

**GUIDE TO BENEFITS FOR
DOMESTIC PARTNERS**

**RETIREES AND INACTIVE
PARTICIPANTS**

2012 UPDATE



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Introduction

Progress Energy permits inactive benefit plan participants (including non-bargaining employees who are LTD benefit recipients) to enroll their same-sex or opposite-sex domestic partners as dependents under certain benefits. The children of domestic partners are also eligible for coverage as long as they meet the requirements of the dependents' definitions found in the applicable benefit plan booklets.

Definition of domestic partners

Progress Energy has developed a list of requirements that must be met in order for a person to be considered the domestic partner of an employee or retiree. A spouse is not considered to be a domestic partner. The domestic partner requirements appear below:

Progress Energy Declaration of Domestic Partner Relationship

I. DECLARATION

I, _____ certify and declare that _____
(Employee/Retiree – PRINT NAME) (Domestic Partner – PRINT NAME)
and I are domestic partners in accordance with the following criteria and are eligible to participate in applicable Progress Energy policies, programs and benefits. All of the following criteria were met on _____
DATE

II. DOMESTIC PARTNER CRITERIA

1. My domestic partner and I are each other's sole domestic partner, and intend to remain so indefinitely,
2. My domestic partner and I have lived together in a common household for at least six consecutive months,
3. My domestic partner and I are responsible for each other's common welfare and are jointly responsible for basic living expenses,
4. Neither my domestic partner nor I are legally married to or legally separated from anyone else, nor in a domestic partner relationship with anyone else,
5. My domestic partner and I are not related by blood or a degree of closeness that would prohibit marriage to one another in our current state of residence,
6. I am at least eighteen (18) years of age and mentally competent to consent to this Declaration.

III. CERTIFICATION OF DOMESTIC PARTNER AS A DEPENDENT

Please consult a tax advisor before you certify that your domestic partner is a dependent as defined by the Internal Revenue Code. If your answer is YES, you are not taxed on imputed income for the dependent coverage premiums paid by Progress Energy.

Please check one:

- No, my domestic partner does not qualify as my dependent for federal income tax purposes.
- Yes, my domestic partner qualifies as my dependent for federal income tax purposes.

I understand that on the basis of the above statements, Progress Energy will consider the above person my dependent for all federal income and employment tax purposes.

I agree to reimburse Progress Energy for any and all liability including, without limitation, taxes, penalties or losses (including reasonable attorney's fees) that Progress Energy may incur arising out of its reliance on this Declaration if it is untrue in any respect or if I fail to provide the notice required by paragraph IV.

IV. CHANGE IN DOMESTIC PARTNER RELATIONSHIP

I agree to notify Progress Energy as required by this Section IV if there is any change in my domestic partner status as attested in this Declaration which would make my domestic partner and/or any of his/her dependent children ineligible for coverage under the Progress Energy benefits plans (for example, due to the death of my domestic partner, a change in joint-residence, termination of the relationship, etc.).

I understand that notification for this purpose includes revoking this Declaration (by completing and signing Section VI of this document), completing the necessary benefit change forms and submitting these documents to the Employee Service Center within thirty (30) days of such change in our status as domestic partners (and/or any related dependent)

V. ACKNOWLEDGEMENTS

1. I understand that any person/employer/insurer/claims administrator who suffers any loss due to any false statement contained in this Declaration may bring civil action against me to recover their losses, including reasonable attorney's fees.
2. I understand that the information in this Declaration is confidential. However, this information may be shared within Progress Energy and with benefit and policy administrators on a need-to-know basis in order to administer benefits, make appropriate payroll deductions, and assess taxes on benefits when required. Information may also be made available as required by law or a court order.
3. I understand that this Declaration may have legal implications relating, for example, to my ownership of property or to taxability of benefits provided, and that before signing this Declaration, I should seek competent legal and accounting advice concerning such matters.
4. I understand that this form is not an application for coverage under the Progress Energy benefits plans. I further understand that providing inaccurate information is fraudulent and is considered a violation of the Progress Energy Code of Ethics. If I provide inaccurate information, I may be subject to disciplinary actions and/or a loss of benefits coverage.

