

4Q-2008 Earnings Call

February 12, 2009



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 ability to meet 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 and potential construction 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; the investment performance of the assets of our pension and benefit plans and its impact on future funding requirements; 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 review
- Florida rate filings
- Levy nuclear project

2008 Earnings Review

(Unaudited)

	<u>2008</u>	<u>2007</u>
● Fourth-quarter ongoing earnings*	\$123M \$0.47 per share	\$104M \$0.40 per share
● Full-year ongoing earnings*	\$776M \$2.98 per share	\$695M \$2.72 per share

* See appendix for reconciliation of ongoing EPS to reported GAAP EPS.

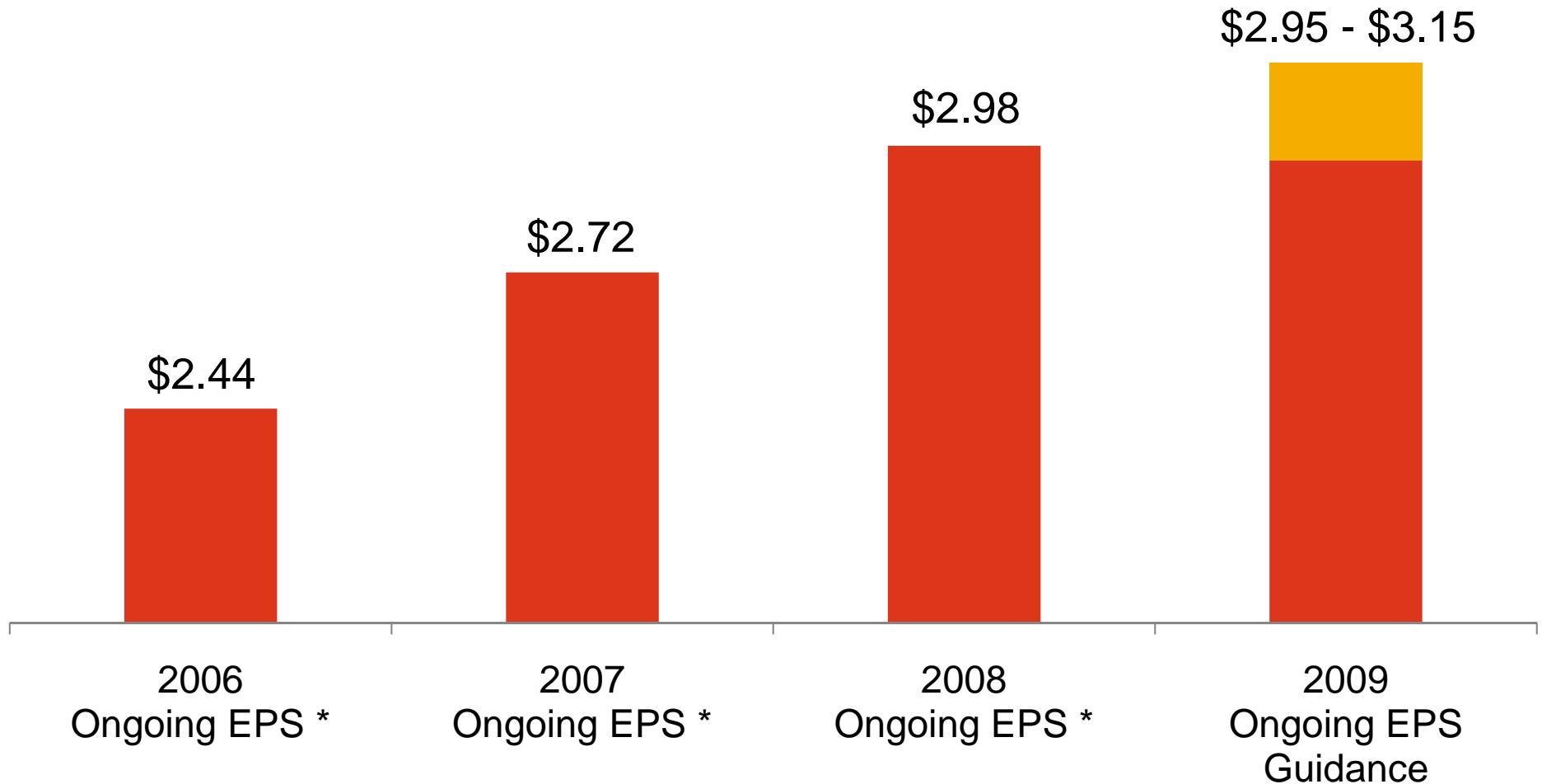
2008 Achievements:

