supply contract is terminated, recovery of power purchase contract revenues will cease and natural gas costs associated with the Tiger Bay facility will be collected under Florida Power's fuel adjustment clause. On May 7, 1997, the staff of the FPSC recommended that the stipulation agreement be approved. The FPSC is scheduled to vote on the agreement on May 19, 1997.

3. **Charlie Crist, Jr. v. Julia Johnson, et al and Florida Power Corporation, Florida Supreme Court, Case No. 90,346.**

On April 10, 1997, Charlie Crist, a ratepayer, member of the Florida senate and candidate for the U.S. Senate (the "Appellant"), filed a petition for review of a March 31, 1997 FPSC order granting Florida Power the right to increase the fuel charge portion of its rates. Appellant contends that the FPSC has no basis in the record upon which to approve the increase. Florida Power moved to dismiss the petition on the grounds that Appellant lacks standing to seek review of the challenged order because he was not a party to the agency proceeding, that the agency action is not a final agency action, and that Appellant has not sustained irreparable injury that would permit review of non-final agency action. The FPSC filed a motion to dismiss based on similar grounds. Also see discussion of a related legal proceeding filed by Senator Crist as reported in the combined Form 8-K of Florida Progress and Florida Power dated March 28, 1997.

4. **Nanda 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-CIV-OC-10.**

See prior discussion of this matter in the 1996 Form 10-K, Item 3, paragraph 11. In April 1997, it was confirmed that 61 additional former employees had opted into the case for a total of 117 plaintiffs. The Court determined that the final day to opt into the case would be May 28, 1997.

5. **Gulf Power et al v. United States and the Federal Communications Commission, U.S. District Court, Northern District of Florida, Pensacola Division, Case No. 3:96-CV-381-LAC.**

See prior discussion of this matter in the 1996 Form 10-K, Item 3, paragraph 12. The Association for Local Telecommunications Services, and American Communications Services, Inc., have intervened as defendants in the case, and various cable television associations have moved for leave to participate as friends of the court. Plaintiffs and defendants have each filed motions for summary judgement.

6. **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-97-2516-62**

On April 14, 1997, the Insurance Commissioner of the state of Oklahoma received approval from the Oklahoma County District Court to temporarily seize control of the operations of Mid-Continent. The Insurance Commissioner alleged, among other things, that Mid-Continent has made misrepresentations with respect to the sale of its extra-life policies, and that actuarial studies reflect that if Mid-Continent is unable to raise the premiums on its policies, Mid-Continent's statutorily required reserves are inadequate by an amount in excess of \$125 million. Mid-Continent denies the misrepresentation allegations and believes it is currently solvent, but would have a reserve deficiency after 2020 unless premium rates are

increased or other actions are taken to address the deficiency. A hearing has been set for May 21, 1997 for Mid-Continent to appear before the court to show cause why an order of rehabilitation, should not be entered against Mid-Continent and a receiver appointed. The outcome of the proceeding is uncertain. However, if the court orders a receiver to be appointed and the order is sustained on appeal, Florida Progress would likely lose a substantial portion of its investment in Mid-Continent. Alternatively, if the court denies the request for a receiver to be appointed, this proceeding and its attendant publicity is expected to make it difficult for Mid-Continent to address its future premium deficiency problem, and for Florida Progress to recover its investment in Mid-Continent. In either case, litigation against Florida Progress could ensue. However, management believes that there is no basis for any material claims against Florida Progress in connection with this matter. See Note 4 to the financial statements under the heading "Mid-Continent Life Insurance Company".

**Item 4. Submission of Matters to a Vote of Security-Holders.**

The Annual Meeting of Shareholders of Florida Progress was held on April 17, 1997. There were 96,997,009 shares of common stock entitled to vote. The following matters were voted upon at the meeting:

1) **Election of Directors**

**Class I - Terms Expiring in 2000**

	Votes For	Votes Withheld
Michael F. Graney	79,786,309	2,892,245
Richard Korpan	79,970,695	2,707,859
Joan D. Ruffier	80,409,488	2,269,066
Robert T. Stuart, Jr.	80,422,199	2,256,355

2) **Shareholder proposal to require shareholder approval of annual salary increases for executive officers that are greater than 10.**

For the proposal:	13,083,772
Against the proposal:	52,023,135
Abstentions:	2,110,768
Broker Non-votes:	14,660,879

3) **Shareholder proposal to limit the Management Incentive Compensation Plan and the Long-Term Incentive Plan to amounts not greater than 5% of the annual base salaries of each of the top five executive officers and lesser amounts to others.**

For the proposal:	13,567,045
Against the proposal:	52,671,469
Abstentions:	1,839,594
Broker Non-votes:	14,600,446

**Item 5. Other**

As previously reported in Item 1 "Business - Utility Operations - Florida Power - Employees" in the 1996 Form 10-K, the current union contract with the International Brotherhood of Electrical Workers ("IBEW") was to have expired in December 1996, but both the IBEW and Florida Power agreed to continue working beyond that date under the terms of the existing contract while negotiations, which began in September 1996, proceeded. On April 30, 1997, Florida Power and IBEW committees agreed on a new three-year contract, subject to ratification by the members of the IBEW. Ratification votes are scheduled for May 1997 for each local.

