Progress Energy

(Writer's Direct Dial No. 727-820-5587)

R. ALEXANDER GLENN
Deputy General Counsel - Florida

March 31, 2006

VIA HAND DELIVERY

Ms. Blanca S. Bayó
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 041267-EI; Consummation Report for 2005

Dear Ms. Bayó:

Pursuant to Commission Order No. PSC-04-1183-FOF-EI, issued December 1, 2004 in the subject docket, and Rule 25-8.009, Florida Administrative Code, enclosed for filing on behalf of Progress Energy Florida, Inc., is its Consummation Report for 2005, including Exhibits (1)-a, (1)-d, (1)-e, (1)-f, (1)-g, (1)-h, (2)-a, (2)-b, (2)-c, (2)-d, (2)-e, (2)-f, (2)-g, (2)-h, (3)-b, (3)-c, (4)-f, (4)-g, (5)-a and (5)-b. All other exhibits have been previously filed with the Commission and are incorporated into the Report by reference.

Please acknowledge your receipt of the above filing by file stamping a copy of this letter and returning to the undersigned. Thank you for your assistance in this matter.

Very truly yours,

R. Alexander Glenn
Deputy General Counsel

RAG:swm
Enclosure

cc: Office of Public Counsel

Progress Energy Florida, Inc.
106 E. College Avenue
Suite 800
Tallahassee, FL 32301

DOCKET NO. 041267-EI

FLORIDA PUBLIC SERVICE COMMISSION

TALLAHASSEE, FLORIDA

CONSUMMATION REPORT

TO

APPLICATION OF

PROGRESS ENERGY FLORIDA, INC.
(FORMERLY, FLORIDA POWER CORPORATION)

FOR AUTHORITY TO ISSUE AND SELL

SECURITIES DURING 2005

PURSUANT TO FLORIDA STATUTES, SECTION 366.04

AND FLORIDA ADMINISTRATIVE CODE CHAPTER 25-8

Address communications in connection with this Consummation Report to:

R. Alexander Glenn
Deputy General Counsel
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042

Dated: March 30, 2006

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

IN RE: APPLICATION OF PROGRESS ENERGY FLORIDA, INC. FOR AUTHORITY TO ISSUE AND SELL SECURITIES DURING 2005 PURSUANT TO FLORIDA STATUTES SECTION 366.04 AND CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE	)	DOCKET NO. 041267-EI

The Applicant, Progress Energy Florida, Inc., formerly Florida Power Corporation, (the "Company"), pursuant to Commission Order No. PSC-03-1439-FOF-EI issued December 22, 2003 (the "Order"), and Rule 25-8.009, Florida Administrative Code, hereby files its Consummation Report for 2005 as directed by the terms of the Order and states as follows.

The Company did not issue any medium-term notes or other debt or equity securities during calendar year 2005, except for (i) commercial paper; (ii) notes that were delivered to various banks to evidence the Company's new five-year revolving credit agreement; (iii) $300 million aggregate principal amount of First Mortgage Bonds; (iv) $450 million aggregate principal amount of Series A Floating Rate Senior Notes, and (v) a note that was delivered to evidence loans to the Company from the Utility Money Pool established pursuant to a Utility Money Pool Agreement, dated as of December 4, 2000 by and among Progress Energy Inc., a North Carolina corporation and a registered holding company under the Public Utility Holding Company Act of 1935, as amended, and its utility subsidiaries, including the Company.

The Company regularly issues commercial paper for terms up to but not exceeding 270 days from the date of issuance. The commercial paper is issued pursuant to a Commercial Paper Dealer Agreement dated December 22, 1988 with Merrill Lynch Money Markets Inc., as amended by a Letter Agreement dated November 18, 1997 (the "Merrill CP Agreement"), a Letter Agreement dated November 20, 1992 with Banc One Capital Markets, Inc., (successor to First Chicago Capital Markets, Inc.), as amended by a Letter Agreement dated December 4, 1997 (the "Banc One CP Agreement"), and a Letter Agreement dated September 29, 2004 with SunTrust Capital Markets, Inc. (the "SunTrust CP Agreement"). The commercial paper is sold at a discount, including the underwriting discount of the commercial paper dealer, at a rate comparable to interest rates being paid in the commercial paper market by borrowers of similar creditworthiness. Given the frequency of these sales, it is not practicable to give the details of each issue. However, the Company's 2005 commercial paper activity can be summarized as follows:

2005 Commercial Paper Activity
($ in thousands)

Commercial paper issued:	$2,846,233,000
Commercial paper matured:	$2,867,100,000
Average outstanding:	$252,632,984
Weighted average yield:	3.48%
Weighted average term:	30.1 days

As back-up for its commercial paper program, the Company has executed (i) a Five-Year Credit Agreement with Bank of America, N.A., as Administrative Agent for the lenders named therein, dated as of March 28, 2005, providing for long-term loans to the Company in the aggregate principal amount

not exceeding $450,000,000. No loans have as yet been made to the Company pursuant to the Credit Agreement.

On May 16, 2005, the Company issued $300,000,000 aggregate principal amount of its First Mortgage Bonds. The bonds will bear interest at the rate of 4.50% per year and will mature on June 1, 2010. The bonds are secured by the lien of the Company's Indenture, dated January 1, 1944, to JPMorgan Chase Bank, N.A., as Successor Trustee (the "Mortgage") and ranks equally with all of the Company's other first mortgage bonds from time to time outstanding. The proceeds of the issuance were used to reduce the Company's outstanding balance of notes payable to affiliated companies. Expenses of the offering, excluding underwriting fees totaled approximately $1,500,000.

On December 13, 2005, the Company issued $450,000,000 aggregate principal amount of Series A Floating Rate Senior Notes due November 14, 2008. Interest on the Senior Notes will be based on the three-month LIBOR plus 40 basis points and will be reset quarterly. The Senior Notes are the Company's unsecured and unsubordinated obligations and will rank equally with all of the Company's other unsecured and unsubordinated indebtedness from time to time outstanding. The Senior Notes will be effectively subordinate to all of the Company's secured debt, including the Company's first mortgage bonds. The proceeds of the issuance were used to repay the Company's outstanding commercial paper balance, to repay the Company's outstanding balance of notes payable to affiliated companies, and for general corporate purposes. Expenses of the offering, excluding underwriting fees totaled approximately $500,000.

The Utility Money Pool was established to coordinate and provide for certain short-term cash and working capital requirements of the utility subsidiaries of Progress Energy, Inc. Each utility subsidiary may contribute funds to the Utility Money Pool. No loans through the Utility Money Pool

will be made to and no borrowings through the Utility Money Pool will be made by Progress Energy, Inc. The principal amount of each loan from the Utility Money Pool, together with all interest accrued thereon, are to be repaid on demand and in any event within 365 days of the date on which the loan was made. The Company had maximum borrowings of approximately $480,726,519 from the Utility Money Pool during 2005. As of December 31, 2005, the Company had outstanding borrowings of approximately $12,726,233 from the Utility Money Pool. The average interest rate on outstanding Money Pool balances was 3.766%.

A statement showing capitalization, pretax interest coverage, and debt interest and preferred stock dividend requirements at December 31, 2005 is attached hereto as Schedule A.

Additional details concerning the foregoing are contained in the following exhibits filed herewith or filed with previous Consummation Reports and incorporated herein by reference (with the exhibit numbers corresponding to the applicable paragraph number of Rule 25-8.009, Florida Administrative Code):

Exhibit No.	**Description of Exhibit**
(1)-a	Five-Year Credit Agreement, dated as of March 28, 2005, between the Company, the Lenders named therein, and Bank of America, N.A., as administrative agent for the Lenders.
(1)-b	Commercial Paper Issuer Memorandum dated November 17, 1998 of Merrill Lynch Money Markets Inc. (Included as Exhibit (a)-3 to the Company's Consummation Report filed with the Commission on March 31, 1999 in Docket No. 971311-EI, and incorporated herein by reference).
(1)-c	Commercial Paper Offering Memorandum dated August 11, 1999 of Banc One Capital Markets, Inc. (successor to First Chicago Capital Markets, Inc.). (Included as Exhibit (a)-5 to the Company's Consummation Report filed with the Commission on March 23, 2000 in Docket No. 981268-EI, and incorporated herein by reference.)
(1)-d	Commercial Paper Information Memorandum dated September 29, 2004 of SunTrust Capital Markets, Inc.

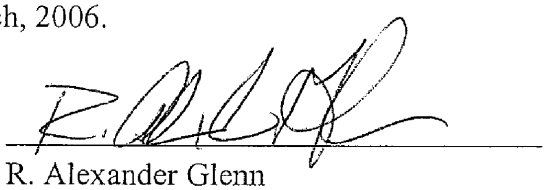
Exhibit No.	Description of Exhibit
(1)-e	The Company has entered into a Forty-fifth Supplemental Indenture, dated as of May 1, 2005, to its Indenture, dated January 1, 1944, as supplemented, (the "Mortgage"), with JPMorgan Chase Bank, N.A., as Successor Trustee, in connection with the issuance of the Company's First Mortgage Bonds, 4.50% Series due 2010.
(1)-f	Final Prospectus Supplement for the Company's First Mortgage Bonds, 4.50% Series due 2010, dated May 11, 2005, with Base Prospectus dated April 4, 2003.
(1)-g	The Company has entered into an Indenture (For Debt Securities), dated as of December 7, 2005, with J.P. Morgan Trust Company, N.A., as Trustee, in connection with the issuance of the Company's Series A Floating Rate Senior Notes, due 2008.
(1)-h	Final Prospectus Supplement for the Company's Series A Floating Rate Senior Notes, due 2008, dated December 7, 2005, with Base Prospectus dated April 4, 2003.
(1)-i	Utility Money Pool Agreement dated December 4, 2000 between Progress Energy, Inc., Carolina Power & Light Company, a North Carolina Corporation, North Carolina Natural Gas Corporation, a Delaware Corporation, Florida Power Corporation, and Progress Energy Service Company, LLC (solely as Administrator). (Included as Exhibit (a)-6 to the Company's Consummation Report filed with the Commission on April 2, 2001 in Docket No. 991525-EI, and incorporated herein by reference.)
(2)-a	Opinion of Hunton & Williams, Counsel to the Company, dated March 28, 2005, to Bank of America, N.A., as administrative agent for the Lenders, regarding the legality of the Five-Year Credit Agreement.
(2)-b	Opinion of R. Alexander Glenn, Associate General Counsel of Progress Energy Service Company, LLC, on behalf of the Company, dated March 28, 2005, to Bank of America, N.A., as administrative agent for the Lenders, regarding the legality of the Five-Year Credit Agreement.
(2)-c	Opinion of R. Alexander Glenn, Deputy General Counsel – Florida for Progress Energy Service Company, LLC, on behalf of the Company, dated May 16, 2005, to JPMorgan Chase Bank, N.A., as Successor Trustee, regarding the legality of the issuance of the Company's First Mortgage Bonds, 4.50% Series due 2010.

Exhibit No.	Description of Exhibit
(2)-d	Opinion of Hunton & Williams, Counsel to the Company, dated May 16, 2005, to Barclays Capital Inc. and Wachovia Capital Markets, LLC, as Representatives of the Underwriters, regarding the legality of the issuance of the Company's First Mortgage Bonds, 4.50% Series due 2010.
(2)-e	Opinion of R. Alexander Glenn, Deputy General Counsel – Florida for Progress Energy Service Company, LLC, on behalf of the Company, dated May 16, 2005, to Barclays Capital Inc. and Wachovia Capital Markets, LLC, as Representatives of the Underwriters, regarding the legality of the issuance of the Company's First Mortgage Bonds, 4.50% Series due 2010.
(2)-f	Opinion of Hunton & Williams, Counsel to the Company, dated December 13, 2005, to J.P. Morgan Trust Company, N.A., as Trustee, regarding the legality of the issuance of the Company's Series A Floating Rate Senior Notes, due 2008.
(2)-g	Opinion of Hunton & Williams, Counsel to the Company, dated December 13, 2005, to Barclays Capital Inc. and Lehman Brothers Inc., as Representatives of the Underwriters, regarding the legality of the issuance of the Company's Series A Floating Rate Senior Notes, due 2008.
(2)-h	Opinion of R. Alexander Glenn, Deputy General Counsel – Florida for Progress Energy Service Company, LLC, on behalf of the Company, dated December 13, 2005, to Barclays Capital Inc. and Lehman Brothers Inc., as Representatives of the Underwriters, regarding the legality of the issuance of the Company's Series A Floating Rate Senior Notes, due 2008.
(3)-a	Amendment No. 1 to Registration Statement on Form S-3 (No. 333-103974) of the Company as filed with the Securities and Exchange Commission on April 2, 2003. (Filed as Exhibit (3)-c to the Company's Consummation Report, as filed with the Commission on March 30, 2004, in Docket No. 021029-EI, and incorporated herein by reference.)
(3)-b	Amendment No. 1 to Registration Statement on Form S-3 (No. 333-126967) of the Company as filed with the Securities and Exchange Commission on December 22, 2005.
(3)-c	Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed by the Company with the Commission under the Securities Exchange Act of 1934.

Exhibit No.	Description of Exhibit
(4)-a	Commercial Paper Dealer Agreement dated December 22, 1998 between the Company and Merrill Lynch Money Markets Inc. (Included as Exhibit (d)-1 to the Company's Consummation Report filed with the Commission on March 27, 1997 in Docket No. 951229-EI, and incorporated herein by reference.)
(4)-b	Letter Agreement dated November 18, 1997 from the Company to Merrill Lynch Money Markets, Inc. regarding the increase in the maximum amount of Commercial Paper outstanding from $400 to $500 million. (Included as Exhibit (d)-2 to the Company's Consummation Report filed with the Commission on September 22, 1997 in Docket No. 961216-EI, and incorporated herein by reference.)
(4)-c	Letter Agreement dated November 20, 1992 between the Company and Banc One Capital Markets, Inc. (successor to First Chicago Capital Markets, Inc.) relating to the Company's commercial paper. (Included as Exhibit (d)-2 to the Company's Consummation Report filed with the Commission on March 27, 1997 in Docket No. 951229-EI, and incorporated herein by reference.)
(4)-d	Letter dated December 4, 1997 from the Company to Banc One Capital Markets, Inc. (successor to First Chicago Capital Markets, Inc.) regarding increase in maximum amount of Commercial Paper outstanding from $400 to $500 million. (Included as Exhibit (d)-2 to the Company's Consummation Report filed with the Commission on September 22, 1997 in Docket No. 961216-EI, and incorporated herein by reference).
(4)-e	Commercial Paper Dealer Agreement, dated September 29, 2004, between the Company and SunTrust Capital Markets, Inc. (Included as Exhibit (4)-a to the Company's Consummation Report filed with the Commission on March 30, 2005 in Docket No. 030987-EI, and incorporated herein by reference.)
(4)-f	Underwriting Agreement, dated May 11, 2005 by and among the Company and Barclays Capital Inc. and Wachovia Capital Markets, LLC, as Representatives of the Underwriters, in connection with the offering of $300,000,000 aggregate principal amount of the Company's First Mortgage Bonds, 4.50% Series due 2010 and registered with the Securities and Exchange Commission on Form S-3 (Reg. No 333-103974).
(4)-g	Underwriting Agreement, dated December 7, 2005 by and among the Company and Barclays Capital Inc. and Lehman Brothers Inc., as Representatives of the Underwriters, in connection with the offering of $450,000,000 aggregate principal amount of the Company's Series A Floating Rate Senior Notes, due 2008 and registered with the Securities and Exchange Commission on Form S-3 (Reg. No 333-103974).

Exhibit No.	Description of Exhibit
(5)-a	Statement as to Underwriters' Fees incurred in connection with the offering of the Company's First Mortgage Bonds, 4.50% Series due 2010.
(5)-b	Statement as to Underwriters' Fees incurred in connection with the offering of the Company's Series A Floating Rate Senior Notes, due 2008.

Respectfully submitted this 30th day of March, 2006.



R. Alexander Glenn
Deputy General Counsel
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: 727-820-5184

Attorney for
PROGRESS ENERGY FLORIDA, INC.

FLORIDA POWER CORPORATION
SELECTED FINANCIAL DATA

CAPITALIZATION:

Florida Power's capitalization at December 31, 2005:

Debt:	Interest Rate	Amount Outstanding (in millions)
First Mortgage bonds		
Maturing 2008 through 2033	5.39% (a)	$ 1,630.0
Pollution control refunding revenue bonds		
Secured by Mortgage, Maturing 2018 through 2027	3.07% (a)	$ 240.9
Senior Unsecured Notes		
Maturing 2008	4.88% (a)	$ 450.0
Medium-term notes		
Maturing 2006 through 2028	6.77% (a)	$ 288.8
Borrowing under 5-Year Credit Facility		
Facility Expires 2010	NA (a)	$ -
Discount being amortized over term of bonds		$ (8.0)
Total long-term debt		$ 2,601.7
Notes payable (Commercial Paper & Credit Facility Borrowings)		$ 102.0
Total debt		$ 2,703.7

Preferred stock:

Without sinking funds, not subject to mandatory redemption:

	Dividend Rate	Current Redemption Price	Shares Outstanding		
	4.00% Series	$ 104.25	39,980		$ 4.0
	4.40% Series	$ 102.00	75,000		$ 7.5
	4.58% Series	$ 101.00	99,990		$ 10.0
	4.60% Series	$ 103.25	39,997		$ 4.0
	4.75% Series	$ 102.00	80,000		$ 8.0
Total preferred stock			334,967	(b)	$ 33.5
Common stock equity					$ 2,595.0
Total capitalization					$ 5,332.2

(a) Weighted average interest rate at December 31, 2005
(b) Total authorized shares outstanding at December 31, 2005: 335,000

PRE-TAX INTEREST COVERAGE:

Florida Power's pre-tax interest coverage for 2005 was **3.8**

DEBT INTEREST:

Florida Power's debt interest charges for 2005 were **$ 134** million

PREFERRED STOCK DIVIDEND REQUIREMENTS:

Florida Power's preferred stock dividend requirements for 2005 were **$ 1.5** million

EXECUTION COPY

(five-year)
$450,000,000

CREDIT AGREEMENT

Dated as of March 28, 2005

FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC.
(Company)

and

THE BANKS LISTED ON THE SIGNATURE PAGES HEREOF
(Banks)

and

THE OTHER LENDERS FROM TIME TO TIME
PARTY HERETO
(Lenders)

and

BANK OF AMERICA, N.A.
(Administrative Agent)

BARCLAYS BANK PLC
(Syndication Agent)

and

BANK OF AMERICA SECURITIES LLC

and

BARCLAYS CAPITAL,
the investment banking division of Barclays Bank PLC
(Joint Lead Arrangers)

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C Form of Assignment and Assumption
D-1 Form of Opinion of General Counsel for the Company
D-2 Form of Opinion of Counsel for the Company

E Form of Opinion of Counsel for the Administrative Agent

CREDIT AGREEMENT

This Credit Agreement dated as of March 28, 2005 (this "***Agreement***") by and among FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC., a Florida corporation (the "***Company***"), the banks listed on the signature pages hereof (the "***Banks***"), the other Lenders parties hereto from time to time, BARCLAYS BANK PLC, as Syndication Agent, BANC OF AMERICA SECURITIES LLC and BARCLAYS CAPITAL, the investment banking division of Barclays Bank PLC, as Joint Lead Arrangers (the "***Arrangers***"), and BANK OF AMERICA, N.A. ("***Bank of America***"), as Administrative Agent for the Lenders (as hereinafter defined) hereunder.

