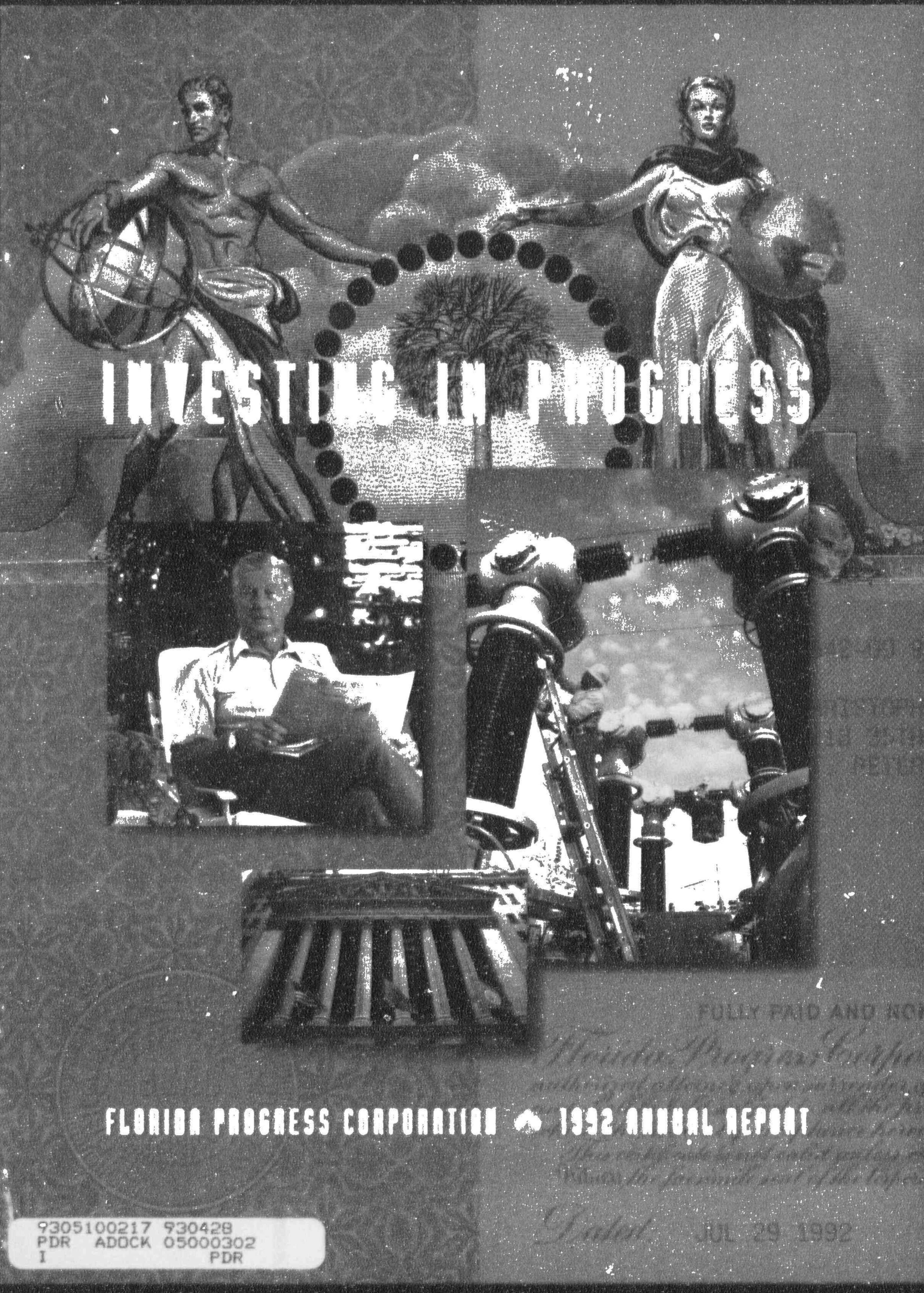
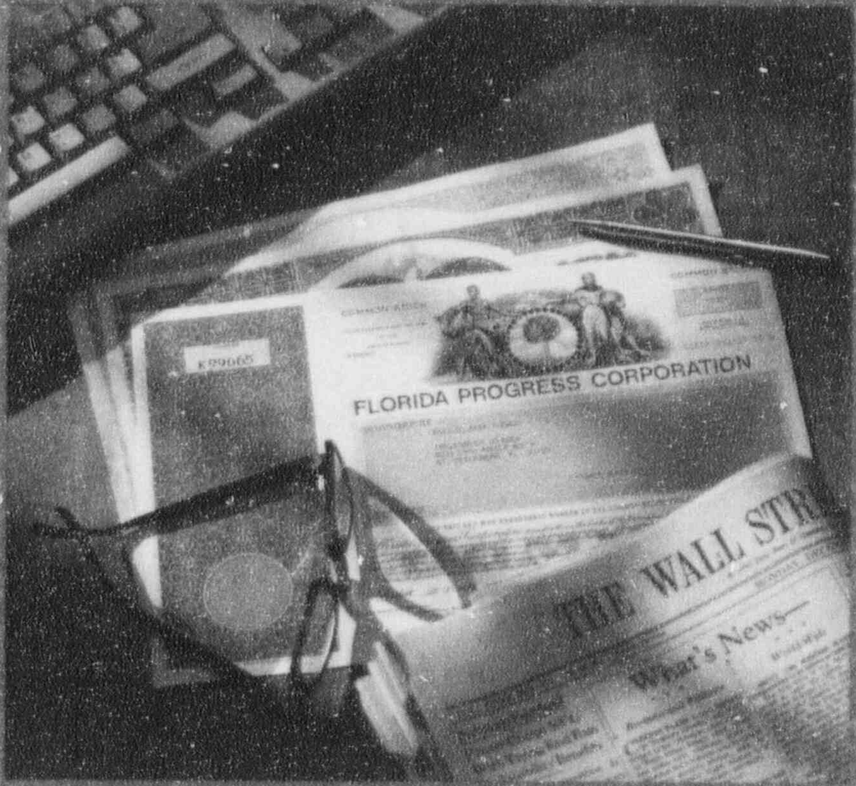
INVESTING IN PROGRESS



FLORIDA PROGRESS CORPORATION ♦ 1992 ANNUAL REPORT

INVESTING IN PROGRESS



In 1992, stock market investors turned to utility stocks in large numbers. The reasons for investing in utility companies vary from one investor to the next. But one thing is certain. Many of the nation's electric utilities, and utility holding companies, benefited from this surge of interest in 1992, including Florida Progress Corporation. This annual report takes a closer look at utility stocks and why they have been popular with investors.

We'll also focus on the people who invest in Florida Progress. Who are they and why do they choose to invest? Titled **Investing in Progress,** this report is dedicated to all Florida Progress shareholders. Inside are profiles in which we'll introduce you to a few of them. This report also discusses what Florida Progress is doing to invest in its future and how that may benefit shareholders.

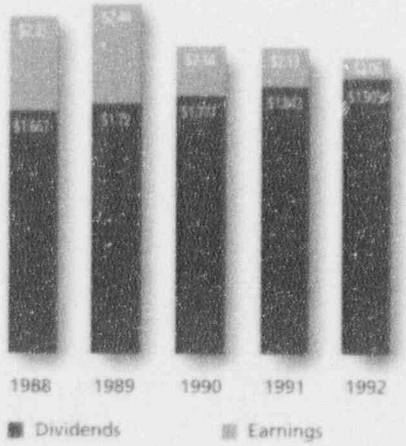
When people invest in Florida Progress, they're essentially allowing the company to make investments in its future. They're giving the company's management an opportunity to run a successful business, to strengthen the company and to position it for growth. New equipment and facilities are being built to meet the future needs of our customers. And by growing our business, we can take advantage of tomorrow's opportunities.

INVESTOR HIGHLIGHTS

(Dollars in millions, except per share amounts)

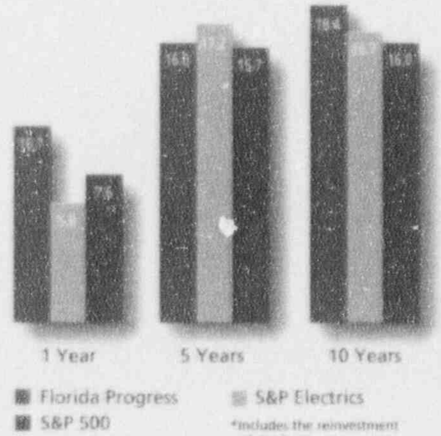
	1992	1991	Annual Growth Rates (in percent) 1991-1992	1987-1992
OPERATING RESULTS				
Utility revenues	**$1,774.1**	$1,718.8	3.2	3.8
Diversified revenues (continuing)	**321.2**	355.9	(9.7)	5.5
Income from continuing operations	**175.7**	174.5	.7	(.9)
Loss from discontinued operations	**–**	(2.4)		
Net income	**175.7**	172.1	2.1	(1.3)
DATA PER SHARE				
Earnings:				
Utility	**$ 1.99**	$ 2.03	(2.0)	(2.0)
Diversified	**.07**	.13	(46.2)	(21.8)
Discontinued operations	**–**	(.03)		
Consolidated	**2.06**	2.13	(3.3)	(3.7)
Dividends	**1.905**	1.843	3.4	3.4
Book value	**19.85**	19.14	3.7	3.8
Closing stock price	**32 ⅜**	31 ¼	4.4	8.4
Stock price range	**27 ⅞-33 ¼**	24 ⅛-31 ½		
FINANCIAL POSITION AT DECEMBER 31				
Assets	**$5,333.0**	$5,024.9	6.1	5.6
Total capitalization	**3,811.9**	3,546.0	7.5	5.9
Capitalization structure:				
Short-term capital	**5.3%**	1.9%		
Long-term debt	**43.4**	46.8		
Preferred stock	**5.7**	6.5		
Common stock equity	**45.6**	44.8		
OTHER STATISTICS				
Return on common equity	**10.6%**	11.4%		
Dividend yield	**5.9%**	6.0%		
Average common shares outstanding (in millions)	**85.4**	80.8	5.7	2.5
Employees	**7,301**	7,350	(.7)	(2.1)

EARNINGS AND DIVIDENDS PER SHARE



AVERAGE ANNUAL TOTAL RETURNS*

For the periods ended December 31, 1992



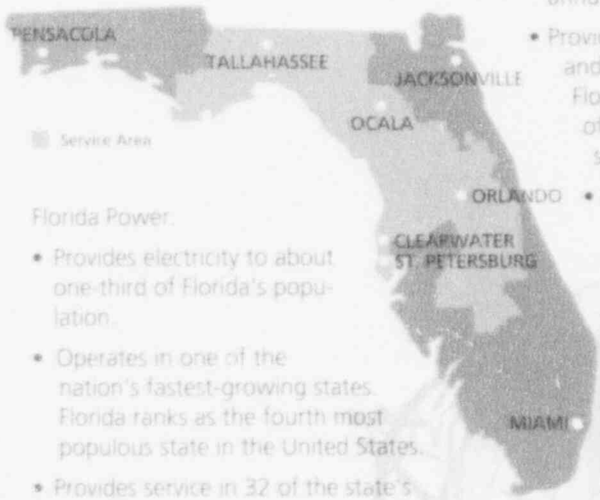
*Includes the reinvestment of dividends

This report was printed on recycled paper. More than 10,000 pounds of office wastepaper — collected from recycling programs at Florida Progress Corporation and Florida Power Corporation — were used in producing the paper for this report.

Formed in 1982, Florida Progress Corporation is a diversified utility holding company with annual revenues in excess of $2 billion and assets of $5 billion. Based in St. Petersburg, Fla., the company combines the strengths of a growing electric utility with a few select diversified businesses. Its principal subsidiary is Florida Power Corporation, the state's second-largest electric utility. Looking ahead, Florida Progress will focus on maintaining Florida Power's operational and financial strength. The Florida Progress diversification strategy calls for investing in businesses that help the company achieve higher earnings growth and increase total returns for shareholders.

FLORIDA POWER CORPORATION

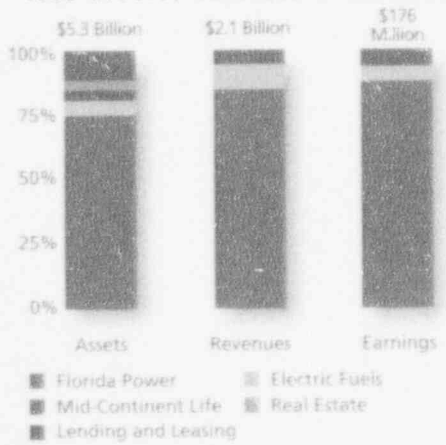
An electric utility headquartered in St. Petersburg that serves about 1.2 million customers in Florida. Incorporated in 1899, Florida Power is involved in the generation, purchase, transmission, distribution and sale of electricity. It has a strong tradition of providing quality service and low electric rates.



Florida Power:

- Provides electricity to about one-third of Florida's population.
- Operates in one of the nation's fastest-growing states. Florida ranks as the fourth most populous state in the United States.
- Provides service in 32 of the state's 67 counties, covering about 20,000 square miles in central and northern Florida and along the west coast of the state.
- Serves St. Petersburg and Clearwater as well as the areas surrounding Walt Disney World, Orlando, Ocala and Tallahassee.
- Has a total capacity of more than 7,000 megawatts of power. Its balanced energy mix in 1992 was 47% coal, 24% oil, 16% nuclear, and 13% purchased power.
- Has seen retail kilowatt-hour sales increase an average of 3.9% annually during the last five years. Sales are expected to grow at about 4.5% annually in the next five years.
- Provides customers with reliable service and convenient service locations. Florida Power now has 41 district offices and three major customer service centers.
- Is improving its operations to compete strategically for new business. Florida Power is positioning itself to grow as the industry changes in the future.

1992 ASSETS, REVENUES & EARNINGS



ELECTRIC FUELS CORPORATION

A coal mining and transportation subsidiary that serves electric utilities, including Florida Power, and industrial companies. Formed in 1976, Electric Fuels has operations in nine states and is involved in coal mining, procurement and transportation; bulk commodities transportation; and railcar and marine repair services. Electric Fuels:

- Provides Florida Power with nearly 5.5-million tons of economical, low-sulfur coal annually.
- Sells another 4.5-million tons of coal annually to other utilities and industrial customers.
- Has posted earnings from its unregulated business that account for about two-thirds of its total earnings.
- Operates a diverse transportation network and owns or manages about 380 barges and more than 750 railcars.
- Is expanding in areas in which it has experience and expertise. Electric Fuels plans to grow by capitalizing on its existing operations.

MID-CONTINENT LIFE INSURANCE COMPANY

A life insurance company headquartered in Oklahoma City that serves 37 states and sells its policies through about 7,000 independent agents. Mid-Continent's principal product is a low-premium death benefit policy. About 95 percent of the company's financial portfolio is in investment-grade securities. Founded in 1909, Mid-Continent:

- Has increased earnings an average of 21 percent annually since it was acquired by Florida Progress in 1986.
- Has underwritten $11.3 billion worth of life insurance protection.
- Has achieved success by using a consistent approach to underwriting and maintaining a conservative investment portfolio.
- Has held the highest insurance rating of A+ (Superior) for 14 consecutive years from A.M. Best Company, a national insurance rating agency.
- Continues to pursue a strategy that positions the company for steady, conservative growth.

OTHER DIVERSIFIED OPERATIONS

Florida Progress continues to divest the assets of those diversified operations that do not fit into the company's long-range strategic plan. These operations include:

- A lending and leasing business with assets of about $600 million in commercial aircraft, real estate projects, locomotives and medical equipment. Florida Progress has been withdrawing from this business in an orderly manner — as loans and leases mature and through the sale of assets when market conditions are favorable.
- A real estate company with investments of about $190 million in office buildings, apartment complexes, life-care facilities and undeveloped land. Florida Progress believes it may take up to seven years to sell most of these real estate assets.

CONTENTS

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders:

Market conditions, particularly low interest rates, made utility stocks popular investments in 1992. During the year, more people invested in Florida Progress than ever before. This activity inspired the theme for our 1992 Annual Report to Shareholders: **Investing in Progress**.

This report is dedicated to our shareholders and inside we will introduce you to a few of them. Investments made by these individuals and our other shareholders in 1992 helped us strengthen our company and invest in our future. Equity capital raised from these investments will be used primarily by our largest subsidiary, Florida Power Corporation, for expanding operations and meeting customer growth.

Our earnings for the year were up slightly over 1991 despite the effects of the lingering national recession. Florida Progress reported earnings of $175.7 million in 1992, 2.1 percent higher than the $172.1 million earned the year before. Earnings per share were $2.06 in 1992, compared with $2.13 in 1991. The issuance of 4.6 million shares of new common stock during the year reduced our company's earnings per share. All share figures have been adjusted to reflect our company's 3-for-2 common stock split, effective June 30, 1992.

A weak economy continues to depress customer growth at our electric utility. In 1992, Florida Power added about 23,000 new customers for a customer growth rate of 2 percent. This is lower than Florida Power's average annual growth rate of 2.9 percent, which the utility has recorded over the last five years. Slower customer growth in 1991 and 1992 has contributed to reduced rates of revenue growth at Florida Power. Though this slowdown in customer growth is expected to continue in the short term, our utility is forecasting an improvement. A 2.6 percent average annual customer growth rate is projected for the next five years. This is nearly twice the average projected for the electric utility industry during the same period.

In September, Florida Power was granted a retail base rate increase, its first in eight years. The increase is estimated to result in additional annual revenues of $85.8 million and is being collected in three steps in 1992 and 1993. Although appeals are pending on parts of the increase, a final decision from the Florida Public Service Commission is expected in February 1993. The new rates will help our utility recover the higher operating expenses it has incurred since the last rate increase in 1984. The approved increase allows us to earn on our new investments in Florida Power, including facilities expected to be placed into service in 1993. We continue to invest in additional facilities to meet Florida's growing demand for electricity.

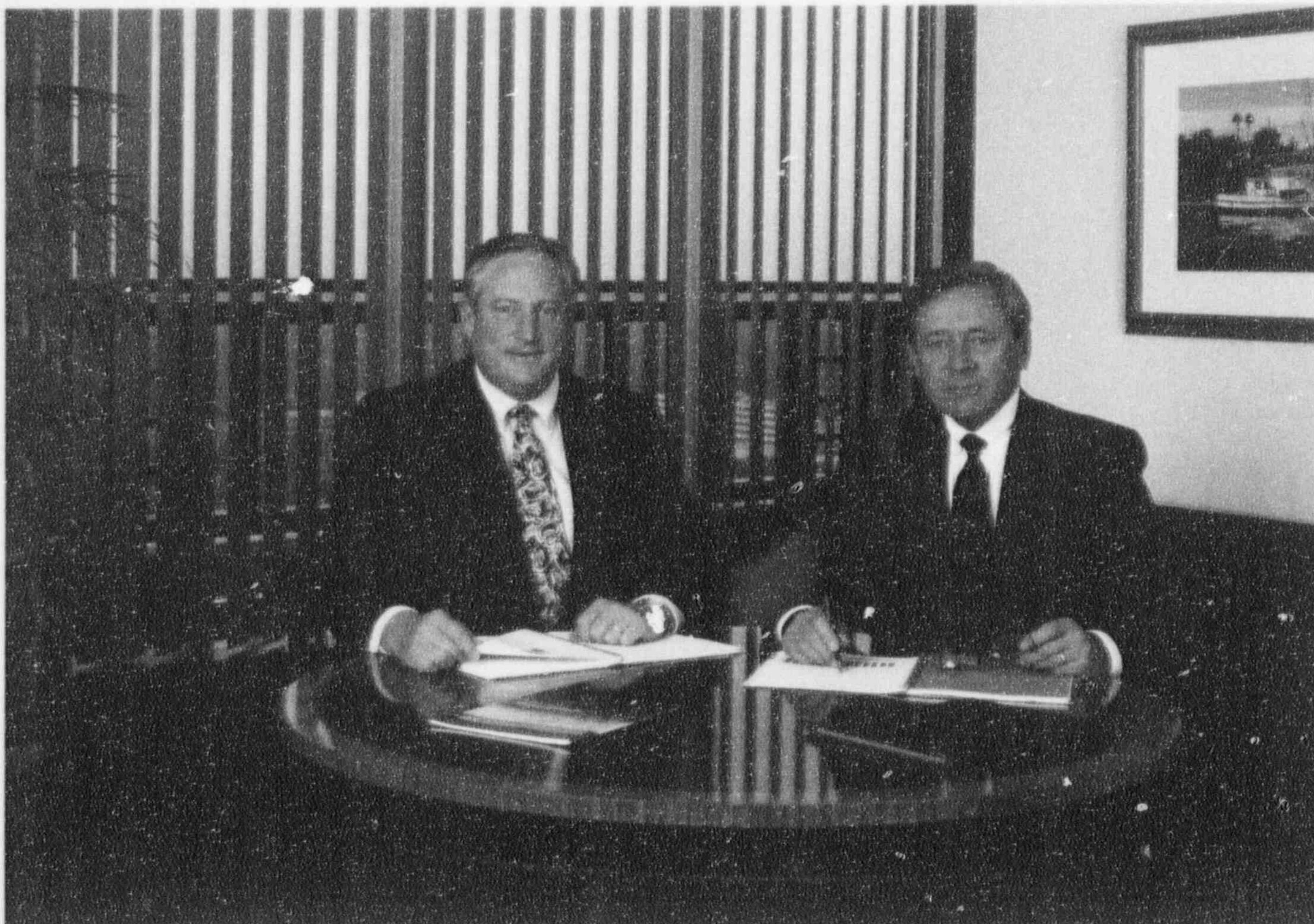
Our continuing diversified operations reported earnings of $5.5 million in 1992, down from the $10.4 million reported in 1991. The weak economy has hurt our ability to withdraw from two diversified businesses — real estate and commercial lending and leasing. Though challenges remain in these areas, we're making progress. And we're heading into 1993 in a stronger financial position than a year ago. As the economy improves, it should help our divestiture efforts. Our coal and transportation subsidiary and our life insurance company are expected to post modest gains in 1993. These two diversified businesses will continue to follow a steady growth strategy in 1993.

For the 40th consecutive year, we increased dividends paid per share. In November, our company's board of directors raised the annual dividend rate on common stock to $1.94, an increase of 2.5 percent over the prior year. This continuous record of increased dividends ranks Florida Progress in the top 10 of the more than 2,000 companies listed on the New York Stock Exchange.

The fundamentals of our utility business are being reshaped, primarily because of regulatory pressures and new laws. Today's low interest rates are prompting state and federal utility regulators to reduce overall rates of return for many of the nation's electric companies. With dividend payout ratios in the industry already at near record-high levels, lower rates of return are likely to mean that, at least for the near future, electric utilities will be slowing down their dividend growth rates.

The National Energy Policy Act of 1992, signed into law in October, will affect future strategies at Florida Power. We're currently studying all implications of the new law. This measure encourages greater competition in the wholesale electric power markets. Portions of the new law also call for electric utilities to provide greater access to their transmission lines to non-utility power producers.

In December, we made a number of high-level management changes as part of our plans to prepare for expected changes in the electric utility industry. In addition, we plan to consolidate several departments at the holding company



Richard Korpan and Jack B. Critchfield

with similar areas at Florida Power. We believe organizational change is necessary to streamline our company, making us more efficient, responsive and, therefore, more competitive.

