2010 Corporate Responsibility Executive Summary

MANAGING THE PRESENT. CREATING THE FUTURE. THE POWER TO DO BOTH.

Progress Energy

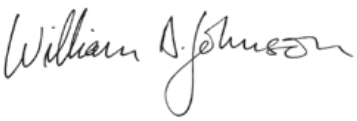
a message from our CEO

It is my pleasure to present Progress Energy's 2010 Corporate Responsibility Report. As in past editions, this report provides an overview of how our company is meeting its commitments and responsibilities – to our customers, our employees, our shareholders, the communities we serve and the environment.

Progress Energy provides an essential service that touches millions of lives daily. And as an electric utility in one of the most heavily regulated industries, we are subject to considerable independent oversight and public scrutiny. We operate dozens of large, complex facilities and a power grid that connects us directly with neighborhoods, businesses, manufacturing operations and others throughout our service areas. With billions of dollars invested in the energy infrastructure, our business success is directly linked to the economic prosperity of the communities we serve.

Given these vital connections and our own core values, Progress Energy is interested in much more than the financial bottom line. We're focused on managing the present while creating the future – ensuring that we meet the needs of those who depend on us today while adapting successfully to the challenges tomorrow will bring to our energy landscape. That's important because our business environment today is characterized by significant change and ambiguity, as federal climate and energy policy unfolds and as emerging technologies present new strategic opportunities and risks.

We hope this report is helpful to you in understanding Progress Energy's business practices and commitment to our corporate responsibilities. Our intent – and the expectation we have of ourselves – is to earn your confidence and trust year after year with strong performance, a long-range perspective, responsible behavior and business transparency.



William D. Johnson
Chairman, President and Chief Executive Officer
May 2010

overview

Progress Energy (NYSE: PGN), headquartered in Raleigh, N.C., is a Fortune 500 energy company with more than 22,000 megawatts (MW) of generation capacity. Our company has two regulated, integrated electric utilities that serve about 3.1 million customers in North Carolina, South Carolina and Florida.

Company Facts:

- Nearly 11,000 employees
- Approximately $10 billion in annual revenues
- Progress Energy Carolinas (PEC) covers more than 34,000 square miles
- Progress Energy Florida (PEF) covers more than 20,000 square miles

2009 Generation (megawatt-hours [MWh]):

- 32 sites in the Carolinas and Florida
- 41% Coal
- 35% Nuclear
- 24% Gas/Oil
- <1% Hydropower
- Purchased 1.25 million MWh from renewable energy resources

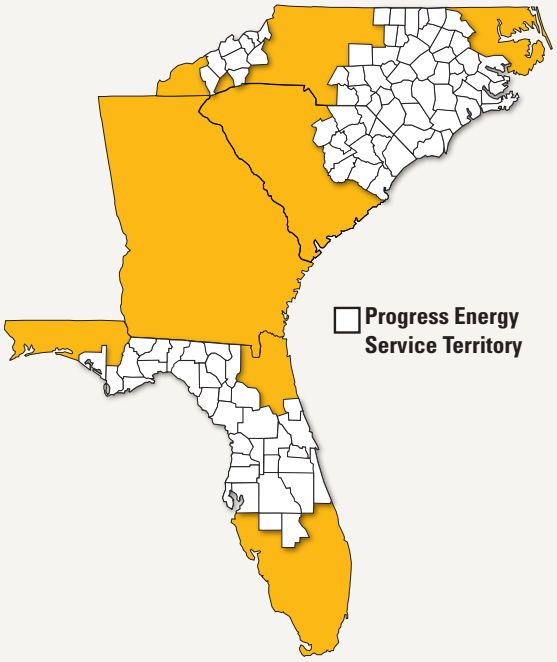
Recent Recognition:

- Edison Electric Institute's Edison Award, the industry's highest honor
- J.D. Power and Associates Founder's Award for customer service
- Dow Jones Sustainability North America Index (DJSI North America) for five consecutive years

'09 Progress Energy Customer Base

Progress Energy Carolinas: Approx. 12,500 MW capacity, About 1.5 million customers

Progress Energy Florida: Approx. 10,000 MW capacity, About 1.6 million customers



customers

Safely delivering reliable, clean and affordable power – for today and tomorrow – is our fundamental responsibility to our customers.

Key Highlights

- Long-term strategy includes a strong emphasis on energy efficiency – since 1981 our programs have reduced usage by 29 billion kilowatt-hours (kWh).
- Selected to receive a $200 million U.S. Department of Energy grant for smart grid programs.
- Actively seeking new energy solutions while retiring aging coal-fired units.

A Balanced Solution Strategy

A major strategic challenge facing our company is meeting population and demand growth in the communities we serve. We are actively pursuing a balanced strategy that combines energy-efficiency programs, alternative and renewable energy and a state-of-the-art power system.

Energy Efficiency and Demand-Side Management

The company's new Efficiency and Innovative Technology Department was created to develop programs to help customers use energy responsibly and to expand the use of renewable energy and other innovative energy technologies.

Progress Energy significantly increased its energy-efficiency portfolio in 2009, receiving regulatory approval for numerous new customer programs in the Carolinas and expanding the offerings in Florida to include new solar energy programs and additional support for lower-income customers.

Our energy-efficiency programs include customized energy reports evaluating customers' energy use and incentives for energy-efficiency home improvements. The company also worked with various retail stores to offer discounts to customers purchasing ENERGY STAR® lighting products such as compact fluorescent light bulbs (CFLs).

Alternative and Renewable Energy

Progress Energy is investing in renewable and alternative energy resources by partnering with organizations throughout our service territory to develop solar, wind, biomass, fuel cells and other renewable technologies. We launched several new programs under our SunSense℠ brand, giving customers incentives for investing in solar water heating and solar photovoltaic (PV) panels for their homes. Our renewable energy activities are discussed in detail in the environmental chapter of the full online report.

