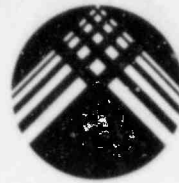


**Florida Progress Corporation
Annual Report 1983**



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FLORIDA PROGRESS CORPORATION

CORPORATE PROFILE

Florida Progress Corporation

is a holding company which combines non-regulated operations with its primary utility business. The Company became the parent corporation of Florida Power Corporation and its subsidiaries in March 1982. Holders of Florida Power's common stock automatically became shareholders of Florida Progress on a share-for-share basis.

Florida Power Corporation,

the Company's principal subsidiary, is a public utility in the business of generating, transmitting, distributing, purchasing and selling electric energy wholly within the State of Florida. First incorporated in 1899, Florida Power has a generating capability of 5,993,000 kilowatts and serves over 861,000 customers in 32 counties along the gulf coast and through the central "ridge" sector of Florida.

Electric Fuels Corporation,

Florida Progress's largest non-utility subsidiary, was organized in 1976, for the purpose of obtaining and transporting coal. It is presently involved in coal mining activities, the operation of transloading facilities, rail cars, barges and tugs, and a coal-oil mixture plant.

Talquin Corporation, formed in 1981, is involved in real estate development, citrus and the production and sale of horticultural products.

Southeastern Computer

Corporation, formed in 1975 and acquired by Florida Progress in August 1983, is a Florida-based computer company involved in the development and marketing of computer software.

Progress Financial Services Incorporated was formed in

November 1983 for the purpose of engaging in lease investments.

Progress Equities Incorporated

was formed in November 1983 for the purpose of engaging in equity investments.

INVESTOR INFORMATION

Investor Services Department

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

*Florida Progress Corporation
Investor Services Department
P.O. Box 33042
St. Petersburg, Florida 33733
Phone 813-895-1740*

Inquiries concerning the transfer of stock certificates should be directed to our New York transfer agents.

Transfer Agents and Registrars

Common Stock

Manufacturers Hanover Trust Company
P.O. Box 24935, Church Street Station
New York, New York 10249

Florida Power Corporation Preferred Stock

Chemical Bank
55 Water Street
New York, New York 10041

Common Stock Listed

New York Stock Exchange
Ticker symbol FPC

Dividend Reinvestment Plan

The Company offers a Dividend Reinvestment Plan for shareholders of record. At the end of 1983, over

18,500 or 38% of the Company's common shareholders participated in the Company's Dividend Reinvestment and Stock Purchase Plan, up from over 14,600 or 33% at the end of 1982. Dividends reinvested under this Plan qualify for the dividend exclusion provided by the Economic Recovery Tax Act of 1981. Plan enrollments, withdrawals and other correspondence should be directed to the Investor Services Department at the address shown.

Annual Reports on Form 10-K and Statistical Supplement

Upon request, the Company will furnish its shareholders without charge a copy of its 1983 Form 10-K, without exhibits, as filed with the Securities and Exchange Commission. A Florida Power Corporation 1983 Form 10-K, without exhibits, and a detailed Ten-Year Statistical Report are also available. Requests should be addressed to the Investor Services Department at the address shown.

Auditors

Arthur Andersen & Co.
Tampa, Florida

Analysts' Contact

Clarence W. McKee, Jr. 813-895-1700
Executive Vice President
Jerry H. Joyce 813-895-1705
Treasurer and Controller
Kenneth E. McDonald 813-895-1733
Director, Investor Relations

Corporate Offices

270 First Avenue South
St. Petersburg, Florida 33701
Telephone 813-895-1700

Cover

McNulty Station, the building represented on the cover, is the new location of Florida Progress's corporate offices. The recently renovated building, which was built about 75 years ago, is part of the redevelopment of the downtown St. Petersburg area. The renovation was done by Hunnicutt Equities, Inc., which is now a subsidiary of Talquin Corporation.

Consolidated Financial Highlights

	1983	1982
Revenues Increased 10.3%	\$1,338,139,000	\$1,213,671,000
Earnings Increased 26.5%	\$103,868,000	\$82,097,000
Earnings Per Share Increased	\$2.64	\$2.20
Dividends on Common Stock—Up 6.6%	\$1.95	\$1.83
Book Value Per Share—Year End	\$19.61	\$18.93
Stock Price Range	\$18-22⁵/₈	\$14 ⁷ / ₈ -19 ¹ / ₂

Florida Power Corporation—Operating Highlights

	1983	1982
Sales of Energy—Up 5.6%	19.8 Billion KWH	18.8 Billion KWH
Average Customers Increased 3.8%	861,548	829,810
Average Residential Usage—Up 4.3% Due to the Weather and Strengthening of the Economy	10,388 KWH	9,964 KWH
Peak Demand—Down Due to Capacity Shortages	4,913,000 KW	5,347,000 KW
Construction Was Down About \$100 Million	\$285,830,000	\$385,274,000

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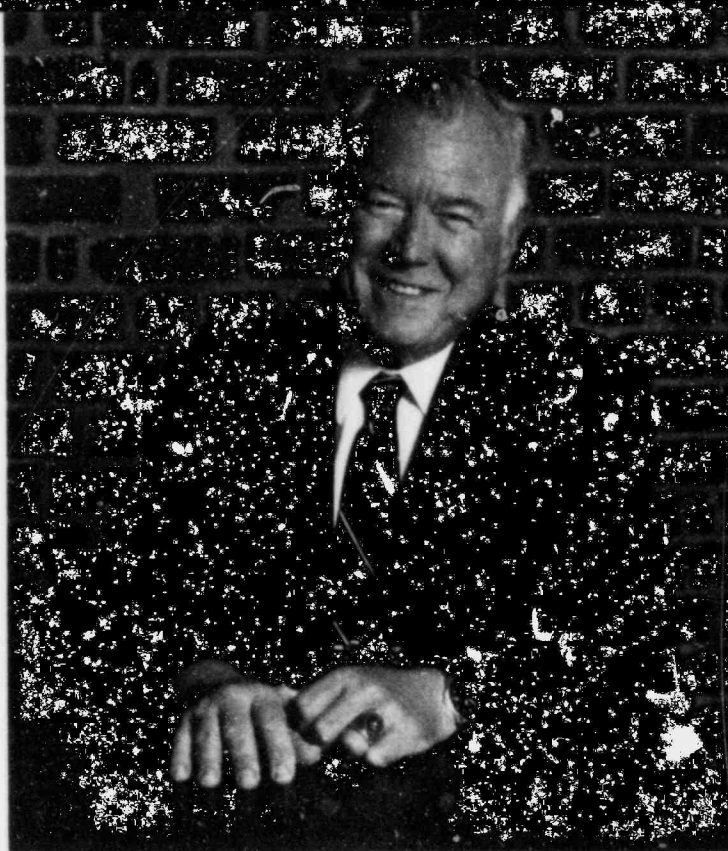
Dear Fellow Shareholder:

In my letter to you last year, I stated that "For Florida Progress, I believe that 1983 will bring an improving picture." This has been true. Our earnings for 1983 increased from \$2.20 per share to \$2.64 per share. In accordance with its past practice of 31 years, your Board of Directors increased the annual dividends paid during 1983. The current annual rate is \$2.04 per share which was effective with the December dividend.

Financial results for Florida Progress are, of course, dominated by the results of Florida Power, the electric utility from which it grew. During 1983 there was a reversal in the decline in kilowatt-hour sales. Sales for 1983 increased by 5.6%. Our customer growth rate was 3.8% for the year, and that rate is rising.

The performance of Crystal River Unit No. 3 is continuing its improvement. We completed an 18-week outage for scheduled refueling, maintenance and upgrading. This places the unit in a position to operate until the spring of 1985 before another refueling is needed. During 1983 our new 717,000 kilowatt coal-fired unit, Crystal River No. 4, operated very satisfactorily, exceeding expectations. The unit was a major contributor in our program of changing the fuel mix. This change has resulted in coal becoming the primary fuel in 1983.

The completion in 1984 of a duplicate coal-fired unit, Crystal River No. 5, should shift us further away from oil for the generation of electricity. This unit completes our plans for new generation construction through the 1980's. Florida Power's construction budget peaked in 1982 at \$385



Andrew H. Hines, Jr., Chairman of the Board and President.

million. It is now in a decreasing mode and was at the level of \$286 million in 1983. We have projected \$276 million for 1984 with a sharp drop to approximately \$179 million in 1985. This will result in a major reduction in the amount of external financing needed in the future.

As a result of our addition of new coal-fired capacity, we announced in November a two-year plan to place 662,000 kilowatts of oil-fired generating capacity in extended cold shutdown beginning in 1984. This will constitute a reserve for future growth. This action will enable us to reduce our operating expenses at a time when severe pressures on electric rates must be countered by any feasible means.

Our electrical system faced a very severe test during the week of Christmas, 1983. Extended cold weather, including some bitterly cold days, tested the system extensively. During that time, we lost the output of Crystal River Unit No. 4 because of a

frozen control line. The net result was that we were short of capacity and forced to resort to rotating outages during the morning of December 26. This was an extremely undesirable situation and one which we have been able to avoid except for two occasions in the past.

Turning to the activities of the other subsidiaries, Electric Fuels Corporation suffered the ills common to the coal and transportation industry in 1983. However, several things materialized which should put Electric Fuels into a strong position when the coal industry begins to recover. During the year, we bought out the interests of our two partners in the COMCO venture and are now in control of this composite fuel business. In addition to the contract for supplying a coal-oil mixture to Florida Power, Electric Fuels has secured a contract for the sale of coal-oil mixture to a large phosphate company. We have additional prospects for the sale of finely powdered coal for

direct combustion, including an experimental program planned for 1984 at a large industrial operation in central Florida.

Electric Fuels renegotiated supply contracts and, as a result, was able to substantially reduce the cost of coal to Florida Power. This was most beneficial to our electric customers, and we expect continued improvement during 1984. Also, during the year we entered into a joint venture to determine the long-term possibilities for coal sales in the Far East.

Talquin Corporation continued its real estate activities and became active in the horticultural and citrus business. In November, we purchased a large orange grove in southeastern Florida. The grove survived the December freezes, and its prospects look good. Talquin entered into an agreement to develop a research technology park on a site near the University of Florida. Groundbreaking is scheduled for early 1984. Work continued on remodeling and property development in the downtown St. Petersburg area. We are also developing a subdivision in the Tallahassee area.