One of our company's longtime board members is retiring in April 1993. We are grateful for the invaluable counsel and financial expertise of Clarence W. (Mac) McKee, Jr. Mr. McKee is a retired executive vice president and chief financial officer of Florida Progress. He has served as a Florida Progress director since the holding company was formed in 1982 and as a Florida Power director since 1976. Profiles of all Florida Progress board members appear on page 40 of this report. Information on nominees to the board is contained in the Proxy Statement for the 1993 Annual Meeting of Shareholders.

We are particularly proud of our employees for working together in 1992 to achieve several strategic goals and for continuing to contribute to our company's success. And, to you, our shareholders, we express thanks for your continued support and confidence. Your investment in Florida Progress never will be taken for granted. The theme of this report, **Investing in Progress**, symbolizes the importance of our shareholders. We're committed to building a stronger company so you can benefit from investing in Florida Progress.

Jack B Critchfield

Dr. Jack B. Critchfield
Chairman and Chief Executive Officer

Richard Korpan

Richard Korpan
President and Chief Operating Officer

February 1, 1993

SHAREHOLDER PROFILE

Name: **Leo Kubiet**, Tierra Verde, Florida

Occupation: Retired Senior Vice President, *St. Petersburg Times*

Personal Data: Married with two children and three grandchildren

Investment Perspective: I was about to retire in 1987 and wanted to build my long-term holdings in several companies. My objective was to establish an overall financial portfolio that could supplement my retirement income. We plan to leave the portfolio to our children as part of our estate.

Interests & Hobbies: Enjoys traveling, tennis, golf and is a computer enthusiast

Shareholder Since: 1987

The investment perspectives of the shareholders in this report are those of the individuals, not necessarily the viewpoints of the company or its management. This is not an offer to sell or a solicitation of an offer to buy any securities. The purchase of Florida Progress stock should be made only after reviewing the current prospectus.

INVESTING IN PROGRESS

Many investors made a move to utility stock investments in 1992. This report takes a closer look at what made these stocks popular investments in 1992 and what investors can expect in the future.

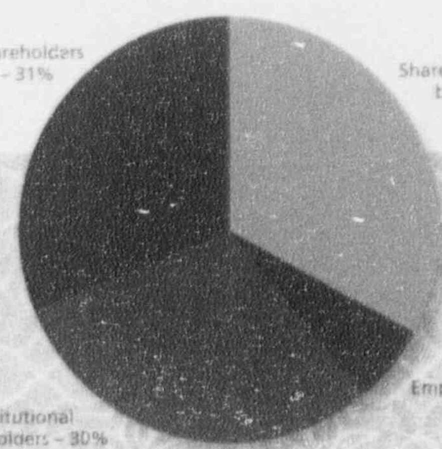
Companies like Florida Progress Corporation benefited from this increase in market activity. Thousands of individual investors purchased Florida Progress stock in 1992, which helped the company broaden its total shareholder base. The surge of interest from investors led the company to dedicate this report to all its shareholders. This report focuses on the people who invest in Florida Progress and what the company is doing to invest in its future.

SHAREHOLDERS INVESTING IN FLORIDA PROGRESS

Florida Progress believes its shareholders are more than just investors in the company. They are essentially financial partners with the company, joining together to build a successful business. Over the years, the investment made by each shareholder has helped build Florida Progress into one of the largest diversified utility holding companies in the Southeast. Looking ahead, many company shareholders will continue to play a vital role by providing the needed resources to position Florida Progress for growth and success in the future.

Listening to and communicating with shareholders always have been important to Florida Progress. The company has developed several new investor programs and services in response largely to suggestions from shareholders. Florida Progress also has taken steps to improve communications with its shareholders.

PERCENTAGE OF SHARES OWNED IN 1992



On the floor of the New York Stock Exchange, a specialist (center) provides brokers with daily trading information on Florida Progress' stock. The specialist, employed by a registered exchange member, is responsible for creating an orderly market for the company's stock by matching buyers and sellers.

Who are the company's shareholders and what kind of ownership do they have? The common stock of Florida Progress is owned primarily by individual investors, many of whom live in Florida. More than 100,000 individual investors and some 200 institutions own the company's stock. About half of these individual investors are registered with the company and the other half are investors who own their shares of stock through brokers. Thousands of other individuals hold an interest in the company through institutional investors, such as insurance companies, mutual funds, banks and pension funds.

Individual ownership always has been a key part of the company's total shareholder mix. To help support its individual investors, Florida Progress in 1992 joined 150 other U.S. companies to become corporate sponsors of the new "Own Your Share of America" campaign. This national program, developed by the National Association of Investors Corporation, encourages individuals to invest in American companies.

To improve relations with its shareholders, Florida Progress formed an in-house investor services staff in 1979 and began maintaining its own shareholder records. Shareholders can call a company representative with questions concerning their accounts or the company's operations. A special toll-free telephone number now is available to serve Florida Progress shareholders and interested investors.

Progress Plus Stock Plan — Investors said they wanted a stock purchase plan in which they could buy Florida Progress common stock directly from the company. A dividend reinvestment plan was established in 1975 and, in February 1992, Florida Progress introduced the Progress Plus Stock Plan. The new plan allows Florida residents to open accounts and buy stock directly from the company without paying typical brokerage fees. Under the new plan, all registered shareholders and

SHAREHOLDER PROFILE

Name: **Starr Purdue**, St. Petersburg, Florida

Occupation: Assistant Treasurer, Florida Power Corporation

Personal Data: Married with two children

Investment Perspective: My husband and I look for investments that will some day provide for our children's college education. One way we're saving for the future is that we take advantage of the employee savings plan offered at Florida Power. Through payroll deduction, I have put money aside to buy shares of Florida Progress stock. It's an easy way for us to build our holdings and save for the future.

Interests & Hobbies: Enjoys family activities

Shareholder Since: 1991

Starr Purdue with her husband, David, and their children, Tamara and Cameron.

Greg Johnson, Co-Portfolio Manager of Franklin Utilities Fund, one of Florida Progress' largest institutional shareholders.

SHAREHOLDER PROFILE

Name: **Franklin Utilities Fund**, a member of the $64-billion Franklin Group of Funds of San Mateo, California

Background: Founded in 1948, Franklin Utilities Fund currently manages more than $2 billion in assets for over 125,000 investors.

Investment Perspective: The fund invests in quality utility companies that meet its requirements for earnings, customer growth, a favorable regulatory environment and strong management.

Shareholder Since: 1948

employees can continue to purchase additional stock and reinvest their dividends without paying typical brokerage fees.

INVESTING IN UTILITIES

Attractive dividend yields and rising stock prices caught the attention of many investors in 1992. Some investors were making the move to utility stocks because these investments were offering higher yields in 1992 than those offered by money market funds and certificates of deposit. Utility stocks generally were yielding between 5 and 8 percent in 1992.

Historically, investors have viewed utility stocks as relatively stable investments. These stocks usually provide investors with a reliable source of income as well as the potential for increased dividends. And for the conservative investor, most of these stocks have held their value over time and provided some hedge against inflation.

Impact of interest rates on utility stocks — There are other important factors to consider when buying a utility stock. First of all, it's important to understand utility stocks are equity securities; their prices can go up or down depending on fluctuations in the stock market as well as company results. As a general rule, utility stock prices directly relate to prevailing market conditions, particularly long-term interest rates. As interest rates decline, utility stock prices tend to go up; and when rates rise, these stock prices normally drop.

Though utility stocks are considered to be lower-risk investments by many investors, these stocks are subject to shifts in market conditions. Because interest rates remained low in 1992, the stocks of many electric utilities were popular investment choices during the year.

Secondly, while dividend yield is important, history shows investors can benefit when they take a long-term view of their utility investments. This approach allows them to take advantage of the current dividend yield as well as the potential for long-term capital appreciation. In other words, utility stocks can provide investors with the opportunity for both growth in stock price and income from quarterly dividend payments.

Over the years, utility stocks generally have offered lower market risk and have produced long-term total returns comparable to the Standard & Poor's (S&P) 500 index. Total returns indicate how well an investment has performed over a given period. Stock price appreciation and cash dividends are combined to determine the total return.

From 1982 to 1992, the S&P electric utility index provided an average annual investment return of 16.7 percent. This index measures the stock performances of 24 of the country's major electric utility companies. The return for this period is considered high by historical standards because of market conditions and the regulatory returns allowed in the 1980s.

A changing industry — Over the last decade, the electric utility industry has felt pressure from competition in only a few parts of the country. That may soon change. A new law, passed in 1992 by Congress, marks a new era of change for electric companies.

The National Energy Policy Act of 1992 is expected to create a new level of competition for generating electricity. In addition, federal and state governing bodies are rethinking the way they regulate electric utilities. Though it's not certain how these changes will affect the industry, one thing is clear: More competition will become a reality for many electric utilities.

During the 1990s, these changes are expected to reshape the fundamental business of providing electricity to customers. With change comes greater challenges, but it also brings new opportunities. Some electric companies will be hurt by a competitive environment. Others will be in a position to take advantage of the opportunities and move forward. The industry likely will become less homogeneous in the future. Investors will need to study how these changes affect their utility investments and their investment risk.

Florida Progress believes its largest subsidiary, Florida Power Corporation, is in a good position to adapt to these changes because of the utility's current operational and financial strengths. Over the years, the utility has worked to control costs and develop operating efficiencies. Florida Power consistently ranks high in the areas of power plant efficiency, low operating and maintenance expenses and development of a balanced, flexible fuel mix.

By operating efficiently, the utility can achieve its goal of offering quality, reliable service at the lowest possible cost. And Florida Power's solid financial condition also can help the utility provide competitively priced electric service in the future. Preparing for these industry changes has been at the core of Florida Power's strategic planning process for several years.

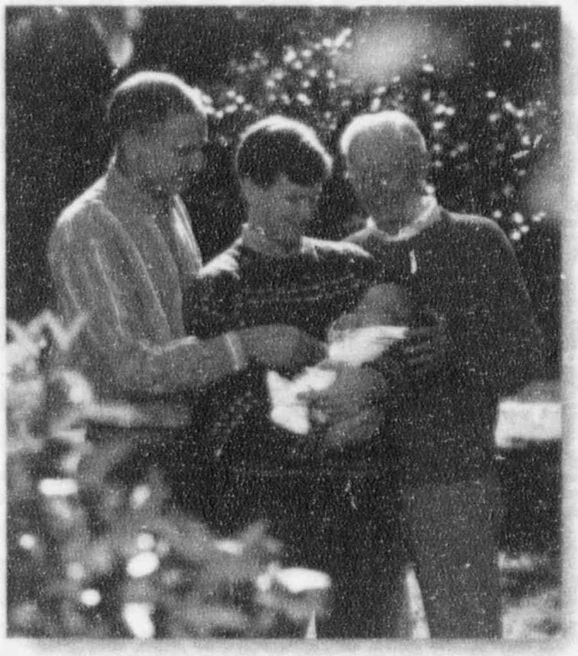
INVESTING IN FLORIDA POWER'S FUTURE

The title of this report also symbolizes management's effort to invest in the future. This section discusses the ways these new investments are expected to benefit Florida Progress and its shareholders. Florida Power will continue to be the primary business of Florida Progress. The electric utility accounts for 75 percent of the holding company's consolidated assets.

Today, Florida Power provides electricity to about one-third of Florida's population. Florida is projected to remain the nation's fourth most populous state well into the next century. With about 1.2 million customers, and hundreds more being added every week, Florida Power is investing in the future today. It continues to build facilities that will help meet the needs of tomorrow's customers. The utility estimates its customers will need about 50 percent more electricity in 10 years.

Florida Power plans to meet that growth by adding new capacity and using a series of innovative energy efficiency programs. Each of these resources has been integrated carefully into a sensible strategy that is cost-effective and environmentally sensitive. Here's how Florida Power expects to meet the growing demand for electricity in its service area:

Add more generating capacity — Florida Power is adding 728 megawatts of power from eight new combustion turbines. These turbines, called "peaking" units, typically provide power during periods of high-energy use. Construction of the first



Harvey Haeseker (right), pictured with his son, Bill (left), his grandson, Tom, and his great-grandson, Will, who was born Nov. 5, 1992. The Haeseker family represents four generations of Florida Progress shareholders.

SHAREHOLDER PROFILE

Name: **Harvey Haeseker**, Tarpon Springs, Florida

Occupation: Retired St. Petersburg developer and home builder

Personal Data: Married with three children, eight grandchildren and one great-grandchild

Investment Perspective: With the recent birth of our great-grandson, this begins the sixth generation of Haesekers in Florida. Over the years, I've always tried to teach our children the value of saving and investing. Even today I tell them, 'Work hard and don't spend more than you take in, and it's never too early to start investing for the future.'

Interests & Hobbies: Enjoys traveling and family activities

Shareholder Since: 1951

Rosemary Charles with her husband, John.

SHAREHOLDER PROFILE

Name: **Rosemary Charles**, Port Orange, Florida

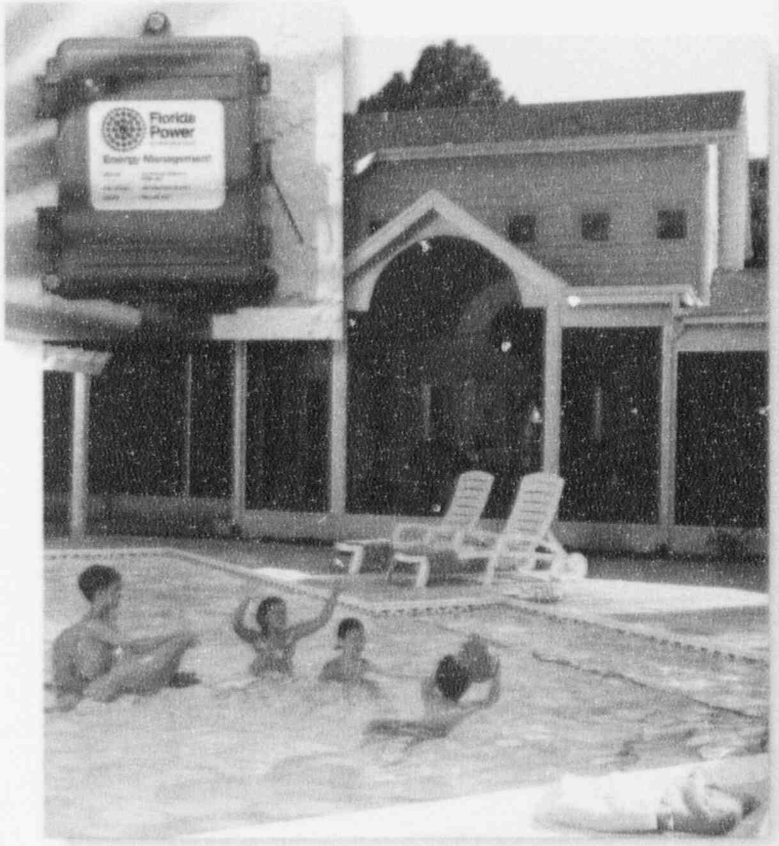
Occupation: Homemaker

Personal Data: Married with five children and six grandchildren

Investment Perspective: I grew up in a family that was closely involved in the oil and natural gas industry. So, naturally I've always been interested in utilities. Studying the stocks of these companies has been a passion of mine for years. I pick companies that have good fundamentals and then I invest for the long term.

Interests & Hobbies: Enjoys family activities and managing her investment portfolio

Shareholders Since: 1981



Florida Power customers who participate in load management allow the utility during peak-use periods to control major household appliances, such as pool pumps, water heaters and central air conditioning and heating systems. In return for joining the program, these customers receive monthly credits on their power bills.

four units was completed in October 1992. The other four are scheduled to go into service in November 1993.

Later this decade, Florida Power will begin work on its next major power plant complex. To be located in Central Florida on 8,000 acres of mined-out phosphate land, the new complex will have the capability of producing about 3,000 megawatts of power when fully completed. It will be built in phases, with the first generating unit expected to be in service in 1998. The first units at the new site will be fueled by natural gas.

Purchase more power from neighboring utilities and cogenerators — Florida Power has arranged to buy up to 400 megawatts of low-cost power over the next 17 years from The Southern Company, an Atlanta-based utility holding company. The power will be delivered via an existing high-voltage transmission line that connects Georgia with Florida. And by 1996, Florida Power plans to be purchasing about 1,100 megawatts of power from a number of private and public cogeneration and small power-production facilities.

Late in 1992, Florida Power announced its decision to delay the planned in-service date of its portion of a new Florida-Georgia transmission line until the year 2002. Originally scheduled for completion in 1998, Florida Power's section of the line was postponed for two reasons: The utility needs more time to understand the implications concerning transmission line access and pricing of the National Energy Policy Act of 1992. Also, current growth forecasts at Florida Power indicate the new line will not be needed by the utility as early as previously planned.

Continue to use innovative programs for reducing energy demand — Florida Power boasts one of the nation's most successful programs for reducing electricity usage during peak-demand periods. About 450,000 of the utility's customers — more than any other program in the United States — now participate in load management, using technology pioneered by Florida Power in the early 1980s. Load management reduces electricity use during peak-demand periods, which helps postpone the need to build additional power plants. Plans call for adding between 40,000 and 60,000 customers to the program each year until the mid-1990s.

By 1996, Florida Power estimates it will be able to control almost 1,450 megawatts of power during peak-demand periods. This is roughly equivalent in size to the energy output of two large power plants. By meeting future energy needs with practical and balanced strategies, Florida Power can continue to hold down costs to its customers.

These strategies are expected to improve Florida Power's ability to manage customer growth and construction of any new capacity. In the next five years, the utility plans to fund most of its construction program from cash generated internally from operations. By having a manageable construction program, Florida Power is able to maintain a favorable financial position.

Financial strength — The nation's major credit-rating agencies — Standard & Poor's, Moody's Investors Service, Duff & Phelps and Fitch Investors Service — rate Florida Power's senior debt double A minus. Florida Progress plans to support the utility's creditworthiness by adding new equity as Florida Power expands its business. Favorable credit ratings allow Florida Power to borrow money at lower interest rates and on more attractive terms. Lower financing costs help reduce operating expenses.

INVESTING IN OUR ENVIRONMENT AND OUR COMMUNITIES

Investing in the future of Florida Progress requires careful strategic planning and involves making prudent business decisions. It also means evaluating how each decision might impact the world around us. The theme of this report also is an expression of the company's sensitivity to the future, particularly to the environment and to the needs of the communities the company serves.

Over the years, Florida Power has taken steps to minimize its impact on Florida's environment. The utility has worked to incorporate environmental protection into the design of routes and locations of new power lines and facilities. Demonstrating environmental responsibility and leadership continues to be one of Florida Power's top strategic goals.

Since 1983, Florida Power has burned high-quality, low-sulfur fossil fuels in many of its power plants, which helps reduce sulfur dioxide emissions. And later this decade, when the utility

SHAREHOLDER PROFILE

Name: **Mccrorey Grier, Jr.**, Largo, Florida

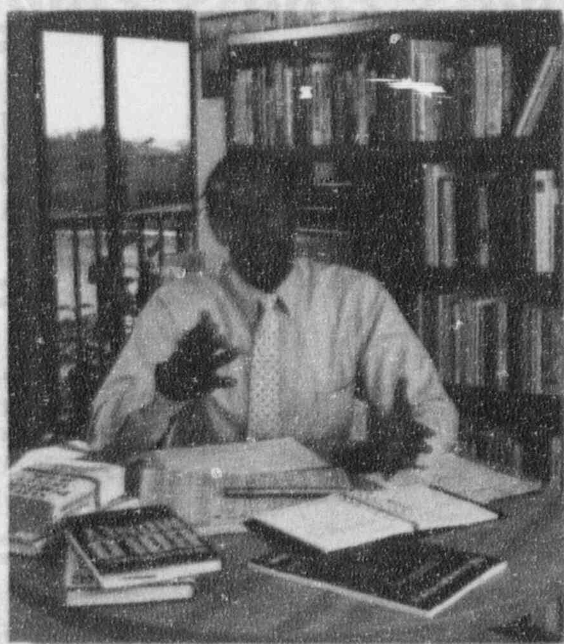
Occupation: Social Worker, Bay Pines V.A. Medical Center

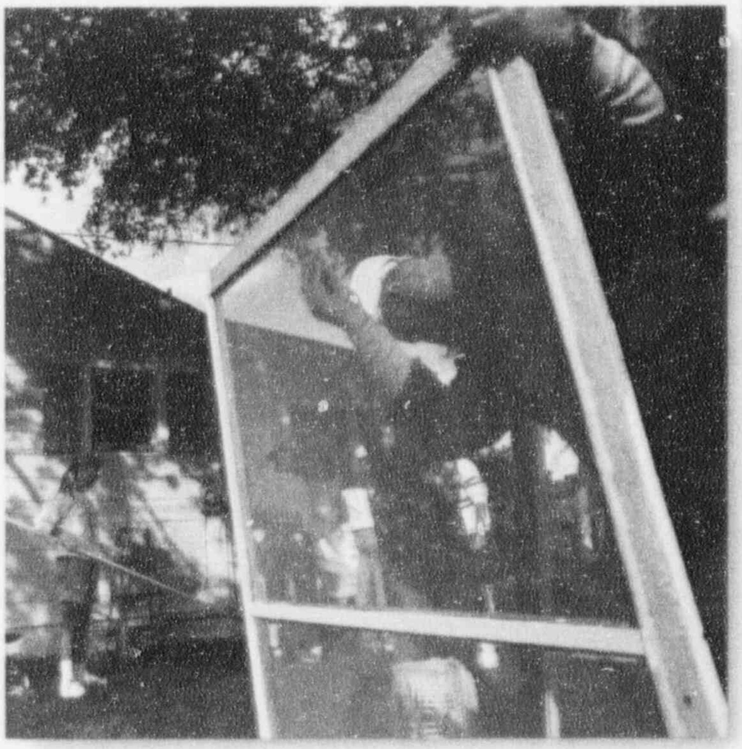
Personal Data: Single

Investment Perspective: My philosophy on investing follows the principles of the NAIC, which is a national nonprofit association dedicated to educating individual investors. The NAIC believes that investors should invest regularly, reinvest dividends, select growth companies and create a diversified portfolio of stocks. At the council level, we provide our members with investment programs, company presentations and investor fairs. I'm also a member of an investment club that bought Florida Progress stock in early 1992 when the Progress Plus Stock Plan was first announced.

Interests & Hobbies: Enjoys running, bicycling and is a director of the Tampa Bay Council of the National Association of Investors Corporation (NAIC)

Shareholder Since: 1992





Each year, company employees volunteer thousands of hours to improve the communities in which they work and live, such as those who participate in the "Paint St. Pete Proud" program in St. Petersburg.

SHAREHOLDER PROFILE

Name: **Jim Mauck**, Venice, Florida

Occupation: Patient Transport, Venice Hospital

Personal Data: Married with one child

Investment Perspective: Years ago, my father got me interested in stocks and investing. He taught me how to improve my future by making long-term investments. Today, he and I enjoy talking about stocks; it's something fun we can do together. We're always sharing information.

Interests & Hobbies: Attends church regularly and enjoys fishing and going to the beach

Shareholder Since: 1984

begins generating power at a large new energy complex in Central Florida, the first units will be fueled by clean-burning natural gas.