Modernization of Our Power System

Even with significant investments and expansions of energy-efficiency programs and renewable energy resources, we will need a state-of-the-art power system to meet customers' energy demands in the future.

In 2009, Progress Energy announced that the company intends to shut down all of its North Carolina coal-fired power plants that do not have sulfur dioxide (SO_2) emissions reduction equipment (flue-gas desulfurization controls). This plan includes retiring 11 coal-fired units at four sites for about 30 percent of the company's coal-fired power generation fleet in the Carolinas by the end of 2017. To replace these generation sources, the company plans to build two new state-of-the-art natural gas combined-cycle power plants. This will result in significant reductions in emissions such as carbon dioxide (CO_2), SO_2, nitrogen oxides (NOx) and mercury.

In Florida, the company recently completed the repowering of the Bartow Plant, modernizing the 50-year-old facility, located on Tampa Bay, to use cleaner natural gas and more than doubling its generating capacity.

Converting coal plants to natural gas is a significant step toward reducing our carbon emissions. However, even converting every coal-fired unit in our fleet would not be sufficient to meet anticipated emission-reduction targets of the future. Therefore, the company is also pursuing more carbon-free nuclear energy – through the upgrading of existing plants and possible construction of new ones.

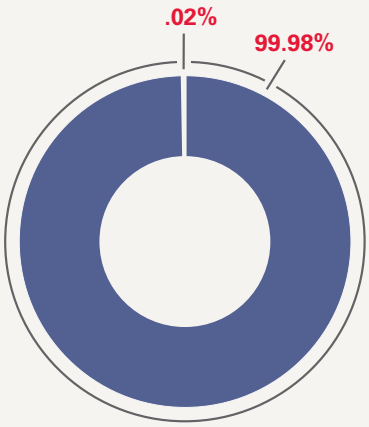
We're also investing in new energy-delivery technologies, including enhancements to the electric grid commonly known as "smart grid." In the future, these EnergyWise℠ smart grid initiatives could improve system reliability, increase the use of renewable energy resources, and enable programs giving customers better control over their energy use. In 2009, the U.S. Department of Energy selected Progress Energy to receive a $200 million grant for smart grid programs.

Delivering Reliability and Customer Satisfaction

Our efforts to improve service reliability are more intense than ever. We continue to increase our preventive maintenance, investing millions of dollars in the energy delivery systems and infrastructure that serve our customers. As a result, reliability trends for Progress Energy Carolinas and Progress Energy Florida are in the industry's top quartile.

Along with reliable power, we are committed to providing the highest level of customer service. Our long-term success can be seen in numerous national awards and rankings, including the 2010 J.D. Power and Associates' business customer survey, which ranked Progress Energy Carolinas first among the South Region's large utilities – for the second year in a row – and first among all large utilities nationally.

Progress Energy Reliability



Customers of both Progress Energy Carolinas and Progress Energy Florida had electricity for 99.98 percent of the time in 2009. This index is measured by the total average time customers are without power during the year, excluding hurricanes or other major storms.

communities

We believe there's nothing more powerful than strong communities. For more than a century, we have maintained thriving relationships with the communities we serve, consistently giving our time and resources to make a real difference in the places we call home.

Key Highlights

- Since 1982, our Energy Neighbor Fund has provided more than $30 million to families in need.
- Nearly 3,000 employees tracked more than 24,000 volunteer hours in the community during 2009.
- Named one of the top organizations in America for Multicultural Business Opportunities by Diversity-Business.com.

Community Investments

We take an active role in building and supporting the communities we serve, thoughtfully committing both our financial resources and time.

Many of our customers are struggling during these tough economic times. In response, the Progress Energy Foundation doubled its annual contribution to the Energy Neighbor Fund from $500,000 to $1 million in 2008 and has maintained this

'09 **Progress Energy Community Investments*** *Breakdown by focus areas*

Education	$3,301,000
Economic Development includes arts & cultural investments	$2,374,000
Health & Human Services includes employee giving campaign and Energy Neighbor Fund	$2,116,000
Environment	$1,128,000
Civic & Community	$735,000
Other	$231,000
Total	**$9,885,000**

**Includes Progress Energy Foundation contributions.*

level in 2009 and 2010. This fund provides assistance to customers who have difficulty paying energy costs, regardless of whether their homes utilize electricity, natural gas or other fuel sources.

During 2009, Progress Energy also invested nearly $10 million in programs that align with the company's strategic plan in four targeted areas – education, environment, economic development and employee involvement.

Economic Development

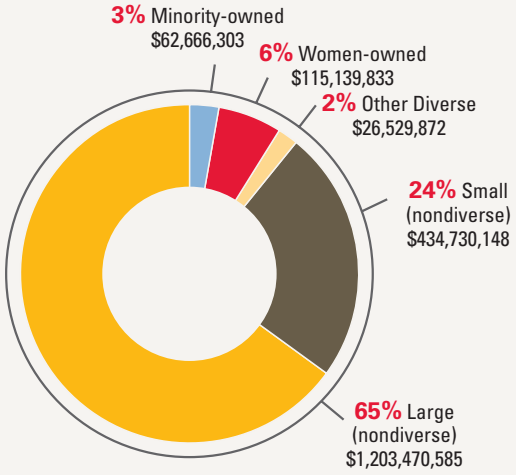
Progress Energy has a long history of collaborating with communities in the Carolinas and Florida to support economic growth. Progress Energy's economic development team helped to attract more than 3,200 jobs and more than $550 million in investments to the company's service areas in the Carolinas and Florida in 2009.

