At Progress Energy, our connections go far beyond electricity. The health and vitality of our company is intertwined with that of the communities and people we serve. That is why, in everything we do, we seek to serve our customers, our employees, our shareholders and the environment we all share. Maintaining these strong connections is our commitment – and our responsibility.

“I believe that we have a responsibility to our customers, communities, employees – and to the generations yet to come. As we plan today to meet growing energy demands, we must stay constantly aware of the ways our decisions affect both the present and the world we will leave behind. Because it is our connections to the people and places we serve that matter most.”

Robert B. McGehee, Chairman and CEO
Balanced Solution. Progress Energy is adding between 60,000 and 70,000 new customers each year. In addition, larger homes and more electronics mean that many people are using more electricity. We believe that the best way to meet this growing demand is through a balanced mix of energy efficiency, renewable energy and upgrading plants or constructing new generation.

Generation – In 2006, we announced several major initiatives to upgrade existing plants, including the Crystal River Nuclear Plant and the oil-fired Bartow Plant, increasing their efficiency and output while lowering emissions. Also in 2006, we announced two sites for potential nuclear expansion: one in Levy County, Fla., and the other in Wake County, N.C.

Energy Efficiency – To help customers use energy wisely, Progress Energy offers energy-efficiency and demand-side management programs. These programs include home energy audits, energy-efficiency financing, promotion of energy-efficient construction that exceeds the building code, incentives for brief interruptions of power to water heaters or heating systems to reduce peak demand, and incentives for customers to shift their energy usage to off-peak times. Since 1981, energy-efficiency programs have reduced usage by more than 26 billion kWh in the Carolinas and Florida, enough to power approximately 1.8 million homes for one year. In January 2007, Progress Energy Florida received approval to add 39 new measures to its existing energy-efficiency programs and create two new programs that will more than double the company’s conservation efforts in the state. In the Carolinas, Progress Energy is launching projects in 2007 to reduce energy consumption, such as residential load control, HVAC tune-up and duct repair and in-home energy displays, and will be aggressively expanding its existing energy-efficiency programs.

Alternative/Renewable Energy – Progress Energy supports and participates in research and development of potential alternative energy sources such as hydrogen fuel cells, biomass and other technologies. We are committed to supporting and using new, environmentally friendly technologies with the potential to meet part of our customers’ future energy needs.

Connecting with our customers begins with the delivery of safe, affordable and reliable power. But there’s far more to it than that. It is our responsibility to generate power in ways that minimize risk and price volatility. It is also our responsibility to use a balanced approach, including energy efficiency and conservation, to meet growing energy demand in the future.
our communities

Investment and Outreach. Since 2000, the company has invested more than $67 million in local communities through grant programs, including more than $12 million in 2006. The company’s giving is primarily focused in the following areas:

Education – The company supports educational initiatives in our service area, including scholarship programs for historically black colleges and universities as well as math, science and energy education in public schools.

Environment – Progress Energy is an active supporter of clean water and environmental preservation. For example, we have given $1.2 million to launch the University of Florida Water Institute, pursuing the development of sound, science-based solutions to ensure adequate, quality water.

Employee Giving – In 2006, Progress Energy employees pledged more than $2 million to community causes and devoted over 50,000 hours of volunteer time.

Energy Neighbor Fund – Established by the company in the 1980s, the Energy Neighbor Fund offers assistance to customers who live at or below 150 percent of the federal poverty level and are facing a crisis in their household. In 2006, Progress Energy contributed $400,000 to match contributions from customers and employees.

Better Opportunities for Local Businesses.

Supplier Diversity – Through the company’s Supplier Diversity and Business Development Program, Progress Energy develops and strengthens relationships with minority- and women-owned businesses in our community. The program maintains outreach efforts to seek, identify and encourage participation in our procurement processes, and informs minority- and women-owned businesses of those processes. In 2006, we spent nearly $2 billion on goods, services and other related costs. Nearly 10 percent of that total (approximately $190 million) was spent with minority- and women-owned businesses.

Economic Development – New businesses and industries benefit the communities that Progress Energy serves – creating jobs, increasing tax revenue and improving quality of life. The company’s economic development team plays a key role in helping bring good jobs to its service territory by providing energy and marketing expertise. In 2006, Progress Energy’s Economic Development team helped to bring nearly 7,000 new jobs and pump more than $1.3 billion in capital investment into the local economies it serves.

For close to a century, we’ve been a part of life in the Carolinas and Florida. So our connections to the community run deep. That’s why we consistently give our time and resources to area schools, economic development initiatives and arts programs – all of which increase opportunities and add to the overall quality of life in the places we call home.
Our responsibilities to our customers and to the environment will always be connected. Producing the affordable, reliable power our customers need must be done with minimal environmental impact. At Progress Energy, we are committed to continuous improvement in environmental quality and to being good stewards of the natural resources we share.