At the Crystal River Energy Complex, construction of a massive water-cooling system is nearing completion. This system will help Florida Power meet tighter environmental requirements. The $90-million project is designed to cool sea water flowing from three generating units at the site.

Leadership in recycling — Florida Power continues to strengthen its reputation as an environmental leader when it comes to waste management. In addition to office paper, the utility now recycles more than 20 products, such as discarded streetlights, aluminum, motor oil, paints, steel drums and cardboard. The utility also recently installed a new device that recycles used wire. Called a "cable chopper," the device processes the wire's aluminum, copper and plastic into small recyclable pieces. About 650 tons of used wire were recovered in 1992 and sold for reuse. Since Florida Power began recycling materials and equipment, the utility has received approximately $4.2 million from scrap sales. These sales benefit customers because the money they bring in helps reduce the utility's operating expenses.

Leadership in community service — Since it was founded nearly a century ago, Florida Power has maintained a rich tradition of serving communities beyond just their electrical needs. Florida Power employees believe they have a responsibility to give something back to the areas in which they work and live. Today, civic pride and community spirit at Florida Power never have been stronger. Company employees help organize food drives for the hungry, pick up trash along highways and coastal areas and coach youth sports teams.

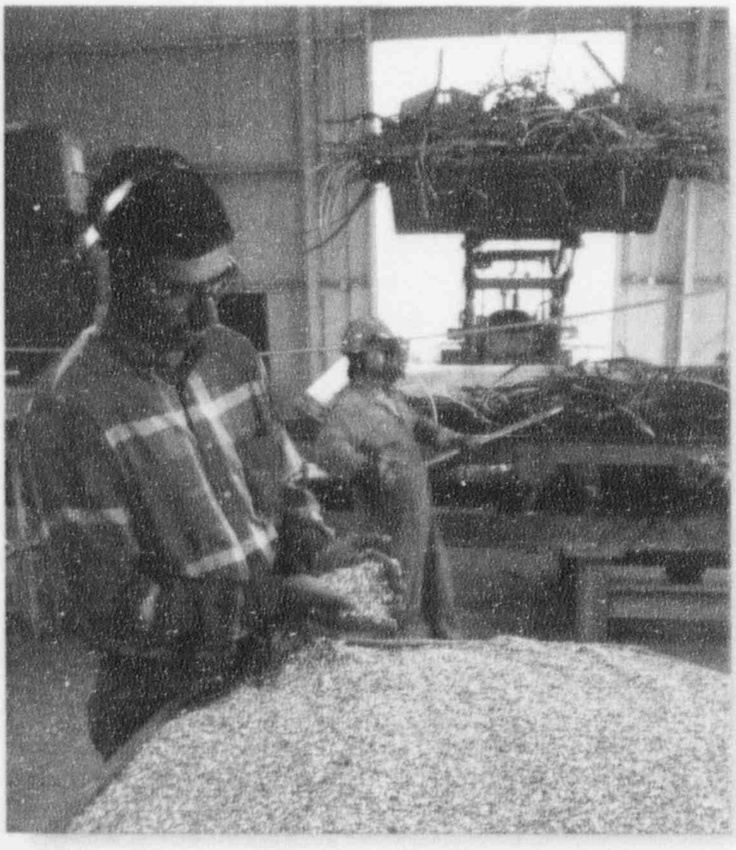
To help coordinate its community service efforts, Florida Power operates a companywide volunteer program for its employees. Called "I Am Involved," the program provides recognition to employees for their outstanding volunteer efforts. Under this program, employees volunteered nearly 122,000 hours of service in 1992.

Employees recently donated hundreds of hours to help construct a 600-foot boardwalk, a dock and a half-mile nature trail in Ocala. These are all part of a unique new environmental education museum located in a state park near Silver Springs.

Around its service territory, Florida Power has joined other corporations to help revitalize low-income neighborhoods. Each year, employees in St. Petersburg participate in "Paint St. Pete Proud," a program in which volunteers paint homes owned by the elderly or disabled.

INVESTING IN A FEW SELECT DIVERSIFIED BUSINESSES

In the last two years, Florida Progress has announced several organizational changes that will lead to a more focused diversification strategy. These changes were made to improve the performance of the company's diversified operations. Recent strategic planning provided a clearer vision for the future. Florida Progress reaffirmed the benefits of diversification and is now concentrating on a group of select businesses.



Florida Power's recycling program includes the use of a "cable chopper" at the utility's reclamation facility in Wildwood, Fla. The unique device cuts used wire and cable into quarter-inch pieces.

SHAREHOLDER PROFILE

Name: **Bill and Norma Dombey**, Inverness, Florida

Occupation: Mr. Dombey – Retired Quality Control Supervisor, General Electric; Mrs. Dombey – Homemaker

Personal Data: Married with two children

Investment Perspective: Before we retired in the mid-1980s, we invested in several stocks, particularly with companies that offered dividend reinvestment programs. We reinvested our dividends, but now that we're retired, we receive the dividends from these stocks to help supplement our retirement income.

Interests & Hobbies: Mr. Dombey enjoys traveling, growing orchids and fishing. Mrs. Dombey likes traveling and painting. Both are active in advanced education for seniors.

Shareholders Since: 1980

SHAREHOLDER PROFILE

Name: **Walter and Roberta Warden**, Kissimmee, Florida

Occupation: Mr. Warden – Retired Plant Facilities Supervisor, Martin Marietta Corporation, Aerospace Division; Mrs. Warden – Homemaker and part-time income tax preparer

Personal Data: Married with four children and three grandchildren

Investment Perspective: We own quite a few utilities and we usually buy them for the long term. We also like to buy stocks in which we can reinvest our dividends and make additional purchases directly from the company.

Interests & Hobbies: The Wardens enjoy photography, music, camping and church activities

Shareholders Since: 1991

Today, **Investing in Progress** means investing in businesses that look to the future. In other words, Florida Progress plans to invest in those businesses with solid growth potential. The company believes its streamlined strategy for diversification will help achieve better earnings growth and result in a stronger financial position. To be successful, the strategy must result in a more competitive dividend and higher total returns for shareholders.

Florida Progress continues to strengthen the company's coal and transportation business and its life insurance company. Electric Fuels Corporation has built profitable operations by investing in businesses that relate closely to the mining and transporting of coal. Expansion into these energy-related operations represents an excellent strategic fit for an electric utility holding company, such as Florida Progress.

Building energy-related businesses — Electric Fuels continues its strategy of expanding into businesses that complement its full-service operations. Additional investments are likely to be made in markets that broaden the company's products and services to its utility and industrial customers. With operations now in nine states, Electric Fuels is involved in coal mining, rail and water transportation, railcar and barge repair services and transloading facilities.

In 1992, Electric Fuels sold about 10 million tons of coal, of which 4.5 million tons were sold to customers other than Florida Power. Earnings from its unregulated business accounted for about two-thirds of Electric Fuels' net income in 1992. Florida Progress is confident of the potential for earnings growth in its coal and transportation business.

In November, the Florida Progress board of directors increased the dividends paid per share for the 40th consecutive year.

Life insurance unit continues steady growth — Acquired by Florida Progress in 1986, Mid-Continent Life Insurance Company has increased profits every year since then and continues to provide excellent returns. Earnings have risen an average of 21 percent annually in the last six years. Now licensed in 37 states, Mid-Continent sells its policies through 7,000 independent agents and, for 14 consecutive years, the company has achieved the highest insurance rating of A+ (Superior) from A.M. Best Company, a national insurance rating agency. A steady, conservative growth strategy is planned for the insurance company, with an emphasis on adding more regional offices.

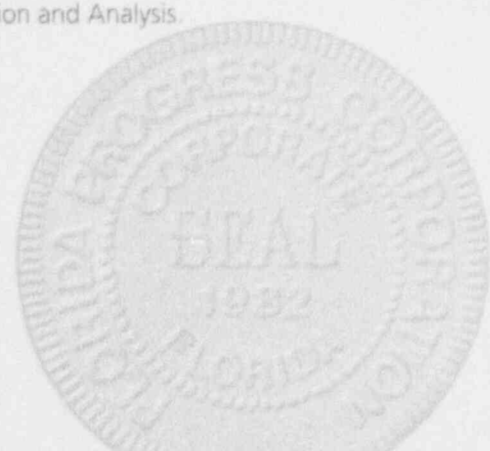
Other diversified operations — During 1990 and 1991, Florida Progress decided to exit those diversified businesses that do not fit into the company's long-range strategic plan. Since then, all five of the building products operations have been sold and Florida Progress has continued to withdraw from two other businesses. An orderly liquidation is under way for the company's commercial lending and leasing business and its real estate operations.

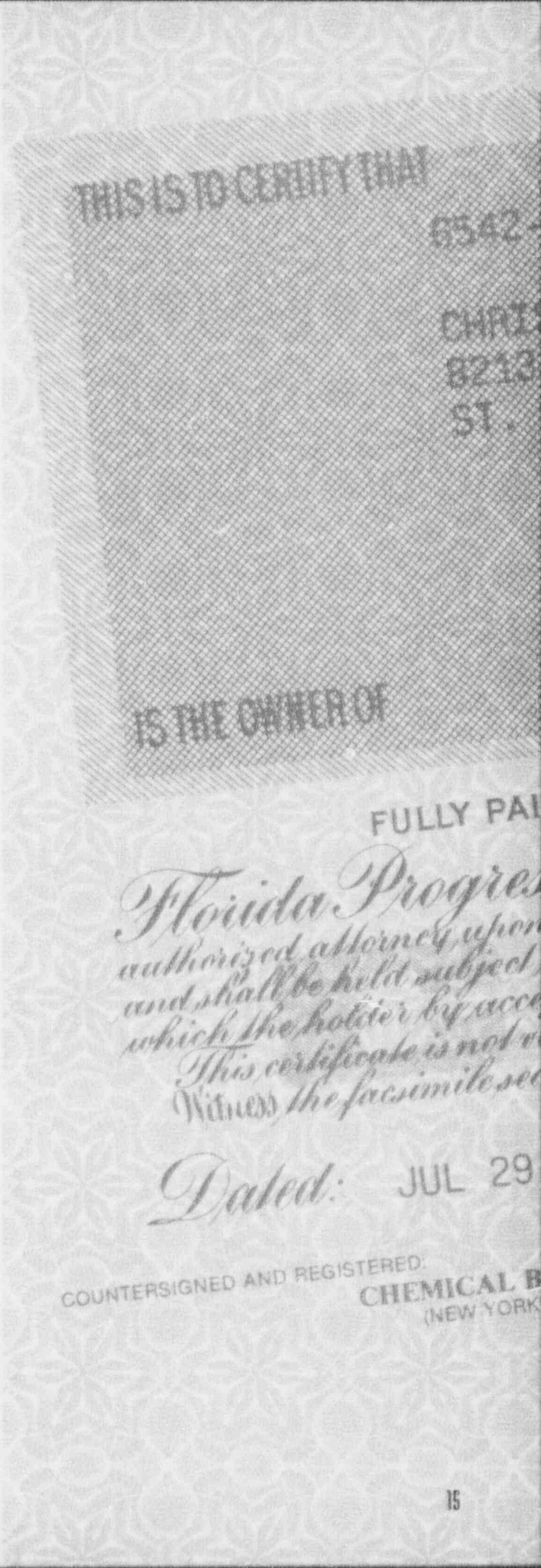
The financial instruments portfolio of the commercial lending and leasing business will continue to shrink as existing loans and leases mature. Assets owned by this business also will be sold when market conditions are favorable. Although the finance unit has been profitable, its growth would have required too much of a capital commitment in the future. Instead, new capital raised by Florida Progress will be used to support Florida Power's planned construction program.

Florida Progress also is continuing a strategy to sell its real estate assets when market conditions are favorable. The company believes it may take up to seven years to sell most of the assets in its real estate portfolio. The ability to sell these real estate investments will depend largely on the growth of Florida's economy.

Focusing only on a few select businesses is expected to provide Florida Progress with additional earnings and improve the results from the company's diversified operations. By **Investing in Progress**, these businesses can capitalize on their existing operations and take advantage of tomorrow's opportunities.

A further discussion of the company's operations and financial results follows in the next section, titled Management's Discussion and Analysis.





MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING RESULTS

Florida Progress Corporation's 1992 consolidated earnings were $175.7 million, or $2.06 per share, compared with $172.1 million, or $2.13 per share, for 1991 and $164.8 million, or $2.14 per share, for 1990. A summary of earnings per share by company is as follows:

EARNINGS PER SHARE

	1992	1991	1990
Florida Power Corporation	$1.99	$2.03	$2.15
Electric Fuels Corporation	.14	.10	.13
Mid-Continent Life Insurance Co.	.09	.09	.08
Progress Credit Corporation	.05	.10	.08
Talquin Corporation	(.19)	(.08)	(.03)
Corporate and other	(.02)	(.08)	(.08)
Diversified	.07	.13	.18
Continuing operations	2.06	2.16	2.33
Discontinued operations	—	(.03)	(.19)
Consolidated	$2.06	$2.13	$2.14

During 1992, Florida Progress declared a 3-for-2 common stock split to shareholders of record on June 30, 1992. All share and per share amounts have been adjusted in this report to reflect the split.

Utility

In 1992, Florida Power Corporation earned $170.2 million, or $1.99 per share, compared with $164.1 million, or $2.03 per share, in 1991 and $165.5 million, or $2.15 per share, in 1990.

Stock dilution accounted for essentially all of the decline in earnings per share in 1992 and 1991. Florida Progress issued new shares of common stock through public stock offerings in May 1991 and May 1992 and through the Progress Plus Stock Plan, the company's dividend reinvestment and stock purchase plan. Florida Progress issued new equity to capitalize on the market value of its common stock to raise equity for Florida Power's construction program.

Operating revenues were $1.774 billion in 1992, compared with $1.719 billion in 1991 and $1.709 billion in 1990. Operating revenues were higher in 1992 due to the collection of interim retail rates and an increase in permanent base rates, reflecting the outcome of the utility's 1992 retail rate case.

In September 1992, the Florida Public Service Commission granted Florida Power a projected annual revenue increase of $85.8 million. The commission granted permanent increases in retail base rates of approximately $58 million in November 1992, $9.7 million in April 1993 and $18.1 million in November 1993. The commission also upheld a previously awarded interim increase of $31.2 million that became effective in April 1992.

The new rates provide Florida Power the opportunity to earn a regulatory return on equity of 12 percent, with a new allowed range between 11 and 13 percent. Previously, the utility was allowed to earn between 12.6 percent and 13.6 percent.

New revenues were included in the approved rate increase to recover the cost of new investment to support customer growth, increased operating and maintenance costs and approximately $40 million of higher depreciation expenses. The rate increase also will allow Florida Power to recover costs for employee benefits in accordance with new accounting standards for pensions and other postretirement benefits. Although motions for reconsideration are pending on portions of the rate increase, a final commission decision is expected in February 1993. (See Note 10 to the Consolidated Financial Statements on page 34.)

The interim rates and new base rates increased operating revenues by $29 million and increased earnings by $15.4 million for 1992, after recording new expenses authorized in the rate case. The new base rates and higher fuel adjustment charges are expected to increase Florida Power's 1993 residential rates to a level that will be comparable to other investor-owned utilities in peninsular Florida.

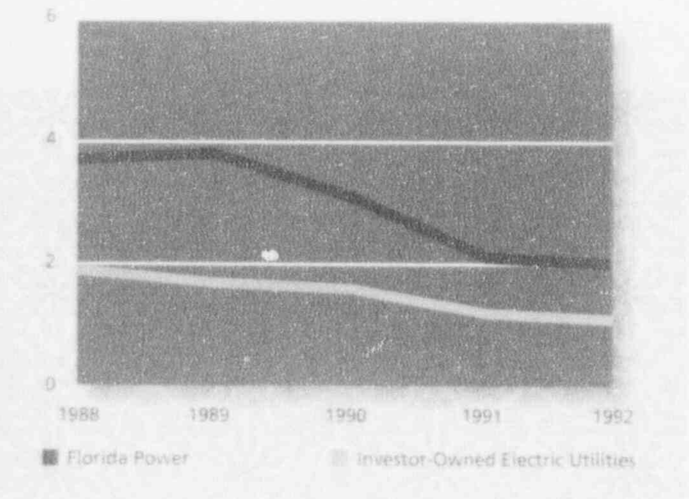
In December 1992, Florida Power proposed a settlement agreement with its wholesale and transmission customers in its 1992 wholesale base rate proceeding, which will increase annual revenues by approximately $1 million. The settlement agreement stipulates a return on equity that is comparable to the retail return on equity. The wholesale agreement also authorizes lower depreciation rates than originally

In September 1992, the Florida Public Service Commission approved a retail base rate increase of $85.8 million for Florida Power.

requested by the utility. These lower rates have no earnings impact since Florida Power's depreciation expense for wholesale customers will be recovered through the settlement rate. Since the lower depreciation rates are retroactive to December 1990, a depreciation adjustment was made that increased Florida Power's 1992 earnings in the fourth quarter by $5.6 million. (See Note 1 on page 28.) Florida Power expects to file additional retail and wholesale rate cases over the next several years to support its future growth.

Florida Power's customer growth rate for 1992 was 2 percent, compared with 2.1 percent in 1991. An increase in the number of customers during 1992 allowed a modest .8 percent increase in retail kilowatt-hour sales for the year in spite of a mild cooling season.

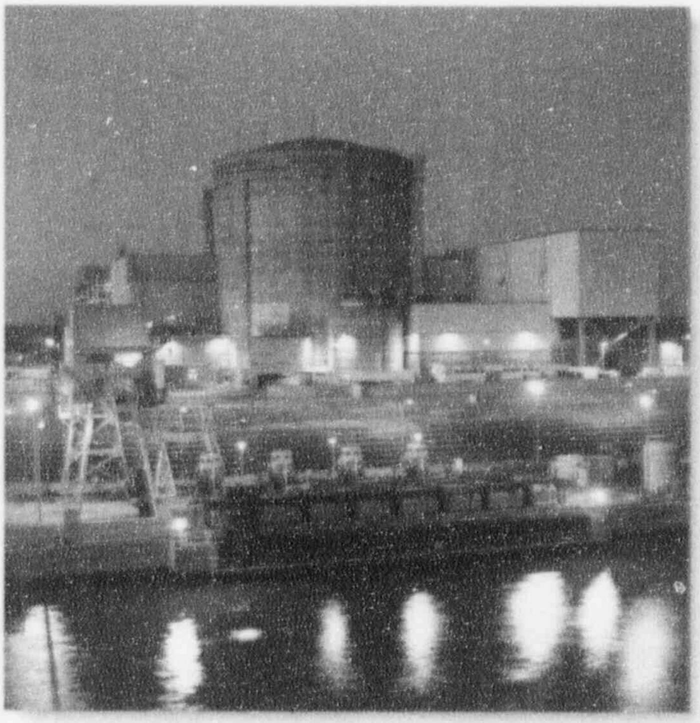
AVERAGE ANNUAL CUSTOMER GROWTH (in percent)



Fuel and purchased power costs remained fairly constant between 1992 and 1991, but decreased by $60 million in 1991, compared with 1990. The decline was due primarily to lower fossil fuel costs and increased generation from the nuclear plant. Since Florida Power recovers substantially all fuel costs through a fuel adjustment clause, and defers any adjustments to the following period, these fluctuations have little impact on net income.

Other utility operations and maintenance expenses increased by $33.8 million in 1992, mainly due to increased costs for the nuclear plant refueling outage and increased costs for recoverable energy conservation programs.

On July 16, Crystal River Nuclear Plant personnel completed a scheduled biennial refueling and maintenance outage. Florida Power's share of the 77-day outage expenses totaled $30.2 million. (See Note 9 on page 34.) In November 1992, the U.S. Nuclear Regulatory Commission issued its most recent Systematic Assessment of Licensee Performance report for the nuclear unit. The report gave favorable ratings to the nuclear unit in all seven functional areas. During 1992, the nuclear unit's capacity factor was 73.4 percent, which is above the industry average.



Despite a 2 ½-month refueling and maintenance outage in 1992, the Crystal River Nuclear Plant operated at 73.4 percent capacity during the year — the plant's fourth best annual performance in its 14-year history.

Effective December 1990, the Florida Public Service Commission ordered Florida Power to increase its annual depreciation expense, including a provision for fossil plant dismantlement costs, without an increase in base rates. Depreciation expense included a provision for fossil dismantlement costs of $16.6 million in 1991 and $18.2 million in 1992. The 1992 retail rate decision included revenues to recover the additional depreciation expense starting in November 1992. (See Note 1 on page 28.)

In September 1992, the city of Sebring and the Sebring Utilities Commission approved Florida Power's contract to purchase Sebring's electric utility distribution system for approximately $56 million. Florida Power plans to include in its rate base approximately $24 million for the book value of the assets. The majority of the remaining amount would be used to retire Sebring's debt and would be repaid to Florida Power through a transition rate from Sebring customers over a period of 15 years. Although the sale received approval from the Florida Public Service Commission in December 1992, intervenors are appealing the decision to the Florida Supreme Court.

Several company subsidiaries, including Florida Power, have been notified by the U.S. Environmental Protection Agency that each is or may be a potentially responsible party for the cleanup costs of several contaminated sites. In addition, Florida Power is a defendant in an action seeking contribution for cleanup costs from the four prior owners of a former coal gasification plant site. (See Note 11 on page 36.)

Diversified Operations

In 1992, earnings from continuing diversified operations were $5.5 million, or $.07 per share, compared with $10.4 million, or $.13 per share, in 1991 and $14.3 million, or $.18 per share, in 1990.

In 1990, the company reduced net income by $14.2 million, or $.18 per share, for a loss on disposal of its building products operations. In 1991, an additional loss of $2.4 million, or $.03 per share, was recognized to complete the divestitures. (See Note 12 on page 36.)

Florida Progress has been implementing changes that are reducing the size of its diversification program. The company sold all five of its building products businesses and plans to sell its real estate properties as market conditions allow. Florida Progress also has been withdrawing from the lending and leasing business.

The sale of the real estate portfolio and the finance unit's holdings is expected to result in lower revenues and lower interest expense for the company. The impact on net income depends on the timing of these sales and the relationship between the returns on the assets sold, carrying costs incurred and the interest rates on the associated debt repaid.

The recession in the national economy as well as deteriorating conditions in the airline industry and in Florida's real estate market have extended the time frame for the divestiture of these businesses and reduced the operating results. As of the end of 1992, Florida Progress had reserves of $22.9 million for the lending and leasing portfolio and had recorded provisions for expected losses upon the sale of certain real estate holdings. Assuming no further deterioration in the airline and real estate industries, these reserves are expected to be adequate to implement the company's liquidation strategy.

The company plans to concentrate on expanding its coal and transportation business, Electric Fuels Corporation. The company believes this energy-related business is an excellent strategic fit with its utility business.

Florida Progress is continuing its established growth strategy for its life insurance business, but at a slightly slower pace. Mid-Continent Life Insurance Company has remained profitable, posting steady annual earnings growth since its acquisition in 1986.

Earnings for Electric Fuels were $12.1 million, or $.14 per share, in 1992, compared with $8 million, or $.10 per share, in 1991 and $9.9 million, or $.13 per share, in 1990. Earnings from unaffiliated coal sales in 1992 were higher than in 1991 due to some recovery from unfavorable market conditions that impaired margins during 1991. In 1992, better results from barge operations and the earnings from newly acquired coal reserves and railcar repair operations contributed to the earnings increase.