Another important way we support our local economies is through our Supplier Diversity Program, providing equitable opportunities for small and diverse businesses to supply goods and services to our company. In 2009, we worked with 400 women- and minority-owned suppliers to obtain more than 11 percent of nonfuel procurements, exceeding our goal of 10 percent. In 2010 we will focus additional efforts on secondary vendors, ensuring our primary vendors use minority companies in executing large contracts that have substantial subcontracting opportunities.

'09 Economic Investment in Progress Energy's Service Area

Year	Investment	Jobs created
2001	$777,250,000	6,898
2002	$653,101,000	4,956
2003	$694,502,000	9,339
2004	$933,910,000	10,051
2005	$1,536,727,000	14,048
2006	$1,417,012,000	7,711
2007	$951,145,000	10,405
2008	$2,563,632,000	11,131
2009	**$553,937,300**	**3,216**

'09 Supplier Diversity: *Minority and Women Business Enterprise (MWBE) Paid Dollars*



2009

Total Progress Energy procurement	$1,636,903,088
MWBE actual spend	$204,336,007
MWBE percentage	11.1%
MWBE 2009 goal	10.0%

Figures do not include fuels spend. "Other Diverse" spend includes: veteran-owned business concern, service-disabled veteran-owned business concern, HUBZone business concern, and 8a business concern.

Collaborative Partnerships

Successful stakeholder engagement requires a commitment to actively listen, build relationships and collaborate with others to achieve objectives. We believe that constructive engagement benefits both Progress Energy and our stakeholders, and we have embraced it as an integral tool to learn what is important to our customers, communities and shareholders.

Our company is committed to maintaining a constructive legislative and regulatory climate to ensure we can continue to provide reliable and affordable energy to our customers. We routinely communicate with elected officials and regulatory agencies on energy issues and advocate clear, thoughtful policies that provide shared benefits.

global climate change

Progress Energy is actively working to reduce greenhouse gas (GHG) emissions and help shape effective climate change policies. We are committed to moving forward constructively for our company, our customers and the environment we share.

Key Highlights

- Actively reducing GHG emissions through energy efficiency, renewable and alternative energy and a state-of-the-art power system.
- GHG emissions for 2009, reported voluntarily, were the lowest in more than a decade.
- Taking an active, constructive role in helping to shape effective public policy.

Our Global Climate Change Position

The key focus in the power industry today is how to address the challenges of global climate change and demand growth while maintaining a secure electric supply, reliable service and affordable rates. At Progress Energy, we are taking action to curb our GHG emissions through our balanced strategy of energy efficiency, renewable and alternative energy and a state-of-the-art power system. And we are working constructively to help shape national policies that achieve the greatest reduction in GHG emissions at the lowest cost to the consumer.

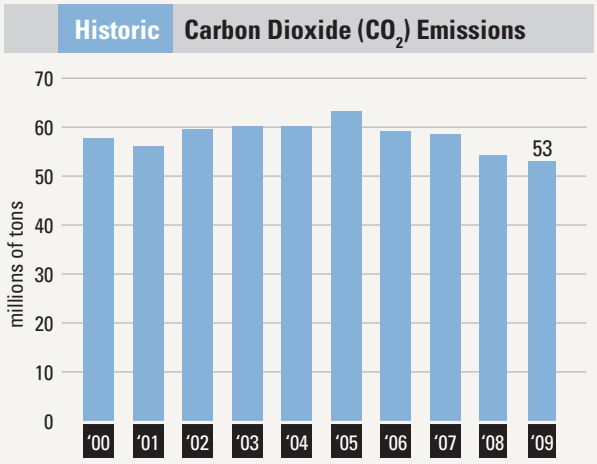
Today, coal-fired power plants generate about half the electricity Americans use. Progress Energy is converting several coal-fired plants to cleaner-burning natural gas plants; however, natural gas still emits CO_2, so fuel switching alone cannot achieve the needed reductions. Therefore, we must replace fossil-fueled generation with carbon-free resources. Today, the only technology capable of producing carbon-free electricity on a utility scale, 24 hours a day, is nuclear energy.

In addition, climate change policies should be designed to avoid imposing economic hardships on electricity consumers, especially those of modest means, whose energy costs represent a larger share of their monthly income. For example, should a cap-and-trade program be utilized, we strongly believe that emission allowances should be allocated in a manner that most effectively reduces costs to retail customers.

To view our full global climate change position, please visit **progress-energy.com/environment**

Committed to Reducing GHG Emissions

Progress Energy's total CO_2 emissions, which account for nearly all of our GHG emissions, peaked in 2005 but have been decreasing since then. Our 2009 emissions were the lowest in more than a decade.



Progress Energy voluntarily joined The Climate Registry as a founding reporter in 2008, and detailed information regarding all major greenhouse gas emissions from the company's operations are available at TheClimateRegistry.org.

While the reductions are due in part to the economic downturn, we are taking a variety of actions to help prevent or reduce GHG emissions even when the economy recovers. Our balanced strategy for the future has three parts: aggressive energy efficiency, innovative renewable and alternative energy, and a state-of-the-art power plant system. We continue to move forward on all these fronts, including taking steps to build new advanced nuclear plants and to evaluate and develop new emerging technologies.

In addition, Progress Energy has joined the Chicago Climate Exchange (CCX), a voluntary program whose members have committed to reducing their GHG emissions by 6 percent (from 2000 levels) by the end of 2010.

The charts on page 10 compare the current (2009) energy resource mix for all of Progress Energy with an illustrative view of the potential mix in 2030, using current planning projections. The charts show that, to accommodate the projected additional load growth from 2010 through 2030, cleaner energy resources will play an increased role, including energy-efficiency improvements, additional natural gas-fired generation and new nuclear capacity. The charts also demonstrate that our current plans will result in carbon emission reductions, but there remains a small gap between our projections and the proposed national carbon limits.

