The following documents provide a summary of changes to the Progress Energy, Inc. benefits booklets for non-bargaining unit employees. Changes are effective January 1, 2012 except as otherwise noted. This Summary of Material Modifications should be retained with your other benefits information.

To access the Health & Welfare Summary of Material Modifications, click here.

To access the Pension Plan and 401(k) Savings Plan Summary of Material Modifications, click here.
WHAT’S NEW?
FOR 2012
ACTIVE CHOICE BENEFITS AND 401(k) SAVINGS PLAN CHANGES

Note: Only those benefits or rates that are changing are listed. See your Enrollment Booklet for more information.

We are again faced with increases in medical plan costs as the result of the number and dollar amount of claims filed by plan participants combined with the escalating cost of medical services. As in the past, the company will share the cost increases with you.

To help us better control rising medical plan costs, we ask that you commit to a healthy lifestyle and be fully involved in every decision about your health so that when you do need care, you get it in the most appropriate place and the most cost-effective way.

The changes for 2012 are summarized below.

MEDICAL PLAN CHANGES

❖ PPO Medical Plan Options
  ▪ Premium (contribution) rates will increase for the High Deductible Health Plan, Standard, Choice and Choice Plus medical plan options.
  ▪ **Condition Management Program** – The current program, referred to as Health Advantage, will no longer be offered and administered through Alere. Beginning in 2012, this program will be administered by Blue Cross Blue Shield and UnitedHealthcare to make it easier to coordinate care using professionals in your medical plan. The program is designed to promote good health and wellness by helping eligible members better understand their medical condition and develop strategies to improve health outcomes. Participation will continue to be voluntary.

❖ HMO Options
  ▪ Premium (contribution) rates will increase for the AvMed HMO and BlueCare HMO options.

PRESCRIPTION DRUGS

❖ **AvMed HMO Option**
  ▪ **Retail Pharmacy**
    ▪ The copay for generic drugs will be reduced from $15 to $10.
    ▪ The $30 copay for preferred brand name drugs will be replaced with 20% coinsurance.
      ▪ $25 minimum and $50 maximum will apply to your cost per prescription.
      ▪ A deductible will not apply.
    ▪ The $50 copay for non-preferred brand name drugs will be replaced with 30% coinsurance.
      ▪ $50 minimum and $75 maximum will apply to your cost per prescription.
      ▪ A deductible will not apply.
-Mail Order Program
- Your copays for up to a 90-day supply of medication through the mail order program will change from:
  - $30 to $25 for generic drugs
  - $60 to $75 for preferred brand name drugs
  - $100 to $125 for non-preferred brand name drugs

- BlueCare HMO Option
  - Retail Pharmacy
    - The copay for generic drugs will be reduced from $15 to $10.
    - The $30 copay for preferred brand name drugs will be replaced with 20% coinsurance.
      - $25 minimum and $50 maximum will apply to your cost per prescription.
      - A deductible will not apply.
    - The $50 copay for non-preferred brand name drugs will be replaced with 30% coinsurance.
      - $50 minimum and $75 maximum will apply to your cost per prescription.
      - A deductible will not apply.

- Mail Order Program
  - Through the mail order program, your copay for up to a 90-day supply of medication will decrease from $40 to $25 for generic drugs.

VISION

The Optional Vision Plan will be enhanced to include a $50 copay for progressive lenses and a $25 copay for anti-reflective coatings.

OPTIONAL EMPLOYEE AND DEPENDENT LIFE INSURANCE

Premium (contribution) rates will decrease for these options. In addition, Prudential will offer enhanced portability options that are explained in your enrollment package.

401(k) SAVINGS PLAN

You are now able to review, name and update your beneficiary designation online at www.netbenefits.com.

The Summary Plan Descriptions provide full descriptions of the Progress Energy medical, dental, vision, health care reimbursement account, child/elder care reimbursement account, long-term disability, life and accidental death and dismemberment plans (collectively, the “Plans”), along with information regarding your rights, obligations and benefits under the Plans. Not all recipients of this mailing are eligible for all of the benefits listed here.