**Item 6. Exhibits and Reports on Form 8-K.**

**(a) Exhibits:**

<b>Number</b> .....	<b>Exhibit</b> .....	<b>Florida Progress</b> .....	<b>Florida Power</b> .....
12	Statement Regarding Computation of Ratio of Earnings to Fixed Charges for Florida Power.		X
27.(a)	Florida Progress Financial Data Schedule.	X	
27.(b)	Florida Power Financial Data Schedule.		X

X = Exhibit is filed for that respective company.

**(b) Reports on Form 8-K:**

During the first quarter 1997, Florida Progress and Florida Power filed the following reports on Form 8-K:

Form 8-K dated January 7, 1997, reporting under Item 5 "Other Events" the replacements in top nuclear positions at Florida Power and a request to recover higher fuel costs.

Form 8-K dated January 23, 1997, reporting under Item 5 "Other Events" the signing of an agreement to acquire the Tiger Bay cogeneration facility and 1996 earnings.

Form 8-K dated January 29, 1997, reporting under Item 5 "Other Events" that CRJ had been added to the NRC watch list.

Form 8-K dated February 20, 1997, reporting under Item 5 "Other Events" the approval by the board of a dividend increase and the approval by the FPSC of an increase in Florida Power's fuel costs.

Form 8-K dated March 26, 1997, reporting under Item 5 "Other Events" an update on the CRJ nuclear unit restart plan and the FPSC approval of the Pasco Cogen settlement.

In addition, Florida Progress and Florida Power filed the following report on Form 8-K subsequent to the first quarter 1997:

Form 8-K dated April 15, 1997, reporting under Item 5 "Other Events" first quarter 1997 earnings, the Tiger Bay cogeneration plant joint motion and the temporary seizure of Mid-Continent by the Insurance Commissioner of the state of Oklahoma.

Form 8-K dated May 12, 1997, reporting under Item 5 "Other Events" an update on the CR3 nuclear unit restart plan.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized. The signature of each of the undersigned on behalf of each listed company shall be deemed to relate only to matters having reference to such company.

**FLORIDA PROGRESS CORPORATION**

**FLORIDA POWER CORPORATION**

**Date: May 15, 1997**

**/s/ John Scardino, Jr.**

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**John Scardino, Jr.**  
**Vice President and Controller**

**Date: May 15, 1997**

**/s/ Jeffrey R. Heinicka**

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**Jeffrey R. Heinicka**  
**Senior Vice President and**  
**Chief Financial Officer**



Exhibit Index

<b>Number</b> .....	<b>Exhibit</b> .....	<b>Florida</b> <b>Progress</b> .....	<b>Florida</b> <b>Power</b> .....
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**FLORIDA POWER CORPORATION**  
**Statement of Computation of Ratios**  
**(Dollars in Millions)**

**Ratio of Earnings to Fixed Charges:**

	Twelve-Months Ended March 31,		Year Ended December 31,	
	1997	1996	1996	1995
	-----	-----	-----	-----
<b>Net Income</b>	<b>\$234.7</b>	<b>\$228.9</b>	<b>\$238.4</b>	<b>\$227.0</b>
<b>Add:</b>				
Operating Income Taxes	132.8	130.8	135.8	129.5
Other Income Taxes	(0.4)	0.2	(0.1)	0.1
	-----	-----	-----	-----
<b>Income Before Taxes</b>	<b>367.1</b>	<b>359.9</b>	<b>374.1</b>	<b>356.6</b>
<b>Total Interest Charges</b>	<b>98.3</b>	<b>102.9</b>	<b>98.4</b>	<b>104.5</b>
	-----	-----	-----	-----
<b>Total Earnings (A)</b>	<b>\$465.4</b>	<b>\$462.8</b>	<b>\$472.5</b>	<b>\$461.1</b>
	-----	-----	-----	-----
<b>Fixed Charges (B)</b>	<b>\$ 98.3</b>	<b>\$102.9</b>	<b>\$ 98.4</b>	<b>\$104.5</b>
	-----	-----	-----	-----
<b>Ratio of Earnings to Fixed Charges (A/B)</b>	<b>4.73</b>	<b>4.50</b>	<b>4.80</b>	<b>4.41</b>
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