Employee/Retiree Signature

Social Security Number

Date

VI. REVOCATION OF DECLARATION

By signing below I hereby notify Progress Energy that the above-named person and I no longer meet one or more of the criteria in Section II and that our domestic partner relationship ceased to exist as of the following date: _____.

Employee/Retiree Signature

Social Security Number

Date

(To be completed by the employee or retiree and submitted to the Employee Service Center)

The Declaration is available by contacting the Employee Service Center (ESC) by phone at 800-546-5705 or email at employee.service@pgnmail.com.

If you wish to enroll your domestic partner and/or your domestic partner's eligible children in any benefits, you must complete the Declaration and return the signed original to the ESC. Hard copy forms will be kept in a confidential file in the ESC.

NOTE: If your domestic partner relationship ends, you must notify the ESC within 30 days of the termination of the relationship. This can be done by completing the "Revocation" portion of the Declaration on a copy of the original form and returning it to the ESC.

Benefits available to domestic partners

Eligibility for the following benefits is extended to domestic partners under the Choice Benefits program (for non-bargaining employees, retirees and other inactive benefit plan participants) or the FlexPower program (for bargaining unit employees and retirees):

- Medical
- Dental (if eligible)
- Vision (if eligible)
- Dependent Life and AD&D (non-bargaining LTD recipients only)
- COBRA continuation for applicable benefits

NOTE: Your ability to elect a specific benefit for your domestic partner and/or your domestic partner's eligible children is dependent upon your eligibility for that benefit (i.e., the Company's decision to offer benefits to domestic partners does not make you eligible for any benefits for which you were not already eligible). For example, if you were not previously eligible for retiree dental or vision coverage, neither you nor your domestic partner will be eligible for that coverage.

Tax impact of electing benefits for domestic partners

Because the Internal Revenue Code does not generally recognize domestic partners as tax dependents, the value of the benefits you elect for your domestic partner who is not a dependent for federal income tax purposes is considered taxable (or “imputed”) income to you. This imputed income will be reported as income on a Form W-2 and will be subject to federal and state income tax (if applicable) as well as FICA and FUTA taxes. The imputed income amount for each plan and coverage level is determined based on the fair market value of the benefit being provided. It is important that you understand these consequences before you make your benefit elections.

Progress Energy is obligated to collect the applicable taxes on the imputed income created by the election of benefits for a domestic partner. Therefore, in addition to reporting the imputed income on your Form W-2, you will be billed for the amount of this tax liability. If you do not pay the bills for the tax liability in a timely manner, you may be subject to termination of any benefit coverage you elected for your domestic partner.

The premiums you pay to cover your domestic partner and/or your domestic partner’s eligible children will be the same that other plan participants in your category pay for similar coverage (e.g., “Self”, “Self plus one dependent”, or “Family” coverage). Due to the company’s subsidy (if any) of the benefit costs, the imputed income associated with the benefits you elect for your domestic partner and/or your domestic partner’s eligible children may actually exceed the premiums you pay. For this reason, please carefully review the following information to determine the impact on your taxable income.

Non-bargaining plan participants

Full-Cost Retirees and COBRA continuees

If you fall into either of these groups, you pay the full cost of the coverage you elect and your payments are on an after-tax basis. For this reason, you will not experience any imputed income due to the election of benefits for your domestic partner and/or your domestic partner’s eligible children.

Regular Retirees (eligible for company-subsidized retiree benefits)

The tables below show the 2012 imputed income amounts for each benefit on a monthly and annualized basis for retirees and inactive participants under age 65. The number of non-tax dependents you choose to cover for each benefit will determine the amount of imputed income (your domestic partner and your domestic partner’s eligible children are each considered one “DP” for the purpose of these charts). If you wish to elect domestic partner coverage and either you or your domestic partner will be Medicare-eligible during 2012, please contact the Employee Service Center for information about the applicable imputed income.

