

Q3-2008 Earnings Call

October 31, 2008



Caution Regarding Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The matters discussed in this document involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Examples of factors that you should consider with respect to any forward-looking statements made throughout this document include, but are not limited to, the following: the impact of fluid and complex laws and regulations, including those relating to the environment and the Energy Policy Act of 2005; the anticipated future need for additional baseload generation and associated transmission facilities in our regulated service territories and the accompanying regulatory and financial risks; the financial resources and capital needed to comply with environmental laws and renewable energy portfolio standards and our ability to recover related eligible costs under cost-recovery clauses or base rates; our ability to meet current and future renewable energy requirements; the inherent risks associated with the operation of nuclear facilities, including environmental, health, regulatory and financial risks; the impact on our facilities and businesses from a terrorist attack; weather and drought conditions that directly influence the production, delivery and demand for electricity; recurring seasonal fluctuations in demand for electricity; the ability to recover in a timely manner, if at all, costs associated with future significant weather events through the regulatory process; economic fluctuations and the corresponding impact on our customers, including downturns in the housing and consumer credit markets; fluctuations in the price of energy commodities and purchased power and our ability to recover such costs through the regulatory process; our ability to control costs, including operation and maintenance expense (O&M) and large construction projects; the ability of our subsidiaries to pay upstream dividends or distributions to Progress Energy; the length and severity of the current financial market distress that began in September 2008; the ability to successfully access capital markets on favorable terms; the stability of commercial credit markets and our access to short-term and long-term credit; the impact that increases in leverage may have on us; our ability to maintain our current credit ratings and the impact on our financial condition and ability to meet our cash and other financial obligations in the event our credit ratings are downgraded; our ability to fully utilize tax credits generated from the previous production and sale of qualifying synthetic fuels under Internal Revenue Code Section 29/45K; the investment performance of our nuclear decommissioning trust funds and the assets of our pension and benefit plans; the outcome of any ongoing or future litigation or similar disputes and the impact of any such outcome or related settlements; and unanticipated changes in operating expenses and capital expenditures. Many of these risks similarly impact our nonreporting subsidiaries. These and other risk factors are detailed from time to time in our filings with the United States Securities and Exchange Commission. All such factors are difficult to predict, contain uncertainties that may materially affect actual results and may be beyond our control. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor can management assess the effect of each such factor on us.

Any forward-looking statement is based on information current as of the date of this document and speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made.

Bill Johnson

Chairman, President and CEO



Topics

- Earnings update
- Regulatory update
- Energy efficiency and alternative energy
- Capital expenditures

Earnings Update

	<u>2008</u>	<u>2007</u>
● Third-quarter ongoing earnings*	\$306M \$1.17 per share	\$300M \$1.17 per share
● Year-to-date ongoing earnings*	\$653M \$2.51 per share	\$591M \$2.32 per share
● Narrow 2008 ongoing earnings guidance to \$2.95 - \$3.05, which is the lower end of our previously announced range		

Regulatory Update

- Carolinas
 - ◆ Clean Smokestacks Amortization
 - ◆ Harris Depreciation
 - ◆ Proposed fuel settlement in North Carolina
- Florida
 - ◆ Cost-recovery includes the following clauses:
 - Levy Nuclear } Approved on Oct 14
 - CR3 Uprate }
 - Fuel } Hearings scheduled for Nov 4-6
 - Capacity }
 - Environmental }
 - Energy Conservation }
 - ◆ Rates effective January 1, 2009

Energy Efficiency and Alternative Energy

Energy Efficiency and DSM

- NCUC approved four new programs
 - EnergyWise
 - Residential Home Advantage
 - CIG New Construction
 - CIG Retrofit-Custom
- NCUC reviewing Distribution System Demand-Response (DSDR)
 - Invest \$260M by 2012
 - Reduce peak demand by 250 MW
- NCUC hearing on rider scheduled for December 17-18, 2008

Alternative Energy

- North Carolina solar
 - 1 MW on former landfill in Haywood County
 - 1.2 MW at our Sutton Plant near Wilmington
 - 1 MW at SAS in Cary
- Plug-in hybrid electric vehicle partnership with NC State University
- Florida PPAs
 - 40 MW biomass
 - 60 MW municipal solid waste

Note: CIG = Commercial, Industrial, and Government.