Carbon Policies and Impacts

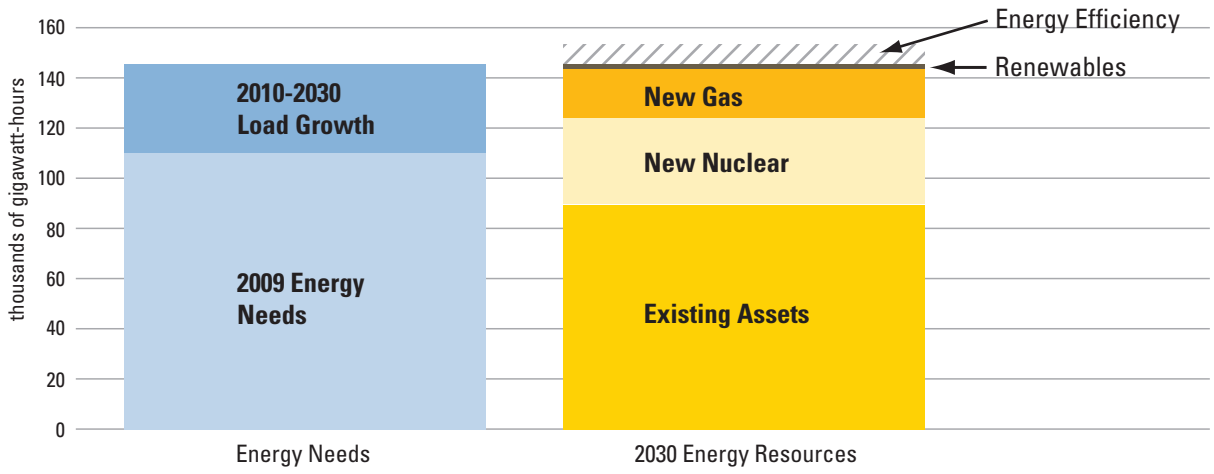
The debate in Congress over national climate and energy policies continues. Lawmakers in both the U.S. House of Representatives and the Senate are considering how best to reduce emissions, reduce dependence on foreign fuels, expand the use of renewable energy and limit negative impact on the economy and consumers.

In 2007, the U.S. Supreme Court ruled that the Environmental Protection Agency (EPA) has the authority to regulate greenhouse gases under the current Clean Air Act. This opens the door to a variety of potential regulatory consequences for thousands of previously unaffected sources of GHG emissions.

The Clean Air Act was created to address pollutants directly affecting human health and welfare on a local or sometimes regional level. Progress Energy supports legislation developed specifically to address the complex climate change issue on a consistent, national basis.

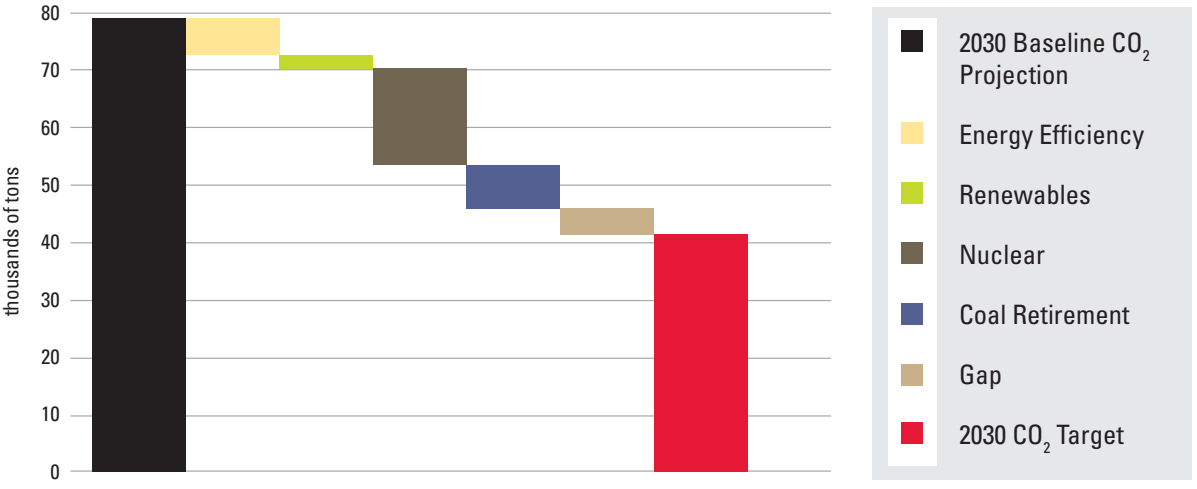
At Progress Energy, we are committed to responsible actions that help curb emissions, ensure reliable power and control costs for our customers. The company is serving in an active, constructive role to shape effective public policies, and we welcome an informed discussion regarding our energy future.

'09 + '30 Progress Energy's Planned Energy Resources – *2009 and 2030 (illustrative)*



The first bar in this chart shows the projected growth in our customers' energy needs from 2009 to 2030. The second bar uses current planning projections to illustrate Progress Energy's total potential energy mix in 2030. This shows that in order to accommodate the projected additional load growth and reduce emissions, cleaner energy resources will play an increased role in the future, including new nuclear capacity.