NOTE: If you retired from Florida Power prior to February 1, 2002, your retiree medical premiums are determined based on a matrix that uses your age and years of service at retirement. Because the matrix produces a wide range of retiree medical premiums for members of this group, please review the example on page 9 (under the “Bargaining unit plan participants”, “Retirees” section) and contact the Employee Service Center to verify the specific imputed income amount that will apply to you.

Retirees and inactive participants under age 65

Medical Plan	# of DPs covered	Imputed income amount (Per month)	Imputed income amount (Annualized)
HDHP	1	\$210.52	\$2,526.24
	2 or more	\$547.04	\$6,564.48
Standard	1	\$289.67	\$3,476.04
	2 or more	\$713.01	\$8,556.12
Choice	1	\$200.54	\$2,406.48
	2 or more	\$650.46	\$7,805.52
Choice Plus	1	\$237.91	\$2,854.92
	2 or more	\$534.03	\$6,408.36
AvMed HMO	1	\$364.34	\$4,372.08
	2 or more	\$581.94	\$6,983.28
BlueCare HMO	1	\$351.31	\$4,215.72
	2 or more	\$560.76	\$6,729.12

Dental Plan	# of DPs covered	Imputed income amount (Per month)	Imputed income amount (Annualized)
	1	\$8.00	\$96.00
	2 or more	\$16.00	\$192.00

Vision Plan	# of DPs covered	Imputed income amount (Per month)	Imputed income amount (Annualized)
Basic	1	\$0.25	\$3.00
	2 or more	\$0.83	\$9.96
Optional	1	\$0.00	\$0.00
	2 or more	\$4.31	\$51.72

LTD benefit recipients

The tables below show the 2012 imputed income amounts for each benefit on a monthly and annualized basis for LTD benefit recipients who are not Medicare-eligible. The number of non-tax dependents you choose to cover for each benefit will determine the amount of imputed income (your domestic partner and your domestic partner’s eligible children are each considered one “DP” for the purpose of these charts).

Medical Plan	# of DPs covered	Imputed income amount (Per month)	Imputed income amount (Annualized)
Standard	1	\$262.51	\$2,916.84
	2 or more	\$459.54	\$5,106.00
Choice	1	\$233.08	\$2,589.60
	2 or more	\$442.72	\$4,919.04
Choice Plus	1	\$270.07	\$3,000.60
	2 or more	\$489.29	\$5,436.48
AvMed HMO	1	\$473.08	\$4,560.00
	2 or more	\$685.47	\$6,606.24
BlueCare HMO	1	\$455.43	\$5,106.36
	2 or more	\$659.93	\$7,397.76

Dental Plan	# of DPs covered	Imputed income amount (Per month)	Imputed income amount (Annualized)
	1	\$21.52	\$258.24
	2 or more	\$40.69	\$488.28

Vision Plan	# of DPs covered	Imputed income amount (Per month)	Imputed income amount (Annualized)
Basic	1	\$0.25	\$3.00
	2 or more	\$0.83	\$9.96
Optional	1	\$0.00	\$0.00
	2 or more	\$4.31	\$51.72

Dental and Vision coverage – You may only elect dental and vision coverage on your domestic partner and/or your domestic partner’s eligible children during biennial enrollment periods unless you experience a qualifying event during the year as explained on page 10.

Dependent Life coverage - If you elect Dependent Life coverage for your domestic partner and/or your domestic partner’s eligible children, there will not be any imputed income associated with these coverages since you pay the premiums on an after-tax basis. The cost of Dependent Life insurance for an adult is based on the domestic partner’s age. Dependent Life rates are available from the Employee Service Center.

A Statement of Health form will not be required to purchase Dependent Life coverage of \$25,000 or less on your domestic partner if you elect coverage when you first become eligible or within 30 days of meeting the Declaration of Domestic Partner Relationship requirements. If you do not elect

Dependent Life coverage on your domestic partner when you are first eligible, you will be required to submit a Statement of Health form to elect any coverage amount during annual enrollment.

NOTE: Coverage you elect for your domestic partner and/or your domestic partner's eligible children during the annual enrollment period will be effective the following January 1. The only exception is if your domestic partner's Statement of Health is not approved prior to January 1. If this happens, the Dependent Life coverage above \$25,000 you elect for your domestic partner will not become effective until Prudential approves the coverage.