In August, Florida Progress acquired Southeastern Computer Corporation. This firm is a small computer software company located in Clearwater.

Southeastern Computer has a strong product in the property tax administration area. This acquisition will help Southeastern to expand its marketing capability.

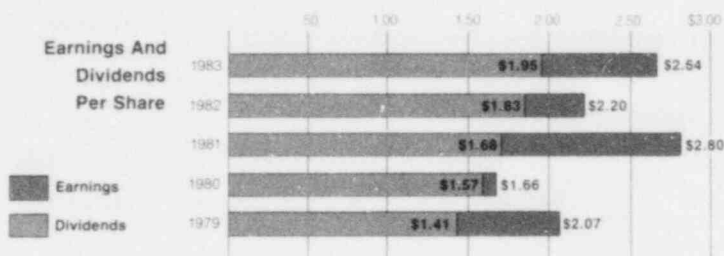
Byron E. Herlong, a member of the Board for 17 years, will retire at this year's annual meeting. Mr. Herlong has been a valuable member of the Board, having served as chairman of the Audit Committee as well as providing

critical input on many major decisions over the years.

John E. Gleason, vice president of Florida Power for Eastern and Ridge Divisions, retired in December after 34 years with Florida Power. He has been succeeded by Dr. Jack B. Critchfield. Dr. Critchfield joins Florida Power for a second time, having served as a member of the Board while he was president of Rollins College. He also has a strong background in utility management.

Webster defines perspective as "the capacity to view things in their true relations or relative importance." The events affecting the economy at both national and international levels during the past few years have greatly impacted the perspectives of many of us. Maintaining a proper perspective is a key test for any management. This means steering a course between short-term crises and opportunities, and long-term trends with the problems and potentials they imply. During recent years, planning horizons have shortened for many companies as they have become intensely preoccupied with the problems of the immediate future. Survival, of course, is the first rule of nature but it can be confused with a lack of willingness to look ahead. It is in perspective that the test of governments and businesses alike over the next few years will be given.

In my letter to you two years ago, proposing the creation of



Florida Progress Corporation, I indicated that the changes would not have a material impact for several years but that they offered a promise of better days ahead.

The experience of the past two years has confirmed the validity of this view. We have, particularly during the year 1983, laid a very solid foundation for expansion and diversification into nonutility businesses. We are proceeding in a manner which we hope will prove to be both careful and creative. Our perspective is keyed to Florida's growth. This certainly appears to be a basis for wide ranging possibilities. We have attempted to maintain a long term perspective, building the foundation and then erecting the structure. We had no earnings from the nonregulated side in 1983, but expect a modest improvement in 1984, and a more material impact in 1985.

I thank you for your confidence and support of our Company during this transitional period.

For the Board of Directors,

Chairman of the Board
and President

February 17, 1984

Florida Progress Corporation

Florida Progress Corporation combines a growing number of non-regulated operations with its primary utility business. This combination provides shareholders with a sound utility investment, along with the opportunity for earnings potential beyond the regulated business. Florida Progress actively seeks acquisitions and investments in Florida's industries, people and natural resources which can produce favorable returns on our shareholders' investment.

In November 1983, as part of the corporate strategy to facilitate and organize future acquisitions and investments, Florida Progress

formed two new companies; Progress Financial Services Incorporated, and Progress Equities Incorporated.

During the past two years, Florida Progress has been allocating resources and coordinating the research and development of selected technologies. In a move to intensify the commitment to these investments, the Company formed the Progress Technologies Division. Included in the technology projects are the development of chemical processes for the recovery of usable minerals and chemicals from coal ash and chemical waste.

Florida Progress Corporation's New Business Research Library contains corporate information on almost all domestic businesses.



Financial Review — Management's Discussion

LIQUIDITY AND CAPITAL RESOURCES

Florida Progress Corporation and its subsidiaries rely on both internally and externally generated funds to meet their capital requirements. In 1983 and 1982, Florida Power's funds derived from internal operations provided 70% and 53%, respectively, of its funds used for construction. The external funding is primarily due to the capital intensive nature of Florida Power Corporation. External sources include both short-term and long-term financings.

Short-term debt, issued primarily for interim financing of Florida Power's construction program, increased from \$37.2 million at the end of 1982 to \$56.6 million at the end of 1983. At year end 1983, Florida Progress and its operating companies had \$98.4 million of short-term borrowing capacity available. In addition, certain affiliated subsidiaries have banking arrangements to finance construction expenditures which are handled on a project basis.

During 1983, Florida Progress received \$31.8 million from the 1.7 million shares of common stock sold through the dividend reinvestment plan and the employee benefit plans.

CONSTRUCTION FINANCING

In November 1983, Florida Progress filed a shelf registration for the sale of up to 2.4 million shares of new common stock. Of the 2.4 million, 1.4 million shares were sold in December to the public through a negotiated underwriting. The Company plans to sell the remaining shares during the first half of 1984. The net proceeds, amounting to \$27.9

million, were contributed to Florida Power for its construction program. Also, \$20.9 million from the sales of common stock through the dividend reinvestment plan and employee benefit plans was contributed to Florida Power.

In December 1983, Florida Power issued \$87 million of Citrus County Annual Tender Pollution Control Revenue Bonds. Of the \$87 million, \$25 million was used to defease Citrus County Pollution Control Revenue Bond Anticipation Notes in December 1983. The balance was used to defease \$50 million of Citrus County Pollution Control Revenue bonds due in May 1984 and to finance additional pollution control expenditures at Crystal River Unit No. 5. The interest rate of 6 $\frac{5}{8}$ % on the bonds will be adjusted yearly and Florida Power has the option each year to fix the interest rate for the remaining term of the bonds.

OPERATING RESULTS

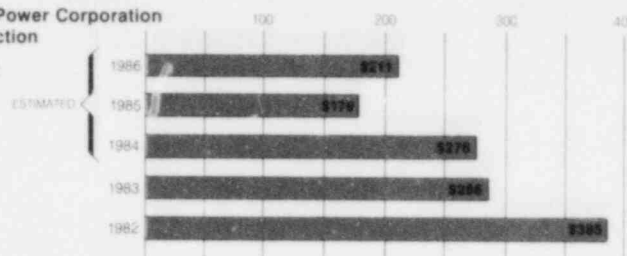
Revenues

Operating revenues increased after the decline experienced in 1982. The Company's electric subsidiary, Florida Power, which accounted for substantially all of the 1983 operating revenues, experienced revenue increases due largely to increases in kilowatt-hour sales to residential customers, and an increase in base rates. The major items affecting consolidated revenues are shown in the following table:

	1983	1982	1981
	(Millions)		
Increased (decreased) fuel costs	(\$ 92.1)	(\$21.3)	\$187.3
Increased (decreased) kilowatt-hours sold	68.0	(44.4)	33.4
Increased base rates	104.9	31.9	51.5
Increased (decreased) deferred fuel revenue	32.7	(30.0)	27.2
Other	11.0	(6.6)	14.6
	\$124.5	(\$70.4)	\$314.0

Florida Power Corporation Construction

(In Millions)



The decrease in 1982 revenues was largely the result of reduced industrial kilowatt-hour sales. This declining trend reversed in mid-1983 and industrial kilowatt-hour sales have been increasing each month when compared to 1982.

Operating Expenses

Fuel expense remained essentially at the same level in 1983 as in 1982. Increases in fuel expense due to increased sales were offset by lower costs of fuel and a favorable system heat rate. In 1982, fuel expense decreased 14.4% compared to 1981, due to both lower prices and lower net generation.

Purchased power decreased \$13.9 million or 12.6% in 1983, reversing the trend experienced in the prior years. The decrease in 1983 was due to both a \$10.4 million decrease in net purchases and \$3.5 million decrease in price. The increase in 1982 over 1981 was the result of increased kilowatt-hour purchases, due to the availability of lower cost energy.

Other operation and maintenance expenses continued to increase in 1983. The percentage increases over prior years for 1983, 1982 and 1981 were 13.3%, 15.2% and 22.4%, respectively. The increase in 1983 was due primarily to production expenses which increased \$19.0 million or 19.2% over 1982. This increase was largely attributable to expenses related to the 1983 nuclear refueling outage and an accrual for the scheduled 1985 nuclear refueling outage. Other increases in 1983, as well as increases in 1982 and 1981, were

due to the effect of inflation in all areas of operation, combined with the expenses of meeting Nuclear Regulatory Commission requirements at the Crystal River Unit No. 3 nuclear plant.

Other Income and Expenses

Income attributable to the allowance for equity and borrowed funds used during construction decreased in 1983 by \$12.8 million primarily due to bringing Crystal River Unit No. 4 on-line in December 1982. The increases in 1982 and 1981 were primarily due to construction expenditures related to Crystal River Unit Nos. 4 and 5.

Interest on long-term debt continued its increasing trend due primarily to the additional long-term financing necessary to support Florida Power's construction program. The increase in 1983 was primarily due to the issuance by Florida Power of \$100 million in First Mortgage Bonds in October 1982. The increase in 1982 was largely attributable to the issuance by Florida Power of a \$75 million variable rate term loan in December 1981.

Accounting Change

In 1981, a significant increase in income resulted from a change in an accounting principle when Florida Power began accruing the non-fuel portion of revenues related to service rendered but unbilled as of the end of the period. Previously, revenues were recorded as billed. The effect of the change in 1981 was a net of income taxes increase of \$11.5 million or \$.34 per share.



The philosophy of "being easy to do business with" is carried out by Florida Power's employees whether they are doing individual customer counseling, handling one of the 120,000 customer service telephone calls each month, accepting payments at district offices or reading meters.



Florida Power Corporation

USE OF ENERGY

Total sales of energy increased 5.6% during 1983, compared to a decrease of 3.6% in 1982. This was due mainly to the economic recovery, along with an increase in heating requirements. Florida Power's average customer growth rate was 3.8%, up slightly from the 3.4% in 1982.

Residential customers used 7.9% more electricity in 1983 than in 1982. This is a significant change from the 4.2% decrease experienced in 1982. During 1983, residential customers increased 3.5%, while the average kilowatt-hour use per customer was up 4.3%.