This “What’s New?” document constitutes a Summary of Material Modifications to the Summary Plan Descriptions for the Plans in effect on Jan. 1, 2011. The changes described in this “What’s New?” document are generally effective as of Jan. 1, 2012. Please keep this “What’s New?” document with your other Progress Energy benefit plan materials so that you have up-to-date materials on your benefit plans. Progress Energy retains the right to amend, modify or terminate its benefit plans in any respect and at any time, and neither its benefit plans nor your plan participation will be considered a contract for future employment.
Date: February 23, 2012  
To: Non-Bargaining Unit Employees  
From: John Gray  
Director, HR Services  
Subject: Summary of Material Modifications (SMM)

Progress Energy is required to distribute a summary of benefit plan changes annually to participants who are eligible for coverage. You should retain the attached SMM with your other benefits information.

The attached SMM will serve as a supplement to the benefits booklets listed below. Eligibility to participate in each specific plan is based on your employment status as a full-time, part-time, temporary or long-term disability employee and the effective date of participation by the Progress Energy subsidiary by which you are employed. Not all recipients of this mailing are eligible for both of the plans below.

- Pension Plan  
- 401(k) Savings Plan

Instructions for accessing the online benefits booklets are provided in the SMM.

**No additional action is necessary on your part.** However, if you have any questions about your eligibility for a specific benefit or any other information provided in the Summary of Material Modifications, please contact the Employee Service Center at 770-5705 (VoiceNet), 919-546-5705 (Raleigh area) or 1-800-546-5705 (toll-free) or employee.service@pgnmail.com.

Attachments
The following information provides a summary of changes to the Progress Energy, Inc. Pension Plan and the Progress Energy, Inc. 401(k) Savings Plan benefits booklets. This SMM should be retained with your other benefits information.

| Participating Subsidiaries | • Progress Energy Carolinas, Inc.  
|                           | • Progress Energy Florida, Inc. (non-bargaining employees)  
|                           | • Progress Energy Service Company, LLC |

**Progress Energy, Inc. Pension Plan**

| Cash Balance Formula - Interest Credit Rate | The 2011 interest credit rate, 5%, will remain in effect for 2012. The minimum annual interest credit rate for 2013 and thereafter will remain at 4.0%, but may be changed at the discretion of the Progress Energy, Inc. Board of Directors. |

**Progress Energy, Inc. 401(k) Savings Plan**

| Online Beneficiary Designation | Effective August 1, 2011 401(k) plan participants have the option of designating their beneficiaries online for the 401(k) plan through Fidelity.  
|                              | • Log on at [www.401k.com](http://www.401k.com)  
|                              | • Click Your Profile  
|                              | • Select Beneficiaries  
|                              | Alternatively, you may request a paper form by calling Fidelity at 1-866-401-5669.  
|                              | If you choose not to use the new online beneficiary designation or the new paper form, any beneficiary form you previously submitted will remain on file at the Progress Energy Employee Service Center. |

**Fund Changes Effective December 28, 2011:**

- The American Funds Growth Fund of America Class R5 was removed as an investment option under the Plan. Any balance or investment elections were reallocated into the new investment option – Harbor Capital Appreciation Fund Institutional Class.
- The Fidelity Mid-Cap Stock Fund was removed as an investment option under the Plan. Any balance or investment elections were reallocated into the new investment option – William Blair Mid-Cap Growth Fund Class I.

**Effective December 15, 2011:**

- The Contingent Value Obligation (CVO) Fund was removed as an investment option under the Plan. Any balance was invested in the target date fund available under the Plan with the target year closest to the year in which the participant attains age 65.

Online copies of the benefits booklets may be accessed as follows:

- Go to ProgressNet
- From the ProgressNet links drop down list select Policies, Procedures and Forms
- Select your subsidiary
- Click on Human Resources Function
- Click on Benefits Booklets (Non-Bargaining Unit Employees)

*Note: To access the benefits booklets from home go to:*  