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Progress Energy Florida

2012 Rate Settlement Analyst Call

January 23, 2012

Caution Regarding Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The matters discussed in this document involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Examples of factors that you should consider with respect to any forward-looking statements made throughout this document include, but are not limited to, the following: our ability to obtain the approvals required to complete the Merger and the impact of compliance with material restrictions or conditions potentially imposed by our regulators; the risk that the Merger is terminated prior to completion and results in significant transaction costs to us; our ability to achieve the anticipated results and benefits of the Merger; the impact of business uncertainties and contractual restrictions while the Merger is pending; the scope of necessary repairs of the delamination of Crystal River Unit 3 could prove more extensive than is currently identified, such repairs could prove not to be feasible, the costs of repair and/or replacement power could exceed our estimates and insurance coverages or may not be recoverable through the regulatory process; the impact of fluid and complex laws and regulations, including those relating to the environment and energy policy; our ability to recover eligible costs and earn an adequate return on investment through the regulatory process; the ability to successfully operate electric generating facilities and deliver electricity to customers; the impact on our facilities and businesses from a terrorist attack, cyber security threats and other catastrophic events; the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our regulated service territories and the accompanying regulatory and financial risks; our ability to meet current and future renewable energy requirements; the inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks; the financial resources and capital needed to comply with environmental laws and regulations; risks associated with climate change; weather and drought conditions that directly influence the production, delivery and demand for electricity; recurring seasonal fluctuations in demand for electricity; the ability to recover in a timely manner, if at all, costs associated with future significant weather events through the regulatory process; fluctuations in the price of energy commodities and purchased power and our ability to recover such costs through the regulatory process; our ability to control costs, including operations and maintenance expense (O&M) and large construction projects; the ability of our subsidiaries to pay upstream dividends or distributions to Progress Energy, Inc. holding company (the Parent); current economic conditions; the ability to successfully access capital markets on favorable terms; the stability of commercial credit markets and our access to short- and long-term credit; the impact that increases in leverage or reductions in cash flow may have on us; our ability to maintain our current credit ratings and the impacts in the event our credit ratings are downgraded; the investment performance of our nuclear decommissioning trust (NDT) funds; the investment performance of the assets of our pension and benefit plans and resulting impact on future funding requirements; the impact of potential goodwill impairments; our ability to fully utilize tax credits generated from the previous production and sale of qualifying synthetic fuels under Internal Revenue Code Section 29/45K; and the outcome of any ongoing or future litigation or similar disputes and the impact of any such outcome or related settlements. Many of these risks similarly impact our nonreporting subsidiaries. These and other risk factors are detailed from time to time in our filings with the SEC. All such factors are difficult to predict, contain uncertainties that may materially affect actual results and may be beyond our control. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor can management assess the effect of each such factor on us.

Any forward-looking statement is based on information current as of the date of this presentation and speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made.

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Progress Energy Representatives

Bill Johnson
Chairman, President and Chief Executive Officer

Vincent Dolan
President and Chief Executive Officer
Progress Energy Florida

Mark Mulhern
Chief Financial Officer

Progress Energy Florida Settlement

- Background
- Key Settlement Terms
- Repair / Retire Scenarios
- Financial Implications
- NEIL Considerations
- Conclusion

Background

- Crystal River 3 (CR3)
  - Three-phase PSC prudence review
    - Phase 1: Original steam generator replacement plan through October 2009 delamination
    - Phase 2: Future decision to repair or retire
    - Phase 3: Actions to repair 2009 delamination through final disposition of plant
  - Fuel and purchased power recovery in annual fuel cases
    - Replacement power net of NEIL payments being recovered subject to refund
- Levy Nuclear Project
  - Current project costs ~ $1.1 billion
  - $545 million recovered through the nuclear recovery clause as of year-end 2011
  - ~ $350 million balance projected at year-end 2012
  - Florida Public Service Commission (PSC) project feasibility and clause recovery review in 2012
- 2012 Base Rate Case
  - Current settlement expires 12/31/12
  - Current ROE of 10.5% plus or minus 100 basis points, with provision for non-cash earnings