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"***Administrative Agent***" means Bank of America in its capacity as administrative agent for the Lenders, or any successor administrative agent.

"***Administrative Questionnaire***" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"***Advance***" means an advance by a Lender to the Company as part of a Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance, each of which shall be a "***Type***" of Advance.

"***Affiliate***" means, as to any Person, any other Person that, directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with such Person or is a director or officer of such Person.

"***Applicable Lending Office***" means, with respect to each Lender, (i) such Lender's Domestic Lending Office in the case of a Base Rate Advance, or (ii) such Lender's Eurodollar Lending Office, in the case of a Eurodollar Rate Advance.

"***Applicable Margin***" means on any date, the rate per annum set forth below for the applicable Type of Advance, determined by reference to the ratings assigned to the Reference Securities:

Basis for Pricing	LEVEL 1 If the Reference Securities are rated at least A by S&P or at least A2 by Moody's	LEVEL 2 If the Reference Securities are rated lower than Level 1 but at least A- by S&P or at least A3 by Moody's	LEVEL 3 If the Reference Securities are rated lower than Level 2 but at least BBB+ by S&P or at least Baa1 by Moody's	LEVEL 4 If the Reference Securities are rated lower than Level 3 but at least BBB by S&P or at least Baa2 by Moody's	LEVEL 5 If the Reference Securities are rated lower than Level 4 but at least BBB- by S&P or at least Baa3 by Moody's	LEVEL 6 If the Reference Securities are rated lower than Level 5 or unrated
Eurodollar Rate	0.270%	0.275%	0.375%	0.450%	0.575%	0.750%
Base Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0. 0%

The Applicable Margin will increase by 0.125% at any time that more than 50% of the Commitments are utilized. The Applicable Margin will be redetermined on the date of any change in the rating assigned by S&P or Moody's, as the case may be, to the Reference Securities. If and so long as an Event of Default shall have occurred and shall be continuing, the Applicable Margin will increase by 2.00%. If the ratings assigned to the Reference Securities by S&P and Moody's are not comparable (*i.e.*, a "split rating"), and (i) the ratings differential is one category, the higher of such two ratings shall control, or (ii) the ratings differential is two or more categories, the rating that is one below the higher of the two ratings shall control.

"***Approved Fund***" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"***Arrangers***" has the meaning specified in the introductory paragraph hereof.

"***Assignee Group***" means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

"***Assignment and Assumption***" means an Assignment and Assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 8.07), and accepted by the Administrative Agent, in substantially the form of Exhibit C hereto.

"***Attributable Indebtedness***" means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

"***Bank***" has the meaning specified in the introductory paragraph hereof.

"***Base Rate***" means, for any period, a fluctuating interest rate *per annum* as shall be in effect from time to time, which rate *per annum* shall at all times be equal to the higher from time to time of:

(i) the rate of interest announced publicly by Bank of America, from time to time, as Bank of America's prime rate; and

(ii) 1/2 of one percent *per annum* above the Federal Funds Rate in effect from time to time.

The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"***Base Rate Advance***" means an Advance that bears interest as provided in Section 2.07(a).

"***Bank of America***" has the meaning specified in the introductory paragraph hereof, and shall include its successors and assigns.

"***Borrowing***" means a borrowing consisting of simultaneous Advances of the same Type made by each of the Lenders pursuant to Section 2.01 or Converted pursuant to Section 2.09 or 2.10.

"***Business Day***" means a day of the year on which banks are not required or authorized to close in the State where the Domestic Lending Office of the Administrative Agent is located and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"***Change of Control***" means the occurrence, after the date of this Agreement, of (i) any Person or "group" (within the meaning of Rule 13(d) or 14(d) of the Securities and Exchange Commission under the Exchange Act), directly or indirectly, acquiring beneficial ownership of or control over securities of Progress Energy, Inc., representing in excess of 30% of the combined voting power of all securities of Progress Energy, Inc. entitled to vote in the election of directors of Progress Energy, Inc. or (ii) Progress Energy, Inc. shall fail to own, directly or indirectly, 95% of all securities of the Company entitled to vote in the election of directors of the Company.

"***Closing Date***" means the first date all the conditions precedent in Section 3.01 are satisfied or waived in accordance with Section 8.01.

"***Commitment***" has the meaning specified in Section 2.01.

"***Company***" has the meaning specified in the introductory paragraph hereof.

"***Company Materials***" has the meaning specified in Section 8.02(d).

"***Consolidated***" refers to the consolidation of the accounts of the Company and its Subsidiaries in accordance with GAAP, including principles of consolidation, consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e).

"***Control***" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "***Controlling***" and "***Controlled***" have meanings correlative thereto.

"***Convert***", "***Conversion***" and "***Converted***" each refers to a conversion of Advances of one Type into Advances of another Type, or the selection of a new, or the renewal of the same, Interest Period for Eurodollar Rate Advances, pursuant to Section 2.09 or 2.10.

"***Default***" means any event or condition that with the giving of any notice, the passage of time, or both, would constitute an Event of Default.

"***Domestic Lending Office***" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule II hereto or such other office of such Lender as such Lender may from time to time specify to the Company and the Administrative Agent.

"***Eligible Assignee***" means (i) any other Lender, any Affiliate of a Lender or any Approved Fund and (ii) a Person (other than a natural person) approved by the Administrative Agent and the Company (such consent not to be unreasonably withheld or delayed and, in the case of the Company, such consent shall not be required if a Default or an Event of Default has occurred and is continuing); *provided*, that, in the case of this clause (ii), "Eligible Assignee" shall not include the Company or any of the Company's Affiliates or Subsidiaries.

"***Environmental Laws***" means any federal, state or local laws, ordinances or codes, rules, orders, or regulations relating to pollution or protection of the environment, including, without limitation, laws relating to hazardous substances, laws relating to reclamation of land and waterways and laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollution, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"***Environmental Liability***" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use,

handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"***Eurocurrency Liabilities***" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"***Eurodollar Lending Office***" means, with respect to each Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule II hereto (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Company and the Administrative Agent.

"***Eurodollar Rate***" means, for the Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing an interest rate *per annum* equal to the British Bankers Association LIBOR Rate ("***BBA LIBOR***"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) at 11:00 a.m. (London time), two Business Days prior to the commencement of such Interest Period, for dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the "Eurodollar Rate" for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in U.S. dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Advance being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

"***Eurodollar Rate Advance***" means an Advance that bears interest as provided in Section 2.07(b).

"***Eurodollar Rate Reserve Percentage***" of any Lender for the Interest Period for any Eurodollar Rate Advance means the reserve percentage (expressed as a decimal, carried out to five decimal places) applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other

marginal reserve requirement) for such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"***Events of Default***" has the meaning assigned to that term in Section 6.01.

"***Exchange Act***" means the Securities Exchange Act of 1934, and the regulations promulgated thereunder, in each case as amended and in effect from time to time.

"***Existing Facilities***" refers to those credit agreements listed on Schedule I hereto.

"***Federal Funds Rate***" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent for all of its loans on which interest is determined based on the Federal Funds Rate.

"***First Mortgage Bonds***" means those bonds issued by the Company pursuant to the Mortgage.

"***FPSC Order***" means the order by the Florida Public Service Commission that authorizes the Company to execute, deliver and perform this Agreement.

"***Fund***" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"***GAAP***" means, with respect to the covenants contained in Section 5.01 and all defined terms relating thereto, generally accepted accounting principles in the United States of America in effect on the date hereof and consistent with those used in the preparation of the most recent financial statements referred to in Section 4.01(e) and, for all other purposes under this Agreement, generally accepted accounting principles in the United States of America in effect from time to time.

"***Guaranty***" of any Person means any obligation, contingent or otherwise, of such Person (i) to pay any Liability of any other Person or to otherwise protect, or having the practical effect of protecting, the holder of any such Liability against loss (whether such obligation arises by virtue of such Person being a partner of a partnership or participant in a joint venture or by agreement to pay, to keep well, to purchase assets, goods, securities or services or to take or pay, or otherwise) or (ii) incurred in connection with the issuance by a third Person of a Guaranty of any Liability of any other Person (whether such

obligation arises by agreement to reimburse or indemnify such third Person or otherwise). The word "***Guarantee***" when used as a verb has the correlative meaning.

"***Indebtedness***" of any Person means (i) any obligation of such Person for borrowed money, (ii) any obligation of such Person evidenced by a bond, debenture, note or other similar instrument, (iii) any obligation of such Person to pay the deferred purchase price of property or services, except a trade account payable that arises in the ordinary course of business but only if and so long as the same is payable on customary trade terms or terms consistent with prior practices of the Company prior to the Closing Date, (iv) any obligation of such Person as lessee under a capital lease or any Synthetic Lease Obligations, (v) any Mandatorily Redeemable Stock of such Person (the amount of such Mandatorily Redeemable Stock to be determined for this purpose as the higher of the liquidation preference and the amount payable upon redemption of such Mandatorily Redeemable Stock), (vi) any obligation of such Person to purchase securities or other property that arises out of or in connection with the sale of the same or substantially similar securities or property, (vii) any non-contingent obligation of such Person to reimburse any other Person in respect of amounts paid under a letter of credit or other Guaranty issued by such other Person to the extent that such reimbursement obligation remains outstanding after it becomes non-contingent, (viii) any Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) a mortgage, lien, pledge, charge or other encumbrance on any asset of such Person, (ix) any Liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA, and (x) any Indebtedness of others Guaranteed by such Person.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly and effectively made non-recourse to such Person. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

"***Information***" has the meaning specified in Section 8.16.

"***Interest Period***" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Advance or the Conversion of any Advance to such Advance and ending on the last day of the period selected by the Company pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Company pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the Company may, in the Notice of Borrowing given by the Company to the Administrative Agent pursuant to Section 2.02, select; *provided, however,* that:

(i) the Company may not select any Interest Period that ends after the Commitment Termination Date;

(ii) Interest Periods commencing on the same date for Advances comprising the same Borrowing shall be of the same duration; and

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day; *provided* that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day.

The Administrative Agent shall promptly advise each Lender by telex, telecopy transmission or cable of each Interest Period so selected by the Company.

"***Lenders***" means the Banks listed on the signature pages hereof and each Eligible Assignee that shall become a party hereto pursuant to Section 8.07.

"***Liability***" of any Person means any indebtedness, liability or obligation of or binding upon, such Person or any of its assets, of any kind, nature or description, direct or indirect, absolute or contingent, due or not due, contractual or tortious, liquidated or unliquidated, whether arising under contract, applicable law, or otherwise, whether now existing or hereafter arising.

"***Majority Lenders***" means at any time Lenders holding more than 50% of the then aggregate unpaid principal amount of the Advances, or, if no such principal amount is then outstanding, Lenders having more than 50% of the Commitments (*provided* that, for purposes hereof, neither the Company, nor any of its Affiliates, if a Lender, shall be included in (i) the Lenders holding such amount of the Advances or having such amount of the Commitments or (ii) determining the aggregate unpaid principal amount of the Advances or the total Commitments).

"***Mandatorily Redeemable Stock***" means, with respect to any Person, any share of such Person's capital stock to the extent that it is (i) redeemable, payable or required to be purchased or otherwise retired or extinguished, or convertible into any Indebtedness or other Liability of such Person, (ii) at a fixed or determinable date, whether by operation of a sinking fund or otherwise, (iii) at the option of any Person other than such Person or (iv) upon the occurrence of a condition not solely within the control of such Person, such as a redemption required to be made out of future earnings or (v) convertible into Mandatorily Redeemable Stock.

"***Moody's***" means Moody's Investors Service, Inc., or any successor thereto.

"***Mortgage***" means the Indenture, dated as of January 1, 1944, between the Company, Guaranty Trust Company of New York and the Florida National Bank of Jacksonville, as modified, amended or supplemented from time to time.

"***Multiemployer Plan***" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA.

"***Notice of Borrowing***" has the meaning specified in Section 2.02(a).

"***Notice of Conversion***" has the meaning specified in Section 2.10.

"***OECD***" means the Organization for Economic Cooperation and Development.

"***Participant***" has the meaning specified in Section 8.07(e).

"***Person***" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a foreign state or political subdivision thereof or any agency of such state or subdivision.

"***Plan***" means an employee benefit plan (other than a Multiemployer Plan) maintained for employees of the Company or any of its Affiliates and covered by Title IV of ERISA.

"***Platform***" has the meaning specified in Section 8.02(c).

"***Public Lender***" has the meaning specified in Section 8.02(c).

"***Reference Securities***" means the long-term unsecured senior, non-credit enhanced debt of the Company.

"***Register***" has the meaning specified in Section 8.07(c).

"***Related Parties***" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, advisors and representatives of such Person and of such Person's Affiliates.

"***Responsible Officer***" means the President, any Vice President, the Chief Financial Officer, the Treasurer, the Controller or any Assistant Treasurer of the Company the signatures of whom, in each case, have been certified to the Administrative Agent and each other Bank pursuant to Section 3.01(a)(iii), or in a certificate delivered to the Administrative Agent replacing or amending such certificate. Each Lender may conclusively rely on each certificate so delivered until it shall have received a copy of a certificate from the Secretary or an Assistant Secretary of the Company amending, canceling or replacing such certificate.

"***S&P***" means Standard & Poor's Ratings Group, or any successor thereto.

"***Subsidiary***" means, with respect to any Person, any corporation or unincorporated entity of which more than 50% of the outstanding capital stock (or comparable interest) having ordinary voting power (irrespective of whether at the time capital stock (or comparable interest) of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by said Person (whether directly or through one or more other Subsidiaries).

"***Synthetic Lease Obligation***" means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"***Termination Date***" means the earlier to occur of (i) March 28, 2010 and (ii) the date of termination or reduction in whole of the Commitments pursuant to Section 2.04 or 6.01.

"***Termination Event***" means (i) a Reportable Event described in Section 4043 of ERISA and the regulations issued thereunder (other than a Reportable Event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation under such regulations), or (ii) the withdrawal of the Company or any of its Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (iii) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate a Plan by the Pension Benefit Guaranty Corporation, or (v) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"***Total Capitalization***" means the sum of the value of the common stock, retained earnings and preferred and preference stock of the Company (in each case, determined in accordance with GAAP), *plus* Consolidated Indebtedness of the Company.

SECTION 1.02. Interpretive Provisions, Computation of Time Periods.

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any organization document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in this Agreement, shall be construed to refer to this Agreement in its entirety and not to any particular provision thereof, (iv) all references in this Agreement to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer

to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

SECTION 1.03. Accounting Terms.

(a) *Generally.* All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time.

(b) *Changes in GAAP.* If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in this Agreement, and either the Company or the Majority Lenders shall so request, the Administrative Agent, the Lenders and the Company shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Majority Lenders); *provided* that, until so amended, (i) the Company shall not be required to revise information previously delivered to the Administrative Agent or the Lenders to reflect such change, (ii) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (iii) the Company shall provide going forward to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations.

ARTICLE II
AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Advances.

Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Advances to the Company from time to time on any Business Day during the period from the date hereof to but excluding the Termination Date, in an aggregate amount outstanding not to exceed at any time the amount set opposite such Lender's name on Schedule II hereto or, if such Lender has entered into any Assignment and Assumption, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(c), as such amount may be reduced or increased pursuant to Section 2.04 (such Lender's "***Commitment***"). Each Borrowing shall be in an aggregate amount not less than $10,000,000 or an integral multiple of $1,000,000 in excess thereof and shall consist of Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Until the Termination Date, within the limits of each Lender's Commitment, the Company may from time to time borrow, repay pursuant to Section 2.05 or prepay pursuant to Section 2.11(b) and reborrow under this Section 2.01.

SECTION 2.02. Making the Advances.

(a) Each Borrowing shall be made on notice, given not later than 11:00 a.m. (New York City time) on the day of such proposed Borrowing, in the case of a Borrowing comprised of Base Rate Advances, or on the third Business Day prior to the date of the proposed Borrowing, in the case of a Borrowing comprised of Eurodollar Rate Advances, by the Company to the Administrative Agent, which shall give to each Lender prompt notice thereof by telex, telecopier or cable. Each such notice of a Borrowing (a "***Notice of Borrowing***") shall be by telex, telecopier or cable, confirmed promptly in writing, in substantially the form of Exhibit A-1 hereto, specifying therein the requested (i) date of such Borrowing, which date shall be a Business Day, (ii) Type of Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, and (iv) in the case of a Borrowing comprised of Eurodollar Rate Advances, the Interest Period for each such Advance. In the case of a proposed Borrowing comprised of Eurodollar Rate Advances, the Administrative Agent shall promptly notify each Lender of the applicable interest rate under Section 2.07(b). Each Lender shall, before 1:00 p.m. (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 8.02, in same day funds, such Lender's ratable portion of such Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Company at the Administrative Agent's aforesaid address.

(b) Each Notice of Borrowing shall be irrevocable and binding on the Company and, in respect of any Borrowing comprised of Eurodollar Rate Advances, the Company shall indemnify each Lender against any loss or expense incurred by such Lender solely as a result of any failure by the Company to fulfill on or before the date specified for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits) or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(c) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing of Eurodollar Rate Advances (or, in the case of any Borrowing of any Base Rate Advances, prior to 12:00 p.m. (New York City time) on the date of such Advance) that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with subsection (a) of this Section 2.02 (or, in the case of a Borrowing of Base Rate Advances, that such Lender has made such portion available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the Company on such date a corresponding amount. In such event, if a Lender has not in fact made its portion of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Company severally agree to pay to the Administrative Agent (without duplication) forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Company to but excluding the date of payment to the Administrative Agent, at (x) in the case

of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (y) in the case of a payment to be made by the Company, the interest rate applicable at such time to the Advances comprising such Borrowing. If the Company and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Company the amount of such interest paid by the Company for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Advance included in such Borrowing. Any payment by the Company shall be without prejudice to any claim the Company may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(d) The obligations of the Lenders hereunder to make Advances and to make payments pursuant to Section 8.04(i) are several and not joint. The failure of any Lender to make the Advance to be made by it as part of any Borrowing or to make any payment under Section 8.04(i) shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, and no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing or to make its payment under Section 8.04(i).

(e) If, for any reason, a Borrowing is not made on the date specified in any Notice of Borrowing, the Administrative Agent hereby agrees to repay to each Lender the amount, if any, which such Lender has made available to the Administrative Agent as such Lender's ratable portion of such Borrowing, without interest.

(f) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Advance in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Advance in any particular place or manner.

SECTION 2.03. Facility Fee.

The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee on each Lender's Commitment, irrespective of usage, from the date hereof, in the case of each Bank, and from the effective date specified in the Assignment and Assumption pursuant to which it became a Lender, in the case of each other Lender, until the Termination Date, payable quarterly in arrears on the last day of each March, June, September and December during the term of such Lender's Commitment and on the Termination Date, at a rate per annum determined by reference to the ratings assigned to the Reference Securities as set forth below:

Basis for Pricing	LEVEL 1 If the Reference Securities are rated at least A by S&P or at least A2 by Moody's	LEVEL 2 If the Reference Securities are rated lower than Level 1 but at least A- by S&P or at least A3 by Moody's	LEVEL 3 If the Reference Securities are rated lower than Level 2 but at least BBB+ by S&P or at least Baa1 by Moody's	LEVEL 4 If the Reference Securities are rated lower than Level 3 but at least BBB by S&P or at least Baa2 by Moody's	LEVEL 5 If the Reference Securities are rated lower than Level 4 but at least BBB- by S&P or at least Baa3 by Moody's	LEVEL 6 If the Reference Securities are rated lower than Level 5 or unrated
Facility Fee	0.080%	0.100%	0.125%	0.150%	0.175%	0.250%

The Facility Fee rate will be redetermined on the date of any change in the rating assigned by S&P or Moody's, as the case may be, to the Reference Securities. If the ratings assigned to the Reference Securities by S&P and Moody's are not comparable (i.e., a "split rating"), and (i) the ratings differential is one category, the higher of such two ratings shall control, or (ii) the ratings differential is two or more categories, the rating that is one below the higher of the two ratings shall control.