Dependent AD&D coverage – If you elect AD&D coverage for your domestic partner and/or your domestic partner's eligible children who are not dependents for federal tax purposes, there will not be any imputed income associated with these coverages since you pay the entire premium on an after-tax basis.

Bargaining unit plan participants

COBRA continuees

If you fall into this group, you pay the full cost of the coverage you elect and your payments are made on an after-tax basis. For this reason, you will not experience any imputed income due to the election of benefits for your domestic partner and/or your domestic partner's eligible children.

Retirees (including LTD recipients reclassified as disabled retirees)

If you fall into this group, your retiree medical premiums are determined based on a matrix that uses your age and years of service at retirement. Because your premium payments are made on an after-tax basis, your imputed income for the year will equal the difference between the total premium and the amount you pay (i.e., the company's subsidy of the benefit).

Example:

If you were age 62 with 30 years of service when you retired, you pay 25% of the total cost of coverage for your domestic partner. If you and your domestic partner are under age 65 and you enroll in the BU BCBSF – 750 plan for 2012, your imputed income would be as follows:

2012 total annual premium for your domestic partner:	\$8,466.09
Your 2012 annual premium cost for your domestic partner (25%):	2,116.52
Your 2012 annual imputed income:	\$6,349.57

The age and service matrix produces a wide range of retiree medical premiums for members of this group. For this reason, you may wish to contact the ESC to verify the specific imputed income amount that will apply to you.

How to elect benefits for your domestic partner

Retirees and other inactive participants may only enroll their domestic partners and/or their domestic partner's eligible children for coverage during the annual enrollment period unless they experience a qualifying event during the year. Any retiree or inactive plan participant who meets the requirements as described in the Declaration of Domestic Partner Relationship during the year may

elect coverage, or if your domestic partner relationship ends during the year you may drop coverage. In both cases, you must change your level of coverage within 30 days of the change.

In order to enroll a domestic partner for benefits coverage, retirees and other inactive participants must contact the ESC by phone at 800-546-5705 or email at employee.service@pgnmail.com for assistance. A member of the ESC staff will provide information on the forms you will need to elect coverage for your domestic partner and/or your domestic partner's eligible children. You will be required to complete and sign the Declaration of Domestic Partner Relationship and submit it to the ESC for enrollment.

Qualifying events

Adding or dropping coverage for your domestic partner at a later date

If you have not lived with your domestic partner for six consecutive months at the time of annual enrollment, you do not meet all of the requirements (as described in the Declaration of Domestic Partner Relationship) for your domestic partner and/or your domestic partner's children to be eligible for coverage. The date on which you meet all the requirements will be treated as a qualifying event for coverage, and you can contact the ESC to request the necessary change forms to add coverage (within 30 days of the qualifying event).

If your domestic partner relationship ends, you must notify the ESC within 30 days of the termination of the relationship. You will need to update the information on a copy of the original Declaration and return it to the ESC. *(Note: Completing this form will not drop your dependents from any benefits coverage in which they are enrolled. You must complete a benefit change form available from the ESC to drop coverage for your dependents.)*

NOTE: Bargaining unit retirees had a one-time opportunity to enroll their domestic partner and/or their domestic partner's eligible children during the enrollment period for 2007. If you did not enroll your current domestic partner for benefits effective January 1, 2007, you will not be able to add him or her at a later date. However, if you meet the requirements as described in the Declaration of Domestic Partner Relationship at any time in the future you may elect coverage, or if your domestic partner relationship ends at any time in the future you may drop coverage (in both cases, you must change your election within 30 days of the change).

COBRA

The termination of a domestic partner relationship will be treated similar to a divorce and will be considered a COBRA qualifying event for your former domestic partner and his/her eligible children.

Other programs

In addition to the benefits listed above, domestic partners are eligible to participate in the company's flu shot program. You will not be required to complete the Declaration of Domestic Partner Relationship to take advantage of this program due to a domestic partner relationship. However, if you wish to complete the Declaration to record the existence of your relationship, you may do so.