CapEx Driving Earnings Growth – On Track

Major Generation Projects	Total Project CapEx	Cumulative Spent through 9/30/08	Expected Completion Date
<u>Carolinas</u>			
Clean Smokestacks	\$1.5-1.6B	\$986M	2013
Wayne County CT	\$90M	\$17M	Jun-09
Richmond County CCGT (incl Transmission)	\$600M	\$45M	Jun-11
<u>Florida</u>			
Environmental	\$1.2B	\$745M	May-10
Bartow Repowering (incl Transmission)	\$690M	\$602M	Jun-09
CR3 Nuclear Uprate	\$365M	\$73M	Dec-11
CR3 Steam Generator Replacement	\$245M	\$110M	Dec-09

Mark Mulhern

Chief Financial Officer



Topics

- Liquidity update
- Quarter-over-quarter results
- Year-to-date performance
- Customer growth and usage
- 2008 ongoing earnings achievability
- Cost management

Strong Liquidity Position

As of September 30, 2008

(\$in millions)

	Credit Facilities					Cash on Hand	Total Liquidity
	Expiration	Commitment	Drawn	CP/LCs Outstanding	Available		
PGN	2012	\$1,130	- *	\$526	\$604	\$35	\$638
PEC	2011	450	-	-	450	145	595
PEF	2011	450	-	-	450	223	673
Total		\$2,030	-	\$526	\$1,504	\$403	\$1,907

* Recently borrowed \$600 million under Progress Energy's revolving credit agreement to reduce rollover risk in the commercial paper markets.

Near-Term Maturity

Planned debt issuance by February 2009 at PEC to refinance \$400M maturity on March 1, 2009

Approximately \$1.9 billion of total liquidity

Credit Facilities Bank Syndicate

<i>(in millions)</i> Credit Provider	Total Commitments			
	Progress Energy	Parent	PEC	PEF
JPMorgan Chase	\$225.0	\$141.0	\$44.0	\$40.0
Bank of Tokyo-Mitsubishi UFJ	200.0	95.0	45.0	60.0
Barclays	190.5	100.0	20.5	70.0
Bank of America	190.0	98.0	22.0	70.0
Citibank	180.0	111.0	34.0	35.0
Wachovia Bank	175.5	53.0	82.5	40.0
Royal Bank of Scotland	169.0	92.0	77.0	—
The Bank of New York	120.0	35.0	40.0	45.0
SunTrust	115.0	50.0	20.0	45.0
Morgan Stanley	100.0	50.0	50.0	—
Goldman Sachs	100.0	100.0	—	—
Deutsche Bank	95.0	50.0	—	45.0
UBS	80.0	80.0	—	—
BNP Paribas	50.0	50.0	—	—
Branch Banking & Trust	25.0	25.0	—	—
First Tennessee Bank	15.0	—	15.0	—
Total Commitments	\$2,030.0	\$1,130.0	\$450.0	\$450.0

Diverse group of global and regional financial institutions

Third Quarter-over-Quarter Ongoing Earnings Variances*

- Key favorable variances (+22¢)
 - ↑ 8¢ AFUDC equity
 - ↑ 4¢ net retail base rates from Hines Energy Complex
 - ↑ 3¢ Florida wholesale margins
 - ↑ 3¢ O&M
 - ↑ 2¢ Carolinas retail growth and usage
 - ↑ 2¢ other retail margin in the Carolinas
- Key unfavorable variance (-12¢)
 - ↓ 3¢ interest expense
 - ↓ 3¢ Carolinas wholesale margins
 - ↓ 2¢ Florida retail growth and usage
 - ↓ 2¢ Carolinas depreciation and amortization
 - ↓ 2¢ dilution