SECTION 2.04. Changes in the Commitments.

Reduction or Termination of the Commitments. The Company shall have the right, upon at least three Business Days' notice to the Administrative Agent, irrevocably and permanently to terminate in whole or reduce ratably in part the respective Commitments of the Lenders; *provided* that (i) any such notice shall be received by the Administrative Agent no later than 11:00 a.m. (New York City time) three Business Days prior to the date of termination or reduction and (ii) the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount which is less than the aggregate principal amount of the Advances then outstanding; and *provided further*, that each partial reduction shall be in the aggregate amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof. The Administrative Agent will promptly notify the Lenders of any such notice of termination or reduction of the Commitments. Any reduction of the Commitments shall be applied to the Commitment of each Lender on a pro rata basis. All fees accrued until the effective date of any termination of the Commitments shall be paid on the effective date of such termination.

SECTION 2.05. Repayment of Advances.

The Company shall repay the principal amount of each Advance made by each Lender on the Termination Date.

SECTION 2.06. Evidence of Indebtedness.

The Advances made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Advances made by the Lenders to the Company and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to

pay any amount owing under this Agreement or any other document entered into in connection therewith. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Any Lender may request that any Advances made by it be evidenced by one or more promissory notes. In such event, the Company shall prepare, execute and deliver to such Lender one or more notes payable to the order of such Lender (or if requested by such Lender, to such Lender and its assignees) and in substantially the form of Exhibit B hereto. Thereafter, the Advances evidenced by such notes and interest thereon shall at all times (including after assignment pursuant to Section 8.07) be represented by one or more notes in such form payable to the order of the payee named therein.

SECTION 2.07. Interest on Advances.

The Company shall pay interest on the unpaid principal amount of each Advance made by each Lender from the date of such Advance until such principal amount shall be paid in full, at the following rates *per annum*:

(a) *Base Rate Advances.* If such Advance is a Base Rate Advance, a rate *per annum* equal at all times to the Base Rate in effect from time to time, plus the Applicable Margin for Base Rate Advances, payable quarterly in arrears on the last day of each September, December, March, and June and on the date such Base Rate Advance shall be paid in full.

(b) *Eurodollar Rate Advances.* If such Advance is a Eurodollar Rate Advance, a rate *per annum* equal at all times during the Interest Period for such Advance to the Eurodollar Rate for such Interest Period, *plus* the Applicable Margin for Eurodollar Rate Advances, payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day which occurs during such Interest Period every three months from the first day of such Interest Period.

SECTION 2.08. Additional Interest on Eurodollar Rate Advances.

The Company shall pay to each Lender additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender, from the date of such Advance until such principal amount is paid in full, at an interest rate *per annum* equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Advance. All claims for such additional interest shall be submitted by such Lender to the Company (with a copy to the Administrative Agent) as soon as is reasonably possible and in all events within ninety days after the first day of such Interest Period; *provided, however,* that if a claim is not submitted to the Company within such ninety day period, such Lender shall thereby waive its claim to such additional interest incurred during such ninety-day period but not to any such additional interest incurred thereafter. A certificate as to the amount of such additional interest, submitted to the Company (with a copy to the Administrative Agent) by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.09. Interest Rate Determination.

(a) The Administrative Agent shall give prompt notice to the Company and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 2.07(a) or (b).

(b) If, with respect to any Eurodollar Rate Advances, (i) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Company) that, by reason of circumstances affecting the relevant interbank market, adequate means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or (ii) the Majority Lenders notify the Administrative Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Company and the Lenders, whereupon

(i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and

(ii) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Company and the Lenders that the circumstances causing such suspension no longer exist.

(c) If the Company shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Administrative Agent will forthwith so notify the Company and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances. If an Event of Default shall have occurred and be continuing, each Eurodollar Rate Advance shall automatically Convert into a Base Rate Advance at the end of the Interest Period then in effect for such Eurodollar Rate Advance.

(d) On the date on which the aggregate unpaid principal amount of Advances comprising any Borrowing shall be reduced, by prepayment or otherwise, to less than $20,000,000, such Advances shall, if they are Eurodollar Rate Advances, automatically Convert into Base Rate Advances, and on and after such date the right of the Company to Convert such Advances into Eurodollar Advances shall terminate; *provided, however,* that if and so long as each such Advance shall be of the same Type and have the same Interest Period as Eurodollar Advances comprising another Borrowing or other Borrowings, and the aggregate unpaid principal amount of all Eurodollar Rate Advances shall equal or exceed $20,000,000, the Company shall have the right to continue all such Eurodollar Rate Advances as Advances having such Interest Period.

SECTION 2.10. Voluntary Conversion of Advances.

The Company may, on any Business Day prior to the Termination Date, upon notice given to the Administrative Agent not later than 11:00 a.m. (New York City time) on the third Business Day prior to the date of the proposed Conversion, in the case of any proposed

Conversion into Eurodollar Rate Advances, and on the date of the proposed Conversion, which date shall be a Business Day, in the case of any proposed Conversion into Base Rate Advances, and subject to the provisions of Sections 2.09 and 2.13 and so long as no Event of Default has occurred and is continuing on the date of such proposed Conversion, Convert all Advances of one Type comprising the same Borrowing into Advances of another Type; *provided, however*, that any Conversion of any Eurodollar Rate Advances into Base Rate Advances shall be made on, and only on, the last day of an Interest Period for such Eurodollar Rate Advances. Each such notice of a Conversion (a "***Notice of Conversion***") shall be by telex, telecopier or cable, confirmed promptly in writing, in substantially the form of Exhibit A-2 hereto and shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the aggregate amount of, Type of, and Interest Periods (if any) applicable to the Advances to be Converted, (iii) the Type of Advance to which such Advances (or portions thereof) are proposed to be Converted, and (iv) if such Conversion is into Eurodollar Rate Advances, the duration of the Interest Period for each such Advance.

SECTION 2.11. Prepayments of Advances.

(a) The Company shall have no right to prepay any principal amount of any Advances other than as provided in subsection (b) below.

(b) The Company may, upon notice given to the Administrative Agent at least two Business Days prior to the proposed prepayment, in the case of any Eurodollar Rate Advance, and on the date of the proposed prepayment, in the case of any Base Rate Advance, and if such notice is given the Company shall, prepay the outstanding principal amounts of the Advances comprising the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the amount prepaid and, in the case of any Eurodollar Rate Advance, any amount payable pursuant to Section 8.04(b); *provided, however,* that each partial prepayment shall be in an aggregate principal amount not less than $5,000,000 and in integral multiples of $1,000,000 in excess thereof.

SECTION 2.12. Increased Costs.

(a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements, in the case of Eurodollar Rate Advances, included in the Eurodollar Rate Reserve Percentage), in or in the interpretation of any law or regulation, or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Advances, then the Company shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for account of such Lender additional amounts sufficient to reimburse such Lender for such increased cost. All claims for increased cost shall be submitted by such Lender to the Company (with a copy to the Administrative Agent) as soon as is reasonably possible and the Company shall, subject to subsection (c) of this Section 2.12, make such payment within five Business Days after notice of such claim is received. A certificate as to the amount of such increased cost, submitted to the Company (with a copy to the Administrative Agent) by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, and the effect of the foregoing would be to reduce the rate of return on such capital, then, upon demand by such Lender (with a copy of such demand to the Administrative Agent), the Company shall immediately pay to the Administrative Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. All claims for such additional amounts shall be submitted by such Lender (with a copy to the Administrative Agent) as soon as is reasonably possible and the Company shall, subject to subsection (c) of this Section 2.12, make such payment within five Business Days after notice of such claim is received. A certificate as to such amounts submitted to the Company and the Administrative Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

(c) Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section 2.12 shall not constitute a waiver of such Lender's right to demand such compensation, *provided* that the Company shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section 2.12 for any increased costs incurred or reductions suffered more than six months prior to the date that such Lender notifies the Company of the change in law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the change in law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof).

SECTION 2.13. Illegality.

Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances (i) the obligation of the Lenders to make Eurodollar Rate Advances, or to Convert Advances into Eurodollar Rate Advances, shall be suspended until the Administrative Agent shall notify the Company and the Lenders that the circumstances causing such suspension no longer exist and (ii) the Company shall forthwith prepay in full all Eurodollar Rate Advances of all Lenders then outstanding, together with interest accrued thereon, unless the Company, within five Business Days of notice from the Administrative Agent, Converts all Eurodollar Rate Advances of all Lenders then outstanding into Base Rate Advances in accordance with Section 2.10.

SECTION 2.14. Payments and Computations.

(a) All payments to be made by the Company shall be made without condition or deduction for any counterclaim, defense, recoupment or set-off. The Company shall make each

payment hereunder not later than 11:00 a.m. (New York City time) on the day when due in U.S. dollars to the Administrative Agent at its address referred to in Section 8.02 in same day funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or fees (other than pursuant to Section 2.08 or 2.12) ratably to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Assumption and recording of the information contained therein in the Register pursuant to Section 8.07(d), from and after the effective date specified in such Assignment and Assumption, the Administrative Agent shall make all payments hereunder in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Assumption shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) All computations of interest based on clause (i) of the definition of "Base Rate" or of fees payable hereunder shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or on clause (ii) of the definition of "Base Rate" shall be made by the Administrative Agent, and all computations of interest pursuant to Section 2.08 shall be made by a Lender, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period of which such interest or fees are payable. Each determination by the Administrative Agent (or, in the case of Section 2.08, by a Lender) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) All payments received by the Administrative Agent after 2:00 p.m. (New York City time) shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be; *provided, however,* that if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Administrative Agent shall have received notice from the Company prior to the date on which any payment is due to the Lenders hereunder that the Company will not make such payment in full, the Administrative Agent may assume that the Company has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Company shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender, together with interest thereon for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent at the Federal Funds Rate.

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances made by it (other than pursuant to Section 2.08 or 2.12) in excess of its ratable share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participation in the Advances made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; *provided, however*, that (A) if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery, together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered and (B) the provisions of this Section 2.15 shall not be construed to apply to (i) any payment made by the Company pursuant to and in accordance with the express terms of this Agreement or (ii) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Advances to any assignee or participant, other than to the Company or any Subsidiary thereof (as to which the provisions of this Section 2.15 shall apply). The Company consents to the foregoing and agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Company in the amount of such participation.

ARTICLE III
CONDITIONS OF LENDING

SECTION 3.01. Conditions Precedent to Closing.

The Commitments of the Lenders shall not become effective unless and until each of the following conditions precedent has been satisfied by the Company:

(a) the Administrative Agent shall have received the following, each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) Promissory notes, if requested by any Lender pursuant to Section 2.06.

(ii) Certified copies of the resolutions of the Board of Directors of the Company approving this Agreement, and of all documents evidencing other necessary corporate action and governmental approvals, including the FPSC Order, with respect to this Agreement.

(iii) A certificate of the Secretary or an Assistant Secretary of the Company, dated as of the date hereof, certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the other documents to be delivered hereunder.

(iv) A certificate of a Responsible Officer of the Company, dated as of the date hereof, certifying (i) the accuracy of the representations and warranties contained herein

and (ii) that no event has occurred and is continuing which constitutes a Default or an Event of Default.

(v) Certified copies of all required governmental approvals and authorizations.

(vi) Certified copy of the restated charter and bylaws of the Company.

(vii) Evidence satisfactory to the Administrative Agent that the Existing Facilities shall have been terminated and all amounts outstanding thereunder shall have been paid in full.

(viii) Favorable opinions of counsel for the Company, substantially in the forms of Exhibit D-1 and Exhibit D-2 hereto and as to such other matters as any Lender through the Administrative Agent may reasonably request.

(ix) A favorable opinion of King & Spalding LLP, counsel for the Administrative Agent, substantially in the form of Exhibit E hereto.

(b) Any fees required to be paid on or before the Closing Date shall have been paid by the Company.

(c) Unless waived by the Administrative Agent, the Company shall have paid all fees, charges and disbursements of counsel to the Administrative Agent in connection with the preparation and negotiation of this Agreement and the other documents to be delivered in connection herewith to the extent invoiced prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (*provided* that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Administrative Agent).

Without limiting the generality of the provisions of Section 7.04, for purposes of determining compliance with the conditions specified in this Section 3.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

SECTION 3.02. Conditions Precedent to Each Borrowing.

The obligation of each Lender to make an Advance on the occasion of each Borrowing (including the initial Borrowing) shall be subject to the further conditions precedent that (i) in the case of the making of an Advance, the Administrative Agent shall have received the written confirmatory Notice of Borrowing with respect thereto, and (ii) on the date of such Borrowing, the following statements shall be true (and each of the giving of the applicable Notice of Borrowing and the acceptance by the Company of the proceeds of such Borrowing shall constitute a representation and warranty by the Company that, on the date of such Borrowing, such statements are true):

(a) The representations and warranties contained in Section 4.01 (excluding the representation and warranty contained in the last sentence of Section 4.01(e)) are correct on and as of the date of such Borrowing, or, if any such representation or warranty is expressly stated to have been made as of a specific date as of such specific date, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(b) No event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, that constitutes a Default or an Event of Default.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Company.

The Company represents and warrants as follows:

(a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Florida.

(b) The execution, delivery and performance by the Company of this Agreement are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Company's charter or bylaws or (ii) any law or contractual restriction binding on or affecting the Company.

(c) No authorization or approval or other action by, and no notice to or filing with any governmental authority or regulatory body is required for the due execution, delivery and performance by the Company of this Agreement, other than the FPSC Order, which has been duly issued, is final and in full force and effect.

(d) This Agreement is the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

(e) The Consolidated balance sheet of the Company and its Subsidiaries as at December 31, 2004, and the related Consolidated statements of income and retained earnings of the Company and its Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Lender, fairly present the financial condition of the Company and its Subsidiaries as at such date and the results of the operations of the Company and its Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied. Since December 31, 2004, there has been no material adverse change in the financial condition, operations or properties of the Company and its Subsidiaries, taken as a whole.

(f) Except as described in the reports and registration statements which the Company has filed with the Securities and Exchange Commission prior to the date of this Agreement, there is no pending or threatened action or proceeding affecting the Company or any Subsidiary of the Company before any court, governmental agency or arbitrator, which may materially adversely affect the financial condition, operations or properties of the Company.

(g) No proceeds of any Advance will be used to acquire any security in any transaction which is subject to Sections 12, 13 and 14 of the Securities Exchange Act of 1934.

(h) The Company is not engaged in the business of extending credit for the purpose of buying or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to buy or carry any margin stock or to extend credit to others for the purpose of buying or carrying any margin stock.

(i) Following application of the proceeds of each Advance, not more than 5 percent of the value of the assets (either of the Company only or of the Company and its Subsidiaries on a Consolidated basis) subject to the provisions of Section 5.02(a) or 5.02(e) will be margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

(j) No Termination Event has occurred or is reasonably expected to occur with respect to any Plan.

(k) The Company is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(l) The Company is in substantial compliance with all applicable laws, rules, regulations and orders of any governmental authority, the noncompliance with which would materially and adversely affect the business or condition of the Company, such compliance to include, without limitation, substantial compliance with ERISA and Environmental Laws and paying before the same become delinquent all material taxes, assessments and governmental charges imposed upon it or upon its property, except to the extent compliance with any of the foregoing is then being contested in good faith by appropriate legal proceedings and for which adequate reserves are made in accordance with GAAP.

(m) All written information furnished by the Company to the Administrative Agent and the Lenders in connection with this Agreement (the "***Disclosed Information***") was (and all information furnished in the future by the Company to the Administrative Agent and the Lenders will be) complete and correct in all respects material to the creditworthiness of the Company when delivered. As of the date hereof, the Disclosed Information does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading in light of the circumstances under which made.

ARTICLE V
COVENANTS OF THE COMPANY

SECTION 5.01. Affirmative Covenants.

So long as any Advances shall remain unpaid or any Lender shall have any Commitment hereunder, the Company shall, unless the Majority Lenders shall otherwise consent in writing:

(a) *Compliance with Laws, Etc.* Except to the extent contested in good faith, comply, and cause each Subsidiary of the Company to comply, with all applicable laws (including ERISA and applicable Environmental Laws), rules, regulations and orders (such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property), the non-compliance with which would materially adversely affect the Company's business or credit.

(b) *Preservation of Corporate Existence, Etc.* Preserve and maintain its corporate existence, rights (charter and statutory) and franchises.

(c) *Visitation Rights.* At any reasonable time and from time to time, permit the Administrative Agent or any of the Lenders or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Company and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Company and any of its Subsidiaries with any of their respective officers or directors.

(d) *Keeping of Books.* Keep, and cause each Subsidiary of the Company to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and such Subsidiary in accordance with GAAP.

(e) *Maintenance of Properties, Etc.* Maintain and preserve, and cause each Subsidiary of the Company to maintain and preserve, all of its properties which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(f) *Maintenance of Insurance.* Maintain, and cause each Subsidiary of the Company to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Company or such Subsidiary operates.

(g) *Taxes.* File, and cause each Subsidiary of the Company to file, all tax returns (federal, state and local) required to be filed and paid and pay all taxes shown thereon to be due, including interest and penalties, or provide adequate reserves for payment thereof other than such taxes that the Company or such Subsidiary is contesting in good faith by appropriate legal proceedings and for which adequate reserves are made in accordance with GAAP.

(h) *Material Obligations.* Pay, and cause each Subsidiary of the Company to pay, promptly as the same shall become due each material obligation of the Company or such Subsidiary.

(i) *Reporting Requirements.* Furnish to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Company, a Consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter and Consolidated

statements of income and retained earnings of the Company and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the treasurer or the chief financial officer of the Company, together with a certificate of the treasurer or chief financial officer of the Company, setting forth in reasonable detail the calculations of the Company's compliance with Section 5.01(j) and stating that no Default or Event of Default has occurred and is continuing, or if a Default or an Event of Default has occurred and is continuing, a statement setting forth details of such Event of Default or event and the action that the Company has taken and proposes to take with respect thereto;

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Company, a copy of the annual report for such year for the Company and its Subsidiaries, containing Consolidated financial statements for such year audited and certified by Deloitte & Touche or other independent public accountants acceptable to the Majority Lenders, together with a certificate of the treasurer or chief financial officer of the Company, setting forth in reasonable detail the calculations of the Company's compliance with Section 5.01(j) and stating that no Default or Event of Default has occurred and is continuing, or if a Default or an Event of Default, a statement setting forth details of such Default or Event of Default or event and the action that the Company has taken and proposes to take with respect thereto;

(iii) promptly after the sending or filing thereof, copies of all reports which the Company sends to any of its security holders, and copies of all reports and registration statements which the Company or any Subsidiary of the Company files with the Securities and Exchange Commission or any national securities exchange to the extent not delivered by the Company pursuant to clause (i) or (ii) of this Section 5.01(i);

(iv) immediately upon any Responsible Officer's obtaining knowledge of the occurrence of any Default or Event of Default, a statement of the chief financial officer or treasurer of the Company setting forth details of such Default or Event of Default or event and the action which the Company proposes to take with respect thereto;

(v) immediately upon any Responsible Officer's obtaining knowledge thereof, notice of any change in any rating assigned by S&P or Moody's to the Reference Securities;

(vi) as soon as possible and in any event within five days after the commencement thereof or any adverse determination or development therein, notice of all actions, suits and proceedings that may adversely affect the Company's ability to perform its obligations under this Agreement;

(vii) as soon as possible and in any event within five days after the occurrence of a Termination Event, notice of such Termination Event; and

(viii) such other information respecting the condition or operations, financial or otherwise, of the Company or any Subsidiary of the Company as any Lender through the Administrative Agent may from time to time reasonably request.

