



ORIGINAL

JAMES A. MCGEE  
ASSOCIATE GENERAL COUNSEL  
PROGRESS ENERGY SERVICE COMPANY, LLC

February 26, 2004

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Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk  
and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

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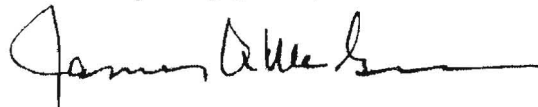
Re: Nuclear Decommissioning Trust Fund Earnings Report,  
As of December 31, 2003.

Dear Ms. Bayó:

Pursuant to Commission Order No. PSC-02-0055-PAA-EI, enclosed for filing on behalf of Progress Energy Florida, Inc., are an original and seven copies of the subject Earnings Report.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. A 3½ inch diskette containing the above-referenced Earnings Report in Word format and the Report's Exhibit I in Excel format is also enclosed. Thank you for your assistance in this matter.

Very truly yours,

  
James A. McGee

JAM/at  
Enclosures

- AUS \_\_\_\_\_
- CAF \_\_\_\_\_
- CMP \_\_\_\_\_
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Progress Energy Florida  
Nuclear Decommissioning Earnings Report  
After Tax and Net of Fees  
As of December 31, 2003

This earnings report for the Nuclear Decommissioning Trust (NDT) Fund of Progress Energy Florida, Inc., held in the name of Florida Progress Corporation (FPC), is submitted pursuant to Florida Public Service Commission Order No. PSC-02-0055-PAA-EI. The attached Exhibit I contains the details of the performance of the NDT Fund (calculated net of administrative cost on an after-tax, time weighted rate of return basis as of 12/31/03) relative to the Consumer Price Index (CPI) for the past 1 year, 3 years, 5 years, 10 years, and since inception, as well as the annual returns for the years 2000, 2001, 2002 and 2003. The performance data in Exhibit I was calculated by LCG Associates, the consultant retained at the end of 2001 to provide ongoing, after-tax, net-of-fee performance calculations for the FPC NDT Fund.

As would be expected given the recent bear market in stocks, the annual performance of the NDT Fund for years 2000, 2001, and 2002 was below the 6.0% long-term earnings rate. The recent bear market was the worst in the 20th and 21st centuries to date, with the exception of the 1929-1931 stock market crash – both in terms of length as well as overall market loss.

The earnings assumption of 6.0% in the FPC asset allocation study takes into account long-term average annual returns, with the understanding that each year may vary significantly from that average, but that over longer-term periods (10 years or more), good and bad years will average together and approach the long-term average that is assumed. This is exactly the case for the NDT Fund, as can be seen in the ten-year average return of 7.5% compared with the earnings assumption of 6.0% and the CPI of 2.4%. For the “since-inception” average, the NDT Fund earned 7.6% on average per year net of fees and taxes compared with a CPI of 2.8%. This translates into a 4.8% percentage points per year on average real return above inflation for the NDT Fund. With the rebound in the stock market in 2003, the NDT Fund earned 16.3% compared with 1.9% for the CPI. This is a good example of a strong year that typically follows several poor years.

**Florida Progress Corporation  
Nuclear Decommissioning Earnings Report  
After Tax and Net of Fees  
As of December 31, 2003**

**I. Annualized Returns**

Total NDT Funds	1 Year	3 Year	5 Year	10 Year	Inception Date	Since Inception
Total NDT Funds	16.3%	1.7%	2.7%	7.5%	9/30/89	7.6%
Consumer Price Index	1.9%	1.9%	2.4%	2.4%	9/30/89	2.8%

Qualified and Non-Qualified Funds	1 Year	3 Year	5 Year	10 Year	Inception Date	Since Inception
Qualified NDT Fund	16.4%	1.6%	2.7%	See Note	9/30/94	8.0%
Non-Qualified NDT Fund	15.6%	2.2%	2.4%	See Note	9/30/94	8.2%
Consumer Price Index	1.9%	1.9%	2.4%	2.4%	9/30/94	2.3%

Note: LCG Associates was unable to provide performance results for the 10 years for either Qualified or Non-Qualified Funds because the prior performance measurement consultant did not break out the returns of these funds prior to 1994.

**II. Annual Returns**

Total NDT Funds	2000	2001	2002	2003
Total NDT Funds	0.3%	-4.5%	-5.3%	16.3%
Consumer Price Index	3.4%	1.6%	2.4%	1.9%

Qualified and Non-Qualified Funds	2000	2001	2002	2003
Qualified NDT Fund	0.7%	-4.4%	-5.8%	16.4%
Non-Qualified NDT Fund	-1.3%	-4.8%	-2.9%	15.6%
Consumer Price Index	3.4%	1.6%	2.4%	1.9%