'30 Progress Energy's Carbon Dioxide (CO_2) Emissions – *2030 (illustrative)*



This "waterfall" chart takes an illustrative look at the year 2030 for the company as a whole – this time from the standpoint of potential CO_2 emission reductions from each aspect of Progress Energy's long-term plan. The CO_2 emissions target level reflects the goal contained in current congressional proposals, which is 42 percent below 2005 levels. Note that despite the aggressive emission reduction steps that the chart reflects, there still is the potential for a 4 million-ton gap between projected emissions and the policy target. As the chart shows, we expect new advanced nuclear power to play the greatest role in reducing emissions and meeting increasing demand for electricity.

environment

We have a responsibility to be good stewards of the environment. That's why we're working to conserve natural resources, reduce emissions and develop alternative and renewable energy solutions. Year after year, we strive for continual improvement on behalf of our customers, the environment and the future we share.

Key Highlights

- Purchased 1.25 million MWh of renewable energy in 2009.
- Industry leader in innovative water resource management and natural habitat protection.
- Lowered SO_2 emissions by 71 percent from 2002 levels at our North Carolina coal-fired plants and are on track to meet future federal and state requirements.

A Companywide Commitment

All employees are expected to be active participants in our environmental mission. This means demonstrating a commitment to excellence in environmental stewardship in every aspect of our daily performance and assuring that environmental goals and commitments guide all planning, design, construction and operational decisions.

Environmental Management

A commitment to excellence is an integral component of our company's culture. For example, our Continuous Business Excellence (CBE) strategy is designed to continually evaluate our business practices to drive improvements to productivity, operational excellence and efficiency. Many of these process improvements also reduce our environmental footprint by helping the company conserve energy and natural resources while generating less waste or fewer emissions.

We also have a formal environmental management system (EMS) to oversee the environmental impacts of our business. Our EMS generally follows the International Standards Organization 14001 standard and establishes a process to identify and address environmental risks and to ensure appropriate senior management oversight on a routine basis.

Renewable and Alternative Energy

Renewable energy is a key component in our long-term balanced approach to meeting growing energy demand. We are committed to increasing the use and development

of renewable and alternative energy technologies, including solar, wind, biomass, hydroelectric and fuel cells. In 2009, we purchased approximately 1.25 million MWh of renewable energy from a variety of sources, including solar and biomass, in the Carolinas and Florida. That's equal to the average annual electricity use of about 88,000 households.

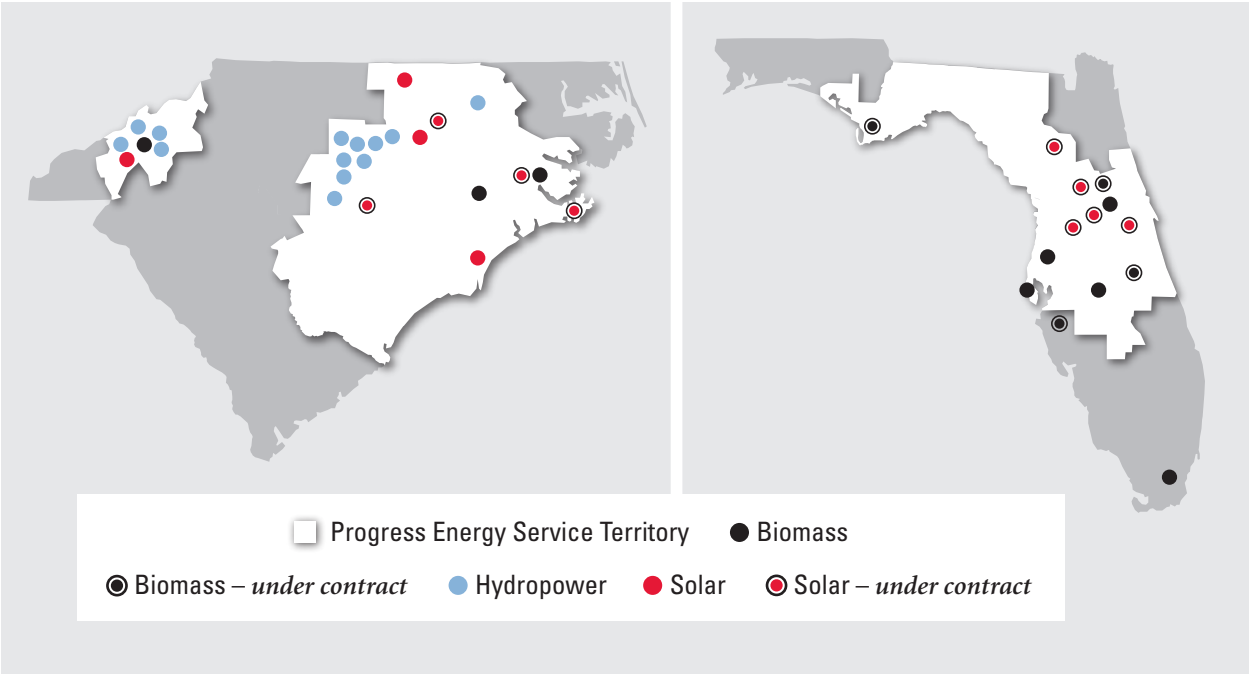
In 2007, North Carolina enacted a renewable energy portfolio standard (REPS), requiring utilities to purchase or generate 3 percent of their electricity from renewable resources or energy efficiency by 2012 and 12.5 percent by 2021. The company made progress toward compliance with the REPS in 2009 through a variety of renewable energy purchase agreements with solar, biomass and hydroelectric generation sources. We now have more than 10 MW of utility-scale solar PV generation under contract.

We also maintained our partnerships with NC GreenPower and Palmetto Clean Energy, giving our customers a convenient way to support renewable energy directly. And we partnered with schools in our service territory to develop and implement energy education programs that raise awareness of the environmental and economic benefits of energy conservation and alternative energy.

Advanced Vehicle Technologies

Electric transportation and the use of alternative fuels are increasingly cited as methods to reduce GHG emissions and our country's dependence on foreign oil. We are actively involved in research and other initiatives to accelerate the development and deployment of these advanced vehicle technologies.