Milder Weather in 2008

		Three Months Ended					
		September 30, 2008			September 30, 2007		
		PEC	PEF	PGN	PEC	PEF	PGN
Cooling Degree Days	Actual	1,091	1,348		1,238	1,469	
	Normal	1,095	1,389		1,072	1,389	
Impact of retail weather to normal on EPS		\$0.00	(\$0.01)	(\$0.01)	\$0.06	\$0.03	\$0.09

Negative impact from weather vs. 2007 – (\$0.10)

		Nine Months Ended					
		September 30, 2008			September 30, 2007		
		PEC	PEF	PGN	PEC	PEF	PGN
Heating Degree Days	Actual	1,784	286		1,854	322	
	Normal	1,896	386		1,893	386	
Cooling Degree Days	Actual	1,673	2,533		1,792	2,535	
	Normal	1,645	2,526		1,605	2,526	
Impact of retail weather to normal on EPS		(\$0.02)	(\$0.03)	(\$0.05)	\$0.06	(\$0.03)	\$0.03

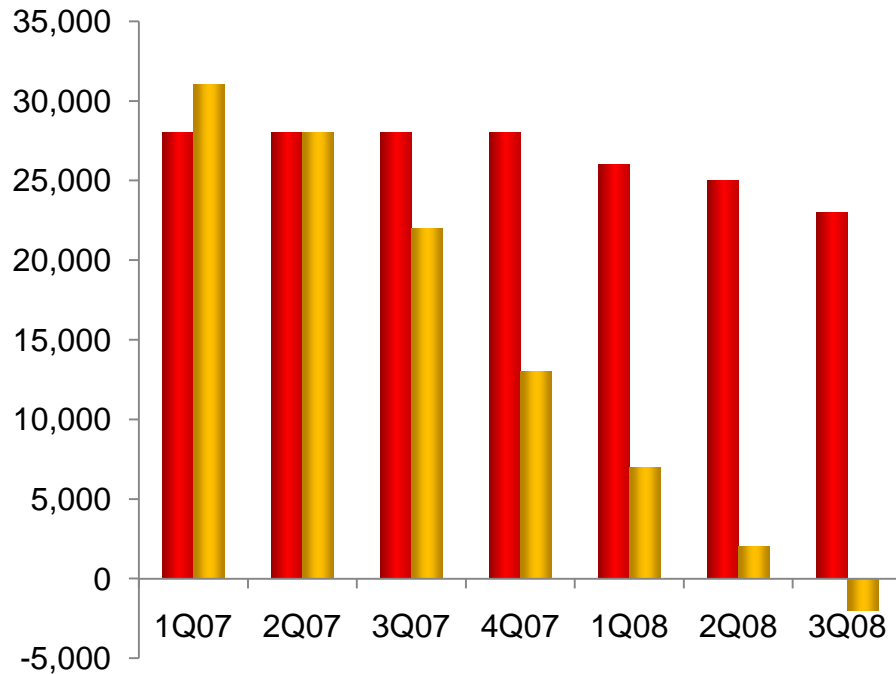
Negative impact from weather vs. 2007 – (\$0.08)

Year-to-Date Performance

- \$2.51 ongoing earnings* versus \$2.60 budget
(2007 ongoing earnings - \$2.32)
- Key favorable variances from plan (+17¢)
 - ↑ 7¢ Florida wholesale margin
 - ↑ 4¢ O&M
 - ↑ 3¢ AFUDC equity
 - ↑ 3¢ Interest expense
- Key unfavorable variances from plan (-26¢)
 - ↓ 11¢ Florida retail growth and usage
 - ↓ 5¢ Milder weather
 - ↓ 5¢ Carolinas wholesale margin
 - ↓ 4¢ Carolinas growth and usage
 - ↓ 1¢ Other