Energy sales to commercial customers rose 5.7% in 1983. The increase is attributed to a 6.6% increase in customers and improving economic conditions in Florida during the year.

Industrial energy sales decreased .5% for 1983. The decrease was due primarily to the

continued cutback in phosphate production. However, since mid-1983 industrial kilowatt-hour sales have been increasing each month when compared to 1982.

RATES AND REGULATION

Florida Power must maintain its financial integrity in order to meet its objectives of furnishing customers with an adequate supply of energy and providing a fair return to investors. In late 1982, progress was made on these objectives when Florida Power was authorized by the Federal Energy Regulatory Commission to increase wholesale rates in two phases totaling \$33.9 million, on an interim basis pending a final decision. In November 1983, the Commission accepted a settlement between Florida Power and its wholesale customers agreeing to a total increase of \$27.6 million.

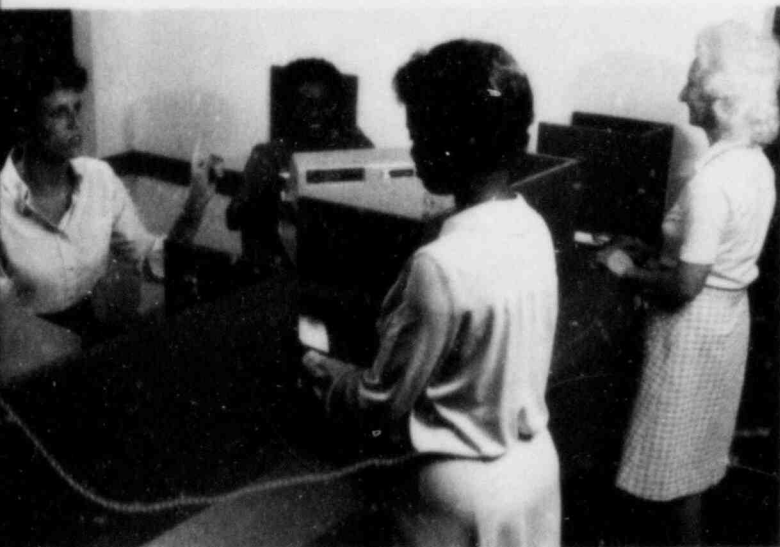
In February 1984, Florida Power filed a petition with the

Florida Public Service Commission requesting a \$138.2 million annual increase in retail rates. The request is based upon a 1984 test year, adjusted to reflect the annualized revenue requirements associated with Florida Power's new Crystal River Unit No. 5, currently scheduled for completion in December 1984. A decision on the rate request is expected by September 1984. Florida Power also anticipates filing a request with the Federal Energy Regulatory Commission for an increase in wholesale rates to be effective at or near the time of the retail increase. The amount of the wholesale request has not been determined.

SYSTEM OPERATIONS

Efficient use of its generating resources is one of Florida Power's goals. As new generation becomes available, it allows operational flexibility to choose the lowest cost source of electric energy. This year marked the first

Many of Florida Power's customers prefer to pay their monthly bill in person.



Customers are provided with prompt and courteous service by the customer service representatives at Florida Power's district offices.



full 12-month period of operation for Crystal River Unit No. 4, a 717,000 kilowatt coal-fired facility. This increased coal-fired generating capability, along with an unusually strong demand resulted in Florida Power selling about 750 million kilowatt-hours of interchange energy to neighboring utilities, up 149% from last year.

Beginning in 1984, Florida Power plans to implement a two-year program that will significantly improve the overall operating results of its fossil fuel production system. The program calls for placing the 40,000 kilowatt Avon

Park fossil steam plant and 16 of 35 combustion turbine units in extended cold shutdown. The Avon Park Unit is more than 30 years old and is one of the smaller fossil steam units on Florida Power's system. The peaking units going into storage range from 17,000 kilowatts to 75,000 kilowatts in capacity and are more than 10 years old. All of the units burn oil. Their total capacity of about 662,000 kilowatts will be primarily displaced by low cost, coal-fired generation from the new Crystal River Unit No. 5. The program should reduce operating,



Florida Power's Remittance Processing Center handles approximately 30,000 payments from customers throughout Florida Power's service area each day. Each operator processes about 750 payments an hour.



Florida Power's construction energy representative discusses energy saving features with one of the many home builders whose new homes have qualified for the "Super Saver" award for energy efficiency.



Since its debut in July 1981, Florida Power's "Traveling Energy Saver Show" (TESS) has been viewed by about a quarter of a million people. TESS has appeared at schools, shopping centers, fairs, and on television.



Over 26,000 of Florida Power's residential customers took advantage of the Home Energy Fixup Program during 1983. Work performed under this program, by local contractors, includes the installation of water flow restrictors, caulking and other energy saving measures.



Florida Power's residential audit representative shows a customer where additional weatherstripping is needed. Home energy audits are performed as part of the energy conservation program.

maintenance and depreciation costs by approximately \$23 million during the next five years.

System Capability

Florida Power has a generating capability of 5,993,000 kilowatts consisting of 4,288,000 kilowatts of base-load generating units and 1,705,000 kilowatts of gas turbine peaking units. With 230,000 kilowatts of firm purchase power and 65,000 kilowatts of co-generation available, the total capability is 6,288,000 kilowatts.

Mild temperatures in January and February and record low temperatures in December resulted in a 1983 system peak demand of 4,913,000 kilowatts on December 27, 1983. This was 8.1% below the January 1982 winter peak of 5,347,000 kilowatts. The 1982 winter peak would have been exceeded except for the unavailability of some generating units on December 26, 1983, when the recorded peak demand was 4,853,000 kilowatts. On that day, at the time of the system peak, Florida Power curtailed approximately 50,000 kilowatts of demand to certain industrial customers and also resorted to residential and commercial rotating outages for short periods of time throughout its service area. These rotating outages resulted in an additional 451,000 kilowatt reduction in customer demand. Also, about 159,000 kilowatts of demand was interrupted through the load management and voltage control program.

Nuclear Energy

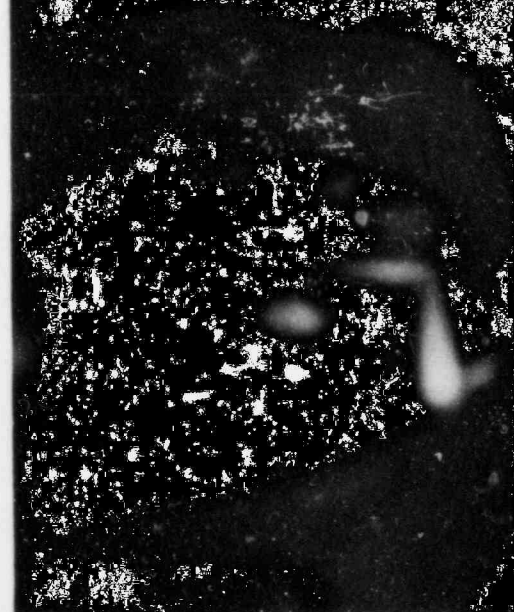
The Crystal River nuclear unit was taken out of service in March 1983 for refueling, modifications

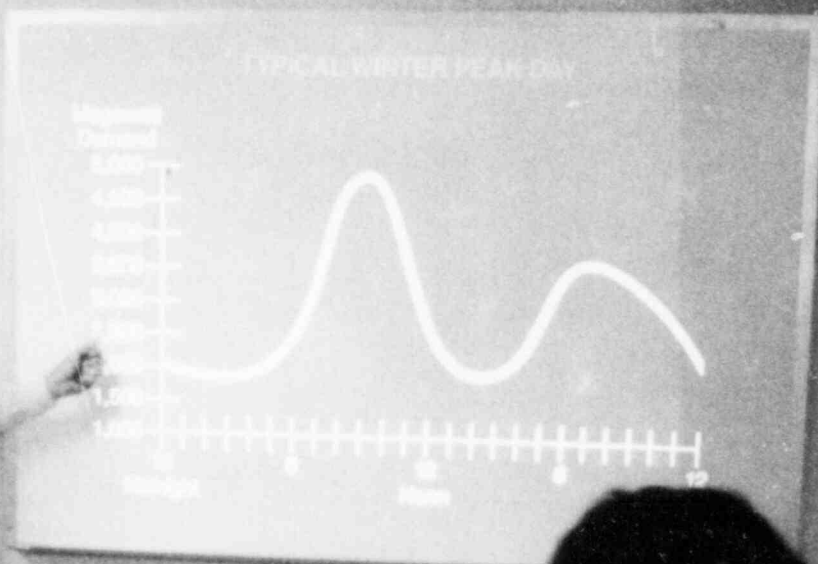
and maintenance. The unit operated at a 65.3% capacity factor from the beginning of its September 1981 refueling cycle until its March 1983 shutdown for refueling. It returned to service in July 1983 and is scheduled for its next refueling in the spring of 1985.

During the refueling outage approximately 43% of the fuel rod assemblies were replaced. In addition, the unit's operating and safety systems were inspected and tested. Nuclear Regulatory Commission required modifications were also performed and several new systems were installed.

Crystal River Unit No. 4 Dedication

Florida Power's newest generating plant, Crystal River Unit No. 4, was dedicated during ceremonies held at the Crystal River site in April 1983. Florida's Governor, Bob Graham, along with several hundred dignitaries and area business men and women, attended the ceremonies and toured the plant. Florida Power made the decision in January 1977, to build additional generating facilities, when, for the first time, it had to turn off power to some residential customers due to the lack of sufficient capacity.





Load management presentations to Florida Power's customers have resulted in over 50,000 installations of load control receivers during the last two years. These load control receivers help Florida Power control peak demand, thereby reducing the future need for additional generating capacity. As an incentive, residential customers can reduce their bills by up to \$17 a month.



System Map

Florida Power serves over 861,000 customers in more than 375 cities, towns and rural communities. The territory comprises approximately 20,000 square miles with a population of over 3,500,000, located in 32 of 67 Florida counties. In addition to the generating plants indicated on the map, electric power can be supplied from interconnected electric utility systems throughout Florida and the Southeast.

- Division Offices
- Generating Plant Sites
- Transmission System
- ⚡ Interconnections



Florida Power's bill distributors hand deliver approximately 26% of the customer bills.



Over 39,000 electric meters were installed during 1983 to accommodate Florida Power's customer growth.