(j) *Indebtedness to Total Capitalization.* Maintain at all times a ratio of Consolidated Indebtedness of the Company and its Subsidiaries to Total Capitalization of not more than 0.65:1.0.

(k) *Use of Proceeds.* Use the proceeds of each Advance solely for general corporate purposes (including, without limitation, as a commercial paper back-up). No proceeds of any Advance will be used to acquire any equity security of a class that is registered pursuant to Section 12 of the Exchange Act or any security in any transaction that is subject to Sections 13 or 14 of the Exchange Act.

SECTION 5.02. Negative Covenants.

So long as any Advances shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will not, without the written consent of the Majority Lenders:

(a) *Liens, Etc.* Create, incur, assume or suffer to exist, or permit any Subsidiary of the Company to create, incur, assume or suffer to exist, any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any Subsidiary of the Company to assign, any right to receive income, in each case to secure any Indebtedness of any Person, other than (i) liens, mortgages and security interests created by the Mortgage, (ii) liens and security interests affecting the fuel used by the Company in its power generating operations and (iii) liens, mortgages and security interests securing other Indebtedness not exceeding $100,000,000; *provided, however,* that, in the event that and for so long as the First Mortgage Bonds are rated lower than BBB- or Baa3 by S&P or Moody's, respectively, or, in the event that neither of such credit rating agencies is in the business of rating the First Mortgage Bonds, lower than an equivalent rating of the First Mortgage Bonds by another nationally-recognized credit rating agency of similar standing, the Company's right to continue to create, incur and suffer to exist liens, mortgages and security interests securing other Indebtedness pursuant to the foregoing clause (iii) shall be suspended.

(b) *Indebtedness.* Create, incur, assume or suffer to exist, or permit any Subsidiary of the Company to create, incur, assume or suffer to exist, any Indebtedness other than (i) Indebtedness hereunder, (ii) Indebtedness secured by liens and security interests permitted pursuant to clauses (ii) and (iii) of Section 5.02(a), (iii) Indebtedness evidenced by the First Mortgage Bonds and (iv) unsecured Indebtedness, including guarantees issued in connection with the financing of pollution control facilities operated by the Company, guarantees of Indebtedness incurred by any wholly-owned Subsidiary of the Company and guarantees of debt securities issued by any financing Subsidiary of the Company established to secure debt financing in the offshore markets.

(c) *Lease Obligations.* Create, incur, assume or suffer to exist, or permit any Subsidiary of the Company to create, incur, assume or suffer to exist, any obligations for the payment of rental for any property under leases or agreements to lease having a term of one year or more which would cause the direct or contingent Consolidated liabilities of the Company and its Subsidiaries in respect of all such obligations payable in any calendar year to exceed 10% of

the Consolidated operating revenues of the Company and its Subsidiaries for the immediately preceding calendar year.

(d) *Mergers, Etc.* Merge with or into or consolidate with or into, or acquire all or substantially all of the assets or securities of, any Person, unless, in each case, (i) immediately after giving effect thereto, no event shall occur and be continuing which constitutes a Default or an Event of Default, and (ii) in the case of any such merger to which the Company is a party, such other Person is a utility company and the resulting or surviving corporation, if not the Company, (x) is organized and existing under the laws of the United States of America or any State thereof, (y) is a corporation satisfactory to the Majority Lenders, and (z) shall have expressly assumed, by an instrument satisfactory in form and substance to the Majority Lenders, the due and punctual payment of all amounts due under this Agreement and the performance of every covenant and undertaking of the Company contained in this Agreement.

(e) *Sales, Etc. of Assets.* Sell, lease, transfer or otherwise dispose of, or permit any Subsidiary of the Company to sell, lease, transfer or otherwise dispose of, any of its assets, other than the following sales: (i) sales of generating capacity to the Company's wholesale customers, (ii) sales of nuclear fuel, (iii) sales of accounts receivable, (iv) sales in connection with a transaction authorized by subsection (d) of this Section, (v) sales of investments in securities with a maturity of less than one year, or (vi) other sales not exceeding $250,000,000 in the aggregate in any fiscal year of the Company.

(f) *Line of Business.* Engage in any business other than businesses of the type conducted by the Company and its Subsidiaries on the date hereof and businesses reasonably related thereto.

(g) *Margin Stock.* Use any proceeds of any Advance to buy or carry margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.01. Events of Default.

If any of the following events ("***Events of Default***") shall occur and be continuing:

(a) The Company shall fail to pay any principal of any Advance when due, or shall fail to pay any interest on any Advance or any fees or other amounts payable hereunder within five Business Days after such interest or fees or other amounts shall become due; or

(b) Any representation or warranty made by the Company herein or by the Company (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) The Company shall fail to perform or observe any other term, covenant or agreement contained in Sections 5.01(b), 5.01(i)(iv), 5.01(j) or 5.02 on its part to be performed or observed; or the Company shall fail to perform or observe any other term, covenant or

agreement contained in this Agreement on its part to be performed or observed and any such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Company by the Administrative Agent or any Lender; or

(d) The Company or any of its Subsidiaries shall fail to pay any amount in respect of any Indebtedness in excess of $35,000,000 (but excluding Indebtedness hereunder) of the Company or such Subsidiary (as the case may be), or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other default under any agreement or instrument relating to any such Indebtedness, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

(e) The Company or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property; or the Company or any of its Subsidiaries shall take any action indicating its approval of, consent to or acquiescence in any of the actions set forth above in this subsection (e); or

(f) Any judgment or order for the payment of money in excess of $35,000,000 shall be rendered against the Company or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) Any Termination Event with respect to a Plan shall have occurred, and, 30 days after notice thereof shall have been given to the Company by the Administrative Agent, (i) such Termination Event (if correctable) shall not have been corrected and (ii) the then present value of such Plan's vested benefits exceeds the then current value of assets accumulated in such Plan by more than the amount of $20,000,000 (or in the case of a Termination Event involving the withdrawal of a "substantial employer" (as defined in Section 4001(a)(2) of ERISA), the withdrawing employer's proportionate share of such excess shall exceed such amount); or

(h) The Company or any of its Affiliates as employer under a Multiemployer Plan shall have made a complete or partial withdrawal from such Multiemployer Plan and the plan sponsor of such Multiemployer Plan shall have notified such withdrawing employer that such employer has incurred a withdrawal liability in an annual amount exceeding $20,000,000; or

(i) A Change of Control shall occur;

then, and in any such event, the Administrative Agent shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company, (i) declare the Commitments and the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company; *provided, however,* that in the event of an actual or deemed entry of an order for relief with respect to the Company or any of its Subsidiaries under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Company.

ARTICLE VII
THE ADMINISTRATIVE AGENT

SECTION 7.01. Appointment and Authority.

Each of the Lenders hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article VII are solely for the benefit of the Administrative Agent and the Lenders, and the Company shall not have rights as a third party beneficiary of any of such provisions.

SECTION 7.02. Rights as a Lender.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 7.03. Exculpatory Provisions.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein), *provided* that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to this Agreement or applicable law; and

(c) shall not, except as expressly set forth herein, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 8.01 and 6.02(i)) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until notice describing such Default or Event of Default is given to the Administrative Agent by the Company or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

SECTION 7.04. Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of an Advance that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender

prior to the making of such Advance. The Administrative Agent may consult with legal counsel (who may be counsel for the Company), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 7.05. Delegation of Duties.

The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article VII shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

SECTION 7.06. Resignation of Administrative Agent.

The Administrative Agent may at any time give notice of its resignation to the Lenders and the Company. Upon receipt of any such notice of resignation, the Majority Lenders shall have the right, in consultation with the Company, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders appoint a successor Administrative Agent meeting the qualifications set forth above; *provided* that if the Administrative Agent shall notify the Company and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Majority Lenders appoint a successor Administrative Agent as provided for above in this Section 7.06. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder (if not already discharged therefrom as provided above in this Section 7.06). The fees payable by the Company to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such successor. After the retiring Administrative Agent's resignation hereunder, the provisions of this Article VII and Section 8.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

SECTION 7.07. Non-Reliance on Administrative Agent and Other Lenders.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any related agreement or any document furnished hereunder or thereunder.

SECTION 7.08. No Other Duties, Etc.

Anything herein to the contrary notwithstanding, none of the Arrangers or the Syndication Agent listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement, except in its capacity, as applicable, as a Lender hereunder.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.01. Amendments, Etc.

No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Company therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders and the Company and acknowledged by the Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however*, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders, do any of the following: (a) waive any of the conditions specified in Section 3.01 or 3.02, (b) change the Commitment of any Lender or subject any Lender to any additional obligations (other than pursuant to Section 2.04), (c) reduce the principal of, or interest on, the Advances or any fees or other amount payable hereunder, (d) postpone any date fixed by this Agreement for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) or any fees hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Lenders, which shall be required for the Lenders or any of them to take any action under this Agreement, (f) change Section 2.15 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender, and (i) amend, waive, or in any way modify or suspend any provision of this Section 8.01; and *provided, further*, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required hereinabove to take such action, affect the rights or duties of the Administrative Agent under this Agreement and (ii) Section 8.07(i) may not be amended, waived or otherwise modified without the consent of each

Granting Lender all or any part of whose Advances are being funded by an SPC at the time of such amendment, waiver or other modification.

SECTION 8.02. Notices, Etc.

(a) *Notices Generally.* All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including telegraphic communication) and mailed, telecopied, delivered or, in the case of the Company, e-mailed,

(i) if to the Company, at its address at 410 S. Wilmington Street, PEB 19A3, Raleigh, North Carolina 27601, Attention: Director of Financial Operations, Treasury Department, Facsimile No.: (919) 546-7826, e-mail: charles.beuris@pgnmail.com, website: www.progress-energy.com;

(ii) if to any Lender, at its Domestic Lending Office set forth opposite its name on Schedule II hereto;

(iii) if to the Administrative Agent, at the addresses set forth below:

(A) for Payment and Requests for Credit Extensions:

Bank of America, N.A.
901 Main Street, 14th Fl.
Mail Code: TX1-492-14-12
Dallas, TX 75202-3714
Attention: Jacqueline R. Archuleta
Telephone: (214) 209-2135
Telecopier: (214) 290-8372
Electronic Mail: Jacqueline.archuleta@bankofamerica.com
Account No.: 1292000883
Ref.: Progress Energy Florida, Inc.
ABA#: 111000012

(B) for Other Notices as Administrative Agent:

Bank of America, N.A.
Agency Management
100 North Tryon St., 14th Fl.
Mail Code: NC1-007-14-24
Charlotte, NC 28255
Attention: Kimberly Williams
Telephone: (704) 387-5448
Telecopier: (704) 409-0650
Electronic Mail: kim.williams@bankofamerica.com

; or

(iv) as to each party, at such other address as shall be designated by such party in a written notice to the other parties in accordance with subsection (d) of this Section 8.02.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) *Electronic Communications.*

(i) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, *provided* that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, *provided* that approval of such procedures may be limited to particular notices or communications.

(ii) Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), *provided* that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(iii) Documents required to be delivered pursuant to Section 5.01(i), (ii), (iii) or (viii) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Company posts such documents, or provides a link thereto on the Company's website on the Internet at the website address set forth in Section 8.02; or (ii) on which such documents are posted on the Company's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); *provided* that: (i) the Company shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Company to deliver such paper copies until a written request to cease delivering paper copies is given

by the Administrative Agent or such Lender and (ii) the Company shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. The Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

(c) *The Platform.* The Company hereby acknowledges that (i) the Administrative Agent and/or the Arrangers will make available to the Lenders materials and/or information provided by or on behalf of the Company hereunder (collectively, "***Company Materials***") by posting the Company Materials on IntraLinks or another similar electronic system (the "***Platform***") and (ii) certain of the Lenders may be "public-side" Lenders (*i.e.*, Lenders that do not wish to receive material non-public information with respect to the Company or its securities) (each, a "***Public Lender***"). The Company hereby agrees that so long as the Company is the issuer of any outstanding debt or equity securities that are registered or issued pursuant to a private offering or is actively contemplating issuing any such securities (A) all Company Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (B) by marking Company Materials "PUBLIC", the Company shall be deemed to have authorized the Administrative Agent, the Arrangers and the Lenders to treat such Company Materials as not containing any material non-public information with respect to the Company or its securities for purposes of United States Federal and state securities laws (*provided, however*, that to the extent such Company Materials constitute Information, they shall be treated as set forth in Section 8.15); (C) all Company Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor"; and (D) the Administrative Agent and the Arrangers shall be entitled to treat any Company Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor." Notwithstanding the foregoing, the Company shall be under no obligation to mark any Company Materials "PUBLIC".

THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE ADMINISTRATIVE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE COMPANY MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE COMPANY MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE COMPANY MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "***Agent Parties***") have any liability to the Company, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Company's or the Administrative Agent's transmission of Company Materials through the Internet, except to the extent that such losses,

claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; *provided, however*, that in no event shall any Agent Party have any liability to the Company, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) *Change of Address, Etc.* Each of the Company and the Administrative Agent may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Company and the Administrative Agent. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(e) *Reliance by Administrative Agent and Lenders.* The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Notices of Borrowings) purportedly given by or on behalf of the Company even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Company shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Company, except to the extent of such Person's gross negligence or willful misconduct. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

SECTION 8.03. No Waiver; Remedies.

No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

SECTION 8.04. Costs, Expenses and Taxes.

(a) The Company agrees to pay on demand all costs and expenses of (i) the Administrative Agent and its Affiliates in connection with the syndication of the credit facility provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other documents to be delivered hereunder, the first Borrowing under this Agreement and any modification, amendment or waiver of any provisions of, or supplement to, this Agreement and the other documents to be delivered hereunder (whether or not the transaction contemplated hereby or thereby shall be consummated) and (ii) the Lenders and the

Administrative Agent in connection with the enforcement or protection of the rights and remedies of the Lenders and the Administrative Agent under this Agreement and the other documents to be delivered hereunder (whether through negotiations or legal proceedings), including its rights under this Section 8.04 or in connection with the Advances made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiation in respect of such Advances, all the above costs and expenses to include, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent and each of the Lenders with respect thereto. In addition, the Company shall pay any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of this Agreement and the other documents to be delivered hereunder, and agrees to save the Administrative Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes.

(b) If, due to payments made by the Company due to acceleration of the maturity of the Advances pursuant to Section 6.01, or due to any other reason, any Lender receives payments of principal of any Eurodollar Rate Advance based upon the Eurodollar Rate other than on the last day of the Interest Period for such Advance, the Company shall, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(c) Any and all payments by or on account of any obligation of the Company hereunder shall be made, in accordance with Section 2.14, free and clear of and without deduction or withholding for any and all present or future taxes, levies, imposts, duties, deductions, assessments, fees or other charges or withholdings, and all liabilities with respect thereto, *excluding*, in the case of each Lender and the Administrative Agent, taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "***Taxes***"). If the Company shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.04) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions and (iii) the Company shall timely pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(d) The Company will indemnify each Lender and the Administrative Agent for the full amount of Taxes (including, without limitation, any Taxes imposed by any jurisdiction on

amounts payable under this Section 8.04) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted. This indemnification shall be made within 10 days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor. A certificate as to the amount of such payment or liability delivered to the Company by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error. As soon as practicable after any payment of Taxes by the Company to the relevant taxation authority or other authority, the Company shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Prior to the date of the initial Borrowing or on the date of the Assignment and Assumption pursuant to which it became a Lender, in the case of each Lender that becomes a Lender by virtue of entering into an Assignment and Assumption, and from time to time thereafter if requested by the Company or the Administrative Agent, each Lender organized under the laws of a jurisdiction outside the United States shall provide the Administrative Agent and the Company with the forms prescribed by the Internal Revenue Service of the United States certifying that such Lender is exempt from United States withholding taxes with respect to all payments to be made to such Lender hereunder. If for any reason during the term of this Agreement, any Lender becomes unable to submit the forms referred to above or the information or representations contained therein are no longer accurate in any material respect, such Lender shall notify the Administrative Agent and the Company in writing to that effect. Unless the Company and the Administrative Agent have received forms or other documents satisfactory to them indicating that payment hereunder are not subject to United States withholding tax, the Company or the Administrative Agent shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender organized under the laws of a jurisdiction outside the United States.

(f) Any Lender claiming any additional amounts payable pursuant to 2.12 or Section 8.04(c) or (d) or who gives a notice pursuant to Section 2.13 shall use its reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) (i) to change the jurisdiction of its Applicable Lending Office if, in the judgment of such Lender, the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts which may thereafter accrue pursuant to Section 2.12 or Section 8.04(c) or (d), or eliminate the need for the notice pursuant to Section 2.13, and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender and (ii) to otherwise minimize the amounts due, or to become due, under Sections 8.04(c) and (d). The Company hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such change in jurisdiction.

(g) If the Company makes any additional payment to any Lender pursuant to Section 8.04(c) or (d) in respect of any Taxes, and such Lender determines that it has received (i) a refund of such Taxes or (ii) a credit against or relief or remission for, or a reduction in the amount of, any tax or other governmental charge solely as a result of any deduction or credit for any Taxes with respect to which it has received payments under Sections 8.04(c) and (d), such

Lender shall, to the extent that it can do so without prejudice to the retention of such refund, credit, relief, remission or reduction, pay to the Company such amount as such Lender shall have determined to be attributable to the deduction or withholding of such Taxes. If such Lender later determines that it was not entitled to such refund, credit, relief, remission or reduction to the full extent of any payment made pursuant to the first sentence of this Section 8.04(g), the Company shall upon demand of such Lender promptly repay the amount of such overpayment. Any determination made by such Lender pursuant to this Section 8.04(g) shall in the absence of bad faith or manifest error be conclusive, and nothing in this Section 8.04(g) shall be construed as requiring any Lender to conduct its business or to arrange or alter in any respect its tax or financial affairs so that it is entitled to receive such a refund, credit or reduction or as allowing any Person to inspect any records, including tax returns, of any Lender.

(h) The Company hereby agrees to indemnify and hold harmless each Lender, the Administrative Agent (and any sub-agent thereof), counsel to the Administrative Agent and each Related Party of any of the foregoing Persons (each, an "***Indemnified Person***") from and against any and all claims, damages, losses, liabilities, costs or expenses (including reasonable attorney's fees and expenses, whether or not such Indemnified Person is named as a party to any proceeding or is otherwise subjected to judicial or legal process arising from any such proceeding), joint and several, that may actually be incurred by or asserted or awarded against any Indemnified Person (including, without limitation, in connection with any investigation, litigation or proceeding or the preparation of a defense in connection therewith) in each case by reason of or in connection with (i) the execution, delivery, or performance of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other documents delivered in connection therewith, (ii) any Advance or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials in violation of applicable Environmental Laws on or from any property owned or operated by the Company or any of its Subsidiaries, or any Environmental Liability related in any way to the Company or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Company, and regardless of whether any Indemnified Person is a party thereto, *provided* that such indemnity shall not, as to any Indemnified Person, be available to the extent that such claims, damages, losses, liabilities, costs or expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnified Person.