**Climate Change.** Progress Energy believes there is sufficient understanding of climate change to warrant action by both the private and public sectors. While continuing to fulfill our obligation to provide reliable, affordable electric service to our customers, we are taking action on this important issue.

In March 2006, Progress Energy issued a report stating our position on global climate change and other environmental issues. The full report is available at progress-energy.com/environment.

We are meeting these requirements with several technologies, including installing selective catalytic reduction units (SCRs) to reduce NOx and flue gas desulfurization units (scrubbers) to reduce SO2 emissions at many of our plants in the Carolinas and Florida. We expect these emissions will be reduced by more than 90 percent at the plants where these technologies are installed. In addition, we expect significant reductions in mercury emissions from these technologies and have tested other mercury-removal technologies at our plants.

**Air Quality.** Progress Energy supported and worked closely with the state and other stakeholders to develop the North Carolina Clean Smokestacks Act. The law, passed in 2002, requires utilities to significantly reduce nitrogen oxide (NOx) and sulfur dioxide (SO2) emissions.

In addition, the company is continuing its work to meet the requirements of the Clean Air Interstate Rule, Clean Air Mercury Rule and Clean Air Visibility Rule. These federal regulations also require significant reductions in NOx, SO2 and mercury emissions from fossil-fired power plants.

**Water Use.** Large-scale power production requires the use of water for cooling and other operational needs. Progress Energy regularly monitors and assesses the condition of the water bodies associated with its facilities. We are also using innovative methods, such as constructed wetlands and bioreactors, to treat the wastewater produced by scrubber operation.

progress-energy.com/environment
In addition, we are finding new uses for the waste-water from our plants. In Florida, the DeBary Plant gives Volusia County millions of gallons of water to be treated and sold as reclaimed water. Instead of sitting in ponds and evaporating, this water is now conserved and used for irrigation.

**Renewable Energy.** Another critical aspect of caring for our environment is the exploration of renewable forms of energy to help meet our customers’ future energy needs.

**Biomass –** Progress Energy is looking at the potential for using biomass, i.e., plant or animal waste, to produce electricity. North Carolina’s electric suppliers, including Progress Energy, have agreed to purchase up to 25 MW of electricity produced from hog waste, as part of a pilot project to determine the feasibility of this technology.

**Solar Energy –** Progress Energy has projects or future initiatives representing more than 420 kW and 610,000 kWh of solar generation. For example, participants in the new Solar Water Heater with Energy Management program, which launched in Florida in early 2007, will receive an upfront rebate to offset the cost of a new system, and a monthly credit on their electric bill. They may also be eligible for state and federal tax credits and rebates.

**Hydrogen and Fuel Cell Technologies –** Progress Energy is participating in many hydrogen and fuel cell research and pilot projects including a $1 million commitment to Microcell Corp., which is working to bring commercially available fuel cell applications to consumer markets. We also have partnerships with auto makers, oil companies and the Florida Department of Environmental Protection to test hydrogen fuel-cell vehicles, including three in our fleet, and build Florida’s first two hydrogen fueling stations.

**Hydroelectric –** Progress Energy has four hydroelectric plants in North Carolina, capable of producing a total of 225 MW of electricity.

**Hybrid Vehicles –** In 2006, we purchased almost 1.6 million MWh of renewable energy. Some of our purchases include power generated by municipal solid waste facilities and heat recovery/cogeneration plants. In addition, Progress Energy Florida signed a contract in 2006 to purchase approximately 130 MW generated by e-grass™.

**NC GreenPower –** More than 9,300 residential and business customers voluntarily participate in this statewide program that subsidizes the purchase of renewable energy.
Our positive work environment is directly connected to our people and their performance. At Progress Energy, we are committed to attracting and retaining an outstanding workforce, and maintaining a healthy, injury-free workplace. Because we know it takes the best people in the industry, working collaboratively, for us to excel.

**Health and Safety.** The safety of our employees, customers, and communities is a core value of Progress Energy, and the company constantly seeks to minimize the risks associated with the utility industry.

**Zero In On Safety** – The company has been among the best in the industry in safety, but we know we can always do more. In 2006, Progress Energy launched its “Zero in on Safety” campaign for all employees, with the goal of eliminating injuries and accidents by setting a strong standard and clear expectations.

**Diversity.** Embracing diversity is a clear expectation for all Progress Energy employees. Each business unit has its own diversity council – all of which are overseen by the Corporate Diversity Council, led by Chairman and CEO Bob McGehee.