Florida Power's performance improvement programs measure productivity to help ensure that high standards are being met.

Unit No. 4 was originally designed to generate 640,000 kilowatts but performance tests showed that the unit was capable of producing in excess of that amount. As a result, it was formally re-rated to 717,000 kilowatts.

PLANT DAMAGE SUIT SETTLED

In December 1983, The Babcock & Wilcox Company and Florida Power's insurers settled a law suit with Florida Power resulting from damage caused by loose parts within the Crystal River nuclear unit. The unit was designed by The Babcock & Wilcox Company. The incident occurred in February 1978, and the unit was shut down from

March 1978, until September 1978. The \$11.8 million settlement will cover about 94% of the direct damage costs.

FUEL

Two major events occurred during 1983 that demonstrated Florida Power's success in converting its fuel mix from one based primarily on oil to one based on domestic coal. First, coal became Florida Power's primary fuel with an annual consumption of approximately 3.8 million tons, representing 48% of the fuel mix. Second, the successful operating experience with a coal-oil mixture at Bartow Unit No. 1 has resulted in the burning of more than a million barrels of the coal-oil mixture since that unit was converted. The coal-oil mixture is supplied by Electric Fuels Corporation. Electric Fuels also supplies all of Florida Power's coal requirements by both water and rail transportation.

Florida Power is continuing its policy of maintaining firm fuel contracts with various suppliers, in order to maintain the reliability of its supply of other fuels.

Florida Power's fuel mix for 1983 was 48% coal, 28% oil, 18% nuclear, 4% gas and 2% coal-oil mixture. In 1985, the fuel mix is estimated to be 65% coal, 18% nuclear, 14% oil and 3% coal-oil mixture.

SYSTEM DEVELOPMENT

A primary responsibility of Florida Power is to furnish customers with a dependable and adequate source of electric energy at a reasonable cost. Emphasizing flexibility in strategic planning is a major way of meeting this commitment. Growth in customer demand balanced with the conservation of energy has delayed the need for future electric generating facilities. The only remaining unit planned for the balance of the 1980's is currently under construction. Crystal River Unit No. 5 was about 76% complete at the end of 1983 and is scheduled to be in service in December 1984.

During 1983, Florida continued to experience economic expansion of its major industries. Tourism, Florida's major industry, remains a primary source of strength. Approximately 39 million tourists visited Florida in 1983. Although the Florida economy has been improving throughout the year, monthly patterns of new residential electric customers indicate that the population did not begin to show signs of increasing above 1982's level until the last half of 1983. This is because population trends generally lag Florida's other economic indicators. Housing starts increased steadily through 1983 and had the best year since 1973. Reflecting the impact of



Florida Power's commercial energy audit engineer checks equipment efficiency at one of the many high technology companies that have moved to Florida. Weatherstripping, indoor and outdoor lighting load, insulation, caulking and air conditioning units are also checked.

construction activity, the unemployment rate for the state was consistently below the national average throughout the year.

ENERGY MANAGEMENT

During 1983, an Energy Management Department was formed to include the previous functions of energy conservation, load management, load research and forecasting, economic development and governmental sales. The objective of this department is to plan and carry out a viable, well-balanced program of marketing and conservation for the benefit of Florida Power and its customers.

Strong conservation and load management activities will show customers how to receive maximum value for every dollar spent on energy, help reduce Florida Power's long-range need for costly new generating facilities, and help meet the goals established by the Florida Public Service Commission. At the same time, efforts will be devoted to energy sales that increase electrical use in non-peak periods. This better use of capacity can favorably affect costs per kilowatt-hour and future rates.

Load Management Program

Through this voluntary program, Florida Power can control participating customers' major energy using equipment, such as heating, air conditioning, water heaters and pool pumps, during times of peak energy usage in

order to reduce demand. In turn customers receive monthly bill credits of up to \$17. Aggressive marketing has added almost 38,000 customers to the load management program during 1983.

Residential Conservation Program

More than 38,000 residential energy audits were conducted during 1983. To assure that conservation measures are actually completed, Florida Power's innovative Home Energy Fixup Program pays part of the

cost of certain contractor performed energy saving measures.

Florida Power certifies new homes that meet high energy efficiency standards as "Energy Savers." During 1983, approximately 30% of all single-family new residential construction in Florida Power's service area received this award.

Commercial and Industrial Conservation Programs

Conservation activities in the commercial and industrial area were increased in 1983. Florida

Electric Fuels owns approximately 35,000 acres of coal reserves, of which 15,500 acres are actively being mined. Recoverable clean coal reserves are estimated to be about 185 million tons.



Power offers several types of business energy analyses to assist these customers in the efficient use of energy. If implemented, recommendations made as a part of industrial and commercial audits during 1983 would reduce on-peak demand by 7,500 kilowatts.

Florida Power also assists architects and engineers in the design of energy-efficient commercial and industrial buildings. In 1983, this program resulted in more than 30% of all new commercial construction in Florida Power's service area being cited as Energy Design Award winners.

UNION CONTRACT

Contract negotiations between Florida Power and the International Brotherhood of Electrical Workers got under way in October 1983. About 44% of

Florida Power's employees are represented by this union. The two year contract, which expired on December 11, 1983, was extended until Florida Power and the union agree on contract changes.

Electric Fuels Corporation

Electric Fuels Corporation has developed a coal management system that has proved to be successful and highly competitive in supplying coal from mine site to the customer. This fully-integrated system is composed of five essential groups: coal; operations; marine and terminalling; alternative fuels; and international marketing. The integration of these groups under Electric Fuels' management provides the necessary exposure to all phases of the coal industry to ensure continued profitable growth.

The coal group is responsible for the mining and preparation of coal from sites containing approximately 185 million tons of reserves located in the states of Virginia, West Virginia and Kentucky. Shipments from these sites during 1983, totaled approximately 750,000 tons. This reflected a modest but healthy increase, considering the poor market conditions, over the 700,000 tons shipped in 1982.

Although the operations group has supplied various industries, Florida Power Corporation continues to be the primary customer with 1983 purchases totaling approximately 3.5 million tons. The operations group developed innovative price reopeners within long-term contracts and successfully took advantage of market conditions which resulted in lower prices for Florida Power.

The marine and terminalling group provides efficient and reliable service to coal suppliers and users all over the world. In marine transportation, Dixie Fuels

Electric Fuels' composite fuels preparation plant at Port Sutton, Florida, grinds coal into a very fine powder and mixes it with fuel oil to produce COM, a coal-oil mixture. The plant also produces REDICOAL™, a powdered coal product; PETCOM, a petroleum coke-oil mixture; and has the capability to produce a coal-water mixture.





Florida's construction growth translates into more demand for lawn and garden products. Talquin's Pasco Products Company, Incorporated is providing many of these products. Above, trucks are being loaded with horticultural products for deliveries to customers. Left, the chipping and mulching machines at Riverside Wood Products, Inc. (a Talquin subsidiary) turn cypress logs into decorative ground cover to be bagged and sold by Pasco Products and other wholesale customers.



Limited, an Electric Fuels' partnership, is the second largest bulk-carrier operating in the Gulf of Mexico. With a fleet of ocean-going tug and barge units, Dixie Fuels Limited transports products for major chemical and grain companies as well as coal for utilities. Another Electric Fuels' partner, International Marine Terminals, is a bulk materials handling facility strategically located near the mouth of the Mississippi River. The recently expanded terminal consists of modern facilities including a state-

of-the-art coal testing laboratory operated by an independent agent. International Marine Terminals was one of the few major terminals in the United States to substantially increase its tonnage by handling in excess of three million tons during 1983.

Electric Fuels' involvement in the development of alternative fuels is through COMCO of America, Inc., a leader in the manufacture of coal-oil mixture (COM). Production at COMCO's Port Sutton, Florida, facility continues to set records. Since 1982, the facility has produced in excess of 1.2 million barrels of COM. In addition to supplying Florida Power Corporation, COMCO has contracted to supply industrial customers with this alternative fuel. REDICOAL™, COMCO's new powdered coal product for industrial and utility use, has proved to be an economical replacement for fuel oil and natural gas. In January 1984, COMCO received its first commercial order for

REDICOAL™, opening new markets for Electric Fuels' alternative fuels group.

Talquin Corporation

During 1983, Talquin Corporation transferred its interest in computer software to Southeastern Computer Corporation and began to concentrate on its real estate development activities. Talquin acquired 119 acres within the city limits of Tallahassee, Florida, and 190 acres near Gainesville, Florida. The Tallahassee property, named Royal Oaks, will contain single-family homes, multi-family dwellings and commercial enterprises. Land clearing, road construction and utility work are in progress and building should begin during the first half of 1984. The property near Gainesville will be the site of the Florida Research and Technology Center. In a partnership agreement with the University of Florida, Talquin will develop and manage the Center. The Center will have research

space available for lease and sale to national firms, as well as provide space for the University of Florida.

In July 1983, Talquin purchased Hunnicutt Equities, Inc. This company was instrumental in the restoration of McNulty Station, which is now the headquarters of Florida Progress and Talquin. Hunnicutt Equities is presently restoring the building next to McNulty Station which will be leased for office space and has also acquired other properties in the St. Petersburg area for renovation and development.

Talquin became involved in the production and sale of horticultural products when it acquired Riverside Wood Products, Inc., and Pasco Products Company, Incorporated from Electric Fuels in January 1983. Riverside Wood processes cypress into mulch which is then sold to Pasco Products and other wholesale customers. Pasco Products bags this material, as well as fertilizer, peat and other

products, for sale under its Suncoast and PPC labels and private labels. Customers include well-known building supply and retail department stores.

In November 1983, Talquin purchased a 2,988-acre citrus grove near Lake Okeechobee, Florida. The grove has a mix of early and mid-season fruit consisting mostly of oranges. Talquin's grove was not affected by the freeze that damaged some Florida citrus crops in December 1983.

Southeastern Computer Corporation

Since 1975, Southeastern Computer Corporation has been involved in the research and development of complex computer software systems. Its primary areas of expertise are property tax administration systems for state and local governments and major

corporations, and vehicle management systems for organizations with large fleets.