Position Us Well for 2009

- 2008 responses to retail sales weakness
 - ◆ New and amended wholesale contracts in Florida
 - ◆ Aggressive O&M cost management
 - ◆ Constructive regulatory outcomes
 - Clean Smokestacks amortization ceased
 - Harris depreciation terminated in SC
 - Nuclear cost recovery approved by Florida PSC
- Affirming 2009 ongoing earnings guidance of \$2.95 - \$3.15 per share

Delivering on our EPS Commitments

(Unaudited)



* See appendix for reconciliation of ongoing EPS to reported GAAP EPS.

O&M Cost Management

(Unaudited)

Adjusted O&M Reconciliation ⁽¹⁾

<i>(in millions)</i>	Years ended Dec. 31		Growth
	2008	2007	
Reported GAAP O&M	\$1,820	\$1,842	-1.2%
Adjustments			
Carolinas			
O&M recoverable through clauses	(23)	(6)	
Timing of nuclear outages	-	(26)	
Estimated environmental remediation expenses	(6)	1	
Florida			
Storm damage reserve	(66)	(47)	
Energy conservation cost recovery clause (ECCR)	(69)	(69)	
Environmental cost recovery clause (ECRC)	(31)	(55)	
Sales and use tax audit adjustments	5	(7)	
Severance associated with Energy Delivery restructuring	(5)	-	
Adjusted O&M ⁽²⁾	\$1,625	\$1,633	-0.5%

- 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 6¢ favorable YTD O&M EPS variance presented in the earnings release on page S-2 excludes the impact from O&M costs recoverable through clauses which have no material impact on earnings.

Florida Energy Policy

- Florida Legislature, Governor and FPSC have set forth a comprehensive set of energy goals that encourage public utilities to:
 - ◆ Reduce greenhouse gas (GHG) and other emissions
 - ◆ Diversify fuel resources and reduce dependence on fossil fuels
 - ◆ Increase renewable energy resources
 - ◆ Add and expand nuclear power generation
 - ◆ Increase generation efficiency through repowering projects and capital and maintenance improvements
- In addition, FERC, NERC and FPSC require the PEF to:
 - ◆ Enhance grid reliability
 - ◆ Make T&D systems less susceptible to storm damage

PEF is committed to delivering reliable, efficient electric service to our customers and meeting federal and state energy policy requirements.

Upcoming Florida Rate Filings

- Decreasing customer bills by ~11% in 2009
 - ◆ \$207M reduction in fuel cost projections
 - ◆ \$200M deferral of nuclear pre-construction cost recovery
- Initiating a 2010 base rate proceeding
 - ◆ Current base rate settlement agreement expires end of this year
 - ◆ Requesting \$475-\$550M permanent base rate increase
- May seek limited and/or interim base rate relief for 2009

Drivers of PEF's 2010 Base Rate Increase Request

- CR3 nuclear steam generator replacement in-service in December 2009
- Bartow repowering in-service in June 2009
- Additional capital and O&M investments in transmission facilities
 - Increased system capacity and load requirements
 - NERC's enhanced transmission reliability requirements
 - Storm-hardening plan

Requesting base rate increase of \$475-\$550M annually.