Complex issues and overlapping regulatory proceedings

Key Settlement Terms

- Crystal River Unit 3 (CR3)
  - Retains flexibility on decision to repair or retire unit
  - Resolves prudence issues from steam generator replacement project inception through the date Commission approves settlement
  - Resolves CR3 replacement fuel and purchased power issues/costs from 2009 to 2016
    - Progress Energy Florida (PEF) to refund $288 million to customers through the fuel clause in 2013 - 2016
    - Intervenors waive challenge of replacement fuel and purchased power costs through 2016
    - Intervenors reserve right to challenge fuel and purchased power decision-making
    - Allocates limited purchased power risk for 2015 and 2016 depending on repair/retirement option and repair start date
  - Allocates risk on repair costs based on timing of NEIL coverage resolution and Company's decision to repair or retire
  - Provides for an ongoing consultation process with the Intervenors on the repair/retire and other key decisions

Key Settlement Terms (continued)

- Levy Nuclear Project
  - Full recovery of all retail project costs, including combined operating license (COL) costs and engineering, procurement & construction (EPC) contract cancellation costs, if the Company ultimately chooses to cancel that contract
  - Uncollected balance (~ $350 million projected at year-end 2012) to be recovered in the nuclear cost recovery clause over five years (2013-2017)
  - Preserves potential future benefits of new nuclear generation in Florida
  - Current wholesale portion (~ $100 million) to be amortized by 2016 as a retail regulatory asset
- Base Rate Case
  - Four-year term (2013 – 2016)
  - Revenue requirement increase ($150 million)
  - ROE @ 10.5% plus or minus 100 basis points (increase to 10.7% upon CR3 return to service)
  - CR3 removed from rate base, effective 2013; will accrue a return, with automatic revenue increase, when returned to service
  - Retains cost of removal flexibility throughout term

Crystal River Unit 3 – Repair Option

- The Company will establish an estimated cost and schedule to repair CR3 and consult with the Intervenors
- The Company's approved project budget will be the basis for project measurement
- Risk sharing on budget overruns – 50/50 on first $400 million in overruns above the Company's approved budget
- If repairs are started prior to 12/31/12:
  - Limited challenge rights to recovery of repair implementation costs incurred prior to final resolution of NEIL coverage
  - No challenge to replacement power costs through 2016
  - Intervenors agree to discuss treatment of potential gap between NEIL repair coverage and project budget; if no agreement then submission to PSC for decision
- If repairs do not begin prior to 12/31/12:
  - Intervenors reserve rights to challenge the prudence of the repair decision, plan and implementation
  - The Company agrees to refund replacement power costs (pro rata based on in-service date) up to $40 million in 2015 and up to $60 million in 2016
- Upon CR3's return to service, Progress Energy Florida's retail ROE will increase from 10.5% to 10.7%, and customer rates will increase

Crystal River Unit 3 – Retirement Option

- Company retains sole discretion and flexibility to retire unit, without challenge from the Intervenors
- Allowed to recover all remaining CR3 investments
- Allowed to earn a return on the CR3 assets = 70% of the PSC-authorized ROE, plus debt costs
- Any NEIL proceeds received after the settlement will be applied to replacement fuel and then to write down the asset

Financial Implications

Net Income	• Base rate increase of $150M in 2013 • Certainty over return on equity (ROE) through 2016 • CR3 depreciation suspended and return accrued • Certain ongoing expense accruals suspended • Cost of Removal flexibility • One-time income statement charge for Progress in 2011 (~.59¢ per share)
Cash Flow	• $150M cash impact of base rate increase in 2013 • $288M replacement power refund spread over 2013-2016 • Remaining Levy Nuclear Project costs recovered over five years including contract cancellation costs
Credit Implications	• Settlement is neutral to cash flow metrics in near term • Improved risk profile
Customer Bill Impacts	• Base rate increase to residential customers is mostly offset by replacement power refund and nuclear clause changes
Risk Profile	• With negotiated sharing, Intervenors have agreed not to challenge replacement fuel & purchased power costs estimated at approximately $1.9B over 2009-2016 • Clear risk allocation parameters in place for decision to repair or retire CR3

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NEIL Considerations

- NEIL insurance coverage
  - $2.25 billion repair costs per accident
  - $490 million replacement power costs per accident
    - $4.5 million/week for first 52 weeks
    - $3.6 million/week for next 71 weeks
  - NEIL payments to date
    - $162 million replacement power
    - $136 million repairs
    - $298 million

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Conclusion

- Achieves a reasonable financial outcome for base rates through 2016
- Achieves a positive outcome for the Levy Nuclear Project, while preserving potential future benefits of new nuclear generation in Florida
- Resolves key prudence issues around CR3
- Preserves Company discretion to repair CR3 based on facts and circumstances

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