Southeastern Computer's two property tax administration systems are called Tax Assessment and Collection System (TACS) and Corporate Property Tax Administration and Control System (CORP-TACS™). TACS is a collection of sophisticated computer programs that can be adapted to automate the property tax assessment, appraisal and collection process for any government or related jurisdictional body. The CORP-TACS™ computer programs address the problems of identifying property and verifying the reasonableness of the assessed value and property tax, while simplifying compliance with the statutes of taxing authorities.

Southeastern Computer's FLEET System, which was transferred from Talquin in 1983, is a vehicle management system designed to help large organizations reduce maintenance and operating costs while improving vehicle fleet use.

Southeastern Computer Corporation develops and markets property tax administration and vehicle management software programs. These computer application solutions are designed for use by many governmental agencies and corporations.



FLORIDA PROGRESS CORPORATION

Consolidated Balance Sheets

DECEMBER 31, 1983 AND 1982

Assets	1983	1982
	(Thousands)	
ELECTRIC PLANT:		
In service	\$2,861,121	\$2,754,695
Less— Accumulated depreciation	699,472	609,360
	2,161,649	2,145,335
Construction work in progress	382,139	245,004
Nuclear fuel, at amortized cost	98,382	51,361
	2,642,170	2,441,700
 OTHER PROPERTY AND INVESTMENTS:		
Property and investments	55,388	24,070
Investment in unconsolidated subsidiaries and partnerships	15,911	23,405
	71,299	47,475
 CURRENT ASSETS:		
Cash	2,855	6,201
Special deposits	19,742	30,142
Temporary cash investments	2,068	—
Accounts receivable, less reserve of \$2,035,000 in 1983 and \$1,317,000 in 1982	94,776	85,164
Accrued unbilled revenues	39,196	29,116
Income taxes receivable	12,189	—
Inventories, at average cost—		
Fuel	104,968	156,397
Materials and supplies	45,428	38,901
Prepayments	5,043	3,701
	326,265	349,622
 DEFERRED CHARGES:		
Unamortized debt expense, being amortized over term of debt	8,109	8,980
Accumulated deferred taxes	25,551	25,950
Deferred fuel expense	33,040	—
Unamortized nuclear fuel disposal costs	6,461	30,628
Other	26,726	10,501
	99,887	76,059
	\$3,139,621	\$2,914,856

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

Capitalization and Liabilities

1983 1982

(Thousands)

CAPITALIZATION (see accompanying statements):

Common stock equity	\$ 818,309	\$ 725,012
Florida Power Corporation cumulative preferred stock	274,309	275,859
Long-term debt	1,207,902	1,195,147
	2,300,520	2,196,018

CURRENT LIABILITIES:

Accounts payable	73,085	61,607
Customers' deposits	34,961	33,098
Accrued income taxes	—	1,204
Accrued other taxes	8,589	12,294
Accrued interest	23,995	25,759
Other	16,681	15,908
	157,311	149,870
Long-term debt due within one year	8,706	5,372
Notes payable	56,633	37,205
	222,650	192,447

DEFERRED CREDITS AND OTHER LIABILITIES:

Accumulated deferred income taxes	419,322	334,651
Accumulated deferred investment tax credits	163,145	164,007
Nuclear fuel disposal costs	23,346	—
Deferred fuel revenue	—	17,907
Other	10,638	9,826
	616,451	526,391

COMMITMENTS AND CONTINGENCIES (Note 6)

\$3,139,621 \$2,914,856

FLORIDA PROGRESS CORPORATION

Consolidated Statements of Income

FOR THE YEARS ENDED DECEMBER 31, 1983, 1982 AND 1981

	1983	1982 (Thousands)	1981
OPERATING REVENUES	\$1,338,139	\$1,213,671	\$1,284,119
OPERATING EXPENSES:			
Operation—			
Fuel	506,110	514,335	600,678
Purchased power	95,914	109,797	102,275
Other	162,786	140,313	124,149
	764,810	764,445	827,102
Maintenance	89,263	82,228	68,948
Depreciation	101,506	81,016	75,992
Taxes other than income taxes	71,096	63,172	64,990
Income taxes	92,754	54,006	72,893
	1,119,429	1,044,867	1,109,925
OPERATING INCOME	218,710	168,804	174,194
OTHER INCOME AND DEDUCTIONS:			
Allowance for equity funds used during construction	13,221	19,077	8,144
Preferred dividend requirements of Florida Power Corporation	(25,483)	(22,089)	(19,074)
Miscellaneous other income—net	122	4,214	2,120
	(12,140)	1,202	(8,810)
INTEREST CHARGES:			
Interest on long-term debt	109,577	98,929	81,880
Other interest expense	9,752	12,575	11,719
	119,329	111,504	93,599
Allowance for borrowed funds used during construction	(16,627)	(23,595)	(11,786)
	102,702	87,909	81,813
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN AN ACCOUNTING PRINCIPLE	103,868	82,097	83,571
Cumulative effect to January 1, 1981, of accruing unbilled revenues—net of income taxes of \$10,916,000	—	—	11,499
NET INCOME	\$ 103,868	\$ 82,097	\$ 95,070
AVERAGE SHARES OF COMMON STOCK OUTSTANDING	39,293,869	37,239,609	33,938,859
EARNINGS PER AVERAGE COMMON SHARE			
Before cumulative effect of a change in an accounting principle	\$2.64	\$2.20	\$2.46
Cumulative effect to January 1, 1981, of accruing unbilled revenues—net	—	—	.34
EARNINGS PER AVERAGE COMMON SHARE	\$2.64	\$2.20	\$2.80

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

Consolidated Statements of Capitalization

DECEMBER 31, 1983 AND 1982

	1983	1982
	(Thousands)	
COMMON STOCK EQUITY:		
Common stock without par value, authorized 60,000,000 shares (335,220 shares reserved for conversion of convertible debentures), outstanding 41,718,836 shares in 1983 and 38,301,159 shares in 1982	\$ 448,723	\$ 382,791
Retained earnings, including \$48,137,000 not available for dividends on common stock	369,586	342,221
	818,309	725,012
CUMULATIVE PREFERRED STOCK:		
Florida Power Corporation, \$100 par value, authorized 4,000,000 shares—		
Without sinking funds	133,497	133,497
With sinking funds	140,812	142,362
	274,309	275,859
LONG-TERM DEBT:		
Florida Power Corporation—		
First mortgage bonds—		
3 $\frac{5}{8}$ % due November 1, 1983	—	5,311
3 $\frac{1}{8}$ % due July 1, 1984	6,249	6,459
3 $\frac{7}{8}$ % due July 1, 1986	10,337	10,687
13 $\frac{5}{8}$ % due April 1, 1987	100,000	100,000
4 $\frac{1}{8}$ % due July 1, 1988	13,609	14,046
Maturing 1990 through 2012 — 4 $\frac{1}{4}$ % to 13.30%	743,092	745,892
Premium, being amortized over term of bonds	4,727	4,930
Par value of bonds reacquired to meet cash sinking fund requirements	(3,999)	(4,119)
	874,015	883,206
Convertible debentures, 4 $\frac{3}{8}$ % due August 1, 1986 (convertible into shares of common stock at the rate of one share for each \$20.50 of principal amount)	6,872	13,153
11% electric consumer capital notes due October 1, 1985	4,678	4,685
Variable rate term loan due December 15, 1986	75,000	75,000
Guarantee of pollution control revenue bonds and note—		
Maturing May 1, 1984—9 $\frac{1}{4}$ % (Note 4)	—	50,000
Maturing 2000 through 2012—6 $\frac{3}{4}$ % to 11 $\frac{3}{8}$ %	138,575	138,575
Annual tender bonds maturing December 1, 2013	87,000	—
Anticipation note due May 1, 1984 (Note 4)	—	25,000
Other subsidiaries	30,468	10,900
	1,216,608	1,200,519
Long-term debt due within one year	(8,706)	(5,372)
	1,207,902	1,195,147
	\$2,300,520	\$2,196,018

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

Consolidated Statements of Changes in Financial Position

FOR THE YEARS ENDED DECEMBER 31, 1983, 1982 AND 1981

	1983	1982 (Thousands)	1981
SOURCES OF FUNDS:			
Operations:			
Net income	\$103,868	\$ 82,097	\$ 95,070
Items included in net income not requiring (providing) cash:			
Depreciation	101,506	81,016	75,992
Amortization of nuclear fuel	23,584	25,755	10,741
Nuclear plant outage reserve	6,975	—	—
Deferred fuel expense	(50,947)	45,199	898
Deferred income taxes and investment tax credits	91,106	49,986	72,003
Allowance for all funds used during construction	(29,848)	(42,672)	(19,930)
	246,244	241,381	234,774
Financing and Other:			
Common stock	27,891	—	42,000
Common stock—employee benefit and dividend reinvestment plans	31,767	24,040	11,828
Preferred stock	—	50,000	10,000
First mortgage bonds	—	100,000	—
Pollution control revenue bonds and bond anticipation note	87,000	75,000	50,000
Variable rate term loan	—	—	75,000
Increase in notes payable—net	19,428	7,188	—
Decrease in net current assets (a)	30,798	—	7,725
Other—net	—	9,485	5,174
	\$443,128	\$507,094	\$436,501
APPLICATIONS OF FUNDS:			
Additions to electric plant	\$285,828	\$385,274	\$379,752
Allowance for all funds used during construction	(29,848)	(42,672)	(19,930)
	255,980	342,602	359,822
Dividends on common stock	76,488	68,181	56,965
Increase in other property and investments	22,979	15,674	5,315
Long-term debt and preferred stock matured or reacquired for sinking funds	85,538	13,387	13,660
Decrease in notes payable—net	—	—	739
Increase in net current assets (a)	—	67,250	—
Other—net	2,143	—	—
	\$443,128	\$507,094	\$436,501
(a) Analysis of Increase (Decrease) in Net Current Assets:			
Special deposits	(\$10,400)	\$20,915	(\$13,489)
Temporary cash investments	2,068	—	—
Accounts receivable	9,612	(2,533)	7,857
Accrued unbilled revenues	10,080	449	28,667
Income taxes receivable	12,189	—	(16,442)
Inventories	(44,902)	30,124	26,545
Accounts payable	(11,478)	9,865	(31,340)
Other—net	2,033	8,430	(9,523)
	(\$30,798)	\$67,250	(\$ 7,725)

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

Consolidated Statements of Retained Earnings

FOR THE YEARS ENDED DECEMBER 31, 1983, 1982 AND 1981

	1983	1982 (Thousands)	1981
Balance at Beginning of Year	\$342,221	\$328,709	\$292,237
Add—Net income	103,868	82,097	95,070
	446,089	410,806	387,307
Deduct:			
Cash dividends on common stock	76,488	68,181	56,965
Expense of issuing Florida Power's equity securities	15	404	1,633
	76,503	68,585	58,598
Balance at End of Year	\$369,586	\$342,221	\$328,709

Notes to Consolidated Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation—The consolidated financial statements include the financial results of Florida Progress Corporation, and its wholly-owned subsidiaries. Florida Power Corporation, Florida Progress's largest subsidiary representing substantially all of its total assets, is an operating public utility engaged in the production, transmission, distribution and sale of electric energy wholly within the State of Florida.