Tentative Schedule for PEF's 2010 Base Rate Proceeding

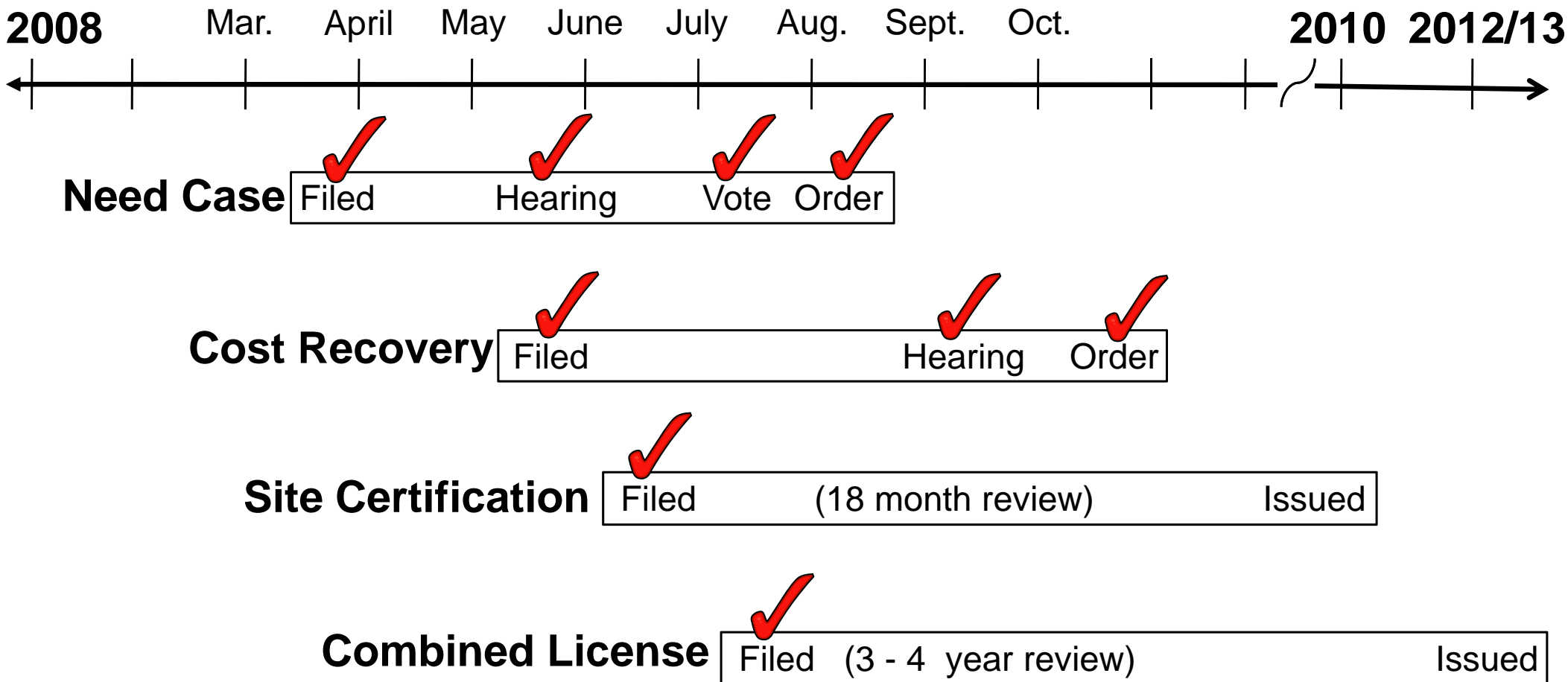
- Test year letter filing Feb 12, 2009
- File rate case Mar 20, 2009
- Rate case hearing ~Sept-09
- Staff recommendation Oct/Nov-09
- FPSC final order Dec-09
- New rates effective Jan 1, 2010

Levy Nuclear Project:

EPC Contract Highlights

- Signed December 2008 with Westinghouse Electric Company and Stone & Webster, a subsidiary of The Shaw Group
- Two 1,105-net MW, AP1000 nuclear reactors
- EPC contract price = \$7.65B
 - ◆ > 50% of which is fixed price or firm price with agreed-upon escalation factors
 - ◆ Includes various performance incentives, penalties, warranties, liquidated damage provisions and parent guaranties
- Total estimated cost for the two generating units = ~\$14B
 - ◆ Includes land price, plant components, construction, labor, regulatory fees and reactor fuel for the two units, and
 - ◆ Forecasted inflation, owner costs, financing costs and contingencies
- Additional \$3B estimated for associated transmission facilities