Progress Energy Large-Scale Renewable Energy Projects – *500 kW or larger**



Except for four of the hydropower projects, which are owned by Progress Energy, all projects on this map are contracts to purchase the output of a facility owned and operated by a third party. Due to a variety of factors, including current economic conditions, it is possible that not every project under contract will be completed. In addition to these projects, our SunSense Commercial PV program provides opportunities for 250-kW solar arrays in a diversity of locations, such as the one planned for Williamsburg County, S.C.

** As of March 2010.*

In 2009, we added 20 hybrid vehicles to our alternative-fueled fleet, which now numbers 66 vehicles. We also continued our leadership in researching electric vehicle technology, with a test fleet that spans both utilities and includes six Toyota Prius plug-in hybrid electric vehicles (PHEVs), two Ford Escape PHEVs and the Southeast's first plug-in hybrid electric bucket truck. We are working with the Electric Power Research Institute, General Motors, Nissan and Ford to facilitate the integration of electric vehicles into the nation's electric grid.

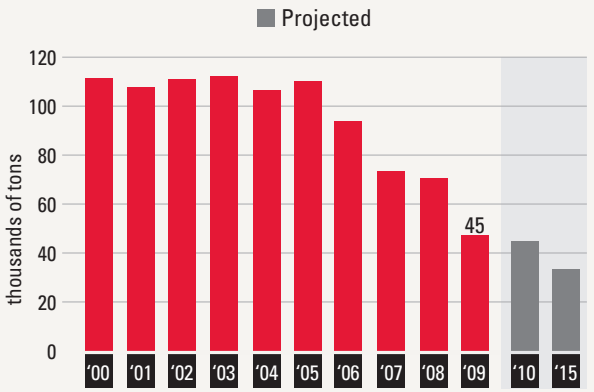
Our hybrid bucket trucks help save fuel and reduce air emissions.

Air Quality

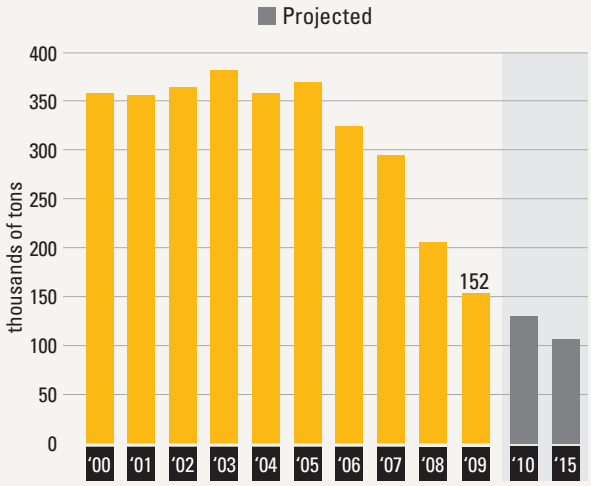
We are working to improve air quality by significantly reducing emissions from our power plants. We have been installing equipment to reduce NOx emissions from our coal-fired power plants since 1995. We've installed additional control equipment that will further reduce emissions of NOx, SO_2 and mercury. The company also announced plans to shut down several older coal-fired units and replace them with cleaner sources of power generation.

Through these efforts, the company is well positioned to meet the requirements of the North Carolina Clean Smokestacks Act and federal rules such as the Clean Air Interstate Rule and Clean Air Visibility Rule.

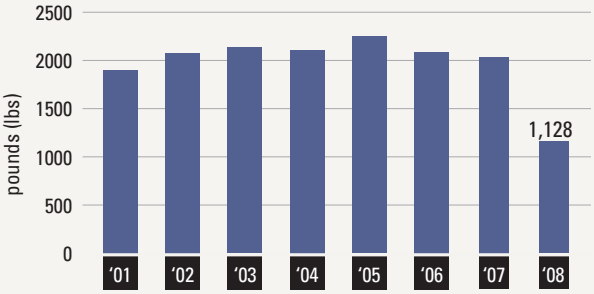
Historic + Projected Nitrogen Oxides (NOx) Emissions



Historic + Projected Sulfur Dioxide (SO_2) Emissions



Historic Mercury Emissions



Water Resources

Water is a shared natural resource critical to the production of electricity and a sustainable environment. We are developing and implementing innovative, responsible, consensus-based solutions to assure the water resources necessary to our operations and our communities.

We are the first company in Florida to build and operate more than 2,000 MW of generation using alternative water supplies. The Hines Energy Complex uses treated wastewater, a form of recycling that poses no negative environmental impact and helps to conserve groundwater that supplies area drinking water.

The Hines Energy Complex near Bartow, Fla., is a model for water conservation as it uses treated municipal wastewater and captured stormwater to reduce the demand on groundwater resources.

The scrubbers we have installed at coal-fired plants use water as part of the process to remove air contaminants. The resulting wastewater must be treated before the water can be reintroduced into the environment. We are using innovative technologies in the treatment process, including constructed wetlands. These wastewater-treatment systems use a combination of plants, microbes and soils to treat water in a sustainable and environmentally friendly manner while providing wildlife habitats for migratory species.

Natural Resources

We have a responsibility to our customers and communities to be good stewards of our natural environment. As a large landowner with more than 50,000 acres of forest, we consider protection of species and habitats on our lands a priority. For example, we are actively involved in reforestation of native trees and the protection of rare plants and nesting sites for migratory birds. We also work to minimize the impact of our operations on aquatic life by extensive biological monitoring and mitigation.

Waste Management

In the process of generating electricity, power plants also generate byproducts such as coal-combustion products (CCPs) or spent nuclear fuel rods. As part of our ongoing commitment to the environment, Progress Energy seeks to handle these products in a safe and responsible manner.