All significant intercompany balances and intercompany transactions have been eliminated. Certain reclassifications have been made to prior year amounts to conform with current year presentation.

Florida Progress is exempt from regulation as a registered holding company under the Public Utility Holding Company Act of 1935.

(b) Electric Plant—Electric 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 the electric plant is pledged as collateral for Florida Power's first mortgage bonds.

(c) Operating Revenues and Fuel Expense—Prior to 1981, Florida Power recognized utility revenues concurrent with billings to customers on a cycle billing basis. To more closely match revenues and expenses, in 1981 Florida Power began accruing revenues for service rendered but unbilled.

The cost of fossil fuel for electric generation is charged to expense as burned. 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. Florida Power is allowed to recover fuel and purchased power costs through fuel adjustment clauses. Revenues or fuel expenses are adjusted for differences between recoverable fuel costs and amounts included in current rates.

Florida Power recovers estimated future permanent storage and disposal costs of spent nuclear fuel through its fuel adjustment clauses. Nuclear fuel storage and disposal costs related to fuel that has been previously consumed and which has not yet been collected from customers has been set up as a deferred charge on the balance sheet. In June 1983, Florida Power entered into a contract with the Department of Energy to dispose of fuel consumed prior to April 7, 1983, the cost of which is \$23,346,000, as well as fuel consumed after that date at the current cost of .1¢ a kilowatt-hour.

Notes to Consolidated Financial Statements

(d) Depreciation and Maintenance—Florida Progress and its subsidiaries provide for the depreciation of the original cost of properties over their estimated useful lives on a straight-line basis. The annual provision for depreciation, expressed as a percentage of the average balances of depreciable electric plant of Florida Power was 3.68% for 1983 and 3.65% for 1982 and 1981. Florida Power provides for future nuclear plant decommissioning costs which are recoverable through rates charged to its customers. Pursuant to Florida Public Service Commission requirements, Florida Power is placing its retail collections in a funded reserve. The combined recovery from all customers plus interest earned on the funded amounts is expected to provide for the future dismantling, removal and land restoration costs which are presently estimated to be \$362,000,000 in the year 2008. Florida Power charges maintenance with the cost of repairs and minor renewals of property, the plant accounts with the cost of renewals and replacements of property units and accumulated depreciation with cost, less net salvage, of property units retired. Florida Power accrues a reserve for expenses anticipated to be incurred during scheduled nuclear plant refueling outages.

(e) Allowance for Funds Used During Construction (AFDC)—This item represents the estimated cost of funds applicable to utility plant under construction. Recognition of this item as a cost of utility plant 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 to recover them in the rates charged for utility services.

The average rate used in computing AFDC for the years 1983, 1982, and 1981 was 10.08%, 9.79% and 9.33%, respectively.

(f) Pension Costs—Florida Progress and its subsidiaries have a retirement plan covering substantially all of their employees. The total pension costs for 1983, 1982 and 1981 were \$6,872,000, \$9,532,000 and \$8,064,000, respectively. Prior service costs, which were amortized over a 10 year period prior to 1983, became fully funded on January 1, 1983, due to a change in the interest rate assumption. The change reduced the annual cost in 1983 by \$2,065,000. Effective January 1, 1982, the plan was amended to revise the early retirement benefits for long-service employees. This increased the annual cost in 1982 by \$580,000. The plan was amended, effective December 31, 1983, to increase the retirement benefits for employees. Annual contributions to the plan equal the amounts accrued for pension expense. A comparison of the actuarial present value of accumulated plan benefits based on an assumed rate of investment return of 8% a year and plan net assets is presented below:

	January 1,	
	1983	1982
	(Thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	\$ 61,491	\$ 53,561
Nonvested	9,110	8,054
Total	\$ 70,601	\$ 61,615
Net assets available for benefits	\$143,383	\$113,449

The actuarial present value of accumulated plan benefits does not recognize any improvements in benefits and ignores the effects of future compensation increases on the benefits participants will receive for their past service. If this value is adjusted for projected compensation increases consistent with the assumed rate of investment return, the adjusted actuarial present value of accumulated plan benefits would be approximately \$106,400,000 and \$92,600,000 for 1983 and 1982, respectively.

Notes to Consolidated Financial Statements

(2) INCOME TAX EXPENSE

	1983	1982	1981
		(Thousands)	
Federal:			
Payable currently	\$ 531	\$ 3,801	\$11,378
Deferred to subsequent years (a)	119,183	47,030	64,938
Deferred income taxes—credits	(39,571)	(34,746)	(30,735)
Investment tax credits, net of amortization	1,974	35,638	33,245
Income tax expense	82,117	51,723	78,826
Taxes included in miscellaneous other income and the cumulative effect of a change in an accounting principle	83	(4,370)	(14,212)
Income tax expense in operating expenses	82,200	47,353	64,614
State:			
Payable currently	1,067	5,153	5,334
Deferred to subsequent years (a)	13,581	5,589	7,751
Deferred income taxes—credits	(4,061)	(3,525)	(3,196)
Income tax expense	10,587	7,217	9,889
Taxes included in miscellaneous other income and the cumulative effect of a change in an accounting principle	(33)	(564)	(1,610)
Income tax expense in operating expenses	10,554	6,653	8,279
Income taxes	\$ 92,754	\$54,006	\$72,893
(a) The components of income tax deferred to subsequent years were as follows:			
Federal:			
Excess tax over book depreciation	\$ 38,492	\$34,667	\$25,586
Construction costs and other property related items deducted for tax purposes	19,628	12,236	3,286
Repair allowance	—	—	766
Underrecovery (overrecovery) of fuel expenses	40,629	(3,228)	14,323
Other	20,434	3,355	20,977
	\$119,183	\$47,030	\$64,938
State:			
Excess tax over book depreciation	\$ 4,010	\$3,810	\$2,922
Construction costs and other property related items deducted for tax purposes	2,236	1,401	376
Repair allowance	348	375	413
Underrecovery (overrecovery) of fuel expenses	4,649	(370)	1,638
Other	2,338	373	2,402
	\$13,581	\$5,589	\$7,751

Notes to Consolidated Financial Statements

The investment tax credits, including job development investment tax credits, have been deferred and are being amortized through credits to income over the lives of the related property. The Company had unrealized investment tax credits in 1983 of \$12,993,000 which will be recorded in future years when realized. The provision for federal income tax as a percent of income before taxes, including amounts allocated to miscellaneous other income and deductions, and cumulative effect of change in an accounting principle, was less than the statutory federal income tax rate. The primary differences between the statutory rates and the effective income tax rates are detailed below:

	1983	1982	1981
Federal income tax statutory rate	46.0%	46.0%	46.0%
Amortization of investment tax credits	(3.4)	(4.4)	(2.6)
Allowance for equity funds used during construction	(3.5)	(6.7)	(2.6)
Other	(.3)	(1.7)	.1
Effective federal income tax rate	38.8%	33.2%	40.9%

(3) EQUITY SECURITIES

The changes in equity securities for 1983, 1982 and 1981 are as follows:

	Florida Progress Corporation Common Stock	Florida Power Corporation Preferred Stock	
		Without Sinking Funds	With Sinking Funds
		(Thousands)	
Balance December 31, 1980	\$298,339	\$133,500	\$ 85,540
3,870,619 common shares issued	54,121	—	—
11% series, 100,000 shares issued	—	—	10,000
15,682 shares reacquired	—	—	(1,569)
Balance December 31, 1981	352,460	133,500	93,971
1,807,890 common shares issued	30,331	—	—
13.32% series, 500,000 shares issued	—	—	50,000
16,120 shares reacquired	—	(3)	(1,609)
Balance December 31, 1982	382,791	133,497	142,362
3,417,677 common shares issued	65,932	—	—
15,500 shares reacquired	—	—	(1,550)
Balance December 31, 1983	\$448,723	\$133,497	\$140,812

Florida Power has 1,000,000 shares of authorized but unissued preference stock, \$100 par value, and 5,000,000 shares of authorized but unissued cumulative preferred stock, without par value.

(4) LONG-TERM DEBT

On December 1, 1983, Florida Power completed the defeasance of \$50,000,000 Pollution Control Revenue Bonds due May 1, 1984, and the advance refunding of a \$25,000,000 Anticipation Note due May 1, 1984. Sufficient funds in the form of United States Government securities were deposited with trustees to pay the respective principals and the accrued interest up to the date of redemption or maturity. The effects of these transactions on net income were insignificant.

The defeasance and the advance refunding were funded by proceeds from the issuance of \$87,000,000 Annual Tender Pollution Control Revenue Bonds, Series 1983 Bonds. The interest rate will be adjusted on December 1 of each year and the bondholders may elect to tender their Series 1983 Bonds at that time. The entire amount of Series 1983 Bonds outstanding at any point in time is supported by an equivalent amount from a three-year line of credit arrangement.

The combined aggregate maturities of long-term debt and cash sinking fund requirements for 1984, 1985, 1986, 1987 and 1988 are \$8,706,000, \$11,313,000, \$98,908,000, \$109,763,000 and \$14,061,000, respectively.

Notes to Consolidated Financial Statements

(5) JOINTLY-OWNED PLANT

Florida Power's 90% ownership share in the Crystal River nuclear unit amounted to \$396,620,000 of electric plant in service, \$9,873,000 of construction work in progress, and \$90,239,000 of accumulated depreciation, which includes \$11,496,000 of decommissioning costs, at December 31, 1983. Each participant provides for its own financing. Florida Power's share of the operating costs are included in the appropriate expense captions in the statements of income.