Regulatory Timeline for Levy Project



Mark Mulhern

Chief Financial Officer

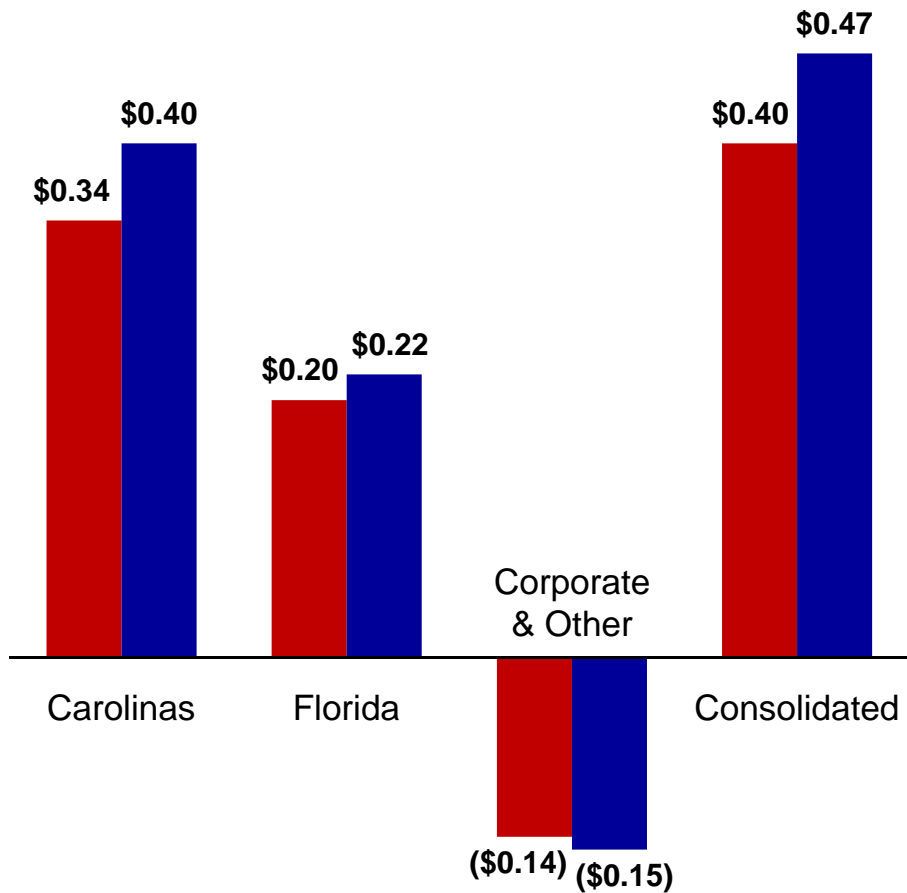


2008 Ongoing EPS Growth *

(Unaudited)