Our storage facilities for CCPs include ash ponds. In 2009, North Carolina law changed to put dam safety at coal-fueled generating plants under the jurisdiction of the state's dam safety program rather than the N.C. Utilities Commission. Our dams will be inspected annually by this agency in addition to our own rigorous inspection program.

We also provide CCPs for use in building products. Building products made with CCPs have proved even more durable and cost-effective than products made with natural materials. For example, fly ash is a vital component in high-strength concrete used in skyscrapers, major highways and bridges. We are aggressively pursuing additional beneficial reuse opportunities for all of our coal plants.

Used nuclear fuel rods are stored safely and securely at our facilities using both wet and dry storage methods. We take this responsibility very seriously and have extensive safety and security measures in place.

Remediation

We have potential environmental liability for a number of properties due to prior ownership, mergers, former customary practices or business relationships. During the last 13 years, we spent more than $60 million on the investigation and remediation of these sites, when possible restoring them to a level suitable for redevelopment. In 2009, we donated a remediated site in New Bern, N.C., to the state of North Carolina for use by Tryon Palace Historic Sites & Gardens.

Research and Development

In 2010, we will invest $8.3 million in research programs. Of this, approximately $5 million is related to reducing environmental impacts, renewable energy, energy efficiency, smart grid and electric transportation.

employees

Everything we achieve as a company begins with our employees. Our diverse, collaborative workforce is committed to excellence in every aspect of our operations. As a company, we continuously seek new ways to nurture this culture through a continuing commitment to safety, ethics, diversity and performance.

Key Highlights

- Maintained safety record among the best in the industry.
- Overall company voluntary turnover rate less than 4 percent.
- Updated culture statement to reflect our values and expectations.

Progress Energy's culture statement, renewed for 2010, is characterized by eight crucial attributes (see graphic to the right).

The attributes reflect the kinds of values we hold, the expectations we have of ourselves and each other, and our goals for the future.

Health and Safety

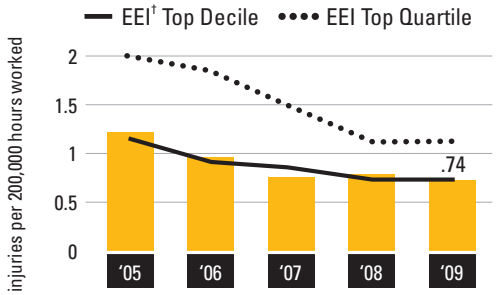
From our power plants to our offices, our company is constantly focused on safety. Because of that focus, every hour and every mile, our company is among the best in the utility industry in safety performance. The company's Occupational Safety and Health Administration (OSHA) injury and illness rate has been below 1.0 for three consecutive years. In addition, Progress Energy's 2009 safety performance was also 77 percent below

PEOPLE • PERFORMANCE • EXCELLENCE

Focus on safety first
•
Act with integrity
•
Excel in our core mission of serving customers
•
Be outstanding financial and environmental stewards
•
Cultivate diversity and inclusion
•
Treat everyone with respect, honesty and fairness
•
Hold each other to high standards
•
Collaborate, adapt and improve continuously

the North America Industrial Classification System (NAICS) OSHA rate. Achieving and maintaining top industry safety performance requires ongoing commitment and continuous improvement.

Progress Energy OSHA* Injury Rate



Our OSHA injury rate was in the top 10 percent of our industry in 2009.

* OSHA – Occupational Safety and Health Administration † EEI – Edison Electric Institute

Progress Energy has continued its Zero in on Safety campaign, which promotes hazard recognition, personal accountability and active caring. The goal is to empower employees in all work settings to eliminate workplace injuries, illnesses and vehicle accidents in 2010.

Ethics Program

Ethics and corporate integrity are cornerstones of how we do business at all levels of our company. Our company's rigorous corporate ethics program promotes and enforces doing the right thing, whether it relates to our financial statements and business practices or the workplace behaviors of individual employees.

Regulators, elected officials, community leaders, customers, competitors, investors, the news media and advocacy groups all pay close attention to what we do and how we do it – and we strive to maintain the trust and confidence that they have in us.

Our Code of Ethics identifies principles and standards of conduct that all employees, contractors and members of the board of directors are expected to follow. Employees have the opportunity to direct questions and suspected violations to their supervisor, Human Resources or a confidential, 24-hour ethics phone line.

Engaged Employees

Attracting and retaining talented, motivated employees is critical to our success. To achieve this, we offer a challenging, high-performance work environment that supports individual growth and development as well as a healthy, balanced lifestyle.

More than half our workforce chose to participate in 2009 in our employee wellness program, Healthy Progress, and receive free, voluntary health screenings, coaching and educational materials. We remain committed to paying the major share of health plan costs – more than 75 percent overall – to attract and retain top talent.

We also work with area high schools, community colleges and four-year institutions to ensure a pipeline of well-qualified, highly trained employees for the future.

Diversity and Inclusion

Embracing diversity and inclusion is a clear expectation for all Progress Energy leaders and employees. Our success depends on attracting, engaging and retaining a talented workforce that reflects the communities we serve. Furthermore, our company provides fair policies, processes and opportunities. To implement these objectives, each business unit has its own diversity and inclusion council, which is overseen by the Executive Workforce Council, led by Chairman, President and CEO Bill Johnson, and composed of all members of senior management. This council is focused on all strategic workforce issues involving attracting, engaging and retaining top talent.

All new employees attend the required full-day diversity training. We offer workshops on topics such as race awareness, the business case for diversity, exploring differences, subtle behaviors, conflict resolution and generational differences. And we have several Employee Network Groups that bring together employees with mutual interests to support our business strategy for recruiting and retaining a high-performing workforce, employee development and community outreach.

shareholders

We have a long history of integrity in all aspects of our business, and we consistently pursue the highest standards of performance, ethics and accountability. We recognize that we have a responsibility to protect our shareholders' trust through solid, sustainable business decisions and clear, transparent practices.