Mid-Continent Life's earnings for 1992 increased to $8 million, or $.09 per share, from $7.5 million, or $.09 per share, in 1991 and $6.5 million, or $.08 per share, in 1990. Growing market share from the continuing expansion and development of the regional office network is the principal reason for the rise in earnings. Unusually high death claims in 1992 partially offset the impact of the higher revenues. Florida Progress slowed the regional office expansion of the life insurance company during 1992 to better manage its growth. Since 1986, the insurance company's earnings have increased an average of 21 percent annually.

Earnings in 1992 for Progress Credit Corporation, Florida Progress' commercial lending and leasing unit, were $4 million, or $.05 per share, compared with $8.4 million, or $.10 per share, in 1991 and $6.5 million, or $.08 per share, in 1990.

The finance unit has been involved in leveraged leasing, senior secured commercial lending and investing in primarily high-quality securities. Since announcing its decision to implement an orderly liquidation of the investment portfolio and the commercial lending and leasing businesses in September 1991, Florida Progress has reduced the financial assets by 30 percent, or approximately $265 million. The financial portfolio, which totaled $615.3 million at the end of 1992, primarily contains commercial aircraft loans and leases and first mortgage real estate loans.

Since the end of 1990, the commercial lending and leasing unit's finance receivables have been affected by conditions in the airline industry and a weak real estate market. As a result, its business has experienced delinquencies in ongoing lease and loan payments as well as loan principal maturities. The unit has negotiated the restructuring of certain transactions and instituted legal remedies and other remedial actions, where appropriate. (See Note 5 on page 31.)

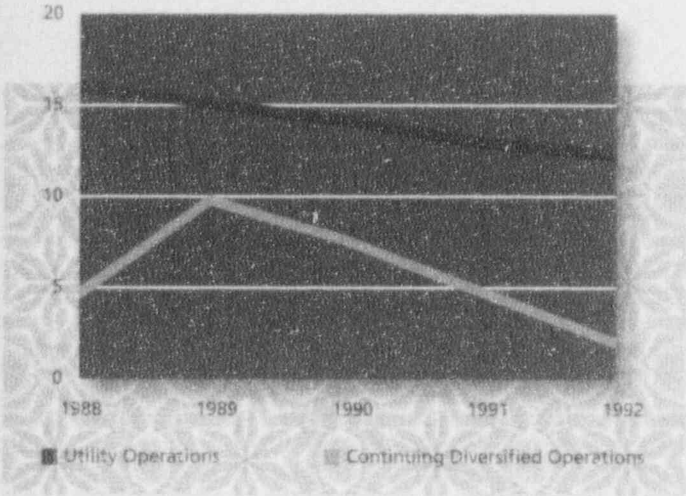
In 1992, Talquin Corporation, Florida Progress' real estate unit, realized losses from continuing operations of $16.7 million, or $.19 per share, compared with losses of $6.6 million, or $.08 per share, in 1991 and $2.3 million, or $.03 per share, in 1990.

In 1992, Talquin provided for expected losses upon the sale of its real estate holdings, primarily one property, in response to the continuing weak Florida real estate market. The after-tax effect of these provisions reduced 1992 earnings by $7.4 million, or $.09 per share. This was the major reason for the higher losses in 1992 at the real estate unit.

The timing of earnings from an installment sale of Talquin's citrus operations also impacted the 1991 and 1990 results. In 1991, the real estate unit recognized the last installment gain of $3.1 million, or $.04 per share, from this sale. In 1990, earnings of $6.8 million, or $.09 per share, were attributable to this operation.

Florida Progress' investments in its real estate portfolio, including its exposure through partnership liabilities and

RETURN ON EQUITY (In percent)



debt guarantees, total approximately $275 million. At December 31, 1992, the majority of this capital was invested in Barnett Tower, Florida Progress' headquarters building, the Carillon office park and partnerships developing upscale apartment complexes and lifecare facilities.

Since Florida Progress' real estate properties are located in growth areas, management believes the market for its projects should begin to recover as the economy improves. The weak real estate market will require the company to hold these properties, and absorb the related carrying costs, until economic conditions improve and the properties can be sold.

In 1991, diversified revenues, cost of sales and other expenses increased significantly, compared with 1990. These increases resulted from new coal operations at Electric Fuels, sales growth at Progress Credit and Mid-Continent Life and increased loan and lease loss provisions at Progress Credit. The decline in diversified revenues and operating expenses in 1992 is primarily due to the withdrawal from the leasing and lending businesses.

The return on equity chart highlights the relationship between utility and continuing diversified operations. The returns on the utility's common equity were 12.3 percent in 1992, 12.9 percent in 1991 and 14.2 percent in 1990. The lower returns in 1992 and 1991 are primarily due to higher depreciation expenses without recovery in customer rates and increasing common equity balances.

The returns on equity for continuing diversified operations were 2 percent in 1992, 4.8 percent in 1991 and 7.6 percent in 1990. Excluding the results from the real estate unit, the diversified returns were 10 percent in 1992, 9.8 percent in 1991 and 11.4 percent in 1990.

In all periods, diversified returns were depressed, mainly due to holding real estate properties in the absence of significant sales activity. A smaller financial instruments portfolio and lower revenues reduced the returns in 1992 and 1991. While the 1991 return also was hurt by lower results at Electric Fuels, improved operating results this year increased the 1992 return. The percentage of equity invested in diversified operations was 16 percent at the end of 1992 and is likely to remain below 20 percent.

Interest Expense and Inflation

Interest expense decreased in 1992, compared with 1991, due to lower interest rates and reduced average debt levels in 1992. The lower average debt levels in 1992 were due primarily to asset dispositions at the finance unit.

Allowance for funds used during construction increased $9.3 million in 1992 and $5.2 million in 1991, due to an increased construction program at Florida Power during these years.

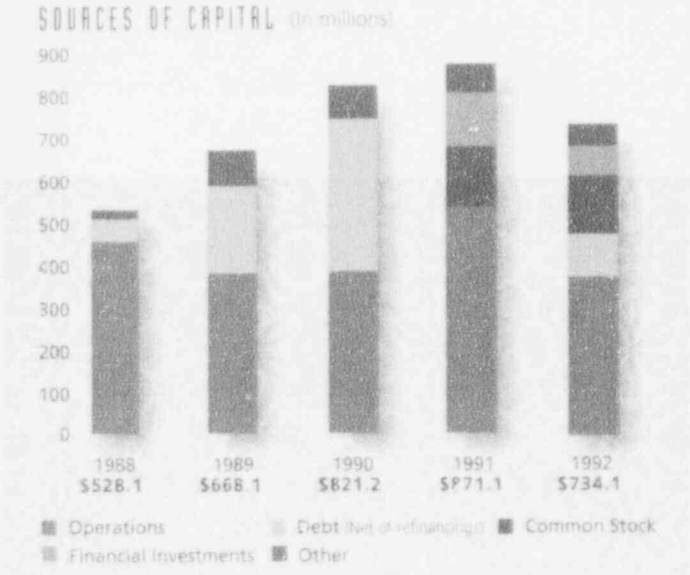
Even though the inflation rate has been relatively low in recent years, inflation continues to affect Florida Progress by reducing the purchasing power of the dollar and increasing the cost of replacing assets used in the business. This has a negative effect on the company since regulators do not generally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

New Accounting Standards

Florida Progress will adopt Financial Accounting Standard No. 109, "Accounting for Income Taxes," in 1993. The company has determined that the adoption of the standard will not have a significant impact on earnings in 1993. (See Note 6 on page 32.)

Florida Progress also will be required to adopt Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," starting in 1993. This standard mandates that an employer's obligation for postretirement benefits be fully accrued by the date employees attain full eligibility to receive these benefits. Florida Progress' policy has been to accrue benefits currently payable along with amortization of past service costs for current retirees. The company will accrue approximately $18 million in additional annual costs under the new standard in 1993, but a substantial portion will be recovered through increased customer base rates at Florida Power. Florida Power included its share of these costs in its 1992 rate proceedings before state and federal regulators. Both regulatory commissions have allowed or are expected to allow these costs to be recovered in new rates. (See Note 8 on page 33.)

The accompanying financial statements include the disclosures as of December 31, 1992, required by Financial Accounting Standard No. 107, "Disclosures About Fair Value of Financial Instruments." The standard requires the company to compile the estimated fair value of the company's financial instruments and compare these values to the carrying costs of the financial instruments as of the balance sheet date. (See Note 4 on page 30.)

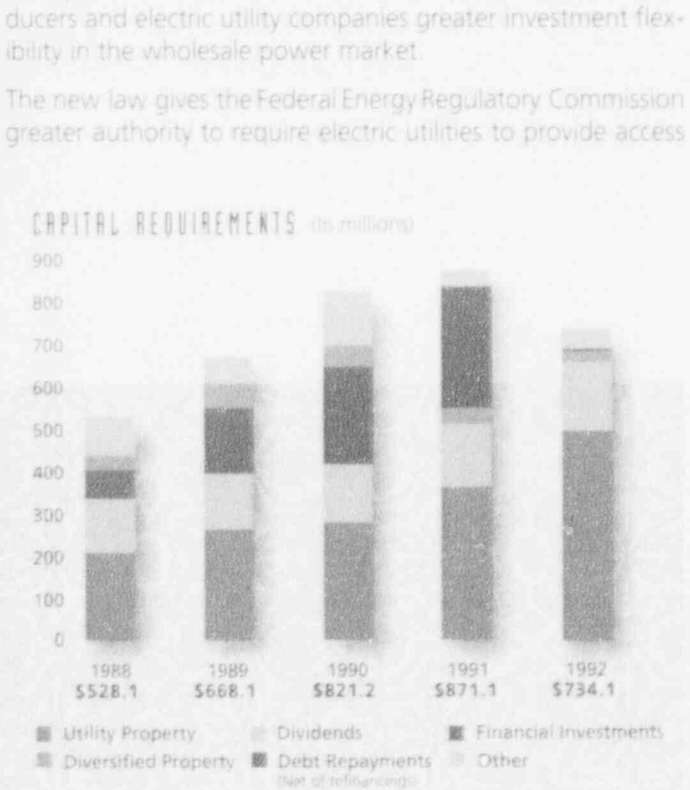


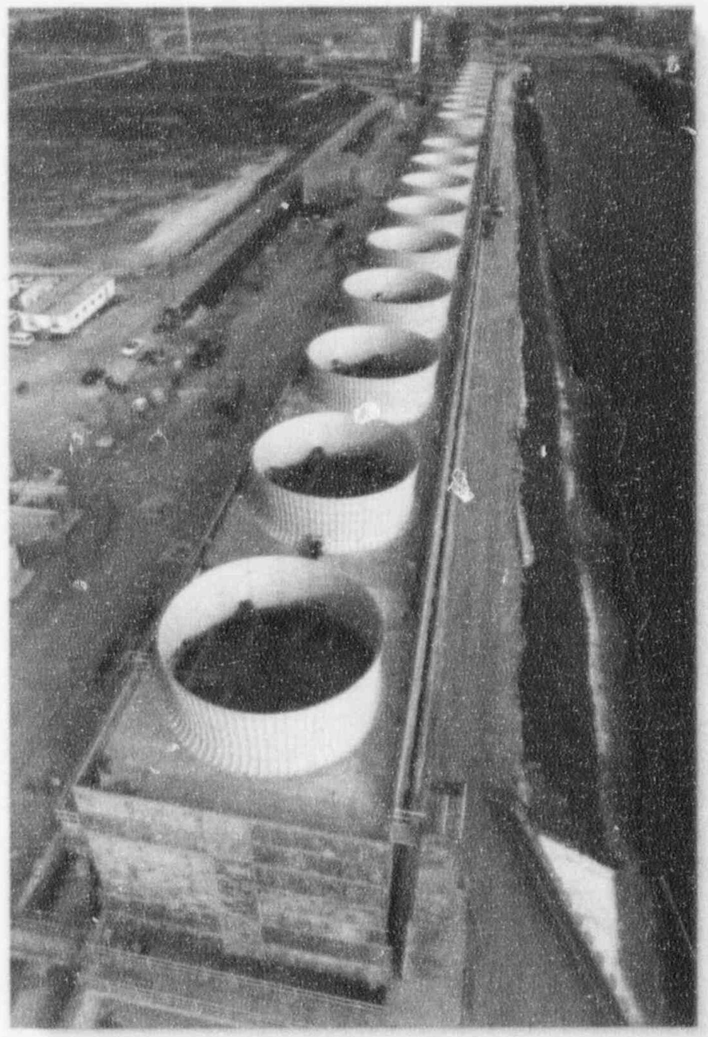
New Federal Energy Law

The National Energy Policy Act of 1992 became law in October 1992. The new energy law changes certain aspects of the federal regulation of the electric utility industry and federal policies governing the generation and transmission of electric power.

This law revises the Public Utility Holding Company Act of 1935 to create a new category of non-utility generator called an "Exempt Wholesale Generator." Now an exempt facility can be owned by an independent power producer or wholly owned by an electric utility company. The new exempt classification should allow independent power producers and electric utility companies greater investment flexibility in the wholesale power market.

The new law gives the Federal Energy Regulatory Commission greater authority to require electric utilities to provide access





At the Crystal River Energy Complex, construction of a $90-million water-cooling system is nearing completion. The system is designed to cool sea water flowing through Crystal River Units 1, 2 and 3.

to transmission lines for independent power producers and to establish the rates to be charged. This section of the law is expected to boost the already fast-growing independent power business and increase competition in wholesale markets.

The energy law also impacts nuclear power operations. The U.S. Environmental Protection Agency is required to issue specific radiation protection standards for the proposed high-level nuclear waste repository at Yucca Mountain, Nevada. This law establishes a fund to pay for the decontamination and decommissioning of nuclear enrichment facilities operated by the U.S. Department of Energy. (See Note 9 on page 34.)

Sections of the law also provide funding for research programs to review the effects of electric and magnetic fields and to promote electric vehicle technology.

Florida Power currently is reviewing the numerous portions of the new law and how they collectively impact its future strategies.

LIQUIDITY AND CAPITAL RESOURCES

Financing for utility and diversified operations is coordinated and managed at the holding company. Cash from operations has been the primary source of capital for Florida Progress over the last five years.

In May 1991, Florida Progress sold 4.4 million common shares through its first underwritten public stock offering since 1983. The net proceeds totaled $113.2 million. In a May 1992 public offering, the company sold an additional 2.6 million common shares. The net proceeds of this offering were $76.5 million. During the last three years, the company also raised equity capital through its Progress Plus Stock Plan and a predecessor plan. In 1992, approximately 2 million shares of common stock were issued through this plan and the company's savings plan, yielding $61.1 million. Other sources of capital have included proceeds from the sale of the building products operations and real estate properties. In 1991, $127.9 million was received from the net reduction of the commercial lending and leasing unit's financial assets. In 1992, an additional $70.1 million reduction in financial assets was realized.

Florida Progress' common equity, as a percent of total capital, increased to 45.6 percent in 1992, compared with 44.8 percent in 1991 and 38.8 percent in 1990. In addition, short-term debt as a percent of capital was 5.3 percent in 1992, 1.9 percent in 1991 and 18.6 percent in 1990. Compared with 1990, the improvement in the company's capital structure resulted from selling Florida Progress common stock, Florida Power first mortgage bonds, real estate properties and lending and leasing assets. Florida Progress' primary short- and long-term capital requirements result from utility construction and property additions, dividend payments to common shareholders, debt repayments and diversified property additions. Other capital requirements include business acquisitions and joint venture investments.

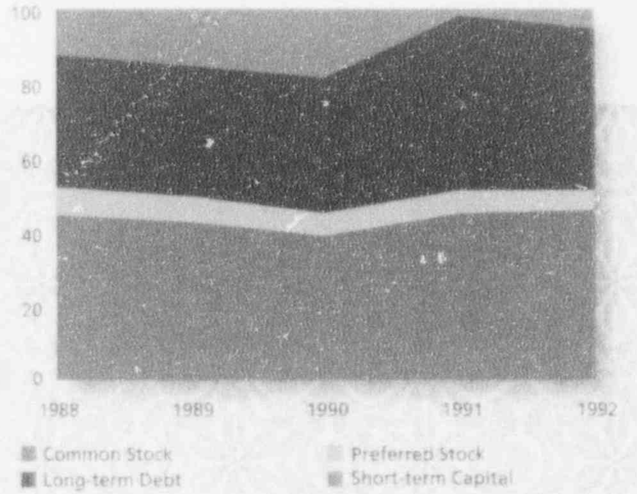
Utility

Florida Power's construction expenditures for 1992 totaled $472.9 million, consisting primarily of distribution and production expenditures. The five-year construction program includes planned expenditures of $446 million, $375 million, $400 million, $285 million and $429 million for 1993 through 1997. Florida Power forecasts that about two-thirds of these construction expenditures will be financed with internally generated funds.

In August 1991, the utility filed a need certification petition with the Florida Public Service Commission for approval to construct gas-fired, combined-cycle generating units in Polk County, Florida. Construction expenditures of $223 million are planned for this new energy complex in the 1993-1997 forecast with the bulk of the expenditures in the later years.

Florida Power plans to use natural gas for the first phase of the new energy complex in Polk County. The utility is negotiating with the Coastal Corporation, a Houston-based energy company, for a natural gas transportation agreement. Coastal is expected to build a 700-mile pipeline to Central Florida by 1995. Once completed, the pipeline initially is expected to provide Florida Power with long-term firm transportation of 120 million cubic feet of natural gas per day to current oil-fired generation facilities, which will be modified to use both natural gas and oil. When two units at the Polk County complex begin operation in 1999, the pipeline is anticipated to provide a total of 210 million cubic feet of natural gas per day to Florida Power. Final approval to build the pipeline is contingent on obtaining all regulatory approvals, financing and commitments from customers. Florida Power also is considering the possibility of becoming an equity partner in this project.

CAPITAL STRUCTURE (in percent)



As of year-end, the utility had several long-term purchase power commitments as part of its plan to meet future energy demand growth. (See Note 11 on page 35 with respect to present and possible future impact of these commitments.)

The Clean Air Act of 1990 requires electric utility companies to reduce sulfur dioxide emissions in two phases. Florida Power will not be affected significantly by Phase I in 1995 and expects to meet Phase II requirements in the year 2000 with minimal capital modifications.

In addition to funding its construction commitments with cash from operations, Florida Power accesses the capital markets through the issuance of commercial paper, medium-term notes and first mortgage bonds and receives equity from Florida Progress' common stock sales. Florida Power's goal is to maintain a capital structure that will retain its double A minus credit rating.

During 1992, Florida Power repaid $243.2 million of long-term debt, of which $14.4 million were first mortgage bonds, $20 million were medium-term notes and $208.8 million were pollution control revenue bonds. In December 1992, Florida Power issued $225 million of new first mortgage bonds, consisting of a $150 million 8% series due

2022, and a $75 million 6⅛% series due 1999. Proceeds from the 6⅛% series were used in January 1993 to refund $75 million of outstanding first mortgage bonds. (See Note 2 on page 29.) Florida Power's embedded cost of long-term debt remained unchanged at 7.8 percent at December 31, 1992, compared with the prior year-end.

In August 1992, Florida Power established a new $200-million public medium-term note program, providing for the issuance of either fixed or floating interest rate notes, with maturities that may range from nine months to 30 years. The medium-term note program was not used during 1992.

During 1992, Florida Power purchased and redeemed 50,000 shares of its Cumulative Preferred Stock, pursuant to sinking fund provisions. (See Note 3 on page 30.)

During 1992, Florida Progress contributed $121.6 million to Florida Power from the proceeds of the holding company's May 1992 public stock offering and the Progress Plus Stock Plan. In May 1991, Florida Progress contributed $100 million in equity capital to the utility from the proceeds of the May 1991 public stock offering. These funds were used to reduce outstanding commercial paper and to further strengthen Florida Power's financial position.

Florida Power has a $400-million commercial paper program that is rated A-1+ by Standard & Poor's and P-1 by Moody's. Florida Power's interim financing needs are funded primarily through its commercial paper program. In November 1991, Florida Power established 364-day and five-year revolving bank credit facilities, both for $200 million, which are used to back up commercial paper. In November 1992, the 364-day facility was renewed. (See Note 2 on page 29.)

Diversified Operations

Progress Capital Holdings, Inc. is a downstream holding company that consolidates the financial strength of the diversified operations. Progress Capital has the benefit of a support agreement with Florida Progress, which helps to lower the cost of capital to those individual businesses.

Progress Capital funds diversified operations primarily through the issuance of commercial paper and medium-term notes. Progress Capital's commercial paper program is rated A-1 by Standard & Poor's and P-1 by Moody's and its medium-term note program is rated A and A2, respectively.

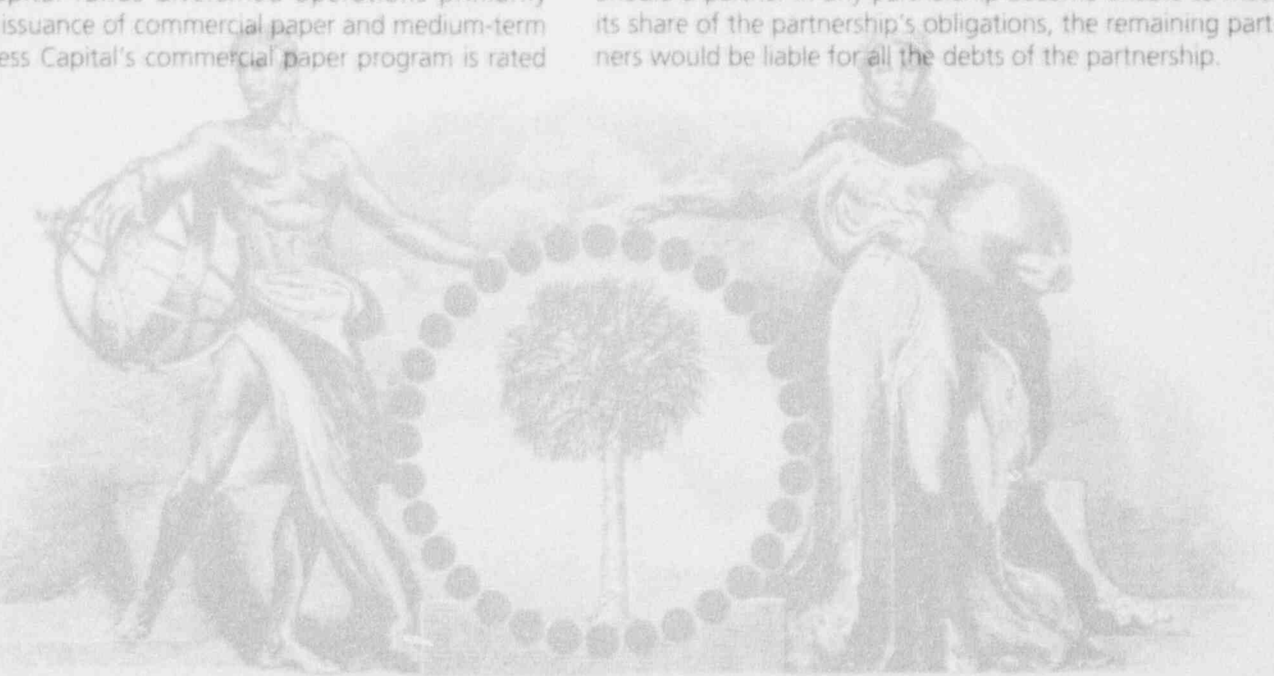
In early 1991, Progress Capital established a private $400-million medium-term note program with maturities that may range from nine months to 30 years. Progress Capital issued $174 million in medium-term notes during 1991. The notes were issued to better match the expected holding period of assets of diversified subsidiaries, including restructured loans at the commercial lending and leasing unit. The program was not used during 1992, leaving $226 million available for future issuance at either fixed or floating interest rates.