(i) To the extent that the Company for any reason fails to indefeasibly pay any amount required under subsection (a) or (h) of this Section 8.04 to be paid by it to the Administrative Agent (or any sub-agent thereof) or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's ratable portion (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or

any such sub-agent) in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this subsection (i) are subject to the provisions of Section 2.02(d).

(j) To the fullest extent permitted by applicable law, the Company shall not assert, and hereby waives, any claim against any Indemnified Person, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Advance or the use of the proceeds thereof. No Indemnified Person referred to in subsection (h) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the transactions contemplated hereby.

(k) Without prejudice to the survival of any other agreement of the Company hereunder, the agreements and obligations of the Company contained in this Section 8.04 shall survive the resignation of the Administrative Agent, the replacement of any Lender, the payment, satisfaction or discharge in full of principal and interest hereunder and the termination of Commitments.

SECTION 8.05. Right of Set-off.

Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Company now or hereafter existing under this Agreement, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. Each Lender agrees promptly to notify the Company after any such set-off and application made by such Lender; *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Lender may have.

SECTION 8.06. Binding Effect.

This Agreement shall become effective when it shall have been executed by the Company and the Administrative Agent and when the Administrative Agent shall have been notified by each Lender that such Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Company, the Administrative Agent and each Lender and their respective successors and assigns, except that the Company shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (a)

of Section 8.07, (ii) by way of participation in accordance with the provisions of subsection (e) of Section 8.07, (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (h) of Section 8.07, or (iv) to an SPC in accordance with the provisions of subsection (i) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

SECTION 8.07. Assignments and Participations.

(a) Each Lender may (i) with notice to the Company and to the Administrative Agent, assign to any other Lender, any Affiliate of a Lender or any Approved Fund all or a portion of its rights and obligations under this Agreement, and (ii) with the consent of the Administrative Agent and the Company (such consent not to be unreasonably withheld or delayed and, in the case of the Company, such consent shall not be required if a Default or an Event of Default has occurred and is continuing), assign to one or more other Eligible Assignees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it); *provided, however*, that (A) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Advances at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Advances outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Advances of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Default or Event of Default has occurred and is continuing, the Company otherwise consents (each such consent not to be unreasonably withheld or delayed); *provided, however,* that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met, (B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Advances or the Commitment assigned, (C) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Assumption substantially in the form of Exhibit C hereto and (C) such parties shall also deliver to the Administrative Agent a processing and recordation fee in the amount, if any, required as set forth on Schedule 8.07, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Assumption, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Assumption, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder

shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Assumption, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.12, and 8.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Company (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(b) By executing and delivering an Assignment and Assumption, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Assumption, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company, any of its Subsidiaries or Affiliates or any Person obligated in respect of this Agreement or the performance or observance by the Company of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01(i)(ii) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Company, shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Assumption (and copies of the related consents of the Company and the Administrative Agent to such assignment) delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "***Register***"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Company, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement notwithstanding notice to the contrary. The Register shall be available for inspection by the Company or any Lender at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to this Agreement is pending, any Lender may request and receive from the Administrative Agent a copy of the Register.

(d) Upon its receipt of an Assignment and Assumption executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, the Administrative Agent shall, if such Assignment and Assumption has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Assumption, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Company.

(e) Each Lender may at any time, without the consent of, or notice to, the Company or the Administrative Agent, sell participations to any Person (other than a natural person or the Company or any of the Company's Affiliates or Subsidiaries) (each, a "***Participant***") in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and/or the Advances owing to it); *provided, however,* that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Company hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Advances for all purposes of this Agreement, (iv) the Company, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and (v) any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 8.01 that affects such Participant. Without limiting the generality of the foregoing: (i) such participating banks or other entities shall be entitled to the cost protection provisions contained in Sections 2.08, 2.12, 8.04(b) and 8.04(c) only if, and to the same extent, the Lender from which such participating banks or other entities acquired its participation would, at the time, be entitled to claim thereunder, unless the sale of the participation to such Participant is made with Company's prior written consent; and (ii) such participating banks or other entities shall also, to the fullest extent permitted by law, be entitled to exercise the rights of set-off contained in Section 8.05 as if such participating banks or other entities were Lenders hereunder, *provided*, such Participant agrees to be subject to Section 2.14 as though it were a Lender.

(f) If any Lender or any Participant shall make any demand for payment under Section 2.12 or the Company is required to pay any additional amount to any Lender or governmental authority for the account of any Lender pursuant to Section 8.04(c) or (d), then within 30 days after any such demand (if, but only if, such demanded payment has been made by the Company), the Company may, at its sole expense and effort, upon notice to such Lender and with the approval of the Administrative Agent (which approval shall not be unreasonably withheld or delayed) and, demand that such Lender assign in accordance with and subject to the restrictions contained in, and consents required by, this Section 8.07 to one or more Eligible Assignees designated by the Company all (but not less than all) of such Lender's Commitment (if any) and the Advances owing to it within the period ending on the later to occur of such 30th day and the last day of the longest of the then current Interest Periods for such Advances, *provided* that (i) no Default or Event of Default shall then have occurred and be continuing; (ii) the Company shall have paid to the Administrative Agent the assignment fee specified in Section 8.07(a); (iii) such Lender shall have received payment of an amount equal to the outstanding principal of its Advances, accrued interest thereon, accrued fees and all other amounts payable to

it hereunder (including any amounts under Section 8.04(b) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts); (iv) in the case of any such assignment resulting from a claim for compensation under Section 2.12 or payments required to be made pursuant to Section 8.04(c) or (d), such assignment will result in a reduction in such compensation or payments thereafter; and (v) such assignment does not conflict with applicable laws. If any such Eligible Assignee designated by the Company shall fail to consummate such assignment on terms acceptable to such Lender, or if the Company shall fail to designate any such Eligible Assignees for all or part of such Lender's Commitment or Advances, then such demand by the Company shall become ineffective; it being understood for purposes of this subsection (f) that such assignment shall be conclusively deemed to be on terms acceptable to such Lender, and such Lender shall be compelled to consummate such assignment to an Eligible Assignee designated by the Company, if such Eligible Assignee (i) shall agree to such assignment by entering into an Assignment and Assumption in substantially the form of Exhibit C hereto with such Lender and (ii) shall offer compensation to such Lender in an amount equal to all amounts then owing by the Company to such Lender hereunder, whether for principal, interest, fees, costs or expenses (other than the demanded payment referred to above and payable by the Company as a condition to the Company's right to demand such assignment), or otherwise.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

(g) Subject to Section 8.16, any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Company furnished to such Lender by or on behalf of the Company.

(h) Anything in this Section 8.07 to the contrary notwithstanding, any Lender may assign and pledge all or any portion of its Commitment and the Advances owing to it to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

(i) Notwithstanding anything to the contrary contained herein, any Lender (a "***Granting Lender***") may grant to a special purpose funding vehicle (an "***SPC***") of such Granting Lender identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Company, the option to provide to the Company all or any part of any Advance that such Granting Lender would otherwise be obligated to make to the Company pursuant to this Agreement; *provided* that (i) nothing herein shall constitute a commitment by any such SPC to make any Advance, (ii) if such SPC elects not to exercise such option or otherwise fails to provide all or any part of such Advance, the Granting Lender shall be obligated to make such Advance pursuant to the terms hereof or, if it fails to do so, to make such payment to the Administrative Agent as is required under Section 2.12(b)(i) and (iii) no SPC or Granting Lender shall be entitled to receive any greater amount pursuant to Section 2.08 or 2.12 than the Granting Lender would have been entitled to receive had the Granting Lender not otherwise

granted such SPC the option to provide any Advance to the Company. The making of an Advance by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Advance were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would otherwise be liable so long as, and to the extent that, the related Granting Lender provides such indemnity or makes such payment. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against or join any other person in instituting against such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. Notwithstanding the foregoing, the Granting Lender unconditionally agrees to indemnify the Company, the Administrative Agent and each Lender against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be incurred by or asserted against the Company, the Administrative Agent or such Lender, as the case may be, in any way relating to or arising as a consequence of any such forbearance or delay in the initiation of any such proceeding against its SPC. Each party hereto hereby acknowledges and agrees that no SPC shall have the rights of a Lender hereunder, such rights being retained by the applicable Granting Lender. Accordingly, and without limiting the foregoing, each party hereby further acknowledges and agrees that no SPC shall have any voting rights hereunder and that the voting rights attributable to any Advance made by an SPC shall be exercised only by the relevant Granting Lender and that each Granting Lender shall serve as the administrative agent and attorney-in-fact for its SPC and shall on behalf of its SPC receive any and all payments made for the benefit of such SPC and take all actions hereunder to the extent, if any, such SPC shall have any rights hereunder. In addition, notwithstanding anything to the contrary contained in this Agreement any SPC may with notice to, but without the prior written consent of any other party hereto, assign all or a portion of its interest in any Advances to the Granting Lender. This Section may not be amended without the prior written consent of each Granting Lender, all or any part of whose Advance is being funded by an SPC at the time of such amendment.

SECTION 8.08. Governing Law.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. THE COMPANY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK CITY AND OF THE UNITED STATES DISTRICT COURT OF THE STATE OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT.

EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER DOCUMENT AGAINST THE COMPANY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE COMPANY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER DOCUMENT IN ANY COURT REFERRED TO IN SUBSECTION (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 8.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

SECTION 8.09. WAIVER OF JURY TRIAL.

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 8.10. Execution in Counterparts.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 8.11. Severability.

Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

SECTION 8.12. Headings.

Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

SECTION 8.13. Entire Agreement.

This Agreement constitutes the entire contract between the parties relative to the subject matter hereof. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement. Except as is expressly provided for herein, nothing in this Agreement, expressed or implied, is intended to confer upon any party other than the parties hereto any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 8.14. Payments Set Aside.

To the extent that any payment by or on behalf of the Company is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of all principal and interest hereunder and the termination of this Agreement.

SECTION 8.15. Treatment of Certain Information; Confidentiality.

Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party hereto, (v) in connection with the

exercise of any remedies hereunder or any action or proceeding relating to this Agreement or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section, to (A) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (B) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Company and its obligations, (vii) with the consent of the Company or (viii) to the extent such Information (A) becomes publicly available other than as a result of a breach of this Section or (B) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a non-confidential basis from a source other than the Company.

For purposes of this Section, "Information" means all information received from the Company or any Subsidiary relating to the Company or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Company or any Subsidiary, *provided* that, in the case of information received from the Company or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent and the Lenders acknowledges that (a) the Information may include material non-public information concerning the Company or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable law, including Federal and state securities laws.

SECTION 8.16. Survival of Representations and Warranties. All representations and warranties made hereunder or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Advance, and shall continue in full force and effect as long as any Advance or any other obligation of the Company hereunder shall remain unpaid or unsatisfied.

SECTION 8.17. USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Company that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "***Act***"), it is required to obtain, verify and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Company in accordance with the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

FLORIDA POWER CORPORATION d/b/a
PROGRESS ENERGY FLORIDA, INC.

By _____
Thomas R. Sullivan
Treasurer

BANK OF AMERICA, N.A., as Administrative
Agent and as a Lender

By _____
Name:
Title:

BARCLAYS BANK PLC

By _____
Name:
Title:

THE BANK OF TOKYO-MITSUBISHI, LTD.,
NEW YORK BRANCH

By _____
Name:
Title:

DEUTSCHE BANK AG,
NEW YORK BRANCH

By _____
Name:
Title:

By _____
Name:
Title:

SUNTRUST BANK

By _____
Name:
Title:

JPMORGAN CHASE BANK, N.A.

By _____
Name:
Title:

WACHOVIA BANK, N.A.

By _____
Name:
Title:

CITIBANK, N.A.

By _____
Name:
Title:

MELLON BANK, N.A.

By _____
Name:
Title:

UFJ BANK LIMITED

By _____
Name:
Title:

THE BANK OF NEW YORK

By _____
Name:
Title:

SCHEDULE I

Existing Facilities

(i) $200,000,000 364-Day Revolving Credit Agreement, dated as of April 1, 2003, as amended, among the Company, the lenders party thereto and JPMorgan Chase Bank, as administrative agent.

(ii) $200,000,000 Three-Year Credit Agreement, dated as of April 1, 2003, as amended, among the Company, the lenders party thereto and JPMorgan Chase Bank, as administrative agent.

SCHEDULE II

Commitments

Lender	Commitment	Domestic Lending Office	Eurodollar Lending Office
Bank of America, N.A.	$ 65,000,000	901 Main Street, 14th Fl. Mail Code: TX1-492-14-12 Dallas, TX 75202-3714 Attention: Jacqueline R. Archuleta Telephone: 214.209.2135 Telecopier: 214.290.8372 Email: jacqueline.archuleta@bankofamerica.com	Same as Domestic Lending Office
Barclays Bank PLC	$ 65,000,000	Barclays Capital Services, LLC 200 Cedar Knolls Road Whippany, NJ 07981 Attention: Erik Hoffman Telephone: 973.576.3709 Telecopier: 973.576.3014 Email: erik.hoffman@barcap.com	Same as Domestic Lending Office
The Bank of Tokyo-Mitsubishi, Ltd., New York Branch	$ 45,000,000	BTM Information Services, Inc. c/o The Bank of Tokyo-Mitsubishi, Ltd., NY Branch 1251 Avenue of the Americas, 12th Floor New York, NY 10020-1104 Attention: Rolando Uy, AVP, Loan Operations Dept. Telephone: 201.413.8570 Telecopier: 201.521.2304 Email: N/A	Same as Domestic Lending Office
Deutsche Bank AG New York Branch	$ 45,000,000	60 Wall Street New York, NY 10005 Attention: Russell Johnson Telephone: 832.239.4622 Telecopier: 832.239.4693 Email: russell.johnson@db.com	Same as Domestic Lending Office
SunTrust Bank	$ 45,000,000	200 S. Orange Avenue MC 1106 Orlando, FL 32801 Attention: Lois Keezel, CLS Telephone: 407.237.4855 Telecopier: 407.237.5342 Email: lois.keezel@suntrust.com	Same as Domestic Lending Office
JPMorgan Chase Bank, N.A.	$ 40,000,000	1111 Fannin – 10 Houston, TX 77002 Attention: Kelly Collins, Account Manager Telephone: 713.750.2530 Telecopier: 713.427.6307 Email: kelly.collins@jpmchase.com	Same as Domestic Lending Office
Wachovia Bank,	$ 40,000,000	201 South College Street	Same as Domestic Lending

N.A.		Charlotte NC 28288-0680 Attention: Jeremy Collins, Analyst Telephone: 704.715.7682 Telecopier: 704.715.0091 E-Mail: jeremy.collins1@wachovia.com	Office
Citibank, N.A.	$ 35,000,000	388 Greenwich Street New York, New York 10013 Attention: Stuart Glen Telephone: 212.816-8553 Telecopier: 212.816-8098 Email: stuart.j.glen@citigroup.com	Same as Domestic Lending Office
Mellon Bank, N.A.	$ 25,000,000	525 William Penn Place Room 153-1203 Pittsburgh, PA 15259-0003 Attention: Daria Armen, Loan Administrator Telephone: 412.234.1870 Telecopier: 412.209.6117 Email: N/A	Same as Domestic Lending Office
UFJ Bank Limited	$ 25,000,000	55 East 52nd Street New York, NY 10055 Attention: Priscilla Mark, Assistant Vice President Telephone: 212.339.6341 Telecopier: 212.754.2368 Email: N/A	Same as Domestic Lending Office
The Bank of New York	$ 20,000,000	One Wall Street 19th Floor New York, NY 10286 Attention: Frank Su, Energy Division Telephone: 212.635.7532 Telecopier: 212.635.7552 Email: fsu@bankofny.com	Same as Domestic Lending Office
Total:	$ 450,000,000		

EXHIBIT A-1

NOTICE OF BORROWING

[Date]

Bank of America, N.A., as Administrative Agent
for the Lenders parties to the
Credit Agreement referred to below
901 Main Street, 14th Fl.
Mail Code: TX1-492-14-12
Dallas, TX 75202-3714

Attention: Jacqueline R. Archuleta

Ladies and Gentlemen:

The undersigned, FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC., refers to the five-year Credit Agreement, dated as of March 28, 2005 (the "***Credit Agreement***", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders from time to time parties thereto and BANK OF AMERICA, N.A., as Administrative Agent for said Lenders, and hereby gives you notice pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "***Proposed Borrowing***") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is _____, 20__.

(ii) The Type of Advances comprising the Proposed Borrowing is [Base Rate Advances][Eurodollar Rate Advances].

(iii) The aggregate amount of the Proposed Borrowing is $_____.

(iv) The Interest Period for each Eurodollar Rate Advance that is an Advance made as part of the Proposed Borrowing is _____ months.

Very truly yours,

FLORIDA POWER CORPORATION d/b/a
PROGRESS ENERGY FLORIDA, INC.

By _____
Name:
Title:

EXHIBIT A-2

NOTICE OF CONVERSION

[Date]

Bank of America, N.A., as Administrative Agent
for the Lenders parties to the
Credit Agreement referred to below
901 Main Street, 14th Fl.
Mail Code: TX1-492-14-12
Dallas, TX 75202-3714

Attention: Jacqueline R. Archuleta

Ladies and Gentlemen:

The undersigned, FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC., refers to the five-year Credit Agreement, dated as of March 28, 2005 (the "***Credit Agreement***", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders from time to time parties thereto and BANK OF AMERICA, N.A., as Administrative Agent for said Lenders, and hereby gives you notice pursuant to Section 2.10 of the Credit Agreement that the undersigned hereby requests a Conversion under the Credit Agreement, and in that connection sets forth the terms on which such Conversion (the "***Proposed Conversion***") is requested to be made:

(i) The Business Day of the Proposed Conversion is _____, 20__.

(ii) The Type of, and Interest Period (if any) applicable to, the Advances (or portions thereof) proposed to be Converted: _____.

(iii) The Type of Advance to which such Advances (or portions thereof) are proposed to be Converted: _____.

(iv) Except in the case of a Conversion to Base Rate Advances, the initial Interest Period to be applicable to the Advances resulting from such Conversion: _____.

(v) The aggregate amount of Advances (or portions thereof) proposed to be Converted is $_____.

The undersigned hereby certifies that, on the date hereof, and on the date of the Proposed Conversion, no event has occurred and is continuing, or would result from such Proposed Conversion, which constitutes an Event of Default.

Very truly yours,

FLORIDA POWER CORPORATION d/b/a
PROGRESS ENERGY FLORIDA, INC.

By _____
Name:
Title:

EXHIBIT B

FORM OF NOTE

[Date]

FOR VALUE RECEIVED, the undersigned (the "***Company***"), hereby promises to pay to _____ or its registered assigns (the "***Lender***"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Advance from time to time made by the Lender to the Company under that certain Credit Agreement, dated as of March 28, 2005 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "***Agreement***;" the terms defined therein being used herein as therein defined), among the Company, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent.

The Company promises to pay interest on the unpaid principal amount of each Advance from the date of the Advance until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in U.S. dollars to the Administrative Agent at its address referred to in Section 8.02 of the Agreement. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is one of the Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Advances made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Advances and payments with respect thereto.

The Company, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

FLORIDA POWER CORPORATION d//b/a
PROGRESS ENERGY FLORIDA, INC.