(6) COMMITMENTS AND CONTINGENCIES

(a) Construction Program—Substantial commitments have been made in connection with Florida Power's construction program which is presently estimated to be \$276,100,000 in 1984.

(b) Legal Proceedings—The 1978 forced shutdown of the Crystal River nuclear unit and ensuing Florida Public Service Commission (FPSC) investigation resulted in an order that Florida Power refund approximately \$14,700,000 in increased fuel costs paid by its customers. On April 8, 1981, the FPSC reduced the required refund by \$1,800,000 plus interest, but denied other points raised by Florida Power. Florida Power appealed this decision to the Florida Supreme Court on April 24, 1981. On December 16, 1982, the Supreme Court issued its decision reversing the FPSC's Order and returned the matter to the FPSC for reconsideration. In making its decision, the Supreme Court ruled that the FPSC had improperly relied upon certain evidence. On July 13, 1983, the FPSC issued an Order on Remand requiring Florida Power to refund \$11,056,000 plus interest to its customers. On August 12, 1983, Florida Power again appealed this matter to the Florida Supreme Court, contending that the FPSC had again improperly relied on the same evidence, contrary to the Court's previous decision. In the opinion of Florida Power management and legal counsel, the resolution of this matter should not result in any material adjustment to the recorded provisions for Florida Power's best estimate of its ultimate refund liability. However, in the event this matter is resolved adversely to Florida Power, the maximum amount that Florida Progress's earnings would be adversely impacted, as of December 31, 1983, would be \$5,800,000, net of income taxes.

(c) Nuclear Insurance—The Price-Anderson Act currently limits the liability of an owner of a nuclear power plant to \$580,000,000 for a single nuclear incident. Florida Power has purchased the maximum available private insurance of \$160,000,000, and the balance is provided by indemnity agreements with the Nuclear Regulatory Commission. In the event of a nuclear incident, Florida Power could be assessed up to \$5,000,000 for the licensed reactor it owns with a maximum assessment of \$10,000,000 in a year. Florida Power carries additional insurance with Nuclear Electric Insurance, Ltd. (NEIL) to cover the cost of replacement power during prolonged outages of the nuclear unit. Florida Power is subject to a retrospective premium liability of up to \$7,400,000 in any year in which losses exceed accumulated funds available to NEIL.

Florida Power currently carries approximately \$1,000,000,000 in property insurance representing the maximum available. This coverage is provided by various underwriters through several different policies. Under one of the policies underwritten by NEIL, which provides \$425,000,000 excess coverage, Florida Power is contingently liable for a retrospective premium assessment of up to \$6,500,000 in any one policy year in the event NEIL's excess property losses exceed available funds.

(7) SUPPLEMENTARY INFORMATION TO DISCLOSE THE EFFECTS OF CHANGING PRICES (Unaudited)

The following supplementary presentation is made consistent with Statement No. 33 of the Financial Accounting Standards Board and is intended to set forth the effect of both general inflation and changes in specific prices on Florida Progress and its subsidiaries. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for all Urban Consumers. Current cost amounts reflect the changes in specific prices of property, plant and equipment (plant) from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than the general rate of inflation. The current cost of plant is determined by indexing surviving plant by the Handy-Whitman Index of Public Utility Construction Costs. Since the plant is not expected to be replaced precisely in kind, current cost does not necessarily represent the replacement cost of Florida Power's productive capacity.

Amortization of nuclear fuel, an item included in operating and maintenance expense, and depreciation are determined by applying Florida Power's amortization and depreciation rates to the average indexed plant amounts.

Notes to Consolidated Financial Statements

Since only historical costs are deductible for income tax purposes, the income tax expense in the historical cost financial statements is not adjusted.

Under the rate-making prescribed by the regulatory commissions to which Florida Power is subject, only the historical cost of plant is recoverable in revenues as amortization and depreciation. Therefore, the excess of the cost of plant stated in terms of constant dollars or current cost that exceeds the historical cost of plant is not presently recoverable in rates as amortization or depreciation, and is reflected as a reduction to net recoverable cost.

To properly reflect the economics of rate regulation in the consolidated statement of income from continuing operations, the reduction of Florida Power's net plant should be offset by the gain from the decline in purchasing power of net amounts owed. During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance plant. Since the amortization and depreciation on this plant is limited to the recovery of historical costs, Florida Power does not have the opportunity to realize a holding gain on debt and is limited to recovery only of the embedded cost of debt capital.

CONSOLIDATED FIVE YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

(Thousands, Except Per Share Amounts, of Average 1983 Dollars)

	Years Ended December 31,				
	1983	1982	1981	1980	1979
Operating revenues					
Historical	\$1,338,139	\$1,213,671	\$1,284,119	\$970,161	\$835,465
Adjusted	\$1,338,139	\$1,253,115	\$1,407,394	\$1,172,925	\$1,147,093
Historical Cost Information Adjusted for General Inflation					
Income from continuing operations (excluding reduction to net recoverable cost)*	17,377	(14,039)	3,216	(21,033)	10,135
Income (loss) per common share*	.44	(.38)	.09	(.70)	.35
Net assets at year end at net recoverable cost	803,252	735,849	723,010	682,752	699,518
Current Cost Information					
Income (loss) from continuing operations (excluding reduction to net recoverable cost)*	13,560	(15,609)	2,825	(30,707)	(4,929)
Income (loss) per common share*	.35	(.42)	.08	(1.02)	(.17)
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost	8,748	5,933	104,894	157,620	179,956
Net assets at year end at net recoverable cost	803,252	735,849	723,010	682,752	699,518
General Information					
Gain from decline in purchasing power of net amounts owed	68,011	72,095	129,058	157,911	182,292
Cash dividends declared per common share:					
Historical	\$1.95	\$1.83	\$1.68	\$1.565	\$1.41
Adjusted	\$1.95	\$1.89	\$1.84	\$1.89	\$1.94
Market price per common share at year end:					
Historical	\$20.25	\$19.00	\$15.625	\$13.625	\$14.125
Adjusted	\$20.25	\$19.62	\$17.12	\$16.49	\$19.41
Average consumer price index	298.5	289.1	272.4	246.8	217.4

*The year 1981 excludes the cumulative effect of change in an accounting principle for unbilled revenues.

Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME FROM CONTINUING OPERATIONS ADJUSTED FOR CHANGING PRICES

For the Year Ended December 31, 1983

	(Thousands)		
	Conventional Historical Cost	Constant Dollar Average 1983 Dollars	Current Cost Average 1983 Dollars
Operating revenues	\$1,338,139	\$1,338,139	\$1,338,139
Operating and maintenance expense and taxes other than income taxes	925,169	927,415	927,415
Depreciation expense	101,506	185,751	189,568
Income tax expense	92,754	92,754	92,754
Interest expense—net	102,702	102,702	102,702
Other income and deductions—net	12,140	12,140	12,140
	1,234,271	1,320,762	1,324,579
Income from continuing operations (excluding reduction to net recoverable cost)	\$ 103,868	\$ 17,377	\$ 13,560
Increase in specific prices (current cost) of plant held during the year			\$ 13,031
Less increase in cost of plant adjusted for changes in general price level			151,689
Excess of increase in specific prices over general price level			(138,658)
Reduction to net recoverable cost		(\$12,565)	129,910
		(12,565)	(8,748)
Gain from decline in purchasing power of net amounts owed		68,011	68,011
Net price level adjustment		\$55,446	\$ 59,263

Report of Independent Certified Public Accountants

To the Shareholders of Florida Progress Corporation:

We have examined the consolidated balance sheets and statements of capitalization of Florida Progress Corporation (a Florida corporation) and subsidiaries as of December 31, 1983 and 1982, and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Florida Progress Corporation and subsidiaries as of December 31, 1983 and 1982, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis, subsequent to the change, with which we concur, in the method of recording revenues as described in Note 1 to the consolidated financial statements.

ARTHUR ANDERSEN & CO.

Tampa, Florida
January 27, 1984.

FLORIDA PROGRESS CORPORATION

Selected Consolidated Financial Data 1979-1983

	1983	1982	1981	1980	1979
	(Thousands, Except Per Share Amounts)				
Operating Revenues	\$1,338,139	\$1,213,671	\$1,284,119	\$970,161	\$835,465
Net Income	\$103,868	\$82,097	\$95,070	\$52,183*	\$60,487*
Earnings per Average Common Share	\$2.64	\$2.20	\$2.80	\$1.73*	\$2.09*
Dividends per Common Share	\$1.95	\$1.83	\$1.68	\$1.565	\$1.41
Total Assets	\$3,139,621	\$2,914,856	\$2,589,240	\$2,265,667	\$1,931,673
Capitalization					
Long-term Debt	\$1,207,902	\$1,195,147	\$1,028,524	\$ 912,895	\$ 682,605
Preferred Stock with Sinking Funds	140,812	142,362	93,971	85,540	87,125
	1,348,714	1,337,509	1,122,495	998,435	769,730
Preferred Stock without Sinking Funds	133,497	133,497	133,500	133,500	133,500
Common Stock Equity	818,309	725,012	681,169	590,576	538,181
Total Capitalization	\$2,300,520	\$2,196,018	\$1,937,164	\$1,722,511	\$1,441,411

* Pro forma — To give effect of a change in an accounting principle for unbilled revenues, Note 1c—Notes to Financial Statements.