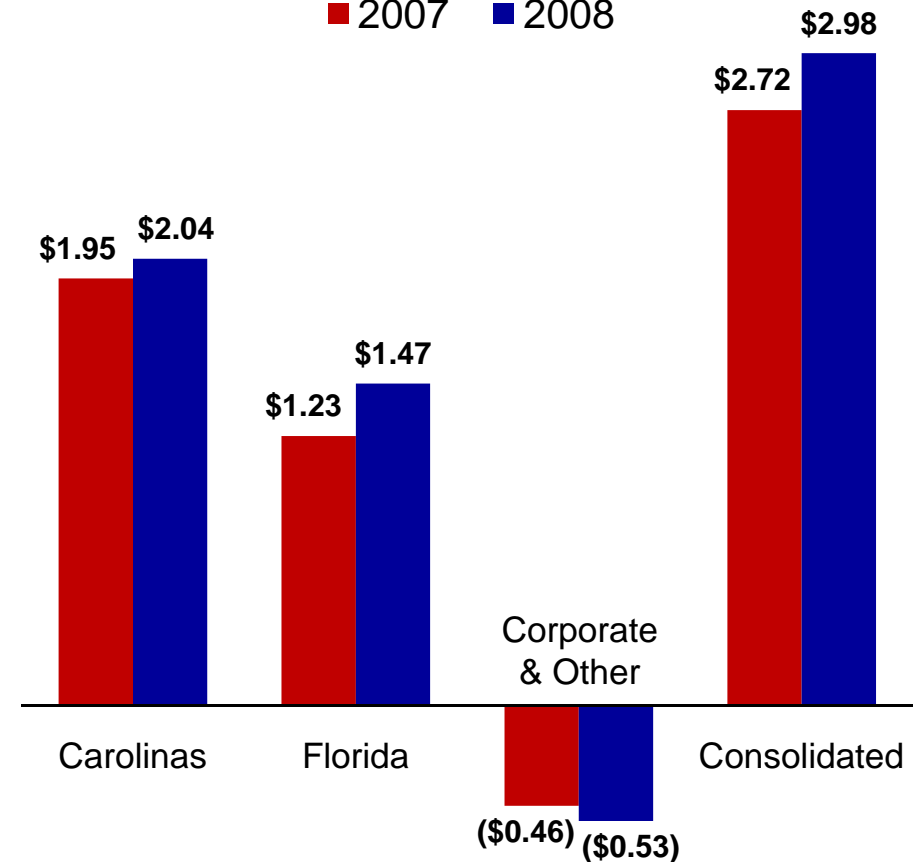
4th Quarter

■ 2007 ■ 2008



Full-year

■ 2007 ■ 2008



* See appendix for reconciliation of ongoing EPS to reported GAAP EPS.

Financial Statement Review

(Unaudited)

Income Statement

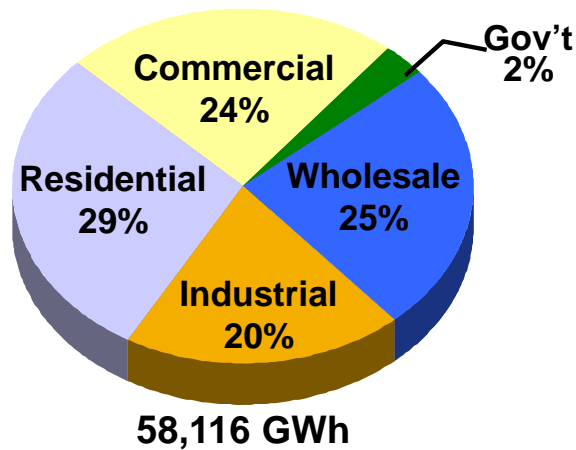
<i>(in millions)</i>	2008	2007	Δ	Comment
Revenues	\$9,167	\$9,153	+14	Wholesale contracts
O&M	1,820	1,842	(22)	Cost management
D&A	839	905	(66)	Regulatory depreciation & amortization
AFUDC - Equity	122	51	+71	Construction program
Disc Ops	57	(189)	+246	Non-utility divestitures
Net Income	\$830	\$504	+326	

Balance Sheet

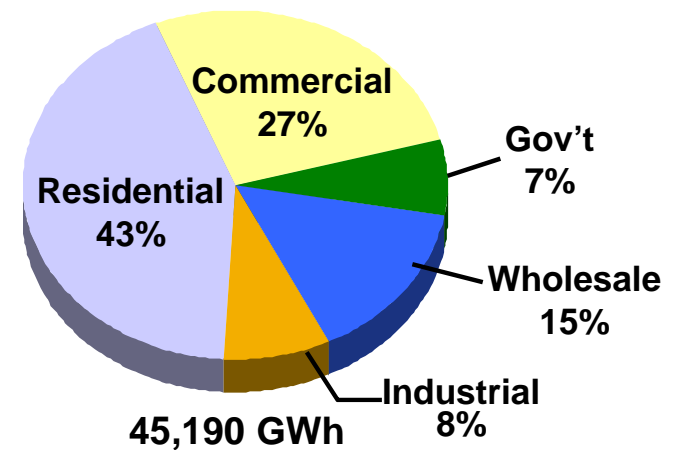
<i>(in millions)</i>	2008	2007	Δ	Comment
Utility Plant	\$15,028	\$14,432	+596	Construction program
CWIP	2,745	1,765	+980	
Long-term Debt	\$10,387	\$8,466	+1,921	Partially offset with Jan-09 equity issuance

