

**Remarks by Bob McGehee  
Chairman and CEO, Progress Energy  
Community Energy Advisory Council  
June 21, 2007**

Thank you, Robert, and thank all of you very much for agreeing to serve on this advisory council. I know you're all busy people, and I appreciate your time.

As community leaders, you have agreed to take on an important role in helping us prepare for the future energy needs of Western North Carolina in the best, most responsible way.

I believe collaboration in our industry is the key to success. That's why I'm so appreciative of your willingness to get involved in this effort to help make Western North Carolina an even better place to live and work.

We want your candid advice, and I promise you we will be listening very closely to what you have to say.

Now, I want to give you just a little background and context.

As you may know, Progress Energy and other utilities around the country today face huge challenges in modernizing and expanding the infrastructure for producing and delivering electricity.

We are seeing significant growth in our part of the country and some of our power plants, major transformers and other equipment are nearing the end of their useful life and must be replaced.

The decisions we need to make about our future energy supply involve spending significant capital on long, lead-time projects and have far-reaching consequences for North Carolina, Progress Energy and our country.

Energy issues directly affect our economy, our standard of living and the environment we all share. Electricity is absolutely essential to our way of life. So, there are many good reasons that energy is getting so much attention these days.

Almost every decision we make as a company is now made in the context of two over-riding considerations. First, as a regulated utility, Progress Energy operates under a state-mandated obligation to provide reliable, affordable electric service to our customers. We don't have a choice in the matter.

Second is the potential impact of our actions on the environment, particularly as they relate to global climate change.

Trying to balance these two considerations is really why we are all here today.

In North Carolina, the population boom and associated business development are driving up energy demand. Our state's population is projected to grow by 50 percent from 2000 to 2030 – taking us to 12 million people and making North Carolina the seventh most populous state.

On top of that, whether we like it or not, today's new homes are bigger than ever, and more people have second homes, especially in this area. Also, consumers and businesses are making greater use of electric-powered devices and technologies. Plasma TVs, for example, use significantly more electricity to operate than the older style TVs.

In Western North Carolina, in addition to planning for future growth, we face a special challenge due to the expiration of a power supply contract in two years. This contract has provided for this area an important source of 250 MWs of baseload electricity for more than 17 years, and after 2009 that electricity will no longer be available.

So in this particular region, we must not only keep up with growth but also make up for this lost energy supply.

How we do this is a key question I hope this council will consider.

### **A Balanced Solution**

Now, as I said before, our mandate, as well as our commitment, as a company, is to provide reliable, affordable electricity that's produced in an environmentally sound way.

To do this, we're pursuing a balanced solution with three main components: energy efficiency, alternative energy and state-of-the-art power plants. It will take significant, sustained effort in all three areas, which we have already begun.

We are actively engaged in a variety of alternative energy projects, including solar, hydrogen, biomass and landfill-gas technologies. We also are testing the feasibility of producing electricity from hog waste and other plant and animal sources.

And, as we announced last month, we're doubling our energy-efficiency efforts at Progress Energy. We've set an ambitious goal of displacing the need for 2,000 megawatts of power generation in our service area in the Carolinas. This represents a doubling of the 1,000 megawatts currently being achieved under existing programs.

Over the next two years, we will evaluate the effectiveness of our efficiency programs and the customer participation rates to see if we can reduce electricity demand even more.

In the final analysis, success will depend on consumer response – our customers' willingness to embrace energy-efficiency programs and adopt new energy habits. As you know, behavior change is not easy, but that's what it will take.

Later this afternoon, you'll hear an overview of our energy-efficiency goal and initial programs.

And, toward the end of this meeting, Jo Anne Sanford will go over the mission and objectives in your charter. For now, I want to highlight three things, in particular, I believe you can help us with:

- First, help us make sure we have the right energy-efficiency programs – ones we can count on to work in the real world and fit well with this region. It's not enough for these plans to look good on paper – they must deliver results.
- Second, help us build strong community support and participation in these efficiency programs – we must capture the attention and interest of our neighbors and fellow citizens to achieve the magnitude of energy savings we're seeking. We will do our part by being aggressive with program design, advertising, promotion and by setting a good example.
- Third, provide us your perspective on power generation options and related issues. We value your thoughts and advice on these supply-side issues as well. They can be quite challenging, as you know.

In a very real sense, we are all in this together, and with your ideas and feedback, we can make Western North Carolina a leading example of what can be achieved. I can assure you, we are approaching all of these issues with an open mind and value your input very much.

Again, thank you for agreeing to participate in this important initiative. You can help us make a positive difference in the energy future of Western North Carolina.