RECONCILIATION OF ONGOING EARNINGS PER SHARE TO REPORTED GAAP EARNINGS PER SHARE (UNAUDITED)

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 compare more accurately 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 GAAP earnings to ongoing earnings are as follows:

December 31	**2004**	2003	2002
Ongoing earnings per share	**$3.06**	$3.56	$3.81
Contingent value obligation mark-to-market	**0.04**	(0.04)	0.13
NCNG discontinued operations	**0.02**	(0.03)	(0.11)
SRS litigation settlement	**(0.12)**	–	–
Gain on sale of natural gas assets	**0.13**	–	–
Cumulative effect of accounting changes	–	(0.09)	–
Impairments and one-time charges	–	(0.10)	(1.22)
Ice storm impact	–	–	(0.08)
PEF retroactive revenue refund	–	–	(0.10)
Reported GAAP earnings per share	**$3.13**	$3.30	$2.43

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 to receive contingent payments based on after-tax cash flows above certain levels of four synthetic fuel facilities purchased by subsidiaries of Florida Progress Corporation in October 1999. The CVOs are debt instruments and, under GAAP, are valued at market value. Unrealized gains and losses from changes in market value are recognized in earnings. Since changes in the market value of the CVOs do not affect the Company's underlying obligation, management does not consider the adjustment a component of ongoing earnings.

NCNG Discontinued Operations

The operations of NCNG are reported as discontinued operations due to its sale, and therefore management does not believe this activity is representative of the ongoing operations of the Company.

SRS Litigation Settlement

In June 2004, SRS, a subsidiary of the Company, reached and recorded a charge for a settlement agreement in a civil suit. Management does not believe this settlement charge is indicative of the ongoing operations of the Company.

Gain on Sale of Natural Gas Assets

In December 2004, the Company finalized the sale of certain gas-producing properties and related assets and recognized a gain. Management does not believe this gain is representative of the ongoing operations of the Company.

Cumulative Effect of Accounting Changes

Progress Energy recorded the cumulative effect of changes in accounting principles due to the adoption of new FASB accounting guidance. The impact to Progress Energy was due primarily to the new FASB guidance related to the accounting for certain contracts. Due to the nonrecurring nature of the adjustment, management believes it is not representative of the 2003 operations of the Company.

Impairments and One-Time Charges

During 2003, the Company recorded after-tax impairments of its Affordable Housing portfolio and certain assets at the Kentucky May coal company. During 2002, the Company committed to a divestiture plan for Railcar, Ltd., and recorded an estimated loss on assets held for sale. During 2002, the Company also recorded an after-tax impairment and one-time charge of Progress Telecom's and Caronet's assets. Progress Energy also wrote off the remaining amount of its investment in Interpath. Management does not believe these impairments and one-time charges are representative of the ongoing operations of the Company.

Ice Storm Impact

During 2002, the Company experienced a severe ice storm in the Carolinas that caused extensive damage to the distribution system. Due to the extensive costs associated with the storm damage, management believes the restoration costs are not representative of the 2002 ongoing operations of Progress Energy Carolinas.

PEF Retroactive Revenue Refund

The one-time retroactive rate refund under the Progress Energy Florida rate settlement in March 2002 was related to funds collected during the period between March 13, 2001, when the prior rate agreement in Florida expired, and March 27, 2002, the date the parties entered into the settlement agreement. Due to the nonrecurring nature of the refund, management believes it is not representative of the 2002 operations of Progress Energy Florida.