Key Highlights

- Generating 3 percent to 5 percent efficiency savings companywide each year.
- Successfully met 2009 financial goals.
- Strongly positioned to weather current economic recession and preparing for future growth.

Corporate Governance

Progress Energy has a long-standing commitment to the highest standards of integrity, accountability and independence. Our board of directors oversees and directs our company on our shareholders' behalf, and the company works to balance those needs with the interests of customers, employees, regulators, elected officials and the communities we serve. We have adopted a set of Corporate Governance Guidelines to document the board's responsibilities, structure and internal practices.

The board of directors is chaired by Chairman, President and Chief Executive Officer Bill Johnson. Independence is ensured through the appointment of a lead director, John H. Mullin III. To view the full list of current directors, please visit progress-energy.com/aboutus/board. This website also has an in-depth section on corporate governance, offering insight into our principles, responsibilities, structure and internal practices.

Productivity and Efficiency

The company's overall cost-management strategy is designed to address changing economic realities. This strategy is twofold: belt tightening and Continuous Business Excellence (CBE). Through these efforts, our goal is to generate 3 percent to 5 percent efficiency and productivity gains each year.

CBE represents a fundamental change in the way we manage our business. It is a relentless focus on eliminating waste, improving processes and increasing the operating performance of all business units. Our core approach to achieve sustainable process improvements is the proven "Lean" methodology, which is a set of principles, tools and techniques applied to a business process to eliminate waste, streamline for quality and efficiency and focus on true customer needs. The efficiencies gained through these efforts are critical for us to fund the

necessary investments in plants and delivery systems, as well as our continued investments in our people. This strategy of CBE will allow Progress Energy to be more flexible, safer, stronger and more financially healthy, which benefits employees, customers and shareholders.

Our CBE efforts in 2009 were focused on key processes, and throughout the year we conducted more than 130 formal process evaluations. Some yielded immediate cost savings and process improvements; others identified potential longer-term labor efficiency gains. Representatives from all business units formed an enterprise CBE Steering Committee to collaborate on enterprisewide CBE strategies, approaches and initiatives, and to identify significant cost savings and process-improvement opportunities.

Financial Highlights

Despite the global financial crisis and economic slowdown, we successfully delivered on our 2009 financial goals and met our earnings guidance for the fourth consecutive year. We achieved these results by aggressively managing the business and making timely adjustments. Our growth prospects remain solid, and we continue to expect a long-term annual growth rate of 4 percent to 5 percent.

The dividend paid on our common stock is an integral part of our total return proposition and is important to our investors. In support of our long-term dividend payout ratio target of 70 percent to 75 percent, the board decided to maintain the 2010 quarterly dividend, at $0.62 per share. We have paid a dividend to shareholders for more than 250 consecutive quarters.

We know that 2010 will be a challenging year for our company and our customers. We are aggressively controlling costs to manage our business effectively in the present while preparing for the new energy demands of the future.

CBE in Action
Power Operations Group

The Power Operations Group (POG) consists of the company's fleet of fossil-fueled power plants and support organizations. POG employees embraced CBE and have worked hard to eliminate waste and identify costs savings. Their 2009 CBE accomplishments include:

- Concentrated on eliminating waste in business processes through the use of Lean tools;
- Focused on work processes and outages to target areas where we spend the most;
- Identified more than $46 million in savings and more than 36,000 labor hours for potential elimination;
- Trained CBE "local champions" and secured 100 percent event participation by the 39 POG department and section heads; and
- Completed more than 80 facilitated Lean events throughout the group.

conclusion

Corporate and personal responsibility is integral to our culture at Progress Energy. We are committed to conducting every aspect of our business with integrity and transparency.

This means being good stewards of the environment and the natural resources we share. It means respecting all stakeholders in our company – employees, customers, communities and shareholders – and working hard to understand and value their perspectives. And it means investing in our service area through corporate giving and partnerships that improve the quality of life for all of us.

For these efforts, we have received national recognition, which is a tribute to our nearly 11,000 employees who focus daily on safety, operational excellence and delivering superior service to our customers. We know that millions of people depend on us, and we have to keep earning their trust every day. And while these awards and honors are important, some of the most meaningful feedback comes from our neighbors in the communities we serve. Please send us your thoughts at **poweringthefuture@pgnmail.com.**

For more information and our full Corporate Responsibility Report, please visit progress-energy.com/aboutus.

Safe harbor for forward-looking statements: In this report, Progress Energy makes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The matters discussed throughout this report that are not historical facts are forward looking and, accordingly, 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. Any forward-looking statement is based on information current as of the date of this report and speaks only as of the date on which such statement is made, and Progress Energy undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made.

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 energy policy; the ability to successfully operate electric generating facilities and deliver electricity to customers; the impact on our facilities and businesses from a terrorist attack; 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 regulations; 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; risks associated with climate change; weather and drought conditions that directly influence the production, delivery and demand for electricity; recurring seasonal fluctuations in demand for electricity; 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 operations and maintenance and large construction projects; current economic conditions; the ability to successfully access capital markets on favorable terms; the stability of commercial credit markets and our access to short- and long-term credit; and the impact that increases in leverage or reductions in cash flow may have on us and our affiliates.

These and other risk factors are detailed from time to time in Progress Energy's or its affiliates' filings with the United States Securities and Exchange Commission. Many, but not all, of the factors that may impact actual results are discussed in Item 1A, "Risk Factors," of Progress Energy's Form 10-K, which you should carefully read. 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 Progress Energy.

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