In November 1991, Progress Capital established two new revolving bank credit facilities, a 364-day, $100-million facility and a five-year, $300-million facility. These facilities are used to back up Progress Capital's commercial paper program. The 364-day facility was renewed in November 1992. By changing the term of the commercial paper backup facility to be primarily long-term and reducing the amount of short-term debt, Progress Capital has strengthened its short-term liquidity. At December 31, 1992, Progress Capital's short-term debt (including current maturities) as a component of total capital was 9.2 percent, compared to 3.7 percent in 1991 and 46 percent in 1990.

In 1992, total diversified capital expenditures were $26.1 million, primarily for the non-regulated coal operations at Electric Fuels. Sales of leases, loans and securities generated net proceeds of $70.1 million and $127.9 million in 1992 and 1991, respectively, due to the planned liquidation of the finance unit's assets. This compares with a net use of funds of $229.2 million in 1990.

In 1993, diversified capital expenditures are expected to be $15 million, with most of these planned expenditures designated for facility construction and equipment replacements at Electric Fuels. These expenditures are expected to be financed through cash generated internally and medium-term notes.

Florida Progress has off-balance sheet risk related to debt of unconsolidated partnerships. (See Note 11 on page 35.) Should a partner in any partnership become unable to meet its share of the partnership's obligations, the remaining partners would be liable for all the debts of the partnership.



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME · FLORIDA PROGRESS CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 and 1990 *(In millions, except per share amounts)*

	1992	1991	1990
REVENUES:			
Electric utility	$1,774.1	$1,718.8	$1,709.1
Diversified	321.2	355.9	301.7
	2,095.3	2,074.7	2,010.8
EXPENSES:			
Electric utility:			
Fuel used in generation	471.9	498.5	527.4
Purchased power and deferred fuel	136.7	108.1	139.2
Other operations	310.9	282.0	257.4
Operations	919.5	888.6	924.0
Maintenance	139.7	134.8	126.2
Depreciation	209.5	206.3	161.1
Taxes other than income taxes	138.3	129.3	119.9
	1,407.0	1,359.0	1,331.2
Diversified:			
Cost of sales	238.4	238.4	205.8
Other	45.1	61.9	39.7
	283.5	300.3	245.5
INCOME FROM OPERATIONS	404.8	415.4	434.1
INTEREST EXPENSE AND OTHER:			
Interest expense	134.2	146.1	144.4
Allowance for funds used during construction	(18.7)	(9.4)	(4.2)
Preferred dividend requirements of Florida Power	16.7	16.8	16.8
Other expense (income) net	8.4	(4.5)	(5.1)
	140.6	149.0	151.9
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	264.2	266.4	282.2
Income taxes	88.5	91.9	102.4
INCOME FROM CONTINUING OPERATIONS	175.7	174.5	179.8
DISCONTINUED OPERATIONS, net of income taxes:			
Loss from operations	–	–	(.8)
Provision for loss on disposal	–	(2.4)	(14.2)
Loss from discontinued operations	–	(2.4)	(15.0)
NET INCOME	$ 175.7	$ 172.1	$ 164.8
AVERAGE SHARES OF COMMON STOCK OUTSTANDING	85.4	80.8	77.0
EARNINGS PER AVERAGE COMMON SHARE:			
Continuing operations	$2.06	$2.16	$2.33
Discontinued operations	–	(.03)	(.19)
	$2.06	$2.13	$2.14

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

DECEMBER 31, 1992 and 1991

(Dollars in millions)

ASSETS	1992	1991
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$4,853.9	$4,544.5
Less: Accumulated depreciation	1,809.9	1,657.7
	3,044.0	2,886.8
Construction work in progress	333.8	241.5
Nuclear fuel, net of amortization of $273.6 in 1992 and $247.2 in 1991	64.2	65.0
Net electric utility plant	3,442.0	3,193.3
Other property, net of depreciation of $119.9 in 1992 and $98.6 in 1991	393.6	348.3
	3,835.6	3,541.6
CURRENT ASSETS:		
Cash and equivalents	8.1	23.2
Accounts receivable, net	202.1	178.4
Current portion of leases and loans receivable	25.4	62.1
Inventories, primarily at average cost:		
Fuel	107.1	81.5
Utility materials and supplies	103.4	95.3
Diversified materials and products	11.2	8.6
Underrecovery of fuel cost	4.4	–
Other	34.6	37.0
	496.3	486.1
NET ASSETS OF DISCONTINUED OPERATIONS	–	44.1
OTHER ASSETS:		
Investments:		
Leases and loans receivable, net	529.6	560.6
Marketable securities	119.5	98.6
Joint ventures, partnerships and unregistered stock	91.4	101.6
Nuclear plant decommissioning fund	89.8	69.9
Deferred insurance policy acquisition costs	68.6	55.7
Other	102.2	66.7
	1,001.1	953.1
	$5,333.0	$5,024.9

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

CAPITAL AND LIABILITIES	1992	1991
	(Dollars in millions)	
COMMON STOCK EQUITY:		
Common stock without par value, 250,000,000 shares authorized, 87,529,856 shares outstanding in 1992 and 82,932,918 in 1991	$ 949.2	$ 811.6
Retained earnings	788.4	776.1
	1,737.6	1,587.7
CUMULATIVE PREFERRED STOCK OF FLORIDA POWER:		
Without sinking funds	133.5	133.5
With sinking funds	82.5	97.5
LONG-TERM DEBT	1,656.4	1,659.1
TOTAL CAPITAL	3,610.0	3,477.8
CURRENT LIABILITIES:		
Accounts payable	108.9	93.9
Customers' deposits	69.0	66.8
Income taxes payable	39.6	25.2
Accrued interest	42.2	37.9
Overrecovery of fuel cost	–	39.4
Other	60.4	56.5
	320.1	319.7
Notes payable	2.9	.4
Current portion of long-term debt and preferred stock	199.0	67.8
	522.0	387.9
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	816.7	829.5
Unamortized investment tax credits	129.0	138.1
Insurance policy benefit reserves	140.3	115.9
Other	115.0	75.7
	1,201.0	1,159.2
COMMITMENTS AND CONTINGENCIES (Note 11)		
	$5,333.0	$5,024.9

CONSOLIDATED STATEMENTS OF CASH FLOW — FLORIDA PROGRESS CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 and 1990 *(In millions)*

	1992	1991	1990
OPERATING ACTIVITIES:			
Income from continuing operations	$175.7	$174.5	$179.8
Adjustments for noncash items:			
Depreciation and amortization	268.7	266.3	207.4
Deferred income taxes and investment tax credits, net	(17.4)	(22.6)	5.2
Changes in working capital, net of effects from acquisition or sale of businesses:			
Accounts receivable	(18.6)	(4.7)	11.6
Inventories	(36.8)	21.5	(29.4)
Overrecovery (underrecovery) of fuel cost	(43.8)	46.4	14.4
Accounts payable	14.2	17.8	(27.9)
Other	23.1	13.7	13.7
Other operating activities	8.6	15.6	(1.1)
Cash provided by continuing operations	373.7	528.5	373.7
Loss from discontinued operations	–	(2.4)	(15.0)
Adjustments for noncash items, primarily loss provision in 1990	–	8.7	23.6
Cash provided by discontinued operations	–	6.3	8.6
	373.7	534.8	382.3
INVESTING ACTIVITIES:			
Property additions (including allowance for borrowed funds used during construction)	(519.6)	(397.6)	(327.4)
Proceeds from sale of properties	7.1	31.3	31.1
Purchase of leases, loans and securities	(65.7)	([illegible]21.1)	(364.2)
Proceeds from sale or collection of leases, loans and securities	135.8	249.0	135.0
Acquisition of businesses	(23.0)	(5.7)	(36.2)
Proceeds from sale of businesses	24.4	21.0	.1
Investments in joint ventures, partnerships and unregistered stock	(5.3)	(11.2)	(78.9)
Distributions from joint ventures and partnerships	5.0	15.0	2.5
Other investing activities	(15.1)	(10.6)	(12.8)
	(456.4)	(729.9)	(650.8)
FINANCING ACTIVITIES:			
Issuance of long-term debt	450.3	384.1	306.5
Repayment of long-term debt	(315.3)	(266.2)	(136.1)
Increase (decrease) in commercial paper with long-term support	(34.1)	175.1	–
Redemption of preferred stock	(5.0)	–	–
Sale of common stock	137.6	141.1	23.9
Dividends paid on common stock	(163.4)	(149.8)	(136.7)
Increase (decrease) in short-term debt	.2	(578.1)	189.4
Other financing activities	(2.7)	(1.1)	2.5
	67.6	(294.9)	249.5
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(15.1)	10.0	(19.0)
Beginning cash and equivalents	23.2	13.2	32.2
ENDING CASH AND EQUIVALENTS	$ 8.1	$ 23.2	$ 13.2
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	$129.9	$147.5	$141.3
Income taxes (net of refunds)	$ 91.5	$101.5	$ 84.1

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY — FLORIDA PROGRESS CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Dollars in millions, except per share amounts)

	Common Stock	Retained Earnings	Cumulative Preferred Stock of Florida Power: Without Sinking Funds	Cumulative Preferred Stock of Florida Power: With Sinking Funds
Balance, December 31, 1989	$646.6	$725.7	$133.5	$100.0
Net income		164.8		
Common stock issued – 974,589 shares	23.9			
Cash dividends on common stock ($1.777 per share)		(136.7)		
Balance, December 31, 1990	670.5	753.8	133.5	100.0
Net income		172.1		
Common stock issued – 5,381,529 shares	141.1			
Cash dividends on common stock ($1.843 per share)		(149.8)		
Preferred stock reclassified to current – 25,000 shares				(2.5)
Balance, December 31, 1991	811.6	776.1	133.5	97.5
Net income		175.7		
Common stock issued – 4,596,938 shares	137.6			
Cash dividends on common stock ($1.905 per share)		(163.4)		
Preferred stock redeemed or reclassified to current – 150,000 shares				(15.0)
Balance, December 31, 1992	$949.2	$788.4	$133.5	$ 82.5

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — FLORIDA PROGRESS CORPORATION

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General — Florida Progress Corporation (the Company) is exempt from regulation as a registered holding company under the Public Utility Holding Company Act of 1935. Its largest subsidiary, representing 75% of total assets, is Florida Power Corporation (Florida Power), a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy within Florida.

The consolidated financial statements combine the financial results of the Company and its majority-owned operations. All significant intercompany balances and intercompany transactions have been eliminated. Investments in 20% to 50% owned joint ventures are accounted for using the equity method.

Certain reclassifications have been made to amounts in prior years to conform to the current year's presentation and all share and per share amounts have been adjusted to reflect the 3-for-2 common stock split to shareholders of record on June 30, 1992.

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.

Utility Revenues, Fuel and Purchased Power Expenses — Florida Power accrues the non-fuel portion of base revenues for services rendered but unbilled.

Revenues include amounts resulting from fuel, purchased power and conservation adjustment clauses, which are designed to permit full recovery of these costs. The adjustment factors are based on projected costs for a six-month period. Revenues and expenses are adjusted for differences between recoverable fuel, purchased power and conservation costs and amounts included in current rates. The cumulative fuel cost difference is shown on the balance sheet as overrecovery or underrecovery of fuel costs. Any overrecovery or underrecovery of costs, plus an interest factor, is refunded or billed to customers during the subsequent six-month period.

The cost of fossil fuel for electric generation is charged to expense as consumed. The cost of nuclear fuel is amortized to fuel 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.

Earned Income on Finance Leases — The Company uses the finance method for recognizing earned income from finance leases, which are primarily leveraged leases having terms of five to 28 years. Accordingly, earned income, including any residual values expected to be recognized, and the related deferred investment tax credits are amortized as revenues over the term of the transaction to provide an approximate level return on the positive net investment. Residual values are determined principally on the basis of independent appraisals of the anticipated values of the leased assets remaining at the expiration of the lease.

Income Taxes — Deferred income taxes have been provided on all significant book-tax timing differences, except during periods when applicable regulatory authorities did not permit the recovery of such taxes through rates charged to customers by Florida Power.

The cumulative net amount of income tax timing differences for which deferred taxes have not been provided was approximately $118 million at December 31, 1992. As allowed under current regulatory practices, deferred taxes not previously provided are collected in customers' rates as such taxes become payable.

Deferred investment tax credits subject to regulatory accounting practices are being amortized to income over the lives of the related properties. Additionally, deferred investment tax credits associated with finance lease transactions are being amortized to revenues as described above.

Financial Accounting Standard No. 109, "Accounting for Income Taxes," was issued in 1992 and will be adopted by the Company in the first quarter of 1993. The objective of this standard is to recognize the amount of current and deferred taxes payable and refundable for all events that have been recognized in the financial statements or tax returns based on enacted tax laws at the date of the financial statements.

As indicated in Note 6, the Company has determined that the adoption of the standard will not have a significant impact on earnings in 1993 and will result in a reduction of deferred income taxes on the Company's balance sheet. Substantially all of these reductions in deferred income taxes are applicable to Florida Power and result from timing differences for which deferred income taxes have been provided in prior years at higher statutory rates and the tax effect of deferred investment tax credits, partially offset by timing differences discussed above for which deferred income taxes have not been provided. When Florida Power records these reductions in deferred income taxes, a regulatory liability for the net amount also will be recorded and there will be no effect on net income. Florida Power expects to recover these tax effects in future electric rates when such timing differences reverse.

Depreciation and Maintenance — The Company provides for depreciation of the cost of properties over their estimated useful lives primarily on a straight-line basis. 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 1992, 4.8% for 1991 and 4% for 1990.

Effective December 1, 1990, Florida Power was authorized by the Florida Public Service Commission (FPSC) to apply new depreciation rates, which resulted in a $37.2-million increase in depreciation expense for 1991. This increase included $16.6 million for fossil plant dismantlement costs. These new rates were disallowed in connection with the settlement of Florida Power's 1992 wholesale customer rate request, resulting in the reversal of previously recorded depreciation. The reversal increased net income in the fourth quarter of 1992 by $5.6 million, of which $3.1 million was applicable to periods prior to 1992. During 1991, although the FPSC determined that all investor-owned electric utilities should provide currently for fossil plant dismantlement costs, it approved Florida Power's motion to defer the implementation of any additional depreciation expense associated with this matter until Florida Power's next proceeding for review of base rates. Fossil plant dismantlement costs, totaling $24.1 million annually, were approved by the FPSC and, effective November 1992, are being recognized and are recoverable through the new retail base rates.

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.

Allowance for Funds — The allowance for funds used during construction represents the estimated cost of capital funds (equity and debt) applicable to utility plant under construction. Recognition of this item as a cost of utility plant under construction is appropriate because it constitutes an actual cost of construction and, under established regulatory rate practices, 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 8% for 1992, 1991 and 1990.

Insurance Premiums, Policy Acquisition Costs and Benefit Reserves — Life insurance premiums are recognized as revenue over the premium-paying periods of the policies. The Company defers recoverable costs in its insurance operations that directly relate to the production of new business. These costs are amortized over the expected premium-paying period. Reserves are established out of each premium payment to provide for the present value of future insurance policy benefits, using reasonable assumptions for future investment yield, mortality, withdrawals and the risk of adverse deviation.

Profit from Real Estate Sales — Profit from the sale of real estate is recognized only upon the closing of a sale, the transfer of ownership rights to the purchaser and receipt of an adequate cash down payment.

Marketable Securities and Financial Instruments — The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Fixed-income securities are carried at amortized cost and other equity securities are stated at the lower aggregate of cost or market value.

(2) DEBT

The Company's long-term debt at December 31, 1992 and 1991 is scheduled to mature as follows:

(in millions)	Interest Rate	1992	1991
Florida Power Corporation:			
First mortgage bonds:			
Maturing through 1997:			
1992	4.25%	$ –	$ 14.4
1993 (early redemption)	8.48% (a)	75.0	75.0
1995	4.74% (a)	34.4	34.4
1997	6.13%	16.7	16.7
Maturing 1998 through 2002	7.13% (a)	245.5	170.5
Maturing 2003 through 2006	8.21% (a)	210.0	210.0
Maturing 2021 and 2022	8.31% (a)	300.0	150.0
Discount, net of premium, being amortized over term of bonds		(2.2)	.7
		879.4	671.7
Pollution control financing obligations:			
Maturing 2002 through 2027	6.59% (a)	240.9	132.4
Annual tender bonds maturing in 2012 and 2013	5.00%	–	108.6
Notes maturing:			
1992-1993	8.37% (a)	45.0	65.0
1994-1997	8.45% (a)	94.5	94.5
Commercial paper, supported by revolver maturing December 31, 1996	3.54% (a)	96.0	78.0
Progress Capital Holdings:			
Commercial paper, supported by revolver maturing November 30, 1996	3.62% (a)	195.0	247.1
Notes maturing:			
1992-1993	5.24% (a)	40.0	50.0
1994-2001	8.63% (a)	202.3	202.3
Progress Leasing Corporation (all due within 5 years)	9.54% (a)	26.6	34.0
Other subsidiaries, debt maturing through 1999	6.79% (a)	23.2	40.8
		1,842.9	1,724.4
Less: Current portion of long-term debt		186.5	65.3
		$1,656.4	$1,659.1

(a) Weighted average interest rate at December 31, 1992.

The Company's consolidated subsidiaries have lines of credit totaling $800 million, which is used to support commercial paper facilities. The lines of credit were not drawn on as of December 31, 1992. Interest rate options under line of credit arrangements vary from sub-prime 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 .1 and .225 of 1%.

The lines of credit, which were put into place in November 1991, consist of four revolving bank credit facilities, two each for Florida Power and Progress Capital Holdings, Inc. (PCH). The Florida Power facilities, $200 million each, are for terms of 364 days and five years. The PCH facilities consist of $100 million with a 364-day term and $300 million with a five-year term. Both 364-day facilities were renewed in November 1992. The five-year facilities can be extended for two additional years upon the banks' approval of the company's request to extend. Based on the maturity of the underlying backup lines of credit, all outstanding commercial paper at December 31, 1992 and 1991 is classified as long-term debt.

In January 1992, Florida Power refunded $108.6 million of annual tender pollution control revenue bonds with a 6⅜% fixed interest rate series due 2027. The annual tender bonds were scheduled to mature in 2012 and 2013. In addition, during August 1992, Florida Power issued $100.1 million of pollution control refunding revenue bonds due 2022 at a fixed interest rate of 6.35%. Proceeds from the bonds were used for the redemption of various outstanding series of bonds with a weighted average interest rate of 9.11% and maturities ranging from 2002 to 2012.

The combined aggregate maturities of long-term debt for 1993 through 1997 are $186.5 million, $74.2 million, $51.7 million, $456.1 million and $49.6 million, respectively. In addition, about half of Florida Power's first mortgage bond issues have an annual 1% sinking fund requirement. These requirements, which total $5.5 million annually for 1993 through 1995 and $4.9 million annually for 1996 and 1997, are expected to be satisfied with property additions.

In January 1993, Florida Power refunded $75 million of first mortgage bonds, with a weighted average interest rate of 8.48%, which were originally due to mature in 1999 and 2000.

Florida Progress has a support agreement with PCH that requires the parent company to maintain a minimum net worth at PCH. At December 31, 1992, approximately $9 million of PCH's retained earnings were restricted.

(3) PREFERRED AND PREFERENCE STOCK AND SHAREHOLDER RIGHTS

A summary of outstanding Cumulative Preferred Stock of Florida Power follows:

Dividend Rate	Current Redemption Price	Shares Authorized	Shares Outstanding	Outstanding December 31 1992	Outstanding December 31 1991
				(In millions)	
Without sinking funds, not subject to mandatory redemption:					
4.00%	$104.25	40,000	39,980	$ 4.0	$ 4.0
4.40%	$102.00	75,000	75,000	7.5	7.5
4.58%	$101.00	100,000	99,990	10.0	10.0
4.60%	$103.25	40,000	39,997	4.0	4.0
4.75%	$102.00	80,000	80,000	8.0	8.0
7.40%	$102.48	300,000	300,000	30.0	30.0
7.76%	$102.98(a)	500,000	500,000	50.0	50.0
8.80%	$101.00	200,000	200,000	20.0	20.0
				$133.5	$133.5
With sinking funds, subject to mandatory redemption:					
7.08%	$104.72(b)	500,000	450,000	$ 45.0	$ 50.0
7.84%	$103.92(c)	500,000	500,000	50.0	50.0
				95.0	100.0
Less: Current portion				12.5	2.5
				$ 82.5	$ 97.5

(a) $102.21 after February 15, 1994
(b) $102.36 after November 15, 1996, $100.00 after November 15, 2001
(c) $101.96 after November 15, 1993, $100.00 after November 15, 1994

The Company has 10 million shares of authorized, but unissued, Preferred Stock without par value issuable in series. The first series, designated Junior Participating Preferred Stock, was created in 1991 but remains unissued. The Junior Preferred Stock is entitled to quarterly dividends equal to the greater of $10.00 per share or 100 times the per share common stock dividend and is entitled to 100 votes per share held. Florida Power has 4 million shares of authorized Cumulative Preferred Stock, $100 par value, of which 2.3 million shares are outstanding. In addition, Florida Power has 1 million shares of authorized, but unissued, Preference Stock, $100 par value, and 5 million shares of authorized, but unissued, Cumulative Preferred Stock, without par value.

During 1992, Florida Power acquired $5 million of 7.08% series Preferred Stock under mandatory and optional sinking fund requirements. In March 1993, Florida Power will redeem its $20 million 8.80% series perpetual preferred stock, as well as the 1993 mandatory and optional sinking fund amounts on its 7.08% and 7.84% series preferred stock, totaling $5 million and $20 million, respectively. Minimum preferred stock redemption requirements for 1994 through 1997, after giving effect to the above retirements, are $12.5 million, $12.5 million, $12.5 million and $2.5 million, respectively.

In November 1991, the Company adopted a Shareholder Rights Plan. The Shareholder Rights Agreement provides that attached to each share of common stock is one right which, when exercisable, entitles the holder of the right to purchase one one-hundredth of a share of Junior Participating Preferred Stock at a purchase price of $130, subject to adjustment. The number of rights attached to each share of common stock is also subject to adjustment, and after giving effect to the 3-for-2 common stock split to shareholders of record on June 30, 1992, each share of common stock now has attached to it two-thirds of one right. Upon certain occurrences, the rights may be exercised to purchase shares of the Company's, or a surviving entity's, common stock. Alternatively, the Board may approve a stock issuance to each holder of rights, with no cash payment by shareholders. The rights have no voting or dividend rights and expire December 2001, unless redeemed earlier by the Company.