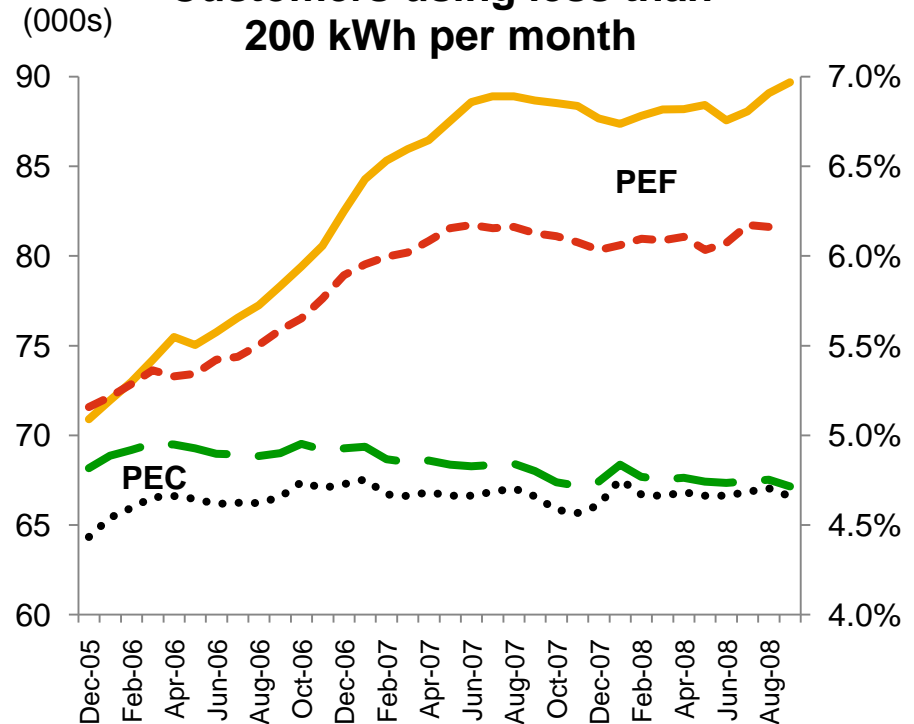
Customer Growth & Usage

Average Customer Growth*



■ PEC ■ PEF

Customers using less than 200 kWh per month



..... PEC # of low usage accounts — PEF # of low usage accounts
 — PEC % low usage customers - - - PEF % low usage customers

* Approximate average net increase in number of customers for respective three-month periods compared to prior year.

2008 Ongoing Earnings Guidance

- \$2.95 - \$3.05 is achievable
- \$2.91 trailing 12-month ongoing EPS
- 4Q-07 actual EPS of \$0.40, included:
 - ◆ 2¢ unfavorable weather
 - ◆ 13¢ regulatory depreciation / amortization (Harris, CSA & GridSouth)

Cost Management

Adjusted O&M Reconciliation ⁽¹⁾

<i>(in millions)</i>	Nine months ended September 30,		Growth
	2008	2007	
Reported GAAP O&M	\$1,370	\$1,337	2.5%
Adjustments			
Carolinias			
O&M recoverable through clauses	(18)	(2)	
Timing of nuclear outages	-	(28)	
Estimated environmental remediation expenses	(6)	1	
Florida			
Storm damage reserve	(66)	(17)	
Energy conservation cost recovery clause (ECCR)	(52)	(52)	
Environmental cost recovery clause (ECRC)	(27)	(38)	
Sales and use tax audit adjustments	5	(4)	
Severance associated with Energy Delivery restructuring	(6)	-	
Adjusted O&M ⁽²⁾	\$1,200	\$1,197	0.3%

- Adjusted O&M excludes certain expenses that are recovered through cost-recovery clauses which have no material impact on earnings, as well as certain non-recurring items. Management believes this presentation is appropriate and enables investors to more accurately compare the company's O&M expense over the periods presented. Adjusted O&M as presented here may not be comparable to similarly titled measures used by other companies.
- The 4¢ favorable YTD O&M EPS variance presented in the earnings release excludes the impact from O&M costs recoverable through clauses which have no material impact on earnings.

