

Document title:

# **Progress Energy Choice Time Plan**

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Applies to: Eligible employees of Progress Energy Carolinas, Inc.; Progress Energy Florida, Inc. (non-bargaining unit employees); and Progress Energy Service Company, LLC

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Progress Energy Choice Time Plan  
Progress Energy, Inc.  
Employer Identification No. 56-2155481, Plan No. 526  
Effective January 1, 2009

This booklet is a Summary Plan Description (SPD) for the Progress Energy Choice Time Plan (the "Plan"). The Plan is sponsored by Progress Energy, Inc. and is available only to eligible non-bargaining employees of Progress Energy Carolinas, Inc., Progress Energy Florida, Inc., and Progress Energy Service Company, LLC, (participating subsidiaries of Progress Energy, Inc.).

If there are inconsistencies between this booklet and the Progress Energy Flexible Benefits Plan document or other plan documents, the terms and conditions of the Plan documents will govern. In no case does this document imply or guarantee any right of future employment.

The Plan Sponsor reserves the right to amend or terminate the Plan or any Plan benefit at any time based on the cost of the benefits or other considerations without prior approval of or notification to any party.

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### **Eligibility**

The Plan covers employees who meet the eligibility requirements specified herein and who are employed by a participating subsidiary. A subsidiary is a participating subsidiary if it is within Progress Energy's controlled group and if it, with the approval of Progress Energy, Inc., has elected by action of its Board of Directors to participate in this Plan. The term "controlled group" shall mean the group of companies as defined in Section 1563(a) of the Internal Revenue Code (the "Code"). A participating subsidiary may only participate in the Plan for so long as it is a member of Progress Energy's controlled group. A participating subsidiary may elect to withdraw from participation in the Plan at any time.

### **Enrollment and effective date**

As a regular, full-time non-bargaining employee of Progress Energy Carolinas, Inc., Progress Energy Florida, Inc., and Progress Energy Service Company, LLC (participating subsidiaries of Progress Energy, Inc.), **you must enroll through ProgressNet or submit an enrollment form within 30 days of your hire or reclassification date to regular, full-time non-bargaining status if you wish to purchase Choice Time for the year in which you are hired or reclassified.** The Choice Time option you elect as a new employee will remain in effect until December 31 of the year in which you make the election. You may not change your Choice Time election during the year. Also, if you do not enroll within the 30-day enrollment period, you must wait until the next annual benefits enrollment period to enroll.

Regular, full-time non-bargaining employees are eligible to purchase Choice Time each year during annual benefits enrollment. Elections made during the annual benefits enrollment period are effective January 1 through December 31 of the following year.

### **Leaves of Absence**

If you are granted one of the following leaves and all of your regular vacation time has been used or paid out, the Choice Time deductions taken prior to the leave that exceed the amount of Choice Time you have taken may be paid upon your request at the beginning of the leave:

- Newborn care
- Adoption/foster care
- Long-term disability
- Military service

However, instead of being paid for Choice Time at the beginning of your leave, you may take your Choice Time after returning to work if you return during the same calendar year. In this case, your payroll deductions will be recalculated and will resume upon your return to work.

If the dollar amount of Choice Time you have been paid prior to your leave exceeds the dollar amount of your Choice Time payroll deductions and you will not be returning to work prior to the end of the calendar year, you must repay the company for the excess Choice Time you have been paid.

### **Termination of employment or death**

Your participation in Choice Time will end if:

- you terminate employment with a participating subsidiary
- your employment status changes from an employee of a participating subsidiary to a Progress Energy Florida, Inc. bargaining unit employee. (*Progress Energy Florida, Inc. bargaining unit employees are eligible for benefits under the FlexPower program which does not include the Choice Time benefit.*)
- you die

If the dollar amount of Choice Time deductions taken prior to your termination date exceeds the dollar amount of Choice Time you have taken, the difference will be paid in your last check. Likewise, if the dollar amount of Choice Time you have taken prior to your termination date exceeds the dollar amount of the Choice Time deductions taken, the difference will be deducted from your last check.

If you terminate employment and return to work with a participating subsidiary, you may enroll for Choice Time within your first 30 days of employment. If your rehire date is within 30 days of a voluntary termination, your elections may be reviewed against IRS guidelines to ensure compliance.

**Effect on other benefits and overtime**

Hours used for Choice Time will be considered as time worked for overtime purposes.

**The dollars you pay for Choice Time reduce your eligible base salary earnings for the purpose of the Employee Cash Incentive Plan (ECIP), the Progress Energy Pension Plan, and the Progress Energy 401(k) Savings and Stock Ownership Plan. Contributions to the 401(k) Plan will not be deducted from Choice Time hours that are paid. The reduction in earnings will affect pay and applicable transition credits received under the Progress Energy Pension Plan, as well as the dollar amount of an award received under ECIP or any other cash incentive plan. Also, the total amount of your annual taxable earnings will be reduced by the cost of any Choice Time hours that are purchased.**

Your before-tax contributions for Choice Time do not affect the amount of pay-related benefits for life insurance or long-term disability. However, your Social Security benefits may be reduced because you do not pay Social Security taxes on before-tax contributions for Choice Time. This means that if your taxable income is less than the maximum Social Security wage base, your future benefits which are based on the taxes you pay could be slightly reduced. In most cases, this benefit reduction should be very small.