(4) FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board issued Statement No. 107, "Disclosures about Fair Value of Financial Instruments," in December 1991. This statement requires disclosure of fair values for financial instruments as of December 31, 1992. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are affected significantly by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, could not be realized by sale of the instrument. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Loans Receivable — The fair values for commercial finance loans have been estimated using discounted cash flow analyses, management's estimate of the interest rate that would apply in today's market on an individual loan basis, as well as repayment assumptions that may differ from the current loan document in certain cases. Estimating fair values for loans associated with the airline industry is difficult due to a limited number of similar transactions in a troubled industry. Management has therefore estimated a range of fair values for these loans.

The fair values for real estate loans and insurance policy loans are estimated using discounted cash flow analyses and using interest rates currently being offered for similar loans. Loans with similar characteristics are aggregated for purposes of the calculation.

Other loans, primarily notes from the sales of companies, are valued at the carrying amounts for variable rate loans and using discounted cash flow analyses at current market rates for fixed-rate instruments.

Marketable Securities — The fair values for marketable debt and equity securities are based on quoted market prices.

Nuclear Plant Decommissioning and Storm Damage Reserve Funds — The assets in these funds consist of cash and equivalents, which are valued at their carrying amount, and equity securities and governmental notes and bonds, which are valued at quoted market prices.

Preferred Stock of Florida Power with Sinking Funds — The fair values of Florida Power's preferred stock subject to mandatory redemption are estimated using discounted cash flow analyses, based on current market rates.

Debt — The carrying amounts of debt with variable interest rates that reprice frequently (primarily commercial paper) approximate their fair value. The fair values for debt with fixed interest rates are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The fair value analysis ignores redemption prices and issuance costs (including underwriting commissions) that would be required to refund existing fixed interest rate debt. In addition, the analysis assumes that all of the debt is currently callable.

The Company had the following financial instruments for which the estimated fair values differ from the carrying values at December 31, 1992:

(In millions)	Carrying Amount	Fair Value
ASSETS:		
Loans receivable:		
Commercial finance business:		
Real estate	$ 139.6	$ 132
Airline	67.9	37 to 54
Life insurance business:		
Loans secured by real estate	11.2	11.7
Policy loans	9.9	8.1
Other	11.9	11.6
Less: Allowance for loan losses	(19.2)	–
Total loans	$ 221.3	$200.4 to 217.4
Marketable securities	$ 119.5	$ 122.6
Nuclear plant decommissioning and storm damage reserve funds	92.7	96.4
CAPITAL AND LIABILITIES:		
Preferred stock with sinking funds	$ 95.0	$ 99.7
Long-term debt:		
Florida Power Corporation	1,355.8	1,376.1
Progress Capital Holdings	487.1	503.4

In accordance with its liquidation plan, Progress Credit Corporation (PCC) sold $118.4 million of marketable securities during 1991 for a pretax gain of $14.5 million.

(5) LEASES AND LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

At December 31, 1992 and 1991, investments in leases and loans receivable were as follows:

(In millions)	1992	1991
Finance leases:		
Rentals receivable	$283.3	$240.8
Unguaranteed residual values	183.3	203.3
Unearned income	(91.5)	(68.9)
Deferred investment tax credits	(25.4)	(31.3)
Total finance leases	349.7	343.9
Loans receivable:		
Commercial finance business	207.5	275.3
Life insurance business	21.1	24.0
Total loans receivable	228.6	299.3
Allowance for losses	(23.3)	(20.5)
	555.0	622.7
Less: Current portion	25.4	62.1
	$529.6	$560.6

Rentals receivable from finance leases represent unpaid rentals less principal and interest on non-recourse third party debt. PCC's share of rentals receivable is subordinate to the share of the debt holders who also have a security interest in the leased property.

Finance leases primarily consist of leveraged investments in aircraft as described below. The majority of the aircraft leases have terms of 15 to 20 years, with a maximum of 28 years. Net contractual maturities of rentals receivable under these contracts are $17.9 million, $17.5 million, $21.4 million, $18.6 million and $14.3 million for 1993 through 1997, respectively, and $193.6 million thereafter. Deferred taxes applicable to leveraged leases were $264.2 million and $287.5 million at December 31, 1992 and 1991, respectively.

Net income recognized from leveraged leases (after payments to non-recourse lenders, but before other borrowing costs) were as follows:

(In millions)	1992	1991	1990
Lease income (loss)	$(3.6)	$ (.7)	$10.1
Income tax effect	(3.5)	.8	(3.4)
Amortization of investment tax credits	5.9	2.0	2.9
	$(1.2)	$2.1	$ 9.6

At December 31, 1992 and 1991, PCC's portfolio included investments in the airline and commercial real estate industries as follows:

(In millions)	1992	1991
Airline industry:		
Finance leases	$269.3	$252.4
Loans receivable	67.9	112.0
Joint ventures and unregistered stock	43.2	48.8
Equipment on operating lease	9.5	10.6
	$389.9	$423.8
Commercial real estate industry:		
Finance leases	$ 15.9	$ 18.0
Loans receivable	139.6	163.3
	$155.5	$181.3

PCC's commercial finance loans to entities associated with the airline industry are secured by security interests on aircraft, aircraft engines or spare parts. These loans are further collateralized, where applicable, by an assignment to PCC of the borrowers' lease agreements with third party users of the secured equipment and, in some cases, third party guaranties.

PCC's loans receivable from borrowers engaged in commercial real estate activities are secured by first mortgage liens on the related commercial real estate, assignment of leases and selected third party guaranties.

In September 1991, the Company announced that PCC would begin an orderly withdrawal from the commercial leasing and lending industry. No new transactions are being initiated, and PCC's portfolio of leases, loans and other investments are being reduced as the portfolio maturities and market opportunities permit.

Due to conditions in the airline industry and a weak real estate market, PCC has experienced delinquencies in ongoing lease and loan payments as well as loan principal maturities. PCC has negotiated the restructuring of certain transactions. Although most of the outstanding real estate and aircraft loans mature during the next five years, PCC expects many of the borrowers will not be able to retire the loans at maturity. PCC will pursue its options for any non-performing assets, including restructuring, remedial actions and remarketing. The Company believes PCC's existing reserve of $22.9 million is adequate to cover its planned orderly liquidation, assuming no further deterioration in the airline and real estate industries.

PCC's portfolio at December 31, 1992 includes $71.1 million of aircraft leases, which were restructured in 1991 and 1992, and $22.6 million, which currently is being restructured. PCC's portfolio also includes approximately $56.4 million of restructured aircraft loans to Pegasus Capital Corporation, a company in which PCC has a 21% minority interest. In addition, PCC has received $10 million in partial principal payments on a $35-million restructured real estate loan and anticipates full repayment upon the expected sale of the collateral property in 1994. All restructured assets were performing in accordance with their new terms at year-end and the restructurings did not materially reduce PCC's future annual revenue.

During 1992 and 1991, PCC provided $6.4 million and $17.9 million, respectively, for possible loan and lease losses and had write-offs totaling $3.7 million and $7.5 million, respectively.

Leases and loans generally are placed on non-accrual status when the collectibility of interest or principal is uncertain. One real estate loan for $15.1 million was on non-accrual status as of December 31, 1992. The assets that collateralize this loan are in the process of being sold. The expected loss of up to $4.5 million on this loan has been included in PCC's reserve balance at December 31, 1992.

In addition to the above, PCC foreclosed on a $5.4-million real estate loan during 1991 and is currently marketing the property for resale.

(6) INCOME TAXES

(In millions)	1992	1991	1990
Components of income tax expense:			
Payable currently:			
Federal	$ 98.1	$ 99.5	$ 84.1
State	7.8	14.3	13.5
	105.9	113.8	97.6
Deferred, net (see below):			
Federal	(9.3)	(12.9)	7.0
State	1.0	.4	3.0
	(8.3)	(12.5)	10.0
Amortization of investment tax credits, net	(9.1)	(9.8)	(7.0)
	88.5	91.5	100.6
Tax benefits related to discontinued operations	–	.4	1.8
	$ 88.5	$ 91.9	$102.4
Components of deferred income tax:			
Difference between financial and tax accounting for leases	$(27.4)	$ 19.4	$ 40.1
Accelerated over (under) straight-line tax depreciation	6.6	(2.4)	7.1
Underrecovery (overrecovery) of fuel cost	18.7	(16.0)	(4.0)
Non-deductible reserves, net	(5.0)	(7.1)	(5.3)
Overhead expenses capitalized for tax purposes, net	(7.6)	(3.5)	(11.9)
Difference between financial and tax accounting for property sales	–	1.8	(9.6)
Decrease in alternative minimum tax carryforward	2.4	2.5	4.9
Other	4.0	(7.2)	(11.3)
	$ (8.3)	$(12.5)	$ 10.0

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

	1992	1991	1990
Federal statutory income tax rate	34.0%	34.0%	34.0%
State income tax, net of federal income tax benefits	3.0	3.5	3.9
Amortization of investment tax credits	(3.2)	(3.5)	(3.8)
Other	(2.3)	(1.1)	1.6
Effective income tax rates	31.5%	32.9%	35.7%

At December 31, 1992, Florida Progress had net noncurrent deferred tax liabilities of $816.7 million and net current deferred tax assets of $13.7 million. The principal timing differences, at original tax rates, included in these deferred tax balances are the difference between book and tax basis for depreciable assets of $610 million and the difference between financial and tax accounting for leases of $264 million.

The Company plans to adopt the provisions of Financial Accounting Standard No. 109, "Accounting for Income Taxes," effective January 1, 1993. At the time of adoption, the Company will reduce its deferred tax balance by approximately $60 million. Substantially all of this reduction is attributable to Florida Power, which will record a net corresponding regulatory liability for a similar amount. The adoption of this standard will have no significant earnings impact. The Company does not plan to restate prior years' results for this change.

(7) BUSINESS SEGMENTS

The Company defines its principal business segments as utility and diversified operations. The utility is engaged in the generation, purchase, transmission, distribution and sale of electric energy. The diversified segment includes coal mining, procurement and transportation operations that have significant sales to the utility. Other continuing diversified operations include activities in leveraged leasing, commercial finance, life insurance, real estate and technology.

The Company's business segment information for continuing operations for 1992, 1991 and 1990 is summarized below. No single customer accounted for more than 10% of unaffiliated revenues. Intra-segment sales have been eliminated and the Company's equity in the earnings of partnerships and joint ventures has been included in revenues.

(In millions)	1992	1991	1990
Revenues:			
Utility	$1,774.1	$1,718.8	$1,709.1
Diversified:			
Electric Fuels Corporation			
Coal sales to electric utility	264.6	262.2	285.2
Sales to external customers	200.7	197.1	171.5
Other diversified	122.8	161.1	130.6
	2,362.2	2,339.2	2,296.4
Eliminations	(266.9)	(264.5)	(285.6)
Revenues from external customers	$2,095.3	$2,074.7	$2,010.8
Income from operations:			
Utility	$ 367.1	$ 359.8	$ 377.9
Diversified:			
Electric Fuels Corporation	21.1	17.4	17.7
Other diversified	16.6	38.2	38.5
	404.8	415.4	434.1
Interest and other expense	140.6	149.0	151.9
Income from continuing operations before income taxes	$ 264.2	$ 266.4	$ 282.2
Identifiable assets:			
Utility	$3,980.3	$3,642.9	$3,515.8
Diversified:			
Electric Fuels Corporation	328.7	280.4	258.4
Other diversified	1,024.0	1,101.6	1,271.7
	$5,333.0	$5,024.9	$5,045.9
Depreciation and amortization:			
Utility	$ 243.4	$ 241.9	$ 190.4
Diversified:			
Electric Fuels Corporation	18.9	17.8	12.9
Other diversified	6.4	6.6	4.1
	$ 268.7	$ 266.3	$ 207.4
Capital additions:			
Utility	$ 493.5	$ 359.7	$ 276.5
Diversified:			
Electric Fuels Corporation	23.1	28.9	19.7
Other diversified	3.0	9.0	31.2
	$ 519.6	$ 397.6	$ 327.4

(8) RETIREMENT BENEFIT PLANS

The Company and certain of its subsidiaries have a noncontributory defined benefit pension plan covering substantially all employees. The benefits are based on length of service, compensation during the highest consecutive 48 of the last 120 months of employment and social security benefits. Prior to January 1, 1992, the compensation portion of the benefit formula was based on the highest consecutive 60 of the last 120 months of employment. The participating companies make annual contributions to the plan based on an actuarial determination and in consideration of tax regulations and funding requirements under federal law.

Based on actuarial calculations and the funded status of the pension plan, the Company was not required to contribute to the plan for 1992, 1991 or 1990. Shown below are the components of the net pension cost calculations for those years.

(In millions)	1992	1991	1990
Service cost	$18.1	$ 13.9	$ 15.1
Interest cost	25.4	22.4	21.1
Actual losses (earnings) on plan assets	(37.3)	(91.4)	19.2
Net amortization and deferral	(3.1)	58.0	(55.8)
Net pension cost (benefit)	3.1	2.9	(.4)
Regulatory adjustment	(.9)	(2.7)	.4
Net pension cost recognized	$ 2.2	$ .2	$ –

The following weighted average actuarial assumptions were used in the calculation of pension costs:

	1992	1991	1990
Discount rate	7.25%	8.50%	7.50%
Expected long-term rate of return	9.00%	9.00%	9.00%
Rate of compensation increase	6.00%	6.00%	6.75%

The following summarizes the funded status of the pension plan at December 31, 1992 and 1991:

(In millions)	1992	1991
Accumulated benefit obligation:		
Vested	$229.2	$224.1
Non-vested	33.9	32.8
	263.1	256.9
Effect of projected compensation increases	96.3	94.1
Projected benefit obligation	359.4	351.0
Plan assets at market value, primarily listed stocks and bonds	460.0	435.0
Plan assets in excess of projected benefit obligation	$100.6	$ 84.0
Consisting of the following components:		
Unrecognized transition asset	$ 50.3	$ 55.2
Unrecognized prior service cost	(11.2)	(6.5)
Effect of changes in assumptions and difference between actual and estimated experience	61.5	35.3
	$100.6	$ 84.0

The following weighted average actuarial assumptions were used in calculating the plan's year-end funded status:

	1992	1991
Discount rate	7.75%	7.25%
Rate of compensation increase	5.50%	6.00%

The Company will implement Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," in the first quarter of 1993. This standard requires that an employer's obligation for postretirement benefits be fully accrued by the date employees attain full eligibility to receive such benefits. The Company and some of its subsidiaries provide some health care and life insurance benefits for retired employees. Employees become eligible for these benefits when they reach normal retirement age while working for the Company. The Company has estimated that its unaccrued liability at January 1, 1993 is approximately $120 million. This liability assumes a discount rate of 8%, and medical trend rates for 1993 and years thereafter ranging from 14.5% to 6% for persons under age 65, and 10.5%

to 5% for retirees over age 65. The Company plans to accrue this obligation over a 20-year period. The Company's policy since January 1, 1985 has been to accrue benefits currently payable along with amortization of past service costs of current retirees. The Company had accrued $23.9 million at December 31, 1992 using this method. The Company forecasts its annual cost for 1993 will increase from approximately $5 million to approximately $23 million under the new standard. A substantial portion of the additional cost will be recovered from Florida Power customers through the recently approved increase in retail base rates as discussed in Note 10.

(9) NUCLEAR OPERATIONS

Jointly Owned Plant — In 1992, Florida Power purchased the city of Sebring's .45% interest in the Crystal River Nuclear Plant. The purchase price was approximately $2 million. Florida Power's 90.45% ownership in the nuclear unit as of December 31, 1992 amounted to $606.6 million of utility plant in service, $18.7 million of construction work in progress, $64.2 million of unamortized nuclear fuel and $343.3 million of accumulated depreciation, which includes $102 million of accumulated provisions for decommissioning costs. The 1992 net capital additions for Florida Power were $20.5 million, and depreciation expense, exclusive of nuclear decommissioning, was $25 million. Each participant provides for its own financing. Florida Power's share of the operating costs is included in the appropriate expense captions in the consolidated statements of income.

Decommissioning Costs — Florida Power's nuclear plant depreciation rates include a provision for future decommissioning costs that are recoverable through rates charged to customers. Florida Power is placing its collections in an externally managed trust fund. The recovery from customers, plus income earned on the trust fund, are intended to be sufficient to cover Florida Power's share of the future dismantlement, removal and land restoration costs. Florida Power has a license to operate the nuclear unit through December 3, 2016, and contemplates decommissioning beginning at that time. Total future decommissioning costs, in the latest study approved by the regulatory authorities, were estimated to be approximately $216 million in 1992 dollars. Decommissioning expense, as authorized by the FPSC and the Federal Energy Regulatory Commission (FERC), adjusted for the acquisition of the city of Sebring's .45% interest in the nuclear unit, was $11.9 million for 1992 and $11.8 million for 1991 and 1990. In response to issues raised by the FPSC, a new decommissioning cost study was submitted in September 1991, which estimated total future decommissioning costs to be $293.1 million in 1991 dollars. The FPSC postponed its consideration of the study until 1994, at which time updated decommissioning cost estimates will be reviewed. Florida Power expects to be able to recover any increase in nuclear decommissioning costs through future rates.

The National Energy Policy Act of 1992 establishes a fund to pay for the decontamination and decommissioning of nuclear enrichment facilities operated by the U.S. Department of Energy (DOE). The fund is expected to consist of payments from affected domestic utilities and the federal government. Florida Power's estimated annual special assessment, before adjustment for inflation, is expected to be $1.4 million. Florida Power recognized the total estimated liability of $21.6 million at December 31, 1992, with a corresponding regulatory asset, as this special assessment is expected to be recovered from customers through the fuel adjustment clause. Florida Power expects collection to begin in 1993.

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 or under construction for fuel burned through the year 2009.

Plant Maintenance and Refueling Outages — Florida Power accrues a reserve for maintenance and refueling expenses anticipated to be incurred during scheduled nuclear plant outages. A planned midcycle maintenance outage, which occurred from October 10 to November 25, 1991, resulted in a cost of $9.5 million to Florida Power.

The 1992 refueling outage, which occurred from April 30 to July 16, 1992, a total of 77 days, resulted in a cost of $30.2 million to Florida Power.

The next planned midcycle maintenance outage, scheduled for eight weeks beginning in March 1993, presently is estimated to cost $12 million.

Insurance — The Price-Anderson Act currently limits the liability of an owner of a nuclear power plant for a single nuclear incident to $7.8 billion. Florida Power has purchased the maximum available commercial insurance of $200 million with the balance provided by indemnity agreements prescribed by the U.S. Nuclear Regulatory Commission. In the event of a nuclear incident at any U.S. nuclear power plant, Florida Power could be assessed up to $66 million per incident, with a maximum assessment of $10 million per year. In addition to this liability insurance, Florida Power carries extra expense insurance with Nuclear Electric Insurance, Ltd. (NEIL) to cover the cost of replacement power during any prolonged outage of the nuclear unit. Under this policy, Florida Power is subject to a retroactive premium assessment of up to $2.8 million in any year in which policy losses exceed accumulated premiums and investment income.

(10) RATES AND REGULATION

Retail Rates — Effective January 1, 1991, the FPSC voted to discontinue a customer billing credit that increased 1991 retail revenues by $12.7 million and net income by $7.9 million. Prior to 1990, the original credit related to the pass-through to customers of a deferred income tax savings from tax rate reductions.

In January 1992, Florida Power filed a retail base rate increase request of $145.9 million based on a regulatory return on equity of 13.6 percent. The request was based upon a dual-year test period that included 1992 and 1993. In September 1992, the FPSC granted Florida Power an annual revenue increase of $85.8 million.

The new rates provide Florida Power the opportunity to earn a regulatory return on equity of 12 percent, with a new allowed range between 11 and 13 percent. The FPSC granted increases in retail base rates of approximately $58 million in November 1992, $9.7 million in April 1993 and $18.1 million in November 1993. The FPSC also upheld a previously awarded interim increase of $31.2 million. Although motions for reconsideration are pending on portions of the increase, a final FPSC decision is expected in February 1993. Management expects no significant changes in the final order.

The interim rates and new base rates increased 1992 operating revenues by $29 million and increased earnings by $15.4 million, after recording new expenses authorized in the rate case.

Wholesale Rates — Florida Power's rate treatment of its wholesale customers was consistent with the rate treatment of its retail customers for 1990. However, in 1991 wholesale customers continued to receive a small customer billing credit that was discontinued for retail customers.

In December 1992, Florida Power reached a settlement agreement for 1992 with its wholesale and transmission customers. The new rates will increase annual revenues approximately $1 million. The settlement provides for a retroactive change in Florida Power's depreciation rates to December 1990. (See Note 1 on page 28.)

In December 1992, Florida Power filed an $8.4-million rate increase with FERC for 1993. The new rates for its wholesale customers would enable Florida Power to include the cost of new facilities and increased capacity costs into base rates.

(11) COMMITMENTS AND CONTINGENCIES

Utility Construction Program — Substantial commitments have been made in connection with Florida Power's construction program, which are presently estimated to result in construction expenditures in 1993 of $446 million for electric plant and nuclear fuel.

Fuel and Purchased Power Commitments — To supply a portion of the fuel requirements of its generating plants, Florida Power has entered into various long-term commitments to provide fossil and nuclear fuels 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. Additional commitments will be required in the future to supply Florida Power's fuel needs.

Florida Power has entered into long-term contracts with The Southern Company for up to 400 megawatts of purchased power annually through 2010, representing approximately 5% of total current system capacity. The power will be supplied by coal-fired generating units that have a combined capacity of approximately 3,500 megawatts. The entire commitment is guaranteed by The Southern Company's total system, which is approximately 30,000 megawatts. The long-term contracts obligate Florida Power to pay certain minimum annual amounts representing capacity payments. The estimated annual capacity payments under the contracts would be $38 million, $50 million, $62 million and $61 million for 1993, 1994, 1995 and 1996 through 2010, respectively. The capacity cost of power purchased under these contracts was $22 million in 1992 and 1991 and $19 million in 1990.

As of December 31, 1992, Florida Power had entered into long-term contracts with non-utility electricity generators for 1,091 megawatts of capacity. These contracts have terms ranging from 20 to 35 years. In most cases these contracts account for 100% of the generating capacity of each of the facilities. Of the 1,091 megawatts under contract, 187 megawatts are currently available and the remaining future capacity is a part of the utility's plans for meeting future electricity demand growth. All commitments have been submitted to, and approved by, the FPSC. However, Florida Power expects that approximately 25% (65 megawatts) of the future projects that have not secured financing nor started construction will fail to come on line.

The table below shows the annual capacity payments, and the present value of these payments at 10% (at December 31, 1992), that the utility expects to incur if all units were to come on line as contracted, based upon such generation being available:

(In millions)	Capacity Payments	Present Value
1993	$ 24.6	$ 22.4
1994	81.7	67.5
1995	193.0	145.0
1996	226.4	154.6
1997	235.3	146.1
1998-2025	10,608.3	1,748.7
Total	$11,369.3	$2,284.3

The capacity cost of power purchased from non-utility generators was $10 million in 1992 and $2 million in 1991 and 1990.

Florida Power does not plan to vary materially from the level of purchased power it currently has under contract. The utility believes that its current contracts allow for system reliability and help reduce construction expenditures. However, without a change in regulatory policy, these contracts could weaken its overall credit ratings.

The FPSC allows these capacity payments to be recovered through a capacity cost recovery clause, which is similar to, and works in conjunction with the fuel adjustment clause.