2008 Electricity Sales by Segment

Carolinas



Florida

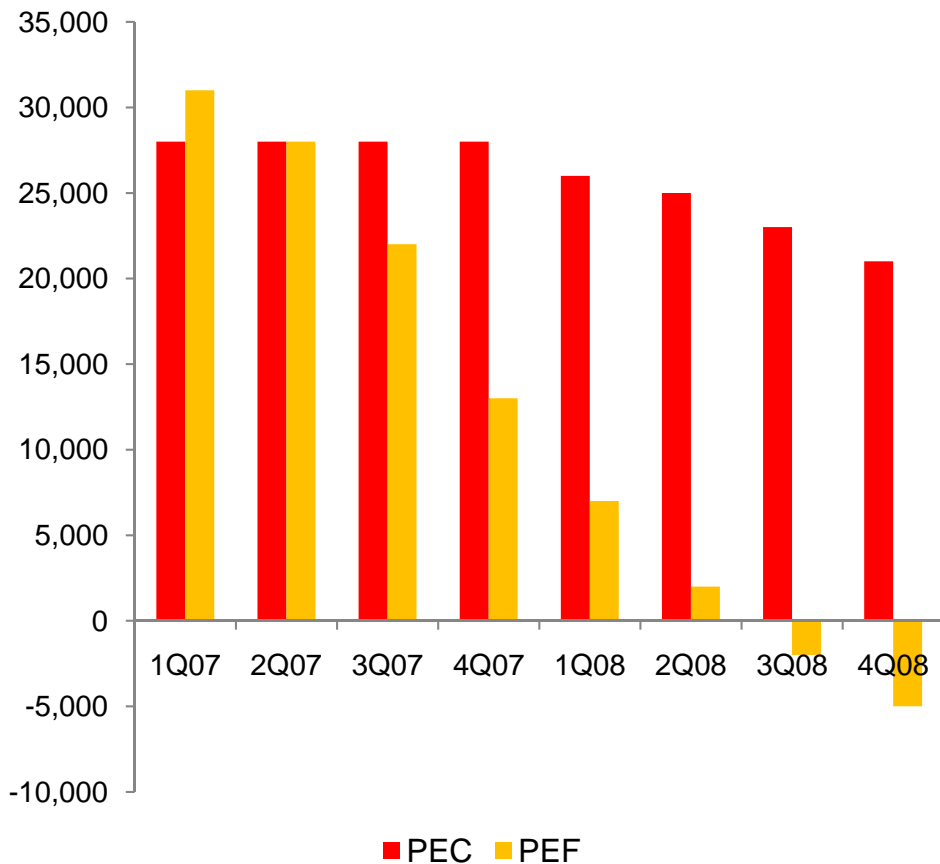


Percentage Change in Electricity Sales

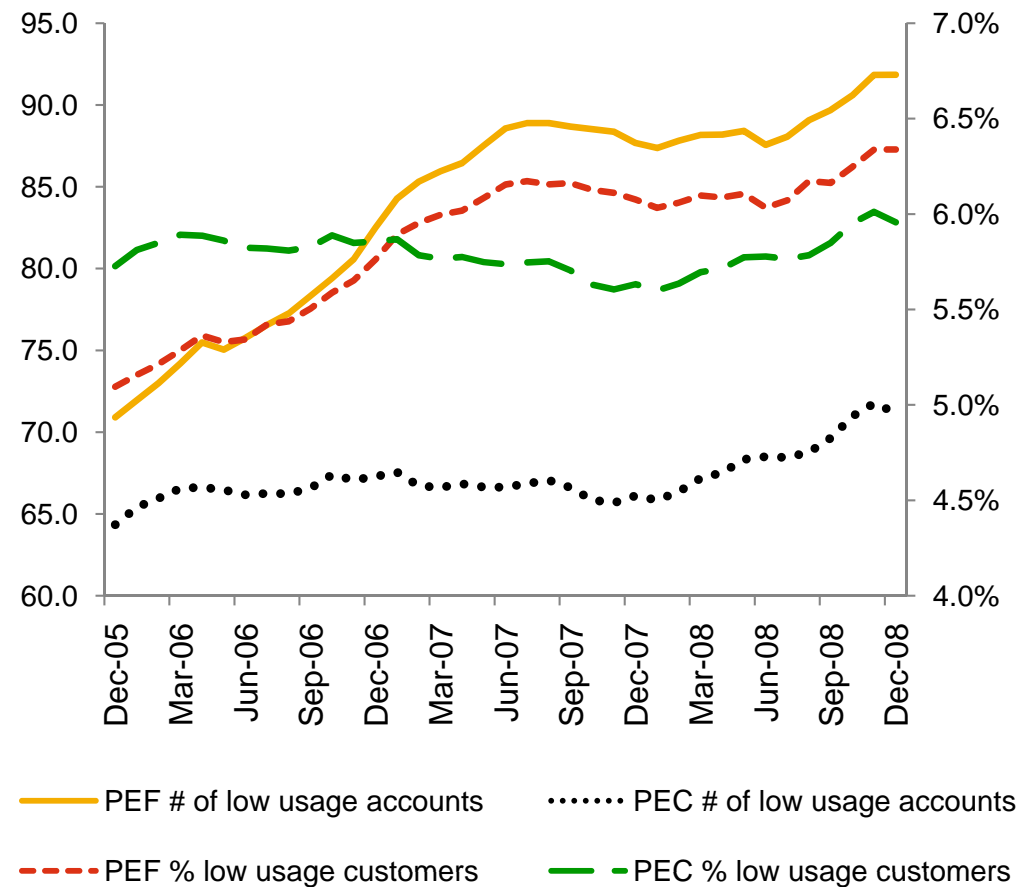
<u>QTD</u>	<u>YTD</u>		<u>QTD</u>	<u>YTD</u>
1.1%	(1.2)%	Residential	(6.1)%	(2.9)%
(4.5)	(0.6)	Commercial	(5.6)	(0.4)
(12.4)	(4.3)	Industrial	(4.8)	(0.9)
0.8	1.9	Governmental	(5.2)	(1.9)
(4.5)%	(1.7)%	Total Retail	(5.7)%	(1.9)%

Customer Growth & Usage

Average Customer Growth *



Residential Customers using less than 200 kWh per month



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

CapEx Driving Earnings Growth

Major Capital Projects	Total Project CapEx	Cumulative Spent through 12/31/08	Expected Completion Date	Recovery Methodology
<u>Carolinas</u>				
Clean Smokestacks	\$1,500–1,600M	\$ 1,007M	2013	Amortized \$584M; balance in Rate Base
Wayne County CT	90M	69M	June 2009	Rate Base
Richmond County CCGT (incl Transmission)	600M	68M	June 2011	Rate Base
Smart Grid (DSDR)	210M	9M	Dec. 2012	DSM/EE Rider (pending approval)
<u>Florida</u>				
Environmental	\$ 1,200M	\$ 847M	May 2010	Environmental Cost Recovery Clause
Bartow Repowering (incl Transmission)	690M	653M	June 2009	Rate Base
CR3 Nuclear Uprate	365M	97M	Dec. 2011	Nuclear cost recovery legislation
CR3 Steam Generator Replacement	245M	123M	Dec. 2009	Rate Base

Note: Total project capital expenditures based on current estimates and exclude AFUDC.
DSDR = Distribution System Demand Response

2009 Ongoing Earnings Guidance

(Unaudited)