Conclusion

- Strong liquidity position
- On track for 2008 ongoing earnings guidance of \$2.95 - \$3.05
- Clarity of 2009 earnings from CapEx plans and regulatory recovery mechanisms
- Dividend growth

Appendix

Stable Credit Ratings

	Moody's Investors	Standard & Poor's	Fitch Ratings
Progress Energy			
Outlook	Stable	Stable	Stable
Corporate Credit Rating	--	BBB+	BBB
Senior Unsecured Debt	Baa2	BBB	BBB
Commercial Paper	P-2	A-2	F-2
Progress Energy Carolinas			
Corporate Credit Rating	A3	BBB+	A-
Commercial Paper	P-2	A-2	F-1
Senior Secured Debt	A2	A-	A+
Senior Unsecured Debt	A3	BBB	A
Preferred Stock	Baa2	BBB-	A-
Progress Energy Florida			
Corporate Credit Rating	A3	BBB+	A-
Commercial Paper	P-2	A-2	F-1
Senior Secured Debt	A2	A-	A+
Senior Unsecured Debt	A3	BBB	A
Preferred Stock	Baa2	BBB-	A-
FPC Capital I			
Preferred Stock**	Baa2	BBB-	--
Progress Capital Holdings			
Senior Unsecured Debt***	Baa1	BBB	--

Preserve investment grade credit ratings

Reconciliation of Ongoing to GAAP Earnings *

Progress Energy, Inc. Reconciliation of Ongoing Earnings per Share to Reported GAAP Earnings per Share

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Ongoing earnings per share	\$1.17	\$1.17	\$2.51	\$2.32
Tax levelization	0.01	0.04	0.02	0.03
Discontinued operations	0.01	0.03	0.26	(0.77)
CVO mark-to-market	-	-	(0.01)	(0.01)
Reported GAAP earnings per share	<u>\$1.19</u>	<u>\$1.24</u>	<u>\$2.78</u>	<u>\$1.57</u>
Shares outstanding (millions)	<u>261</u>	<u>257</u>	<u>260</u>	<u>256</u>

* Previously reported 2007 results have been restated to reflect discontinued operations.

2008 Ongoing Earnings Adjustments

Progress Energy's management uses ongoing earnings per share to evaluate the operations of the company and to establish goals for management and employees. Management believes this presentation is appropriate and enables investors to more accurately compare the company's ongoing financial performance over the periods presented. Ongoing earnings as presented here may not be comparable to similarly titled measures used by other companies.

Reconciling adjustments from ongoing earnings to GAAP earnings are as follows:

Tax Levelization

Generally accepted accounting principles require companies to apply an effective tax rate to interim periods that is consistent with a company's estimated annual tax rate. The company projects the effective tax rate for the year and then, based upon projected operating income for each quarter, raises or lowers the tax expense recorded in that quarter to reflect the projected tax rate. The resulting tax adjustment increased earnings per share by \$0.01 for the quarter and \$0.04 for the same period last year, and has no impact on the company's annual earnings. Because this adjustment varies by quarter but has no impact on annual earnings, management believes this adjustment is not representative of the company's ongoing quarterly earnings.

Discontinued Operations

The company has reduced its business risk by exiting nonregulated businesses to focus on the core operations of the utilities. The discontinued operations of these nonregulated businesses increased earnings per share by \$0.01 for the quarter and \$0.03 for the same period last year. See page S-4 of the supplemental data for further information on the impact of discontinued operations. Due to disposition of these assets, management does not view this activity as representative of the ongoing operations of the company.

Contingent Value Obligation (CVO) Mark-to-Market

In connection with the acquisition of Florida Progress Corporation, Progress Energy issued 98.6 million CVOs. Each CVO represents the right of the holder to receive contingent payments based on after-tax cash flows above certain levels of four synthetic fuels facilities purchased by subsidiaries of Florida Progress Corporation in October 1999. The CVO liability is valued at fair value, and unrealized gains and losses from changes in fair value are recognized in earnings each quarter. The CVO mark-to-market had no impact on earnings per share for the quarter or for the same period last year. Progress Energy is unable to predict the changes in the fair value of the CVOs, and management does not consider the adjustment to be a component of ongoing earnings.



Progress Energy