We maintain a diversity scorecard that tracks our progress against established goals in the following four focus areas:

- **Workforce:** The company is committed to attracting and retaining a diverse, high-performing workforce.
- **Workplace:** The company will provide an inclusive, productive work environment where all employees can excel.
- **Community/Customers:** The communities in our service area are changing and our success depends upon maintaining positive relationships with them.
- **Suppliers:** The company will provide equitable opportunities for small and diverse vendors to participate in the supply of goods and services.

**Wellness.** – Progress Energy is launching “Healthy Progress,” a companywide wellness program, in late 2007. The program will include voluntary annual health screenings, formalized health coaching, and personal goals and incentives.

progress-energy.com/aboutus/diversity
Code of Ethics. Progress Energy has a strict Code of Ethics to provide overall guidance in upholding ethical and legal responsibilities. Employees, management, ethics committees, the corporate ethics officer and members of the board of directors are expected to read, understand and abide by the Code of Ethics. Employees who suspect a violation of the Code of Ethics are asked to report it to their immediate supervisor or to the next level of management. Employees may also report known or suspected violations to the company’s confidential Ethics Line.

In 2006, all company employees were required to take an ethics and compliance training course.

Corporate Governance. The directors of Progress Energy are the representatives of the company’s shareholders and, as such, direct the management of the company on the shareholders’ behalf. The board must also consider the interests of customers, employees, regulators, elected officials and the communities where the company does business. Each member of the board must be re-elected to his or her seat at the company’s annual shareholders meeting.

In addition, the company has issued publicly available corporate governance guidelines that document the board’s responsibilities, structure and internal practices.

Financial Highlights. Progress Energy is in a sound financial position with a strong balance sheet and clear, achievable strategy for growth. The company is focused on what it does best: the electric utility business. In fact, the company is becoming the largest utility in the country focused solely on the regulated electric utility business.

In preparation for meeting the demands of growth in our service territories, and implementing our long-term strategy for meeting our customers’ growing needs, Progress Energy has worked to reduce debt and focus our resources on our core business.

Also in 2006, Progress Energy met our earnings-per-share target, increased the dividend for the 19th consecutive year and earned a total shareholder return of 18.1 percent for the year. More information is available in the company’s annual report and on the Web site.
# Industry Recognition
Progress Energy focuses on excelling at the fundamentals, sets high standards and strives to exceed them. In 2006, industry groups, national publications and others recognized these efforts with the following awards.

**Edison Award** – The Edison Electric Institute (EEI) named Progress Energy as a winner of the 2006 Edison Award, the electric utility industry’s highest honor, in recognition of the company’s innovation and industry leadership. EEI presented the company with the award based on achievements in operational performance, environmental stewardship, reliability and customer service.

**J.D. Power and Associates Founder’s Award** – In December 2005, Progress Energy received the prestigious J.D. Power and Associates Founder’s Award for distinguished service in the utility industry. The award recognizes individuals or companies that demonstrate dedication, commitment and sustained improvement in serving customers. Only 14 other companies or individuals have previously received the award.

**Div50** – Progress Energy has been named to the Div50 for three straight years, recognizing the company as one of the top 50 business or organizational buyers for diversity products and services in the nation. More than 500,000 woman- and minority-owned business owners have the opportunity to vote in the online election, which is sponsored by DiversityBusiness.com.

**Best Places to Launch a Career** – BusinessWeek magazine named Progress Energy one of the best places to launch a career, based on nominations from human resource and career services counselors, along with the company’s pay and benefits, opportunities for advancement, and training and mentorship programs.

**Dow Jones Sustainability Index** – Progress Energy has been named to the Dow Jones Sustainability North America Index two years in a row. The index lists companies that lead their industries in sustainability, a business approach for managing economic, environmental and social issues. The index, which was launched in 1999, tracks the financial performance of leading sustainability-driven companies worldwide.

**Sustainable Florida Award** – In 2006, Progress Energy Florida was recognized – for the second time in three years – as a leader in sustainable alternative energy practices by the Council for Sustainable Florida. The company received the award for the sustainable hydrogen generator and fuel cell demonstration project at Homosassa Springs State Wildlife Park. The system uses photovoltaic (PV) cells that convert sunlight into electricity; the electricity then powers an electrolyzer that splits water into hydrogen and oxygen. The resulting hydrogen gas is stored and later converted into electricity by the fuel cell.
We want to know what you think. Please send your thoughts regarding this document or Progress Energy’s corporate responsibility efforts to poweringthefuture@pgnmail.com.

This report is an overview of our corporate responsibility efforts. For more details, visit progress-energy.com.