	Actual			Projected
	2006	2007	2008	2009
Ongoing earnings	\$611M	\$695M	\$776M	\$845M
Ongoing EPS *	\$2.44	\$2.72	\$2.98	\$3.05 *

Key Earnings Drivers for 2009

Positives

- Normal weather
- AFUDC from increased investment
- Wholesale revenues
- Transmission OATT
- Depreciation and amortization

Negatives

- Interest expense
- Dilution
- Pension
- Taxes
- Purchased power

* See appendix for reconciliation of ongoing EPS to reported GAAP EPS. 2009 ongoing EPS represents midpoint of range.

Value Proposition:

Compelling Risk-Adjusted Total Return

- “Pure-play” electric utility with successful execution history
 - ◆ Vertically integrated and rate-regulated utilities
 - ◆ Constructive regulatory environments
- Solid growth prospects
 - ◆ Near-term opportunities for significant rate base growth
 - ◆ Plans for long-term nuclear construction with legislative and regulatory support
- Financial strength and flexibility
 - ◆ Strong liquidity position
 - ◆ Balance sheet strength
 - ◆ Limited near-term refinancing risk
- Attractive, sustainable dividend yield with growth commitment
 - ◆ Defensive investment in uncertain markets
 - ◆ Demonstrated track record of dividend growth

Appendix

Reconciliation of Ongoing to GAAP Earnings *

(Unaudited)

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

	<u>Three Months Ended December 31</u>		<u>Years Ended December 31</u>		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Ongoing earnings per share	\$0.47	\$0.40	\$2.98	\$2.72	\$2.44
Tax levelization	(0.03)	(0.03)	-	-	-
Discontinued operations	(0.03)	0.03	0.22	(0.74)	0.08
CVO mark-to-market	0.01	-	-	(0.01)	(0.10)
Valuation allowance	(0.01)	-	(0.01)	-	-
Loss on debt redemption	-	-	-	-	(0.14)
Reported GAAP earnings per share	<u>\$0.41</u>	<u>\$0.40</u>	<u>\$3.19</u>	<u>\$1.97</u>	<u>\$2.28</u>
Shares outstanding (millions)	<u>262</u>	<u>257</u>	<u>260</u>	<u>256</u>	<u>250</u>

* Previously reported 2007 and 2006 results have been restated to reflect discontinued operations.

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 decreased earnings per share by \$0.03 for the quarter and 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 decreased earnings per share by \$0.03 for the quarter and increased earnings per share \$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 increased earnings per share by \$0.01 for the quarter and had no impact on earnings per share 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.

Valuation Allowance Related to Net Operating Loss Carry Forward

Progress Energy previously recorded a deferred tax asset for a state net operating loss carry forward upon the sale of Progress Energy Ventures Inc.'s nonregulated generation facilities and energy marketing and trading operations. In the fourth quarter of 2008, the company recorded an additional deferred tax asset related to the state net operating loss carry forward due to a change in estimate based on 2007 tax return filings. The company also evaluated the total state net operating loss carry forward for potential impairment and partially impaired it by recording a valuation allowance, which more than offset the change in estimate. The net impact resulted in decreased earnings per share for the quarter by \$0.01. Management does not believe this net valuation allowance is representative of the ongoing operations of the company.

Loss on Debt Redemption

On Nov. 27, 2006, Progress Energy redeemed the entire outstanding \$350 million principal amount of its 6.05% Senior Notes due April 15, 2007, and the entire outstanding \$400 million principal amount of its 5.85% Senior Notes due Oct. 30, 2008. On Dec. 6, 2006, Progress Energy repurchased, pursuant to a tender offer, \$550 million, or approximately 44 percent, of the aggregate principal amount of its 7.10% Senior Notes due March 1, 2011. The company recognized a total pre-tax loss of \$59 million in conjunction with these redemptions. The loss on the redemptions decreased earnings per share for the fourth quarter of 2006 by \$0.14. This loss is of a non-recurring nature and is not representative of the ongoing operations of the company.



Progress Energy