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STATE OF NORTH CAROLINA UTILITIES COMMISSION RALEIGH

DOCKET NO. E-2, SUB 998

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Application of Duke Energy Corporation
and Progress Energy, Inc. to Engage in a Business
Combination Transaction and Address
Regulatory Conditions and Codes of Conduct

**NOTICE TO
CUSTOMERS
OF CHANGE
IN RATES**

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission entered an Order Approving Riders (Rider Order) in Docket No. E-2, Sub 998 on August 20, 2012, requiring Progress Energy Carolinas, Inc. (PEC) to reduce its rates effective September 1, 2012, in compliance with conditions included in the Commission's June 29, 2012 Order approving the merger of Progress Energy, Inc. and Duke Energy Corporation. The Commission's Rider Order requires PEC to reduce its rates by implementing two decrement rate riders, as follows.

MERGER FUEL SAVINGS RIDER

This rate change reflects projected fuel and fuel-related savings that are expected to be achieved as a result of the merger. The reduction in the rates, including gross receipts tax and regulatory fee, for each customer rate class is as follows: Residential – 0.072¢ per kilowatt-hour (kWh); Small General Service – 0.078¢ per kWh; Medium General Service – 0.055¢ per kWh; Large General Service – 0.044¢ per kWh; and Lighting – 0.154¢ per kWh.

MERGER CAPACITY MITIGATION RIDER

This rate change relieves PEC's North Carolina customers of costs associated with PEC's obligation to implement interim sales to the wholesale power market while additional transmission facilities are

being constructed. The reduction in the rate, including gross receipts tax and regulatory fee, for all customer rate classes is 0.013¢ per kWh for service rendered effective September 1, 2012 through July 31, 2015.

SUMMARY OF RATE IMPACT

These rate reductions are effective September 1, 2012. The combined monthly impact of the two rate changes for a residential customer using 1,000 kWh per month is a decrease of 85¢. The monthly impact for commercial and industrial customers will vary based upon consumption.

ISSUED BY ORDER OF THE COMMISSION

This the 27th day of August, 2012

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount, Chief Clerk