**Cost**

You pay the full cost of Choice Time. The cost of Choice Time is based on your annual base salary, converted to an hourly rate, as of your hire date or January 1, if you enroll during annual enrollment. If you are reclassified to full-time, non-bargaining status during the year, the cost of Choice Time is calculated based on your annual base salary at the time of reclassification.

Payroll deductions do not change during the year, even if your salary changes. However, the payment of Choice Time hours will be based on your salary in effect at the time the Choice Time hours are taken.

Choice Time allows you the opportunity to buy time off in addition to your vacation. Instead of having money taken from one paycheck in a lump sum when you take additional time off, you pay for your Choice Time with before-tax payroll deductions throughout the year.

**Options**

You may elect to buy up to 40 hours of Choice Time. Your options are:

- 0 hours
- 8 hours
- 16 hours
- 24 hours
- 32 hours
- 40 hours

**Plan carefully**

You should plan your Choice Time elections carefully. The following IRS guidelines apply:

- You may use your Choice Time only after all of your vacation has been taken.
- You may not change your Choice Time election during the year.
- You must use Choice Time between January 1 and December 31 or you will lose it.
- Choice Time elected for any year may not be carried over or paid out in the following year.
- If you are unable to use your Choice Time and have regular vacation time remaining at the end of the year, you may carry over vacation according to the terms of the vacation policy in the Employee Handbook.

**Scheduling Choice Time**

Choice Time should be planned and taken with your supervisor's approval and in accordance with your participating subsidiary's vacation practice guidelines. It should be included with vacation hours when scheduling time off for the year.

If you are not able to take your Choice Time before the end of the calendar year due to work restrictions, your supervisor should request Payroll pay you in your last paycheck of the calendar year for the Choice Time that you are unable to use. This request should be limited to extenuating work-related circumstances only, and should be made on the form provided to department heads each year around the last week of November.

[Click here](#) to see additional information about rules for the order in which vacation and Choice Time must be taken.

**Reporting Choice Time**

For the purpose of time reporting, Choice Time hours must be coded on your time sheet as "Choice Time". Pay for these hours will be indicated as Choice Time on your pay stub and on Payroll Accounting reports. As explained in the Plan guidelines above, Choice Time must be reported only after you have taken all available vacation.

**Plan identification**

The official name of the Plan is the Progress Energy Choice Time Plan. The Plan number is 526. The employer identification number (EIN) issued by the Internal Revenue Service for Progress Energy, Inc. is 56-2155481.

The Plan Sponsor is:

Progress Energy, Inc.  
PO Box 1551, PEB 16ESC  
Raleigh, NC 27602-1551

**Costs and funding**

Benefits under the Progress Energy Choice Time Plan are funded through contributions from participating employees.

**Administration**

The Plan is a fringe benefit plan. The Plan year ends on December 31 of each year and the Plan operates and maintains records on a calendar year basis.

**Plan Administrator**

The Plan Administrator has overall responsibility for the operation of the Plan and controls the administration of the Plan. The Plan Administrator has the exclusive right in its sole discretion to interpret the Plan and to decide any and all matters arising thereunder, including but not limited to matters related to eligibility for benefits and application of Plan limitations.

Although the Plan Administrator has the right to interpret the provisions of the Plan and to decide all matters arising thereunder, the Plan Administrator does not have the authority to deviate from the provisions of the Plan or to approve any exceptions to the Plan. The Plan Administrator has an obligation to apply the provisions of the Plan as it is written.

If it should become necessary to contact the Plan Administrator, call or write referring to the Plan identification numbers.

The Plan Administrator is:

Progress Energy Service Company, LLC  
PO Box 1551, PEB 16ESC  
Raleigh, NC 27602-1551

The Employee Service Center provides administrative services for Plan participants and can be reached at the address above, by calling 1-800-546-5705 or by email at [employee.service@pgnmail.com](mailto:employee.service@pgnmail.com).

**Benefits Administrator**

The Benefits Administrator is:

Progress Energy Service Company, LLC  
PO Box 1551, PEB 16ESC  
Raleigh, NC 27602-1551  
1-800-546-5705

**Participating subsidiaries**

Eligible employees of the following participating subsidiaries of Progress Energy, Inc. are covered by this Plan, subject to all eligibility requirements stated herein.

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

**Agent for service of legal process**

Legal process may be served upon the Plan's Agent, Sponsor or Administrator.

The Plan's Agent for service of legal process is:

Vice President - Human Resources  
Progress Energy Service Company, LLC  
PO Box 1551  
Raleigh, NC 27602-1551

**Continuation of the Plan and Plan amendments**

The Plan Sponsor reserves the right to amend or terminate the Plan or any Plan benefit offered at any time based on the cost of the benefits or other considerations without prior approval of or notification to any party.