Selected Operating Data of Florida Power Corporation 1979-1983

	1983	1982	1981	1980	1979
Electric Sales (Thousands of KWH)					
Residential	8,009,520	7,424,984	7,752,265	7,379,740	6,927,339
Commercial	4,118,602	3,895,216	3,735,191	3,581,112	3,646,279
Industrial	2,701,022	2,715,541	3,288,325	3,480,993	3,215,932
Sales for Resale	3,848,145	3,630,199	3,642,498	3,378,115	3,044,778
Other	1,142,876	1,094,876	1,038,476	987,695	734,861
Total	19,820,165	18,760,816	19,456,755	18,807,655	17,569,189
Residential Service (Average Annual)					
KWH Sales per Customer	10,388	9,964	10,758	10,643	10,496
Revenue per Customer	\$782.96	\$720.47	\$763.19	\$591.32	\$540.29
Revenue per KWH	7.54¢	7.23¢	7.09¢	5.56¢	5.15¢
Operating Data					
Net Generating Capability (KW)	5,993,000	5,899,000	5,255,000	5,117,000	4,884,000
Net System Peak Load (KW)	4,913,000	5,347,000	5,088,000	4,419,000	4,224,000
BTU per KWH of Net Output	10,082	10,383	10,357	10,443	10,503
Fuel Cost per Million BTU	\$2.85	\$2.78	\$3.12	\$2.52	\$2.01
Average Number of Customers	861,548	829,810	802,787	772,265	735,633
Number of Employees	4,923	4,829	4,533	4,195	3,891

Quarterly Financial Data (Unaudited)

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(Thousands, Except Per Share Amounts)			
1983				
Operating revenues	\$315,323	\$314,616	\$390,828	\$317,372
Net income	\$23,518	\$20,667	\$37,209	\$22,474
Earnings per average common share	\$.61	\$.53	\$.94	\$.56
1982				
Operating revenues	\$297,641	\$285,148	\$331,759	\$299,123
Net income	\$17,751	\$15,137	\$28,826	\$20,383
Earnings per average common share	\$.49	\$.41	\$.77	\$.54

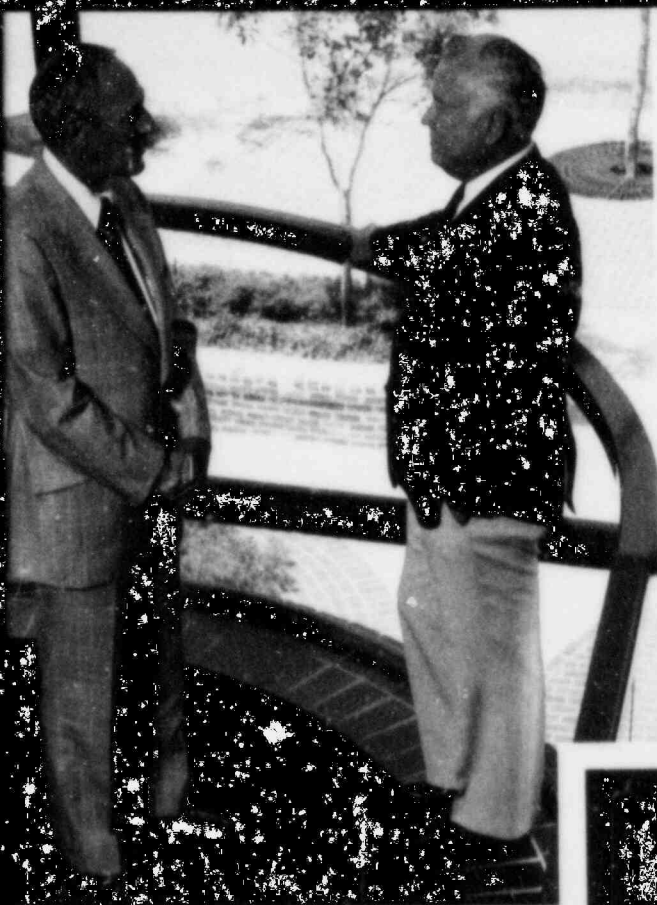
Earnings per average common share as presented above may not equal amounts reported in the Statements of Income as a result of issuing additional shares of common stock during the periods.

The business of the Company's largest subsidiary, Florida Power Corporation, 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.

Common Stock Data

	Price of Common Stock on New York Stock Exchange				Dividends Paid Per Share	
	1983		1982		1983	1982
	High	Low	High	Low		
First Quarter	\$19 ³ / ₄	\$18 ⁵ / ₈	\$17	\$15 ¹ / ₈	\$.48	\$.45
Second Quarter	21 ³ / ₈	18	17 ¹ / ₈	15 ¹ / ₈	.48	.45
Third Quarter	20 ¹ / ₈	18	17 ⁷ / ₈	14 ⁷ / ₈	.48	.45
Fourth Quarter	22 ⁵ / ₈	19 ¹ / ₂	19 ¹ / ₂	16 ³ / ₄	.51	.48

At December 31, 1983, the number of common shareholders of record was 48,712.



P. Scott Linder
Chairman of the Board
Linder Industrial
Machinery Company
Lakeland, Florida

Andrews H. Hines, Jr.
Chairman of the Board
and President

Directors

Wilmer W. Bassett, Jr.
President, Bassett Brothers, Inc.
(Dairy Business)
Monticello, Florida

George Ruppel
Vice President and Secretary
Modern Tool & Die Company
of Florida (Manufacturer of
Automobile Parts)
Pinellas Park, Florida



Clarence W. McKee, Jr.
Executive Vice President

Jean Giles Wittner
President
Centerbank
St. Petersburg, Florida

Byron E. Herlong
Chairman of the Board
A.S. Herlong & Co., Inc.
(Citrus Business)
Leesburg, Florida



Robert C. Allen
Vice President, Walt Disney World Co.
and Chairman, Disney World
Operating Committee
Lake Buena Vista, Florida



Richard C. Johnson
Senior Vice President
Southeast Bank, N.A.
Seminole, Florida

Cornelia B. Myers
Partner, Peterson, Myers, Craig,
Crews, Brandon & Mann, P.A.
(Attorneys at Law)
Lake Wales, Florida

Frank M. Hubbard
Chairman of the Board
Hubbard Construction Company
Orlando, Florida



Executive Officers

Andrew H. Hines, Jr.

Chairman of the Board
and Chief Executive Officer
Florida Progress Corporation
Florida Power Corporation

S.A. Brandimore

Executive Vice President and General Counsel
Florida Progress Corporation

Clarence W. McKee, Jr.

Executive Vice President
Florida Progress Corporation

Lee H. Scott

President and Chief Operating Officer
Florida Power Corporation

B.L. Griffin

Executive Vice President
Florida Power Corporation

H.G. Wells

President and Chief Executive Officer
Electric Fuels Corporation

A.J. Keesler, Jr.

President and Chief Executive Officer
Talquin Corporation

Other Officers of Florida Progress Corporation

J.G. Loader

Vice President and Secretary

Thomas S. Krzesinski

Vice President, New Business

N.B. Spake

Vice President, Technology

J.H. Joyce

Treasurer and Controller

J.H. Richardson

Assistant Secretary and Assistant General Counsel

Douglas M. Bagge

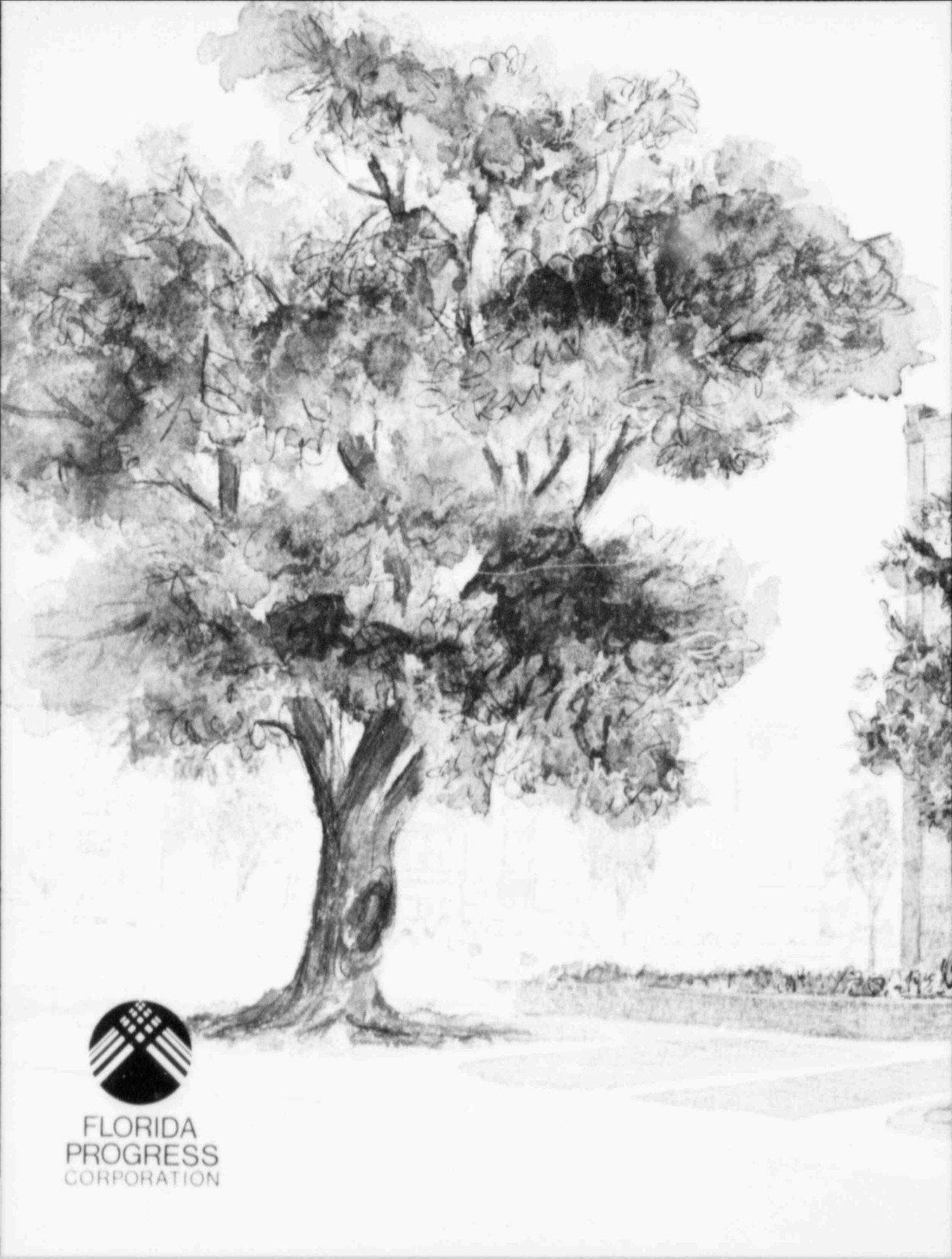
Assistant Secretary

Betty M. Clayton

Assistant Secretary

L.J. Lopez

Assistant Treasurer



FLORIDA
PROGRESS
CORPORATION