By:_____
Name:
Title:

ADVANCES AND PAYMENTS WITH RESPECT THERETO

Date	Type of Advance Made	Amount of Advance Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By

EXHIBIT C

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this "***Assignment and Assumption***") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "***Assignor***") and [*Insert name of Assignee*] (the "***Assignee***"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the "***Credit Agreement***"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "***Assigned Interest***"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee: _____ [and is an Affiliate/Approved Fund of [*identify Lender*][1]]

3. Company(s): _____

4. Administrative Agent: Bank of America, N.A., as the administrative agent under the Credit Agreement

5. Credit Agreement: Credit Agreement, dated as of March 28, 2005, among Florida Power Corporation d/b/a Progress Energy Florida, Inc., the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent

[1] Select as applicable.

6. Assigned Interest:

Facility Assigned[2]	Aggregate Amount of Commitment for all Lenders*	Amount of Commitment Assigned*	Percentage Assigned of Commitment[3]	CUSIP Number
_____	$_____	$_____	_____%	
_____	$_____	$_____	_____%	
_____	$_____	$_____	_____%	

7. Trade Date: _____][4]

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

[2] Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment", "Term Advance Commitment", etc.).

[3] Set forth, to at least 9 decimals, as a percentage of the Commitment of all Lenders thereunder.

[4] To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By _____
Title:

[Consented to and][5] Accepted:

Bank of America, N.A., as
Administrative Agent

By: _____
Title:

[Consented to:][6]

By: _____
Title:

[5] To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

[6] To be added only if the consent of the Company and/or other parties (e.g. Swing Line Lender, L/C Issuer) is required by the terms of the Credit Agreement.

ANNEX 1 TO ASSIGNMENT AND ASSUMPTION

[_____][7]

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim created by it and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of the Credit Agreement or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under the Credit Agreement.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01(i)(ii) thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

---

[7] Describe Credit Agreement at option of Administrative Agent.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of _____ [*confirm that choice of law provision parallels the Credit Agreement*].

EXHIBIT D-1

FORM OF OPINION OF COUNSEL FOR THE COMPANY

[Date]

To each of the Lenders parties to the Agreement
referred to below and Bank of America, N.A., as
Administrative Agent

Re: Florida Power Corporation d/b/a Progress Energy Florida, Inc.

Ladies and Gentlemen:

This opinion is furnished to you by us as counsel for Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "***Borrower***") pursuant to Section 3.01(a)(viii) of the five-year Credit Agreement, dated as of March 28, 2005 (the "***Agreement***", the terms defined therein being used herein as therein defined), among the Borrower, certain lenders thereunder (the "***Lenders***") and Bank of America, N.A., as administrative agent for the Lenders.

In connection with the preparation, execution and delivery of the Agreement, we have examined:

(1) The Agreement.

(2) The documents furnished by the Borrower pursuant to Section 3.01 of the Agreement.

(3) The opinion letter of even date herewith, addressed to you by [R. Alexander Glenn, Associate General Counsel of Progress Energy Service Company, LLC], in his capacity as counsel to the Borrower and delivered in connection with the transactions contemplated by the Agreement (the "***Company Opinion Letter***").

We have also examined the originals, or copies of such other corporate records of the Borrower, certificates of public officials and of officers of the Borrower and agreements, instruments and other documents as we have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, we have, when relevant facts were not independently established by us, relied upon certificates of the Borrower or its officers or of public officials. We have assumed the authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted as certified or photostatic copies and the authenticity of the originals (other than those of the Borrower), and the due execution and delivery, pursuant to due authorization, of the Agreement by the Lenders and the Administrative Agent and the validity and binding effect thereof on such parties. Whenever the phrase "to our knowledge" is used in this opinion it refers to the actual knowledge of the attorneys of this firm involved in the representation of the Borrower without independent investigation.

We are qualified to practice law in the States of Florida and New York, and the opinions expressed herein are limited to the law of the States of Florida and New York and the federal law of the United States. To the extent that our opinions expressed herein depend upon opinions expressed in paragraphs 1 through 4 of the Company Opinion Letter, we have relied without independent investigation on the accuracy of the opinions expressed in the Company Opinion Letter, subject to the assumptions, qualifications and limitations set forth in the Company Opinion Letter.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the opinion that the Agreement constitutes the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms except as enforcement may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other similar laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

The opinion set forth above is subject to the following qualifications:

(a) In addition to the application of equitable principles described above, courts have imposed an obligation on contracting parties to act reasonably and in good faith in the exercise of their contractual rights and remedies, and may also apply public policy considerations in limiting the right of parties seeking to obtain indemnification under circumstances where the conduct of such parties is determined to have constituted negligence.

(b) No opinion is expressed herein as to (i) Section 8.05 of the Agreement, (ii) the enforceability of provisions purporting to grant to a party conclusive rights of determination, (iii) the availability of specific performance or other equitable remedies, (iv) the enforceability of rights to indemnity under federal or state securities laws or (v) the enforceability of waivers by parties of their respective rights and remedies under law.

(c) No opinion is expressed herein as to provisions, if any, in the Agreement, which (A) purport to excuse, release or exculpate a party for liability for or indemnify a party against the consequences of its own acts, (B) purport to make void any act done in contravention thereof, (C) purport to authorize a party to make binding determinations in its sole discretion, (D) relate to the effects of laws which may be enacted in the future, (E) require waivers, consents or amendments to be made only in writing, (F) purport to waive rights of offset or to create rights of set off other than as provided by statute, or (G) purport to permit acceleration of indebtedness and the exercise of remedies by reason of the occurrence of an immaterial breach of the Agreement or any related document. Further, we express no opinion as to the necessity for any Lender, by reason of such Lender's particular circumstances, to qualify to transact business in the State of New York or as to any Lender's liability for taxes in any jurisdiction.

The foregoing opinion is solely for your benefit and may not be relied upon by any other Person other than (i) any other Person that may become a Lender under the Agreement after the date hereof in accordance with the provisions thereof and (ii) King & Spalding LLP, in connection with its opinion delivered on the date hereof under Section 3.01 of the Agreement.

Very truly yours,

EXHIBIT D-2

FORM OF OPINION OF ASSOCIATE GENERAL COUNSEL
OF PROGRESS ENERGY SERVICE COMPANY, LLC

[Date]

To each of the Lenders parties to the
Agreement referred to below and
Bank of America, N.A.
as Administrative Agent

Re: Florida Power Corporation d/b/a Progress Energy Florida, Inc.

Ladies and Gentlemen:

This opinion is furnished to you by me as Associate General Counsel of Progress Energy Service Company, LLC and in my capacity as counsel to Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "***Borrower***") pursuant to Section 3.01(a)(viii) of the five-year Credit Agreement, dated as of March 28, 2005 (the "***Agreement***", the terms defined therein being used herein as therein defined), among the Borrower, certain lenders thereunder (the "***Lenders***") and Bank of America, N.A., as administrative agent for the Lenders.

In connection with the preparation, execution and delivery of the Agreement, I have examined:

(1) The Agreement.

(2) The documents furnished by the Borrower pursuant to Section 3.01 of the Agreement.

(3) The Restated Charter of the Borrower (the "***Charter***").

(4) The Bylaws of the Borrower and all amendments thereto (the "***Bylaws***").

(5) The FPSC Order.

I have also examined the originals, or copies of such other corporate records of the Borrower, certificates of public officials and of officers of the Borrower and agreements, instruments and other documents as I have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, I have, when relevant facts were not independently established by me, relied upon certificates of the Borrower or its officers or of public officials. I have assumed the authenticity of all documents submitted to me as originals, the conformity to originals of all documents submitted as certified or photostatic copies and the authenticity of signatures (other than those of the Borrower), and the due execution and delivery, pursuant to due authorization, of the Agreement by the Lenders and the Administrative

Agent and the validity and binding effect thereof on such parties. For purposes of my opinions expressed in paragraph 1 below as to existence and good standing, I have relied as of their respective dates on certificates of public officials, copies of which are attached hereto as Exhibit A. Whenever the phrase "to my knowledge" is used in this opinion it refers to my actual knowledge and the actual knowledge of the attorneys who work under my supervision and who were involved in the representation of the Borrower in connection with the transactions contemplated by the Agreement.

I or attorneys working under my supervision are qualified to practice law in the State of Florida, and the opinions expressed herein are limited to the law of the State of Florida and the federal law of the United States.

Based upon the foregoing and upon such investigation as I have deemed necessary, I am of the following opinion:

1. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. The Borrower has the corporate power and authority to enter into the transactions contemplated by the Agreement.

2. The execution, delivery and performance of the Agreement by the Borrower have been duly authorized by all necessary corporate action on the part of the Borrower and the Agreement has been duly executed and delivered by the Borrower.

3. The execution, delivery and performance of the Agreement by the Borrower will not (i) violate the Charter or the Bylaws or any law, rule or regulation applicable to the Borrower (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (ii) result in a breach of, or constitute a default under, any judgment, decree or order binding on the Borrower, or any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound.

4. No authorization, approval or other action by, and no notice to or filing with any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of the Agreement, other than the FPSC Order, which has been duly issued and is in full force and effect. All periods for review and approval of the FPSC Order have expired, and no such request for review or appeal thereof has been filed or is pending.

5. To my knowledge, except as described in the reports and registration statements that the Borrower has filed with the Securities and Exchange Commission, there are no pending or overtly threatened actions or proceedings against the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, that purport to affect the legality, validity, binding effect or enforceability of the Agreement or that are likely to have a material adverse effect upon the financial condition, operations or properties of the Borrower or any of its Subsidiaries.

The opinions set forth above are subject to the qualification that, except as provided in paragraph 4 above, no opinion is expressed herein as to the enforceability of the Agreement or any other document.

The foregoing opinions are solely for your benefit and may not be relied upon by any other Person other than (i) any other Person that may become a Lender under the Agreement after the date hereof and (ii) Hunton & Williams and King & Spalding LLP, in connection with their respective opinions delivered on the date hereof under Section 3.01 of the Agreement.

Very truly yours,

EXHIBIT E

FORM OF OPINION OF COUNSEL
TO THE ADMINISTRATIVE AGENT

[DATE]

To Bank of America, N.A., as Administrative Agent for the Lenders referred to below, and to each of the Lenders parties to the five-year Credit Agreement, dated as of March 28, 2005, among Florida Power Corporation d/b/a Progress Energy Florida, Inc., said Lenders and Bank of America, as Administrative Agent	

Re: Florida Power Corporation d/b/a Progress Energy Florida, Inc.

Ladies and Gentlemen:

We have acted as your counsel in connection with the preparation, execution and delivery of, and the closing on March 28, 2005 under, the five-year Credit Agreement, dated as of March 28, 2005 (the "***Credit Agreement***"), among Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "***Company***"), the Lenders from time to time parties thereto and Bank of America, N.A., as Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein as therein defined.

In this connection, we have examined the following documents:

1. a counterpart of the Credit Agreement, executed by the parties thereto;

2. the documents furnished by or on behalf of the Company pursuant to subsections (i) through (vi) and (viii) of Section 3.01(a) of the Credit Agreement, including, without limitation, the opinion of the General Counsel to the Company and the opinion of Hunton & Williams, counsel to the Company (the "***Company Opinions***").

In our examination of the documents referred to above, we have assumed the authenticity of all such documents submitted to us as originals, the genuineness of all signatures, the due authority of the parties executing such documents and the conformity to the originals of all such documents submitted to us as copies. We have also assumed that you have independently evaluated, and are satisfied with, the creditworthiness of the Company and the business terms reflected in the Credit Agreement. We have relied, as to factual matters, on the documents we have examined.

To the extent that our opinions expressed below involve conclusions as to matters governed by law other than the law of the State of New York, we have relied upon the Company Opinions and have assumed without independent investigation the correctness of the matters set

forth therein, our opinions expressed below being subject to the assumptions, qualifications and limitations set forth in the Company Opinions.

Based upon and subject to the foregoing, and subject to the qualifications set forth below, we are of the opinion that the Credit Agreement is the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

Our opinion is subject to the following qualifications:

(a) The enforceability of the Company's obligations under the Credit Agreement is subject to the effect of any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar law affecting creditors' rights generally.

(b) The enforceability of the Company's obligations under the Credit Agreement is subject to the effect of general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law). Such principles of equity are of general application, and, in applying such principles, a court, among other things, might not allow a contracting party to exercise remedies in respect of a default deemed immaterial, or might decline to order an obligor to perform covenants.

(c) We note further that, in addition to the application of equitable principles described above, courts have imposed an obligation on contracting parties to act reasonably and in good faith in the exercise of their contractual rights and remedies, and may also apply public policy considerations in limiting the right of parties seeking to obtain indemnification under circumstances where the conduct of such parties is determined to have constituted negligence.

(d) We express no opinion herein as to (i) the enforceability of Section 8.05 of the Credit Agreement, (ii) the enforceability of provisions purporting to grant to a party conclusive rights of determination, (iii) the availability of specific performance or other equitable remedies, (iv) the enforceability of rights to indemnity under federal or state securities laws or (v) the enforceability of waivers by parties of their respective rights and remedies under law.

(e) Our opinions expressed above are limited to the law of the State of New York, and we do not express any opinion herein concerning any other law.

The foregoing opinion is solely for your benefit and may not be relied upon by any other person or entity.

Very truly yours,

MEO:[VS]:etw

PROCESSING AND RECORDATION FEES

The Administrative Agent will charge a processing and recordation fee (an "***Assignment Fee***") in the amount of $2,500 for each assignment; *provided, however*, that in the event of two or more concurrent assignments to members of the same Assignee Group (which may be effected by a suballocation of an assigned amount among members of such Assignee Group) or two or more concurrent assignments by members of the same Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group), the Assignment Fee will be $2,500 plus the amount set forth below:

Transaction:	Assignment Fee:
First four concurrent assignments or suballocations to members of an Assignee Group (or from members of an Assignee Group, as applicable)	-0-
Each additional concurrent assignment or suballocation to a member of such Assignee Group (or from a member of such Assignee Group, as applicable)	$500

For purposes hereof, "***Assignee Group***" means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

FLORIDA POWER CORPORATION d/b/a

Progress Energy Florida, Inc.

Up to $400,000,000

Commercial Paper Notes

DEALER:

SunTrust Capital Markets, Inc.

SUMMARY OF TERMS

Issuer:	Florida Power Corporation d/b/a Progress Energy Florida ("Florida Power" or the "Company"), a Florida Corporation.
Securities:	Up to $400,000,000 of unsecured notes (the "Notes").
Exemption:	The Notes are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(3) thereof.

Ratings[1]:

	Short-Term	Long-Term	Outlook
S&P	A-2	BBB	Stable
Moody's	P-1	A1	Negative
Fitch	F2	A-	Stable

Offering Price:	The Notes will be sold at par less a discount representing an interest factor or, if interest bearing, at par. Interest will be calculated using a 360-day year based on the actual number of days elapsed
Minimum Purchase:	The Notes will be issued in minimum denominations of $100,000 with integral increments of $1,000 in excess thereof.
Maturities:	Up to 270 days from date of issue. The Notes are not redeemable or subject to voluntary prepayment prior to maturity.
Settlement:	Unless otherwise agreed, settlement will be made on a same-day basis in immediately available funds.

[1] Ratings are not a recommendation to purchase, hold or sell Notes. The above ratings are based upon information furnished to the rating agencies by the Company and information obtained by the rating agencies from other sources. The ratings are accurate only as of the date hereof, and may be changed, superseded or withdrawn at any time. Prospective purchasers should check the current ratings before purchasing any Notes.

Form of Issuance:	The Notes will be issued and purchases thereof will be recorded only through the book-entry system of The Depository Trust Company ("DTC"). Beneficial owners will not receive certificates representing their ownership interest in the Notes. The face amount of each Note will be paid upon maturity in immediately available funds to DTC. The Company has been advised by DTC that upon receipt of such payment, DTC will credit, on its book-entry records and transfer system, the accounts of the DTC participants through whom Notes are directly or indirectly owned. Payments by DTC to its participants and by such participants to owners of the Notes or their representatives will be governed by customary practices and standing instructions and will be the sole responsibility of DTC, such DTC participants or such representatives, respectively.
Use of Proceeds:	The proceeds of the Notes will be used to meet working capital requirements and fulfill general corporate purposes.
Bank Facilities:	The Company maintains a backup revolving credit facility to support the outstanding Notes.
Issuing & Paying Agent:	JPMorgan Chase Bank

COMPANY INFORMATION

Florida Power Corporation d/b/a Progress Energy Florida, Inc. was incorporated in Florida in 1899, and is an operating public utility engaged in the generation, purchase, transmission, distribution and sale of electricity. The Company provided electric service during 2003 to an average of 1.5 million customers in west central Florida. Its service area covers approximately 20,000 square miles and includes the densely populated areas around Orlando, as well as the cities of St. Petersburg and Clearwater. The Company is interconnected with 20 municipal and nine rural electric cooperative systems. Major wholesale power sales customers include Seminole Electric Cooperative, Inc., Florida Municipal Power Agency, Florida Power & Light Company and Tampa Electric Company. For the twelve months ended December 31, 2003, approximately 55% of the Company's electric revenues billed were derived from residential customers, 24% from commercial customers, 7% from industrial customers, 8% from wholesale customers, and 6% from other types of customers. At December 31, 2003, Progress Energy Florida had a total summer generating capacity (including jointly-owned capacity) of approximately 8,544 megawatts through a system of 14 power plants. Over the twelve months ended December 31, 2003, the Company's energy mix was comprised of 36% coal, 29% gas and oil, 21% purchased power and 14% nuclear.

ADDITIONAL INFORMATION

We are required to file annual, quarterly and special reports, current reports, proxy statements and other information with the SEC. Our SEC filing number is 1-3382. Our SEC filings are available to the public over the Internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document we file with the SEC at the SEC's public reference room in Washington, D.C. The SEC's public reference room in Washington is located at 450 5th Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on its public reference rooms. Additionally, Company information and SEC filings are available on our web site at http://www.progress-energy.com.

For questions about the Company or the Notes, or to request additional information, please contact Robert F. Drennan, Jr., Manager of Investor Relations, by phone at (919) 546-7474 or write to the following address:

Progress Energy, Inc.
Investor Relations
P.O. Box 1551
Raleigh, NC 27602-1551

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Memorandum incorporates by reference the following information filed or to be filed by the Company with the SEC:

- the Annual Report of the Company on Form 10-K for the year ended December 31, 2003; and
- all documents filed by the Company with the SEC pursuant to Section 13 or Section 15(d) of the Exchange Act after December 31, 2003 and prior to termination of the offering of the Notes.

The information incorporated by reference is an important part of this Offering Memorandum, and information that the Company files with the SEC in the future will automatically update and supersede this information.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THIS EXAMINATION SHOULD INCLUDE THE REVIEW OF INFORMATION THE COMPANY HAS MADE PUBLICLY AVAILABLE THAT EXPLAINS THE NATURE OF THE BUSINESS OF THE COMPANY, INCLUDING VARIOUS RISKS OF INVESTING IN THE COMPANY AND ITS SECURITIES. **YOUR INVESTMENT DECISION SHOULD NOT BE BASED SOLELY ON THIS ANNOUNCEMENT SINCE IT IS NOT INTENDED TO BE A COMPLETE EXPLANATION OF THE NATURE AND RISKS OF INVESTING IN THE COMPANY AND ITS NOTES.** THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. NEITHER SUNTRUST CAPITAL MARKETS, INC. NOR ANY OF ITS AFFILIATES MAKES ANY REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR REFERRED TO HEREIN.

THE DEALER

SunTrust Capital Markets, Inc. ("STCM") and its affiliates may perform various investment banking, commercial banking and financial advisory services from time to time for the Company and its affiliates. An affiliate of STCM may be a lender to the Company and proceeds from sales of the Notes may be used to repay indebtedness owed to such lending affiliate. Prospective purchasers of the Notes are advised that STCM has no obligation to disclose any non-public information concerning the Company and its affiliates that may be furnished to STCM and its affiliates in connection with performing such services.