Coal-Related Contracts — In connection with the supply of coal to Florida Power, Electric Fuels Corporation has entered into several contracts with outside parties for the purchase of coal and also several operating leases related to coal procurement, processing and transportation. Minimum coal purchases are approximately 5.1 million tons per year. The annual obligations under these commitments are $207.9 million, $178 million, $118.9 million, $73.3 million and $73 million for the years 1993 through 1997, respectively, and $337.9 million thereafter. The total cost incurred under these commitments was $247.9 million in 1992, $242.4 million in 1991 and $243.1 million in 1990.

Off-Balance Sheet Risk — Several of the Company's subsidiaries are general partners in unconsolidated partnerships and joint ventures. The Company or subsidiaries have agreed to support certain loan agreements of the partnerships and joint ventures. The totals of the debt support agreements were $68.7 million and $84 million at December 31, 1992 and 1991, respectively, of which $11.2 million were cash deficiency agreements, $45.8 million and $69.1 million were guaranties, and $11.7 million and $3.7 million were stand-by letters of credit, respectively. As a general partner, those subsidiaries are potentially liable for all the partnerships' obligations. If the other partners failed to perform their obligations and if the partnership assets, consisting primarily of land and buildings, were worthless, those subsidiaries could be liable for an additional $118.9 million as of December 31, 1992, which represents partnership liabilities exceeding amounts as mentioned earlier. The Company considers these credit risks to be minimal, based upon the asset values supporting the partnership liabilities.

Maturities under these debt agreements, excluding nonrecourse debt, totaled $43.2 million, $2.6 million, $2.9 million, $21.3 million and $22.4 million for 1993 through 1997, respectively.

Retroactive Insurance Premiums — As mentioned under Note 9, "Nuclear Operations," Florida Power is subject to retroactive premium assessments in connection with its nuclear insurance. In addition, Florida Power currently carries approximately $2 billion in property insurance provided through several different policies. One of these policies, which also is underwritten by NEIL, provides $1.3 billion of excess coverage. Under this policy, Florida Power is subject to a retroactive premium assessment of up to $6.7 million in any policy year in which losses exceed funds available to NEIL.

Contaminated Site Cleanup — Several subsidiaries of the Company have received notices from the U.S. Environmental Protection Agency (EPA) that each is or could be a "potentially responsible party" under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and the Superfund Amendment and Reauthorization Act and may be jointly and severally required to share in the costs of cleaning up several contaminated sites identified by the EPA. In addition, Florida Power has been named as a defendant in one suit brought against four prior owners of a coal gasification plant site, seeking contributions pursuant to CERCLA and Florida law toward the cost of cleaning up that site and nearby property that may have become contaminated. The Company is unable to estimate the extent of its liability for the cleanup of these sites, because the extent to which other parties will ultimately share in the costs of cleaning up these sites is not presently determinable, and because the Company has not yet been able to determine the potential costs of cleaning up these sites. Management expects to recover the costs for most of these sites through the ratemaking process, but recognizes that recovery is not assured.

Union Carbide Lawsuit — Florida Power and Florida Power & Light Company (FP&L) are co-defendants in an antitrust action brought by Union Carbide Corporation (UCC), a customer of FP&L, seeking injunctive relief and damages. The suit challenges a longstanding territorial agreement between the two unaffiliated, neighboring utilities, notwithstanding the defendants' contention that the agreement was clearly authorized by state law and approved by the FPSC. Florida Power believes that the state action exemption from the antitrust laws is applicable to the agreement and its consequent refusal to provide electricity to UCC. While it is not possible to determine the Company's exposure to liability, management believes it has a strong defense and intends to vigorously defend against this action.

(12) DISCONTINUED OPERATIONS

In October 1990, the Company announced its intention to sell its building products operations as part of its strategic planning effort to review the long-term direction of the Company. The Company provided for the disposition costs and future operating losses of the building products segment in 1990, which reduced earnings by $14.2 million, net of applicable tax benefits of $1.7 million. The Company sold all the building products companies by early 1992 and recorded an additional $2.4 million provision for losses in 1991, net of tax benefits of $1.4 million, based on the final sales prices for the companies. The Company received net cash and notes totaling $29.2 million in 1991 related to these sales, and received an additional $19.8 million in 1992. The accompanying financial statements account for these companies as "Discontinued Operations." Accordingly, the results and balances related to this segment have been segregated from the ongoing operations of the Company in the accompanying financial statements for all years presented. In addition, the Company's real estate unit is managing and attempting to sell certain real estate holdings totaling $9.3 million previously used in the building products operations.

QUARTERLY FINANCIAL DATA (Unaudited)

(In millions, except per share amounts)	Three Months Ended March 31	June 30	September 30	December 31
1992				
Revenues	$463.5	$511.7	$626.6	$493.5
Income from operations	79.5	84.8	148.9	91.6
Net income	30.1	34.9	74.6	36.1
Earnings per average common share	.36	.41	.86	.41
Dividends per common share	.473	.473	.473	.485
Common stock price per share:				
High	31¼	30⅞	33¼	33⅛
Low	27⅞	28¼	30¼	31¼
1991				
Revenues	$456.6	$528.1	$589.4	$500.6
Income from operations	87.0	106.1	148.3	74.0
Net income	33.0	43.1	71.5	24.5
Earnings per average common share:				
Continuing operations	.43	.54	.87	.33
Discontinued operations	—	—	—	(.03)
Net income	.43	.54	.87	.30
Dividends per common share	.457	.457	.457	.473
Common stock price per share:				
High	27⅛	27¾	29⅜	31½
Low	24⅜	25⅞	25¾	28⅝

The business of the Company's largest subsidiary, Florida Power, is seasonal in nature and it is management's opinion that comparisons of earnings for the quarters do not give a true indication of overall trends and changes in the Company's operations. As explained in Note 1 on page 28, Florida Power recorded an adjustment to depreciation expense in the fourth quarter of 1992, which increased earnings by $5.6 million. Due to the timing of common stock issues, the sum of the quarterly earnings per share do not equal the corresponding annual figure.

MANAGEMENT'S REPORT

To Our Shareholders:

Management is responsible for the integrity and objectivity of the financial and operating information contained in this 1992 Annual Report to Shareholders, including the consolidated financial statements covered by the Auditors' Report. These statements were prepared in accordance with generally accepted accounting principles and necessarily include amounts that are based on judgments and estimates by management.

Florida Progress Corporation maintains internal control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed as authorized and are properly recorded and that accounting records may be relied upon for the preparation of consolidated financial statements and other financial information. These policies and procedures include a Code of Conduct program intended to ensure employees adhere to the highest standards of personal and professional integrity. The design, monitoring and revision of internal control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The company also maintains an internal auditing function that evaluates and formally reports on the adequacy and effectiveness of internal controls, policies and procedures.

In addition, the audit committee of the board of directors, consisting solely of outside directors, meets periodically with management, the internal auditors and the independent auditors to review matters related to internal controls, audit results, financial statements and financial reporting. Annually, the audit committee recommends to the board of directors the selection of independent auditors. Both the independent auditors and the internal auditors periodically meet alone with the audit committee and have free access to the committee at any time.

For Management,

David R. Kuzma

David R. Kuzma
Senior Vice President and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Florida Progress Corporation:

We have audited the accompanying consolidated balance sheets of Florida Progress Corporation and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the years in the three-year period ended December 31, 1992. These financial statements are the responsibility of Florida Progress Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Progress Corporation and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1992, in conformity with generally accepted accounting principles.

KPMG Peat Marwick

St. Petersburg, Florida
January 25, 1993

SELECTED DATA 1982 – 1992

	Annual Growth Rates *(in percent)* 1987-1992	1982-1992	1992	1991	1990
FLORIDA PROGRESS CORPORATION					
Summary of operations (in millions):					
Utility revenues	3.8	3.8	$ 1,774.1	$ 1,718.8	$ 1,709.1
Diversified revenues (continuing)	5.5	51.3	321.2	355.9	301.7
Income from continuing operations	(.9)	7.9	175.7	174.5	179.8
Income (loss) from discontinued operations			–	(2.4)	(15.0)
Net income	(1.3)	7.9	175.7	172.1	164.8
Balance sheet data (in millions):					
Total assets	5.6	6.2	$ 5,333.0	$ 5,024.9	$ 5,045.9
Capitalization:					
Short-term capital	(5.6)	16.8	$ 201.9	$ 68.2	$ 681.0
Long-term debt	8.7	3.3	1,656.4	1,659.1	1,326.2
Preferred stock	(1.5)	(2.4)	216.0	231.0	233.5
Common stock equity	6.6	9.1	1,737.6	1,587.7	1,424.3
Total capitalization	5.9	5.5	$ 3,811.9	$ 3,546.0	$ 3,665.0
Common stock data:					
Average shares outstanding (in millions)	2.5	4.3	85.4	80.8	77.0
Earnings per share:					
Utility	(2.0)	3.7	$1.99	$2.03	$2.15
Diversified	(21.8)	8.8	.07	.13	.18
Discontinued operations			–	(.03)	(.19)
Consolidated	(3.7)	3.4	2.06	2.13	2.14
Dividends per common share	3.4	4.6	1.905	1.843	1.777
Dividend payout			93.0%	87.0%	82.9%
Dividend yield			5.9%	6.0%	7.2%
Book value per share of common stock	3.8	4.6	$19.85	$19.14	$18.37
Return on common equity			10.6%	11.4%	11.8%
Common stock price per share:					
High			33¼	31½	27
Low			27⅞	24⅜	22¼
Close	8.4	10.0	32⅝	31¼	25½
Price earnings ratio (year-end)			15.8	14.7	11.9
Other year-end data:					
Number of employees	(2.1)	4.1	7,301	7,350	7,879
Number of common shareholders	(.6)	.2	44,870	42,176	41,970
FLORIDA POWER CORPORATION					
Electric sales billed (millions of KWH):					
Residential	4.4	5.6	12,825.8	12,623.9	12,415.5
Commercial	4.6	6.8	7,544.1	7,489.2	7,325.7
Industrial	(.6)	1.8	3,254.5	3,303.0	3,455.7
Total retail sales	3.9	5.3	25,414.0	25,179.1	24,878.3
Total electric sales	2.6	3.3	27,375.5	27,350.2	27,143.7
Residential service (average annual):					
KWH sales per customer	1.5	2.1	12,214	12,257	12,319
Revenue per customer	1.3	2.1	$884	$899	$896
Ratio of earnings to fixed charges (SEC method)	(1.2)	4.7	3.84	3.87	3.89
Embedded cost of long-term debt	(.8)	(2.1)	7.8%	7.8%	7.9%
Embedded cost of preferred stock	–	(2.5)	7.2%	7.2%	7.2%
Operating Data:					
Net system capability (MW)	3.3	1.7	7,002	6,623	6,571
Net system peak (MW)	6.5	2.7	6,982	6,056	5,026
Construction additions (in millions)	20.6	2.5	$491.6	$355.3	$269.5
Percentage of construction expenditures generated internally	(19.7)	(2.0)	32%	90%	52%
Average number of customers	2.9	3.6	1,182,170	1,159,237	1,135,499
Number of full-time employees	1.5	1.9	5,806	5,677	5,570

1989	1988	1987	1986	1985	1984	1983	1982
1,627.0	$ 1,468.5	$ 1,472.2	$ 1,530.5	$ 1,504.9	$ 1,336.7	$ 1,371.8	$ 1,222.5
274.3	270.1	245.5	186.0	159.0	63.4	2.8	5.1
186.1	178.6	184.1	180.7	160.9	115.8	103.9	82.1
1.0	1.2	3.7	.5	–	–	–	–
187.1	179.8	187.8	181.2	160.9	115.8	103.9	82.1
4,610.4	$ 4,272.3	$ 4,067.2	$ 3,855.5	$ 3,666.6	$ 3,432.8	$ 3,170.9	$ 2,914.9
498.6	$ 366.5	$ 269.0	$ 89.5	$ 205.0	$ 61.1	$ 65.4	$ 42.7
1,125.8	1,048.8	1,093.0	1,240.3	1,220.9	1,310.7	1,250.6	1,195.2
233.5	233.5	233.5	233.5	265.1	268.2	274.3	275.9
1,372.3	1,316.9	1,264.7	1,156.4	1,014.2	883.5	818.3	725.0
3,230.2	$ 2,965.7	$ 2,860.2	$ 2,719.7	$ 2,705.2	$ 2,523.5	$ 2,408.6	$ 2,238.8
76.6	76.6	75.4	73.3	68.4	64.0	59.0	55.8
$2.19	$2.21	$2.20	$2.25	$2.25	$1.77	$1.79	$1.44
.24	.13	.24	.21	.10	.04	(.03)	.03
.01	.01	.05	.01	–	–	–	–
2.44	2.35	2.49	2.47	2.35	1.81	1.76	1.47
1.72	1.667	1.613	1.54	1.46	1.38	1.30	1.22
70.4%	71.0%	64.7%	61.4%	62.2%	76.3%	73.6%	83.1%
6.6%	7.3%	7.6%	6.1%	7.4%	9.1%	10.1%	10.1%
$17.92	$17.20	$16.51	$15.51	$14.42	$13.35	$13.07	$12.62
13.9%	13.9%	15.5%	16.4%	16.8%	13.6%	13.7%	11.8%
26¾	25⅛	29¼	31¼	20⅝	16⅛	15	13
22⅞	21¼	19½	20⅛	15½	12½	12	9⅞
26⅝	23¼	21¾	26⅜	20½	15¾	13½	12⅝
10.9	9.9	8.7	10.7	8.7	8.7	7.7	8.6
7,490	7,974	8,116	8,030	7,208	5,573	5,077	4,864
43,005	44,929	46,147	46,586	48,052	48,933	48,712	43,887
1,786.9	11,065.6	10,318.8	9,819.2	9,175.0	8,553.6	8,009.5	7,425.0
6,989.8	6,479.4	6,016.4	5,573.0	5,106.6	4,547.7	4,118.6	3,895.2
3,766.1	3,680.6	3,349.4	3,122.3	3,166.0	2,989.0	2,701.0	2,715.5
4,123.3	22,691.7	21,039.6	19,833.8	18,716.0	17,279.1	15,972.0	15,130.6
6,510.5	26,130.9	24,103.7	23,170.0	21,272.4	20,596.4	21,774.0	19,869.9
12,059	11,754	11,356	11,255	10,940	10,638	10,388	9,964
$845	$814	$827	$914	$883	$818	$783	$720
3.79	3.79	4.08	4.29	3.81	3.07	2.94	2.42
8.1%	8.0%	8.1%	8.7%	8.8%	9.2%	9.1%	9.6%
7.2%	7.2%	7.2%	8.4%	9.3%	9.3%	9.3%	9.3%
6,309	6,086	5,966	5,961	5,989	5,927	5,993	5,899
6,817	6,188	5,087	5,977	5,813	4,858	4,913	5,347
$254.8	$201.1	$192.8	$195.2	$201.2	$284.5	$285.8	$385.3
73%	100%	96%	100%	100%	99%	66%	39%
01,817	1,060,971	1,023,222	980,427	940,976	900,799	861,548	829,810
5,553	5,512	5,395	5,323	5,215	5,070	4,923	4,829

BOARD OF DIRECTORS

Dr. Jack B. Critchfield, 59, is Chairman of the Board and Chief Executive Officer of Florida Progress. He served as a Florida Power Corporation director from 1975 to 1978 before joining the utility in 1983. He is a director of Barnett Banks, Inc. in Jacksonville, Florida. A company director since 1988, he is chairman of the Executive Committee.

Michael P. Graney, 49, is a Partner in the law firm of Simpson Thacher & Bartlett in Columbus, Ohio. Specializing in utilities law, litigation and antitrust, he is a member of the American, District of Columbia, Ohio and Columbus Bar Associations and the Federal Energy Bar Association. A company director since 1991, he is a member of the Compensation, Executive and Nominating Committees.

Allen J. Keesler, Jr., 54, is President and Chief Executive Officer of Florida Power. Since joining Florida Power in 1963, he has held several positions in engineering and operations. In 1982, he was promoted to President and Chief Executive Officer of Talquin Corporation and served in that position until returning to Florida Power in 1988. He is a director of SouthTrust Corporation. A Florida Power director since 1988 and a company director since 1992, he is a member of the Finance & Budget Committee.

Richard Korpan, 50, is President and Chief Operating Officer of Florida Progress. He joined the company in 1989 as Executive Vice President and Chief Financial Officer. He previously served as President and Chief Executive Officer of Pacific Diversified Capital Company, a subsidiary of San Diego Gas & Electric Company. He is a director of SunBank of Tampa Bay. A company director since 1989, he is a member of the Executive and Finance & Budget Committees.

Clarence V. McKee, 50, is Chairman and Chief Executive Officer of McKee Communications, Inc., a television and radio investment firm in Tampa, Florida. He is a director of Barnett Bank of Tampa, N.A. and Barnett Banks, Inc. in Jacksonville. A company director since 1989, he is chairman of the Compensation Committee and a member of the Audit Committee.

Clarence W. McKee, Jr., 68, is a retired Executive Vice President and Chief Financial Officer of Florida Progress. He is Chairman of the Board of Trustees of Bayfront Medical Center in St. Petersburg. A Florida Power director since 1976 and a company director since 1982, he is a member of the Finance & Budget Committee.

Vincent J. Naimoli, 55, is Chairman and Chief Executive Officer of Anchor Industries International, Inc., a Tampa investment and management firm. He previously served as Chairman and Chief Executive Officer of Anchor Glass Container Corporation. A company director since 1992, he is a member of the Compensation and Finance & Budget Committees.

Richard A. Nunis, 60, is Chairman of Walt Disney Attractions in Orlando, Florida. He is a director of The Walt Disney Company and SunBank, N.A. in Orlando. A company director since 1989, he is chairman of the Finance & Budget and Nominating Committees and a member of the Executive Committee.

Charles B. Reed, 51, is Chancellor of the State University System of Florida. He previously served as Chief of Staff and Deputy Chief to Florida Governor Bob Graham. A company director since 1992, he is a member of the Nominating Committee.

Joan D. Ruffier, 53, is a General Partner in Sunshine Cafes, an Orlando-based food and beverage concession business, which has operations at two Florida airports. A certified public accountant, she is a former chairman of the Board of Regents of the State University System of Florida. She is a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta. A company director since 1990, she is a member of the Audit and Finance & Budget Committees.

Robert T. Stuart, Jr., 60, is a retired Chairman and Chief Executive Officer of Mid-Continent Life Insurance Company in Oklahoma City, which Florida Progress acquired in 1986. A company director since 1986, he is a member of the Executive Committee.

Jean Giles Wittner, 58, is President of Wittner & Company, a St. Petersburg firm involved in real estate management, insurance brokerage and consulting. She previously served as President and Chief Executive Officer of a savings association until it was sold in 1986. A Florida Power director since 1977 and a company director since 1982, she is chairman of the Audit Committee and a member of the Compensation Committee.

OFFICERS

Dr. Jack B. Critchfield
Chairman and Chief Executive Officer

Richard Korpan
President and Chief Operating Officer

David R. Kuzma
Senior Vice President and Chief Financial Officer

Joseph H. Richardson
Senior Vice President, Corporate Development, and President and Chief Executive Officer, Talquin Corporation

Kenneth E. Armstrong
Vice President and General Counsel

Jeffrey R. Heinicka
Vice President and Treasurer

Dan R. Johnson
Vice President and Controller

Darryl A. LeClair
Vice President, Mergers, Acquisitions and Divestitures, and President, Progress Credit Corporation

Larry J. Newsome
Vice President, Tax Administration

Stephen D. Purifoy
Secretary

Allen J. Keesler, Jr.
President and Chief Executive Officer, Florida Power Corporation

Richard D. Keller
President and Chief Executive Officer, Electric Fuels Corporation

Riley R. Simon
President and Chief Executive Officer, Mid-Continent Life Insurance Company

Dudley E. Bryant
President and Chief Executive Officer, Advanced Separation Technologies Incorporated

INVESTOR INFORMATION

Investor Services
All dividend checks, shareholder reports, proxy material and tax forms are handled from our St. Petersburg corporate office. All correspondence concerning address changes, dividend checks and related matters should be directed to:

Investor Services
Florida Progress Corporation
P. O. Box 33028
St. Petersburg, Florida 33733-8028
Telephone (813) 824-6418
Toll-Free (800) 352-1121

Transfer Agent and Registrar
Inquiries concerning the transfer of common stock certificates of Florida Progress or preferred stock certificates of Florida Power should be directed to:

Chemical Bank
Stock Transfer Administration
450 West 33rd Street, 15th Floor
New York, New York 10001
Telephone (212) 613-7147

Common Stock Dividends
Record dates are normally on or about the fifth day of March, June, September and December. Quarterly dividends are mailed to reach shareholders on or about the 20th day of March, June, September and December.

Common Stock Listed
New York Stock Exchange
Pacific Stock Exchange
Ticker symbol: FPC
Newspaper listing: FlaPrg

Annual Reports on Form 10-K and Statistical Supplement
A copy of the company's 1992 Form 10-K, without exhibits, will be supplied without charge to shareholders requesting it. A Florida Power Corporation 1992 Form 10-K, without exhibits, and a detailed 10-Year Statistical Report also are available. Requests should be addressed to Investor Services at the address shown.

Life Insurance Information
Inquiries concerning life insurance policies with Mid-Continent Life Insurance Company should be directed to:

Marketing Department
Mid-Continent Life Insurance Company
1400 Classen Drive
Oklahoma City, Oklahoma 73106
Toll-free (800) 735-9701

Auditors
KPMG Peat Marwick
St. Petersburg, Florida

Analysts' Contacts
Richard R. Champion (813) 824-6428
Director, Investor Relations

Mark A. Myers (813) 824-6422
Manager, Investor Communications

Investor Relations Fax (813) 824-6401

Corporate Offices
Barnett Tower
One Progress Plaza
St. Petersburg, Florida 33701
Telephone (813) 824-6400

PROGRESS PLUS STOCK PLAN

Progress Plus is an economical, convenient and flexible way to purchase shares of Florida Progress common stock.

Those eligible for the plan are:

- Registered shareholders
- Non-shareholders who are Florida residents
- Employees of the company and its subsidiaries.

Once enrolled in the plan, participants may:

- Automatically reinvest all or a portion of their quarterly dividends on common stock
- Make direct cash purchases of common stock.

A safekeeping service for common stock certificates also is offered to eliminate the risk of lost certificates. Since shares deposited for safekeeping are treated as Progress Plus shares, they may be sold through the plan.

The Progress Plus Stock Plan replaced the company's dividend reinvestment and stock purchase plan. Shareholders in that plan automatically became participants in the new plan. All administrative costs for the plan are paid by the company.

A Progress Plus Stock Plan prospectus and other information can be obtained by returning the reply card in the front of this annual report or by calling Investor Services, toll-free (800) 352-1121.

FLORIDA PROGRESS CORPORATION

P.O. BOX 33028 ST. PETERSBURG FLORIDA 33733-8028

SEMINOLE ELECTRIC COOPERATIVE, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992

Suite 2800
400 North Ashley Street
P.O. Box 2640
Tampa, FL 33601-2640

Telephone 813 223 7577

Price Waterhouse

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Seminole Electric Cooperative, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of revenue and expenses and patronage capital and of cash flows present fairly, in all material respects, the financial position of Seminole Electric Cooperative, Inc. and its subsidiary (the Cooperative) at December 31, 1992 and 1991, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Cooperative's management; our responsibility is to express an opinion on these financial statements based upon our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and the financial audit requirements of the government auditing standards issued by the Comptroller General of the United States. These 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Tampa, Florida
February 24, 1993

SEMINOLE ELECTRIC COOPERATIVE, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 1992	December 31, 1991
ASSETS		
Utility plant:		
Plant in service	$ 758,218,478	$ 745,592,070
Construction work in progress	34,277,627	12,353,374
	792,496,105	757,945,444
Less accumulated depreciation and amortization	(194,758,381)	(172,590,329)
Utility plant, net	597,737,724	585,355,115
Investments:		
Investments in associated organizations	17,177,131	11,903,287
Funds held by trustees	16,902,200	16,518,270
Total investments	34,079,331	28,421,557
Current assets:		
Cash and cash equivalents	67,399,201	75,898,774
Receivables, principally for sales of electricity	18,477,925	21,203,917
Inventories, at average cost:		
Materials and supplies	15,261,942	14,569,430
Fuel	24,097,881	25,600,542
Prepayments and other	4,423,338	2,135,978
Total current assets	129,660,287	139,408,641
Deferred charges	39,563,068	39,909,731
	$ 801,040,410	$ 793,095,044

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

SEMINOLE ELECTRIC COOPERATIVE, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 1992	December 31, 1991
EQUITY AND LIABILITIES		
Equity:		
Memberships	$ 1,100	$ 1,100
Patronage capital	50,758,540	36,766,995
Donated capital	31,615	31,615
Total equity	50,791,255	36,799,710
Long-term liabilities:		
Long-term debt	612,225,427	619,368,241
Obligations under capital leases	31,156,570	32,375,415
Other	197,938	1,865,405
Total long-term liabilities	643,579,935	653,609,061
Current liabilities:		
Current portion of:		
Long-term debt	7,143,061	6,479,163
Obligations under capital leases	1,193,419	1,089,217
Accounts payable	25,789,756	23,422,835
Other accrued liabilities	30,992,584	28,046,328
Total current liabilities	65,118,820	59,037,543
Deferred gain on sale-leaseback of plant	24,009,080	25,424,849
Other deferred credits	17,541,320	18,223,881
Commitments and Contingencies (Notes 10 and 11)		
	$ 801,040,410	$ 793,095,044

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

SEMINOLE ELECTRIC COOPERATIVE, INC.

CONSOLIDATED STATEMENTS OF REVENUE AND EXPENSES AND PATRONAGE CAPITAL

	For the years ended December 31,	
	1992	1991
Operating revenue	$ 456,620,935	$ 451,268,182
Operating expenses:		
Operation:		
Fuel	181,087,632	174,237,366
Other production expenses	33,560,549	32,401,570
Purchased power	75,955,980	80,534,654
Transmission	24,996,195	26,795,725
Administrative and general	14,757,758	16,035,693
Depreciation and amortization	25,998,359	25,706,498
Lease of coal-fired plant	29,755,534	30,851,705
Taxes, primarily property	10,562,056	10,464,229
	396,674,063	397,027,440
Operating margins before interest charges	59,946,872	54,240,742
Interest expense net of amounts capitalized	50,346,546	54,610,600
Operating margins/(deficits)	9,600,326	(369,858)
Patronage capital credits	58,535	87,367
Net operating margins/(deficits)	9,658,861	(282,491)
Nonoperating income/(expense):		
Interest income	5,057,889	5,948,790
Other income/(expense), net	(725,205)	444,621
Net margins	13,991,545	6,110,920
Patronage capital, beginning of year	36,766,995	31,508,037
Patronage capital retirements	---	(851,962)
Patronage capital, end of year	$ 50,758,540	$ 36,766,995

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

SEMINOLE ELECTRIC COOPERATIVE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,	
	1992	1991
Cash flows from operating activities:		
Net margins	$ 13,991,545	$ 6,110,920
Adjustments to reconcile to cash:		
Depreciation and amortization	28,174,771	27,773,263
Amortization of deferred gain on sale-leaseback of plant	(1,415,769)	(1,415,769)
Lease expense/lease payment difference	(891,439)	(891,439)
Write off of obsolete inventory	48,670	871,841
Other, net	(58,535)	(87,367)
Change in assets and liabilities:		
Receivables	2,725,992	(9,369,523)
Inventories	761,479	(899,741)
Prepayments and other	(2,287,360)	394,363
Deferred charges	(3,861,576)	1,771,853
Other long-term liabilities	(1,667,467)	(1,788,155)
Accounts payable	2,366,921	6,226,325
Other accrued liabilities	2,946,256	2,975,467
Deferred credits	588	399,181
Total adjustments	26,842,531	25,960,299
Net cash provided by operating activities	40,834,076	32,071,219
Cash flows from investing activities:		
Utility plant	(36,210,884)	(16,751,706)
Long-term investments	(5,529,206)	392,755
Net cash used in investing activities	(41,740,090)	(16,358,951)
Cash flows from financing activities:		
Payments of patronage capital credits	--	(851,962)
Payments of long-term debt	(6,478,916)	(5,812,590)
Capital lease obligations	(1,114,643)	(993,512)
Net cash used in financing activities	(7,593,559)	(7,658,064)
Net increase/(decrease) in cash and cash equivalents	(8,499,573)	8,054,204
Cash and cash equivalents -- beginning	75,898,774	67,844,570
Cash and cash equivalents -- ending	$ 67,399,201	$ 75,898,774

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

SEMINOLE ELECTRIC COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - THE COOPERATIVE:

Seminole Electric Cooperative, Inc. (Seminole) is a generation and transmission cooperative. It is responsible for meeting the electric power and energy needs of its eleven distribution cooperative members operating within the State of Florida. Seminole's rates are established by its Board of Trustees, which is composed of representatives from each member cooperative.

Seminole constructed and operates two coal-fired generating facilities (Seminole Unit No. 1 and Unit No. 2) near Palatka, Florida with approximately 600 megawatts of net output per unit. These units are connected to the Florida bulk power supply grid through Seminole's 230 kV transmission lines and associated facilities. Both units commenced commercial operation in 1984.

Seminole holds a 1.6994% undivided ownership interest in the Crystal River Unit No. 3 (CR3) nuclear power plant operated by Florida Power Corporation. Seminole also owns various transmission facilities connecting individual members to the Florida bulk power grid.

In 1989, Acuera Corp. (Acuera), a wholly owned taxable subsidiary, was formed for the primary purpose of acquiring a power plant site for future generation use. Acuera completed the purchase of this site during 1991. The site has been leased, subject to certain restrictions, to an Independent Power Producer (IPP).

The consolidated financial statements include the results of operations and financial position of Seminole and Acuera. All intercompany transactions have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Seminole complies with the Uniform System of Accounts as prescribed by the Rural Electrification Administration (REA). In conformance with generally accepted accounting principles, the accounting policies and practices applied by Seminole in the determination of rates are also employed for financial reporting purposes.

Utility Plant

Utility plant owned by Seminole is stated at original cost. Such cost includes applicable supervisory and overhead cost, plus net interest charged during construction. The amounts of interest capitalized during 1992 and 1991 were $1,721,370 and $542,786, respectively. The cost of maintenance and repairs including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of units replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Certain leased transportation equipment is valued at the total net present value of minimum lease payments.

Operating Revenue

Seminole has wholesale power contracts with each of its members, whereby the members must purchase all electric power and energy which the member shall require for its system within the State of Florida from Seminole to the extent that Seminole shall have such power, energy and facilities available. The only exception relates to contracts between several members and the Southeastern Power Administration, which provides less than 2% of the total energy required by all members.

Operating revenue consists primarily of sales of electric power and energy by Seminole and a facilities use charge for Seminole's transmission lines serving a single member cooperative. Member revenues include amounts resulting from a fuel and purchased power adjustment clause which provides for billings to reflect increases or decreases in fuel and fuel related purchased power costs. The adjustment factor is based on costs projected by Seminole for a twelve-month period. Any overrecovery or underrecovery of costs plus an interest factor are to be refunded or billed to the members semi-annually. Overrecoveries of $13,111,872 at December 31, 1992 and $10,328,470 at December 31, 1991 are recorded as accrued liabilities until refunded.

Included in operating revenue are approximately $434 million of revenue from members for each of the years ended December 31, 1992 and 1991, of which approximately $16 million and $17 million are included in receivables at December 31, 1992 and 1991, respectively.

Depreciation and Amortization

Seminole provides for depreciation on owned utility plant using composite rates applied annually on a straight-line basis that will amortize the original cost of depreciable property over its estimated useful life. The rates for 1992 and 1991 were as follows:

	1992	1991
Coal-fired production plant	3.10%	3.10%
Transmission plant	2.75%	2.75%
General plant	8.07%	7.79%
Nuclear production plant	4.49%	4.54%

Depreciation expense amounted to $22,157,188 and $21,975,530 for 1992 and 1991, respectively.

Improvements to the leased coal-fired plant are amortized over the remaining life of the base lease term. The composite rates were 5.33% and 4.84% for 1992 and 1991, respectively.

Amortization of leased assets under capital leases amounted to $1,101,381 and $1,004,011 in 1992 and 1991, respectively.

Amortization of Deferred Gain

Deferred gain on sale-leaseback of plant is being amortized on a straight-line basis over the base lease term of 25 years commencing in 1985 and is reflected as a reduction of operating expenses.

Deferred Charges

Deferred charges consisted of unamortized debt expense and related prepayment penalties, costs associated with a load management incentive fee program, and other miscellaneous deferred debits. These costs will be recovered primarily through rates over various amortization periods ranging from five to twenty years.

Deferred charges also included depreciation and interest on certain common transmission lines and production facilities incurred prior to commercial operation of Seminole Unit No. 2. The unamortized amounts at December 31, 1992 and 1991 were approximately $9.6 and $11.0 million, respectively. Such deferrals are being recovered in rates charged to members over a ten year period through a phase-in plan. Amortization of these deferred charges included in depreciation and amortization, amounted to approximately $1.4 million for both years 1992 and 1991.

Deferred Credits

At December 31, 1992 and 1991, deferred credits primarily included deferred lease expense which represents the difference between cash payments and expense recognized on a straight-line basis related to the operating lease of certain generating facilities, and a reserve for CR3 decommissioning costs.

Cash Equivalents

Seminole considers all short-term, highly liquid investments with an original maturity of 3 months or less to be cash equivalents.

Reclassifications

Certain reclassifications have been made to the 1991 statements to conform to current classifications. There were no changes in net margins as previously reported.

NOTE 3 - UTILITY PLANT:

	December 31	
	1992	1991
Owned property:		
Coal-fired plant	$ 577,462,205	$ 575,272,856
Transmission plant	89,327,794	89,338,727
General plant	21,764,350	20,980,498
Nuclear plant, including fuel	16,876,918	16,235,212
	705,431,267	701,827,293
Leased property under capital leases:		
Transportation equipment	39,365,058	39,389,435
Leasehold improvements:		
Coal-fired plant	13,422,153	4,375,342
	758,218,478	745,592,070
Construction work in progress	34,277,627	12,353,374
	792,496,105	757,945,444
Accumulated depreciation and amortization	(186,838,993)	(166,115,338)
Accumulated amortization of leased assets	(7,154,946)	(6,053,565)
Accumulated amortization of leasehold improvements	(764,442)	(421,426)
	(194,758,381)	(172,590,329)
	$ 597,737,724	$ 585,355,115

NOTE 4 - INVESTMENTS:

	December 31 1992	December 31 1991
Investments in associated organizations:		
National Rural Utilities Cooperative Finance Corporation (CFC):		
Membership	$ 1,000	$ 1,000
Capital Term Certificates	1,401,516	1,402,544
Subordinated Term Certificates	14,837,221	9,027,503
Patronage Capital Certificates	619,181	1,019,100
National Bank for Cooperatives (CoBank)	203,385	313,982
Other	114,828	139,158
	$ 17,177,131	$ 11,903,287
Funds held by trustees:		
Pollution control bond funds	$ 15,095,359	$ 14,921,898
Nuclear decommissioning trust fund	1,806,841	1,596,372
	$ 16,902,200	$ 16,518,270

It is not practicable to estimate the fair value of CFC Capital Term Certificates due to the nature and maturity of these investments. These investments are required as a condition of membership and of loans provided to Seminole by CFC. Of the $1,401,516 carrying amount at December 31, 1992, $63,307 matures in 2075 and $918,124 matures in 2080. Both of these amounts pay 5% annual interest. Additionally, $364,283 matures in 2017 and pays 3% annual interest and $55,802 bears no interest and amortizes through 2019.

Investments in CFC Subordinated Term Certificates are required as a condition of guarantees provided to others by CFC on behalf of Seminole and are generally priced at market rates at the time of issuance. At December 31, 1992 the estimated fair value of these investments in the amount of approximately $18 million is based on the current rates offered by CFC for this type of required investment.

At December 31, 1992 the estimated fair value of funds held by trustees in the amount of approximately $17 million is based on quoted market prices for the securities held by the trustees.

NOTE 5 - LONG-TERM LIABILITIES:

Long-Term Debt

	December 31 1992	December 31 1991
First mortgage notes payable to Federal Financing Bank (FFB), guaranteed by REA, principal due in various installments through 2020, interest at 7.221% to 10.983%	$ 452,716,780	$ 457,142,289
First mortgage notes payable to REA, principal due in various installments through 2019, interest at 5%	5,205,789	5,327,337
Pollution control revenue bonds, payable to the Putnam County Development Authority, guaranteed by CFC, principal due in various installments through 2014, interest at adjustable rates, currently 3.90% and 2.85%	153,450,000	155,300,000
First mortgage notes payable to CFC, principal due in various installments through 2019, interest at adjustable rates, currently 4.875% and 9.50%	7,995,919	8,077,778
	619,368,488	625,847,404
Less current portion	(7,143,061)	(6,479,163)
	$ 612,225,427	$ 619,368,241

Interest paid, including that on the above debt, totaled $51,176,891 and $54,130,944 in 1992 and 1991, respectively.

The maturities and annual sinking fund requirements of all long-term debt for the four years subsequent to December 31, 1993, are presented below:

Year ending December 31,	Annual Maturities and Sinking Fund Requirements
1994	$ 7,698,093
1995	$ 8,911,894
1996	$ 9,727,368
1997	$ 10,657,380

Substantially all owned assets and leasehold interests are pledged as collateral for the above mentioned debt to the United States of America (REA and FFB) and CFC.

At December 31, 1992 the estimated fair value of long-term debt is approximately $671 million. For Seminole's fixed rate long-term debt, fair value is estimated based on the net present value of cash flows of the existing debt, using the current interest rates, applicable to Seminole for new debt of the same remaining maturities, as the discount rate. For that portion of long-term debt that reprices to market rates at intervals of six months or less, the carrying amount, adjusted for the fair value of the interest rate swap agreement described below, has been used as a reasonable estimate of fair value.

In December of 1991, Seminole entered into an interest rate swap agreement to manage exposure to changes in interest rates on a portion of its adjustable rate pollution control revenue bonds. This agreement effectively changes Seminole's interest rate exposure on the notional amount of $80 million to a fixed rate of 4.21% for a two year period, without the exchange of the underlying principal amounts. The differential to be paid or received is accrued as the adjustable interest rate changes and is recognized over the life of the agreement as a component of nonoperating income or expense. In the event of nonperformance of the counterparty, which is an event that Seminole does not anticipate, Seminole would then be exposed to the risk of the current market interest rates for the adjustable rate pollution control revenue bonds.

Obligations Under Capital Leases

At December 31, 1992, Seminole was obligated under certain capital leases of transportation equipment for which base lease terms expire on various dates through 2005. The following is a schedule of future lease payments under these leases together with the present value of the net minimum lease payments as of December 31, 1992:

Year ending December 31,	
1993	$ 4,201,373
1994	4,201,373
1995	4,523,511
1996	4,640,640
1997	4,640,640
Later years	33,169,301
Total minimum lease payments	55,376,838
Less amount representing interest	(23,026,849)
Present value of minimum lease payments	32,349,989
Less current principal portion	(1,193,419)
	$ 31,156,570

These transportation equipment leases provide for renewals and options to purchase at fair market value at various dates or upon expiration.

Payments under these transportation equipment leases totaled $4,204,318 each year for 1992 and 1991. These payments were included as a cost of fuel inventory and expensed based on the tons of coal burned throughout the year.

NOTE 6 - NET MARGINS AND EQUITY RESTRICTIONS:

Under provisions of the REA mortgage, until the total of equities equals or exceeds forty percent of total assets, the distribution of capital contributed by members is limited generally to twenty-five percent of patronage capital and margins of the next preceding year where, after giving effect to such distribution, the total equity will equal or exceed twenty percent of total assets. Distributions may be made, however, in such amounts as may be approved by REA through waiver of the aforementioned restrictions. Such distributions to members totaled $851,962 in 1991.

The REA mortgage requires Seminole to design its wholesale rates with a view towards maintaining, on a calendar year basis, a Times Interest Earned Ratio (as defined) of not less than 1.0 and a Debt Service Coverage Ratio (as defined) of not less than 1.0. An REA stipulation arising from the sale of tax benefits requires Seminole to design its wholesale rates to provide an annual Times Interest Earned Ratio (as defined) of not less than 1.05.

In 1992 and 1991, Seminole achieved a Times Interest Earned Ratio (as defined) of 1.23 and 1.10, respectively, and a Debt Service Coverage Ratio (as defined) of 1.4 and 1.3, respectively.

NOTE 7 - LINES OF CREDIT:

Seminole had available lines of credit totaling $100 million of which none were drawn at December 31, 1992. REA policy governs use of these funds.

NOTE 8 - INCOME TAXES:

Seminole is a non-exempt cooperative subject to federal and state income taxes and files a consolidated return. As a cooperative, Seminole is entitled to exclude from taxable income those margins assigned to members as patronage credits.

Seminole's ratemaking methods provide that income taxes are recognized as expense and are recovered through rates when currently payable. In addition, income tax credits are accounted for as a reduction of taxes currently payable in the period utilized. Temporary differences in certain items of income and expense for tax and financial reporting purposes result primarily from depreciation, amortization and sale-leaseback of plant. In 1992 and 1991, income tax losses resulted after the application of net operating loss carryforwards and member loss carryforwards, respectively. However, due to the alternative minimum tax (AMT) provisions enacted by the Tax Reform Act of 1986, Seminole was limited in 1992 in using net operating loss carryforwards, which resulted in payment of AMT liabilities for federal purposes in the amount of approximately $280,000. The AMT charged to operations in 1992 will be available as a credit to offset regular income tax in future years, for both book and tax purposes.

Since Seminole became taxable in 1981, deferred taxes have not been provided on approximately $211 million of cumulative net temporary differences. Of this amount, approximately $496 million relates to taxable temporary differences and approximately $285 million relates to deductible temporary differences. At December 31, 1992, net operating losses and income tax credits of approximately $211 million and $13 million are available to offset future taxable income and tax liabilities, respectively, through 2006 and 2001. In 1991, all of the remaining member loss carryforwards were used.

During 1992, the Financial Accounting Standards Board (FASB) issued Statement No. 109, "Accounting for Income Taxes" which is effective beginning in 1993. This statement will require certain changes in the way Seminole accounts for income taxes, including a requirement to record an asset related to cumulative temporary differences and the establishment of the related income tax liability. Adoption of this statement should result in Seminole recording a deferred tax asset reflecting deductible temporary differences and loss carryforwards at statutory rates and an income tax liability for taxable temporary differences, each in the amount of approximately $187 million. The adoption of this statement is not expected to have a material effect on the results of operations.

Management is aware of certain positions taken by the IRS with respect to examinations of other cooperatives, including issues with respect to allocation of income and expense. These matters, if adversely resolved and subsequently applied in an IRS examination of Seminole, could result in a significant tax liability for Seminole. Management believes that its tax returns have been prepared fully in compliance with applicable sections of the Internal Revenue Code and, as such, that no significant amount of liability would result from such an examination. Accordingly, Seminole has not recorded a liability related to these issues.

NOTE 9 - EMPLOYEE BENEFITS:

Substantially all Seminole employees participate in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (the Program), a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. Seminole had made annual contributions to the Program equal to the amounts accrued for pension expense until July 1, 1987, when a moratorium on contributions came into effect due to reaching full funding limitation. Accordingly, there was no pension expense under this plan for 1992 or 1991. In this multiemployer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer.

In December 1990, the FASB issued Statement No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions", which becomes effective for fiscal years beginning after December 15, 1992 for enterprises in general. Since Seminole is a non-public enterprise and sponsors a defined benefit plan with no more than 500 plan participants in the aggregate, implementation is required in 1995. Adoption of this statement is not expected to have a material effect on the financial statements.

NOTE 10 - OPERATING LEASES:

At December 31, 1992, Seminole was obligated under certain leases of generating facilities and transportation equipment for which base lease terms expire on various dates through 2009. The lease of the generating facilities contains a variable interest rate component that could affect future lease payments. Base rental obligations under these leases are payable as follows:

Year ending December 31,	
1993	$ 40,770,213
1994	$ 40,770,213
1995	$ 40,770,213
1996	$ 40,770,213
1997	$ 40,770,213
Thereafter	$ 466,112,388

These leases provide for renewals and options to purchase at fair market value at various dates or upon expiration.

Rental payments for these transportation equipment leases totaled $4,609,100 each year for 1992 and 1991. These payments were included as a cost of fuel inventory and expensed based on the tons of coal burned throughout the year.

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

Seminole is purchasing most of the coal for the plant under long-term contracts expiring in 1995 and 2010. Contract terms specify minimum annual purchase commitments, subject to force majeure conditions, and prices, which are subject to adjustment for changes in costs. In addition, Seminole has long-term contracts expiring through 2010 for transportation of substantially all coal purchases. Contract terms include a minimum cost as determined by a base quantity of tons shipped and prices, which are subject to adjustment for changes in costs. Effective October 1991, Seminole entered into a long-term contract for a portion of the coal transportation previously provided under filed tariff. Total charges under these long-term contracts were approximately $127 million and $106 million in 1992 and 1991, respectively.

In May of 1990, Seminole established an external Nuclear Decommissioning Trust Fund (NDTF) in compliance with regulations prescribed by the Nuclear Regulatory Commission. The fund balance of approximately $1.8 million represents Seminole's cumulative share of the estimated sinking fund reserve required to decommission CR3. Prospectively, annual cash deposits will be made to the NDTF representing Seminole's annual share of the projected sinking fund requirements. These amounts will be recovered from members through rates and a provision made in current operations each year. Based upon a study completed in 1986 and updated in 1991, Seminole's total share of the projected cost of decommissioning is approximately $3.7 million in 1991 dollars, and decommissioning expenditures are expected to occur over a nine year period ending in the year 2023.

During 1989, Seminole entered into a twenty year agreement, commencing in 1993, with an IPP for the purchase of 295 megawatts of capacity by Seminole from a generating station to be constructed and operated by the IPP on a site leased from Acuera and, during the initial ten years of the agreement, an additional 145 megawatts of capacity to be supplied by the IPP from an existing coal-fired generating facility. Under the terms of the agreement, Seminole will receive this capacity on a first call basis, subject to certain restrictions as to its use. Seminole is obligated to make annual "take or pay" capacity payments of approximately $35 million over the initial ten years and approximately $21 million over the final ten years of the agreement.