If you require any other information or have any questions, please contact the Dealer at:

SunTrust Capital Markets, Inc.
Commercial Paper Desk
Attention: Matt Vincent
303 Peachtree Street 23rd Floor
Atlanta, Georgia 30308
Phone: (404) 588-8445
Fax: (404) 588-7005
matt.vincent@suntrust.com

The information under the caption "The Dealer" is particular to STCM. All other information contained in this memorandum has been furnished and approved by the Company.

OFFERING MEMORANDUM APPROVAL

Issuer: Progress Energy Florida

By: _____

Name: Thomas R. Sullivan

Title: VP and Treasurer

Date: 9/29/2004

his instrument was prepared
nder the supervision of:
. Alexander Glenn, Deputy General Counsel
lorida Power Corporation
/b/a Progress Energy Florida, Inc.
00 Central Avenue
t. Petersburg, Florida 33701

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

TO

JPMORGAN CHASE BANK, N.A., TRUSTEE

FORTY-FIFTH SUPPLEMENTAL INDENTURE

Dated as of May 1, 2005

This is a security agreement covering personal property as well as a mortgage upon real estate and other property.

SUPPLEMENT TO INDENTURE
DATED AS OF JANUARY 1, 1944, AS SUPPLEMENTED

NOTE TO RECORDER: Intangible Taxes and Documentary Stamp Taxes have been collected by the Pinellas County Circuit Court Clerk.

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* The headings listed in this Table of Contents are for convenience only and should not be included for substantive purposes as part of this Supplemental Indenture.

RECITALS

SUPPLEMENTAL INDENTURE, dated as of the 1st day of May 2005, made and entered into by and between **FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC.**, a corporation of the State of Florida (hereinafter sometimes called the Company"), party of the first part, and **JPMORGAN CHASE BANK, N.A.,** a national banking association, whose address is 4 New York Plaza, New York, New York, 10004, (hereinafter sometimes called the "Trustee"), as Trustee, party of the second part.

WHEREAS, the Company has heretofore executed and delivered an indenture of mortgage and deed of trust, titled the Indenture, dated as of January 1, 1944, and the same has been recorded in the public records of the counties listed on **Exhibit A** hereto, on the dates and in the official record books and at the page numbers listed thereon, and for the purpose of preventing the extinguishment of said Indenture under Chapter 712, Florida Statutes, the above-referred-to Indenture applicable to each county in which this instrument is recorded is hereby incorporated herein and made a part hereof by this reference thereto (said Indenture is hereinafter referred to as the "Original Indenture" and with the below-mentioned forty-four Supplemental Indentures and this Supplemental Indenture and all other indentures, if any, supplemental to the Original Indenture collectively referred to as the "Indenture"), in and by which the Company conveyed and mortgaged to the Trustee certain property therein described to secure the payment of all bonds of the Company to be issued thereunder in one or more series; and

WHEREAS, pursuant to and under the terms of the Original Indenture, the Company issued $16,500,000 First Mortgage Bonds, 3 3/8% Series due 1974; and

WHEREAS, subsequent to the date of the execution and delivery of the Original Indenture, the Company has from time to time executed and delivered forty-four indentures supplemental to the Original Indenture (collectively, the "Supplemental Indentures"), providing for the creation of additional series of bonds secured by the Original Indenture and/or for amendment of certain terms and provisions of the Original Indenture and of indentures supplemental thereto, such Supplemental Indentures, and the purposes thereof, being as follows:

Supplemental Indenture and Date	Providing for:
First July 1, 1946	$4,000,000 First Mortgage Bonds, 2 7/8% Series due 1974
Second November 1, 1948	$8,500,000 First Mortgage Bonds, 3 1/4% Series due 1978
Third July 1, 1951	$14,000,000 First Mortgage Bonds, 3 3/8% Series due 1981
Fourth November 1, 1952	$15,000,000 First Mortgage Bonds, 3 3/8% Series due 1982
Fifth November 1, 1953	$10,000,000 First Mortgage Bonds, 3 5/8% Series due 1983

Supplemental Indenture and Date	Providing for:
ixth July 1, 1954	$12,000,000 First Mortgage Bonds, 3 1/8% Series due 1984
eventh July 1, 1956	$20,000,000 First Mortgage Bonds, 3 7/8% Series due 1986, and amendment of certain provisions of the Original Indenture
ighth July 1, 1958	$25,000,000 First Mortgage Bonds, 4 1/8% Series due 1988, and amendment of certain provisions of the Original Indenture
inth October 1, 1960	$25,000,000 First Mortgage Bonds, 4 3/4% Series due 1990
enth May 1, 1962	$25,000,000 First Mortgage Bonds, 4 1/4% Series due 1992
leventh April 1, 1965	$30,000,000 First Mortgage Bonds, 4 5/8% Series due 1995
welfth November 1, 1965	$25,000,000 First Mortgage Bonds, 4 7/8% Series due 1995
hirteenth August 1, 1967	$25,000,000 First Mortgage Bonds, 6 1/8% Series due 1997
ourteenth November 1, 1968	$30,000,000 First Mortgage Bonds, 7% Series due 1998
ifteenth August 1, 1969	$35,000,000 First Mortgage Bonds, 7 7/8% Series due 1999
ixteenth February 1, 1970	Amendment of certain provisions of the Original Indenture
eventeenth November 1, 1970	$40,000,000 First Mortgage Bonds, 9% Series due 2000
ighteenth October 1, 1971	$50,000,000 First Mortgage Bonds, 7 3/4% Series due 2001
ineteenth June 1, 1972	$50,000,000 First Mortgage Bonds, 7 3/8% Series due 2002
wentieth November 1, 1972	$50,000,000 First Mortgage Bonds, 7 1/4% Series A due 2002
Twenty-First June 1, 1973	$60,000,000 First Mortgage Bonds, 7 3/4% Series due 2003
Twenty-Second December 1, 1973	$70,000,000 First Mortgage Bonds, 8% Series A due 2003
Twenty-Third October 1, 1976	$80,000,000 First Mortgage Bonds, 8 3/4% Series due 2006
Twenty-Fourth April 1, 1979	$40,000,000 First Mortgage Bonds, 6 3/4-6 7/8% Series due 2004-2009
Twenty-Fifth April 1, 1980	$100,000,000 First Mortgage Bonds, 13 5/8% Series due 1987
Twenty-Sixth November 1, 1980	$100,000,000 First Mortgage Bonds, 13.30% Series A due 1990

Supplemental Indenture and Date	Providing for:
wenty-Seventh November 15, 1980	$38,000,000 First Mortgage Bonds, 10-10 1/4% Series due 2000-2010
wenty-Eighth May 1, 1981	$50,000,000 First Mortgage Bonds, 9 1/4% Series A due 1984
wenty-Ninth September 1, 1982	Amendment of certain provisions of the Original Indenture
hirtieth October 1, 1982	$100,000,000 First Mortgage Bonds, 13 1/8% Series due 2012
hirty-First November 1, 1991	$150,000,000 First Mortgage Bonds, 8 5/8% Series due 2021
hirty-Second December 1, 1992	$150,000,000 First Mortgage Bonds, 8% Series due 2022
hirty-Third December 1, 1992	$75,000,000 First Mortgage Bonds, 6 1/2% Series due 1999
hirty-Fourth February 1, 1993	$80,000,000 First Mortgage Bonds, 6-7/8% Series due 2008
hirty-Fifth March 1, 1993	$70,000,000 First Mortgage Bonds, 6-1/8% Series due 2003
hirty-Sixth July 1, 1993	$110,000,000 First Mortgage Bonds, 6% Series due 2003
hirty-Seventh December 1, 1993	$100,000,000 First Mortgage Bonds, 7% Series due 2023
hirty-Eighth July 25, 1994	Appointment of First Chicago Trust Company of New York as successor Trustee and resignation of former Trustee and Co-Trustee
hirty-Ninth July 1, 2001	$300,000,000 First Mortgage Bonds, 6.650% Series due 2011
ortieth July 1, 2002	$240,865,000 First Mortgage Bonds in three series as follows: (i) $108,550,000 Pollution Control Series 2002A Bonds due 2027; (ii) $100,115,000 Pollution Control Series 2002B Bonds due 2022; and (iii) $32,200,000 Pollution Control Series 2002C Bonds due 2018; and reservation of amendment of certain provisions of the Original Indenture
orty-First February 1, 2003	$650,000,000 First Mortgage Bonds in two series as follows: (i) $425,000,000 4.80% Series due 2013 and (ii) $225,000,000 5.90% Series due 2033; and reservation of amendment of certain provisions of the Original Indenture

Supplemental Indenture and Date	Providing for:
'orty-Second April 1, 2003	Amendment of certain provisions of the Original Indenture; appointment of Bank One, N.A. as successor Trustee and resignation of former Trustee; and reservation of amendment of certain provisions of the Original Indenture
'orty-Third November 1, 2003	$300,000,000 First Mortgage Bonds, 5.10% Series due 2015; and reservation of amendment of certain provisions of the Original Indenture
'orty-Fourth August 1, 2004	Amendment of certain provisions of the Original Indenture

VHEREAS, the Supplemental Indentures have each been recorded in the public records of the counties listed on **Exhibit A** hereto, on the dates nd in the official record books and at the page numbers listed thereon; and

VHEREAS, subsequent to the date of the execution and delivery of the Forty-Fourth Supplemental Indenture the Company has purchased, onstructed or otherwise acquired certain property hereinafter referred to, and the Company desires by this Supplemental Indenture to confirm the ien of the Original Indenture on such property; and

VHEREAS, pursuant to the Forty-Second Supplemental Indenture, First Chicago Trust Company of New York resigned as Trustee and Bank)ne, N.A. was appointed as the successor Trustee, effective May 1, 2003; and on November 16, 2003, Bank One, N.A. sold all of its corporate rust business and assets and, in connection with such sale, JPMorgan Chase Bank became the successor Trustee pursuant to Section 14.21 of the)riginal Indenture; and on November 13, 2004, Bank One, N.A. merged with JPMorgan Chase Bank and, in connection with such merger, PMorgan Chase Bank became JPMorgan Chase Bank, N.A., a national banking association; and

WHEREAS, JPMorgan Chase Bank, N.A. is eligible and qualified to serve as Trustee under the Indenture; and

WHEREAS, the Company desires by this Supplemental Indenture to create a new series of bonds to be designated as First Mortgage Bonds, 4.50% Series due 2010 (the "New Series Bonds"), to be issued under the Original Indenture pursuant to Section 2.01 of the Original Indenture, and also desires to deliver to the Trustee prior to or simultaneously with the authentication and delivery of the initial issue of Three Hundred Million Dollars ($300,000,000) principal amount of New Series Bonds pursuant to Section 4.03 of the Original Indenture the documents and instruments required by said section; and

WHEREAS, the Company in the exercise of the powers and authority conferred upon and reserved to it under and by virtue of the Indenture, and pursuant to the resolutions of its Board of Directors (as defined in the Indenture, which definition includes any duly authorized committee of the Board of Directors, including the First Mortgage Bond Indenture Committee of the Board

f Directors) has duly resolved and determined to make, execute and deliver to the Trustee a Supplemental Indenture in the form hereof for the urposes herein provided; and

WHEREAS, all conditions and requirements necessary to make this Supplemental Indenture a valid, binding and legal instrument in accordance with its terms have been done, performed and fulfilled, and the execution and delivery hereof have been in all respects duly authorized;

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH: That Florida Power Corporation d/b/a Progress Energy lorida, Inc., in consideration of the premises and of One Dollar ($1.00) and other good and valuable consideration to it duly paid by the Trustee at r before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order to secure the payment of both the rincipal of and interest and premium, if any, on the bonds from time to time issued and to be issued under the Indenture, according to their tenor nd effect, does hereby confirm the grant, sale, resale, conveyance, assignment, transfer, mortgage and pledge of the property described in the riginal Indenture and the Supplemental Indentures (except such properties or interests therein as may have been released or sold or disposed of in hole or in part as permitted by the provisions of the Original Indenture), and hath granted, bargained, sold, released, conveyed, assigned, ansferred, mortgaged, pledged, set over and confirmed, and by these presents doth grant, bargain, sell, release, convey, assign, transfer, ortgage, pledge, set over and confirm unto JPMorgan Chase Bank, N.A., as Trustee, and to its successors in the trust and to its successors and ssigns, forever, all property, real, personal and mixed, tangible and intangible, owned by the Company on the date of the execution of this upplemental Indenture or which may be hereafter acquired by it, including (but not limited to) all property which it has acquired subsequent to ne date of execution of the Forty-Fourth Supplemental Indenture and situated in the State of Florida, including without limitation the property escribed on **Exhibit B** hereto (in all cases, except such property as is expressly excepted by the Original Indenture from the lien and operation hereof); and without in any way limiting or impairing by the enumeration of the same the scope and intent of the foregoing, all lands, power sites, lowage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, dams, dam sites, queducts and all other rights or means for appropriating, conveying, storing and supplying water; all rights of way and roads; all plants for the eneration of electricity by steam, water and/or other power; all power houses, facilities for utilization of natural gas, street lighting systems, if ny, standards and other equipment incidental thereto, telephone, radio and television systems, microwave systems, facilities for utilization of vater, steam heat and hot water plants, if any, all substations, lines, service and supply systems, bridges, culverts, tracks, offices, buildings and ther structures and equipment and fixtures thereof; all machinery, engines, boilers, dynamos, electric machines, regulators, meters, transformers, enerators, motors, electrical and mechanical appliances, conduits, cables, pipes, fittings, valves and connections, poles (wood, metal and oncrete), and transmission lines, wires, cables, conductors, insulators, tools, implements, apparatus, furniture, chattels, and choses in action; all nunicipal and other franchises, consents, licenses or permits; all lines for the distribution of electric current, gas, steam heat or water for any urpose including towers, poles (wood, metal and concrete), wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; ll real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights-of-way and other rights in or relating to real estate or he use and occupancy of the same (except as herein or in the Original Indenture or any of the Supplemental Indentures expressly excepted); all the ight, title

ıd interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in ›nnection with any property hereinbefore, or in the Original Indenture and said Supplemental Indentures, described.

T IS HEREBY AGREED by the Company that all the property, rights and franchises acquired by the Company after the date hereof (except any ·operty herein or in the Original Indenture or any of the Supplemental Indentures expressly excepted) shall, subject to the provisions of ɔction 9.01 of the Original Indenture and to the extent permitted by law, be as fully embraced within the lien hereof as if such property, rights ıd franchises were now owned by the Company and/or specifically described herein and conveyed hereby.

OGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any way appertaining to the aforesaid ıortgaged property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 9.01 f the Original Indenture) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest ıd claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid mortgaged roperty and every part and parcel thereof.

O HAVE AND TO HOLD THE SAME unto JPMorgan Chase Bank, N.A., the Trustee, and its successors in the trust and its assigns forever, ut **IN TRUST NEVERTHELESS** upon the terms and trusts set forth in the Indenture, for the benefit and security of those who shall hold the onds and coupons issued and to be issued under the Indenture, without preference, priority or distinction as to lien of any of said bonds and oupons over any others thereof by reason or priority in the time of the issue or negotiation thereof, or otherwise howsoever, subject, however, to ıe provisions of Sections 10.03 and 10.12 of the Original Indenture.

UBJECT, HOWEVER, to the reservations, exceptions, conditions, limitations and restrictions contained in the several deeds, servitudes and ontracts or other instruments through which the Company acquired, and/or claims title to and/or enjoys the use of the aforesaid properties; and ubject also to encumbrances of the character defined in the Original Indenture as "excepted encumbrances" in so far as the same may attach to ny of the property embraced herein.

Vithout derogating from the security and priority presently afforded by the Indenture and by law for all of the bonds of the Company that have ıeen, are being, and may in the future be, issued pursuant to the Indenture, for purposes of obtaining any additional benefits and security provided ıy Section 697.04 of the Florida Statutes, the following provisions of this paragraph shall be applicable. The Indenture also shall secure the ıayment of both principal and interest and premium, if any, on the bonds from time to time hereafter issued pursuant to the Indenture, according tc heir tenor and effect, and the performance and observance of all the provisions of the Indenture (including any indentures supplemental thereto ınd any modification or alteration thereof made as therein provided), whether the issuance of such bonds may be optional or mandatory, and for ıny purpose, within twenty (20) years from the date of this Supplemental Indenture. The total amount of indebtedness secured by the Indenture nay decrease or increase from time to time, but the total unpaid balance so secured at any one time shall not exceed the maximum principal ımount of $3,000,000,000.00, plus interest and premium, if any, as well as any disbursements made for the payment of taxes, levies or insurance ›n the property

ıcumbered by the Indenture, with interest on those disbursements, plus any increase in the principal balance as the result of negative amortization · deferred interest. For purposes of Section 697.04 of the Florida Statutes, the Original Indenture, as well as all of the indentures supplemental ereto that have been executed prior to the date of this Supplemental Indenture, are incorporated herein by this reference with the same effect as if ey had been set forth in full herein.

nd, upon the consideration hereinbefore set forth, the Company does hereby covenant and agree to and with the Trustee and its successors in ust under the Indenture for the benefit of those who shall hold bonds and coupons issued and to be issued under the Indenture, as follows:

ARTICLE I

THE NEW SERIES BONDS

A. FIRST MORTGAGE BONDS, 4.50% SERIES DUE 2010

ection 1. The Company hereby creates a new series of bonds, not limited in principal amount except as provided in the Original Indenture, to be ;sued under and secured by the Original Indenture, to be designated by the title "First Mortgage Bonds, 4.50% Series due 2010." The initial issue f the New Series Bonds shall consist of Three Hundred Million Dollars ($300,000,000) principal amount thereof. Subject to the terms of the ndenture, the principal amount of the New Series Bonds is unlimited. The Company may, at its option in the future, issue additional New ·eries Bonds.

'he New Series Bonds shall be issued only as registered bonds without coupons in the denomination of One Thousand Dollars ($1,000) or any ntegral multiple thereof.

;ection 2. (a) The New Series Bonds shall be issued in registered form without coupons and shall be issued initially in the form of one or more ;lobal Bonds (each such Global Bond, a "New Series Global Bond") to or on behalf of The Depository Trust Company ("DTC"), as Depositary herefor, and registered in the name of such Depositary or its nominee. Any New Series Bonds to be issued or transferred to, or to be held by or on)ehalf of DTC as such Depositary or such nominee (or any successor of such nominee) for such purpose shall bear the depositary legends in ubstantially the form set forth at the top of the form of the New Series Bonds in Section B of this Article I, unless otherwise agreed by the :ompany, and in the case of a successor Depositary, such legend or legends as such Depositary and/or the Company shall require and to which ;ach shall agree, in each case such agreement to be confirmed in writing to the Trustee. Principal of, and interest on, the New Series Bonds and th(Make-Whole Redemption Price (as defined below), if applicable, will be payable, the transfer of the New Series Bonds will be registrable and the New Series Bonds will be exchangeable for the New Series Bonds bearing identical terms and provisions, at the office or agency of the Company n the Borough of Manhattan, The City and State of New York; *provided, however,* that payment of interest may be made at the option of the :ompany by check mailed to the registered holders thereof at their registered address; and *further provided, however,* that with respect to a New ;eries Global Bond, the Company may make payments of principal of, and interest on, the New Series Global Bond and the Make-Whole Redemption Price, if applicable, and interest on such

'ew Series Global Bond pursuant to and in accordance with such arrangements as are agreed upon by the Company and the Depositary for such 'ew Series Global Bond. The New Series Bonds shall have the terms set forth in the form of the New Series Bond set forth in Section B of this .rticle I.

›) Notwithstanding any other provision of this Subsection A.2 of this Article I or of Section 2.03 of the Original Indenture, except as ontemplated by the provisions of paragraph (c) below, a New Series Global Bond may be transferred, in whole but not in part and in the manner rovided in Section 2.03 of the Original Indenture, only to a nominee of the Depositary for such New Series Global Bond, or to the Depositary, or › a successor Depositary for such New Series Global Bond selected or approved by the Company, or to a nominee of such successor Depositary.

:) (1) If at any time the Depositary for a New Series Global Bond notifies the Company that it is unwilling or unable to continue as the)epositary for such New Series Global Bond or if at any time the Depositary for a New Series Global Bond shall no longer be eligible or in good tanding under any applicable statute or regulation, the Company shall appoint a successor Depositary with respect to such New Series Global ;ond. If a successor Depositary for such New Series Global Bond is not appointed by the Company within 90 days after the Company receives uch notice or becomes aware of such ineligibility, the Company will execute, and the Trustee, upon receipt of a Company order for the uthentication and delivery of New Series Bonds in the form of definitive certificates in exchange for such New Series Global Bond, will uthenticate and deliver, without service charge, New Series Bonds in the form of definitive certificates of like tenor and terms in an aggregate rincipal amount equal to the principal amount of the New Series Global Bond in exchange for such New Series Global Bond. Such New ;eries Bonds will be issued to and registered in the name of such person or persons as are specified by the Depositary.

(2) The Company may at any time and in its sole discretion determine that any New Series Bonds issued or issuable in the form of one or more Jew Series Global Bonds shall no longer be represented by such New Series Global Bond or Bonds. In any such event the Company will execute, nd the Trustee, upon receipt of a Company order for the authentication and delivery of New Series Bonds in the form of definitive certificates in xchange in whole or in part for such New Series Global Bond or Bonds, will authenticate and deliver, without service charge, to each person pecified by the Depositary, New Series Bonds in the form of definitive certificates of like tenor and terms in an aggregate principal amount equal o the principal amount of such New Series Global Bond or the aggregate principal amount of such New Series Global Bonds in exchange for such Jew Series Global Bond or Bonds.

(3) If the Company so elects in an officer's certificate, the Depositary may surrender New Series Bonds issued in the form of a New ;eries Global Bond in exchange in whole or in part for New Series Bonds in the form of definitive certificates of like tenor and terms on such erms as are acceptable to the Company and such Depositary. Thereupon the Company shall execute, and the Trustee shall authenticate and leliver, without service charge, (A) to each person specified by such Depositary a new New Series Bond or Bonds of like tenor and terms and any uthorized denomination as requested by such person in aggregate principal amount equal to and in exchange for such person's beneficial interest n the New Series Global Bond; and (B) to such Depositary a new New Series Global Bond of like tenor and terms and in an authorized

nomination equal to the difference, if any, between the principal amount of the surrendered New Series Global Bond and the aggregate principal ıount of New Series Bonds delivered to holders thereof.

(4) In any exchange provided for in any of the preceding three subparagraphs, the Company shall execute and the Trustee shall authenticate and liver New Series Bonds in the form of definitive certificates in authorized denominations. Upon the exchange of the entire principal amount of a ew Series Global Bond for New Series Bonds in the form of definitive certificates, such New Series Global Bond shall be canceled by the ustee. Except as provided in the immediately preceding subparagraph, New Series Bonds issued in exchange for a New Series Global Bond ırsuant to Subsection A.2 of this Article I shall be registered in such names and in such authorized denominations as the Depositary for such ew Series Global Bond, acting pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. Provided at the Company and the Trustee have so agreed, the Trustee shall deliver such New Series Bonds to the persons in whose names the New ries Bonds are so to be registered.

(5) Any endorsement of a New Series Global Bond to reflect the principal amount thereof, or any increase or decrease in such principal nount, shall be made in such manner and by such person or persons as shall be specified in or pursuant to any applicable letter of representations other arrangement entered into with, or procedures of, the Depositary with respect to such New Series Global Bond or in the Company order elivered or to be delivered pursuant to Section 4.07 of the Original Indenture with respect thereto. Subject to the provisions of Section 4.07 of the riginal Indenture, the Trustee shall deliver and redeliver any such New Series Global Bond in the manner and upon instructions given by the erson or persons specified in or pursuant to any applicable letter of representations or other arrangement entered into with, or procedures of, the epositary with respect to such New Series Global Bond or in any applicable Company order. If a Company order pursuant to Section 4.07 of the riginal Indenture is so delivered, any instructions by the Company with respect to such New Series Global Bond contained therein shall be in riting but need not be accompanied by or contained in an officer's certificate and need not be accompanied by an opinion of counsel.

(6) The Depositary or, if there be one, its nominee, shall be the holder of a New Series Global Bond for all purposes under the Indenture and ıe New Series Bonds and beneficial owners with respect to such New Series Global Bond shall hold their interests pursuant to applicable rocedures of such Depositary. The Company, the Trustee and any bond registrar shall be entitled to deal with such Depositary for all purposes of ıe Indenture relating to such New Series Global Bond (including the payment of principal, the Make-Whole Redemption Price, if applicable, and ıterest and the giving of instructions or directions by or to the beneficial owners of such New Series Global Bond as the sole holder of such New eries Global Bond and shall have no obligations to the beneficial owners thereof (including any direct or indirect participants in such epositary)). None of the Company, the Trustee, any paying agent or bond registrar shall have any responsibility or liability for any aspect of the ecords relating to or payments made on account of beneficial ownership interests of a beneficial owner in or pursuant to any applicable letter of epresentations or other arrangement entered into with, or procedures of, the Depositary with respect to such New Series Global Bond or for ıaintaining, supervising or reviewing any records relating to such beneficial ownership interests.

ection 3. May 16, 2005 shall be the date of the beginning of the first interest period for the New Series Bonds. The first Interest Payment Date as defined below) shall be December 1, 2005. The New Series Bonds shall be dated as provided in Section 2.01 of the Original Indenture. The lew Series Bonds shall be payable on June 1, 2010, in such coin or currency of the United States of America as at the time of payment is legal ender for the payment of public and private debts, and shall bear interest, payable in like coin or currency, at the rate of 4.50% per annum, ayable semiannually on June 1 and December 1 of each year (each an "Interest Payment Date") to the persons in whose names the New eries Bonds are registered at the close of business on the tenth calendar day next preceding the Interest Payment Date (i.e., May 22 and lovember 21, respectively) (each a "Regular Record Date"), *provided, however,* that so long as the New Series Bonds are registered in the name f DTC, its nominee or a successor depository, the Regular Record Date for interest payable on any Interest Payment Date shall be the close of usiness on the business day immediately preceding such Interest Payment Date (each subject to certain exceptions provided in this Supplemental ndenture and the Indenture), until maturity, according to the terms of the bonds or on prior redemption or by declaration or otherwise, and at the ighest rate of interest borne by any of the bonds outstanding under the Indenture from such date of maturity until they shall be paid or payment ereof shall have been duly provided for. Principal of, and interest on, the New Series Bonds and the Make-Whole Redemption Price, if pplicable, shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York; *provided, however*, that ayment of interest may be made, at the option of the Company, by check mailed by the Company or its affiliate to the person entitled thereto at is registered address. If a due date for the payment of interest, principal or the Make-Whole Redemption Price, if applicable, falls on a day that is ot a business day, then the payment will be made on the next succeeding business day, and no interest will accrue on the amounts payable for the eriod from and after the original due date and until the next business day. The term "business day" means any day other than a Saturday or unday or day on which banking institutions in the City of New York are required or authorized to close.

The New Series Bonds may be redeemed at the option of the Company in whole at any time, or in part from time to time, prior to maturity, at a nake-whole redemption price (the "Make-Whole Redemption Price"). The Make-Whole Redemption Price shall be equal to the greater of i) 100% of the principal amount of the New Series Bonds being redeemed or (ii) the sum of the present values of the remaining scheduled ayments of principal and interest on the New Series Bonds being redeemed, discounted to the redemption date on a semiannual basis (assuming a 60-day year consisting of twelve 30-day months) at the Treasury Rate plus 10 basis points, plus in each case accrued and unpaid interest on the rincipal amount being redeemed to the redemption date.

'Comparable Treasury Issue," means the United States Treasury security or securities selected by an Independent Investment Banker (as defined elow) as having an actual or interpolated maturity comparable to the remaining term of the New Series Bonds being redeemed that would be tilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such New Series Bonds.

'Comparable Treasury Price," means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations (as defined below) for such redemption date, after

cluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if the Company obtains fewer than four such Reference reasury Dealer Quotations, the average of all such quotations.

ndependent Investment Banker," means one of the Reference Treasury Dealers (as defined below) appointed by the Company.

Reference Treasury Dealer," means Barclays Capital Inc., its respective successor, and three other primary U.S. Government securities dealers in he City of New York (a "primary treasury dealer") selected by the Company. If any Reference Treasury Dealer shall cease to be a primary easury dealer, the Company will substitute another primary treasury dealer for that dealer.

Reference Treasury Dealer Quotations," means, with respect to each Reference Treasury Dealer and any redemption date, the average, as etermined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal mount) quoted in writing to the Company by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding ich redemption date.

Treasury Rate," means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or nterpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a ercentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

o long as the New Series Bonds are registered in the name of DTC, its nominee or a successor depositary, if the Company elects to redeem less nan all of the New Series Bonds, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the New Series onds to be redeemed. At all other times, the Trustee shall draw by lot, in such manner as it deems appropriate, the particular New Series Bonds, r portions of them, to be redeemed.

he New Series Bonds shall also be redeemable, as a whole but not in part, at the Make-Whole Redemption Price in the event that (i) all the utstanding common stock of the Company shall be acquired by some governmental body or instrumentality and the Company elects to redeem al f the bonds of all series, the redemption date in any such event to be not more than one hundred twenty (120) days after the date on which all said tock is so acquired or (ii) all, or substantially all, the mortgaged and pledged property constituting bondable property which at the time shall be ubject to the lien of the Indenture as a first lien shall be released from the lien of the Indenture pursuant to the provisions thereof, and available noneys in the hands of the Trustee, including any moneys deposited by the Company available for the purpose, are sufficient to redeem all the onds of all series at the redemption prices (together with accrued interest to the date of redemption) specified therein applicable to the redemptior hereof upon the happening of such event.

Notice of redemption shall be given by mail not less than 30 nor more than 90 days prior to the date fixed for redemption to the holders of New eries Bonds to be redeemed (which, as long as the New Series Bonds are held in the book-entry only system, will be the Depository, its nominee r a successor depository). On and after the date fixed for redemption (unless the Company defaults in the payment of the Make-Whole Redemption Price and interest accrued

ereon to such date), interest on the New Series Bonds or the portions of them so called for redemption shall cease to accrue. If the Company lects to redeem any New Series Bonds, the Company will notify the Trustee of its election at least 45 days prior to the redemption date (or a horter period acceptable to the Trustee) including in such notice, a reasonably detailed computation of the Make-Whole Redemption Price.

he New Series Bonds of the several denominations are exchangeable for a like aggregate principal amount of other New Series Bonds of other uthorized denominations. Notwithstanding the provisions of Section 2.03 of the Original Indenture, for any exchange of the New Series Bonds or other New Series Bonds of different authorized denominations, or for any transfer of New Series Bonds, the Company may require the ayment of a sum sufficient to reimburse it for any tax or other governmental charge incident thereto only. The New Series Bonds may be resented for transfer or exchange at the corporate trust office of the Trustee in New York, New York.

B. FORM OF THE NEW SERIES BONDS

he New Series Bonds shall be substantially in the following form, with such inclusions, omissions, and variations as the Board of Directors of the ompany may determine in accordance with the provisions of the Indenture:

[FORM OF THE NEW SERIES BONDS]

Insert applicable depositary legend or legends, which initially shall be the following:

THIS SECURITY IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC. OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS FIRST MORTGAGE BOND, ___% SERIES DUE 20___MAY, UNDER CONDITIONS PROVIDED IN THE INDENTURE, BE EXCHANGED FOR FIRST MORTGAGE BONDS,

__% SERIES DUE 20___IN THE FORM OF DEFINITIVE CERTIFICATES OF LIKE TENOR AND OF AN EQUAL AGGREGATE RINCIPAL AMOUNT, IN AUTHORIZED DENOMINATIONS, REGISTERED IN THE NAMES OF SUCH PERSONS AS THE EPOSITARY SHALL INSTRUCT THE TRUSTEE. ANY SUCH EXCHANGE SHALL BE MADE UPON RECEIPT BY THE TRUSTEE OF N OFFICER'S CERTIFICATE THEREFOR AND A WRITTEN INSTRUCTION FROM THE DEPOSITARY SETTING FORTH THE AME OR NAMES IN WHICH THE TRUSTEE IS TO REGISTER SUCH FIRST MORTGAGE BONDS, ___% SERIES DUE 20___ IN THE ORM OF DEFINITIVE CERTIFICATES.]

EGISTERED BOND **CUSIP No. 341099___**

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.
(Incorporated under the laws of the State of Florida)

FIRST MORTGAGE BOND,
___% SERIES DUE 20__
DUE _____, 20__

lo. _____ **$_____**

LORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC., a corporation of the State of Florida (hereinafter alled the Company), for value received, hereby promises to pay to ___ or registered assigns, on _____ at the office or agency of the ompany in the Borough of Manhattan, The City of New York, _____ Million Dollars ($_____,000,000) in such coin or currency of the nited States of America as at the time of payment is legal tender for the payment of public and private debts, and to pay interest thereon, emiannually on ___ and _____ of each year, commencing _____, 20___, to the person in whose name this bond is registered at the lose of business on the tenth calendar day next preceding the interest payment date (i.e., ___ and _____, respectively), *provided, however*, hat so long as this bond is registered in the name of The Depository Trust Company, its nominee or a successor depository, the record date for nterest payable on any interest payment date shall be the close of business on the business day immediately preceding such interest payment date each subject to certain exceptions provided in the Mortgage hereinafter mentioned), at the rate of _____ per annum, at said office or agency n like coin or currency, from the date hereof until this bond shall mature, according to its terms or on prior redemption or by declaration or otherwise, and at the highest rate of interest borne by any of the bonds outstanding under the Mortgage hereinafter mentioned from such date of naturity until this bond shall be paid or the payment hereof shall have been duly provided for; *provided, however*, that payment of interest may be nade at the option of the Company by check mailed by the Company or its affiliate to the person entitled thereto at his registered address. If a due late for the payment of interest, principal, or the Make-Whole Redemption Price, if applicable, falls on a day that is not a business day, then the ayment will be made on the next succeeding business day, and no interest will accrue on the amounts payable for the period from and after the riginal due date and until the next business day. The term "business day" means any day other than a Saturday or Sunday or day on which anking institutions in the City of New York are required or authorized to close.

Additional provisions of this bond are set forth on the reverse hereof and such provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not become valid or obligatory for any purpose until JPMorgan Chase Bank, N.A., or its successor as Trustee under the Mortgage, shall have signed the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC. has caused this bond to be signed in its name by its President or one of its Vice Presidents by his signature or a facsimile thereof, and its corporate seal, or a facsimile thereof, to be affixed hereto and attested by its Secretary or one of its Assistant Secretaries by his signature or a facsimile thereof.

Dated: May __, 2005

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

By: _____

Name:
Title:

[SEAL]

Attest:

_____

Name:
Title:

TRUSTEE'S AUTHENTICATION CERTIFICATE

This bond is one of the bonds, of the series herein designated, described or provided for in the within-mentioned Mortgage.

JPMORGAN CHASE BANK, N.A.

By: _____

Name:
Title:

[TEXT APPEARING ON REVERSE SIDE OF BOND]

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

FIRST MORTGAGE BOND
___% SERIES DUE 20__
DUE _____, 20__

his bond is one of an issue of bonds of the Company (herein referred to as the bonds), not limited in principal amount except as provided in the lortgage hereinafter mentioned, issuable in series, which different series may mature at different times, may bear interest at different rates, and ıay otherwise vary as provided in the Mortgage hereinafter mentioned, and is one of a series known as its First Mortgage Bonds, ___% Series due 0___ (herein referred to as the "Bonds of this Series"), all bonds of all series issued and to be issued under and equally and ratably secured :xcept insofar as any sinking or analogous fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford ıdditional security for the bonds of any particular series) by an Indenture dated as of January 1, 1944 (the "Original Indenture" and herein, ›gether with all indentures supplemental thereto including the Forty-Fifth Supplemental Indenture dated as of May 1, 2005 (the "Forty-Fifth upplemental Indenture") between the Company and JPMorgan Chase Bank, N.A., as Trustee, called the "Mortgage"), to which reference is made ›r the nature and extent of the security, the rights of the holders of bonds and of the Company in respect thereof, the rights, duties and immunities f the Trustee, and the terms and conditions upon which the bonds are, and are to be, issued and secured. The Mortgage contains provisions ermitting the holders of not less than seventy-five per centum (75%) in principal amount of all the bonds at the time outstanding, determined and videnced as provided in the Mortgage, or in case the rights under the Mortgage of the holders of bonds of one or more, but less than all, of the eries of bonds outstanding shall be affected, the holders of not less than seventy-five per centum (75%) in principal amount of the bonds at the ime outstanding of the series affected, determined and evidenced as provided in the Mortgage, on behalf of the holders of all the bonds to waive ny past default under the Mortgage and its consequences except a completed default, as defined in the Mortgage, in respect of the payment of the ›rincipal of or interest on any bond or default arising from the creation of any lien ranking prior to or equal with the lien of the Mortgage on any o he mortgaged and pledged property. The Mortgage also contains provisions permitting the Company and the Trustee, with the consent of the ıolders of not less than seventy-five per centum (75%) in principal amount of all the bonds at the time outstanding, determined and evidenced as ›rovided in the Mortgage, or in case the rights under the Mortgage of the holders of bonds of one or more, but less than all, of the series of bonds ›utstanding shall be affected, then with the consent of the holders of not less than seventy-five per centum (75%) in principal amount of the bonds ıt the time outstanding of the series affected, determined and evidenced as provided in the Mortgage, to execute supplemental indentures adding ıny provisions to or changing in any manner or eliminating any of the provisions of the Mortgage or modifying in any manner the rights of the ıolders of the bonds and coupons; *provided, however,* that no such supplemental indenture shall (i) extend the fixed maturity of any bonds, or ›educe the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, without the express consent of the holder ›f each bond so affected, or (ii) reduce the aforesaid percentage of bonds, the holders of which are required to

onsent to any such supplemental indenture, without the consent of the holders of all bonds then outstanding, or (iii) permit the creation of any lien anking prior to or equal with the lien of the Mortgage on any of the mortgaged and pledged property, or (iv) deprive the holder of any outstanding ond of the lien of the Mortgage on any of the mortgaged and pledged property. Any such waiver or consent by the registered holder of this bond unless effectively revoked as provided in the Mortgage) shall be conclusive and binding upon such holder and upon all future holders of this ond, irrespective of whether or not any notation of such waiver or consent is made upon this bond. No reference herein to the Mortgage and no rovision of this bond or of the Mortgage shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the rincipal of and interest on this bond at the time and place and at the rate and in the coin or currency herein prescribed.

he Bonds of this Series are issuable in denominations of One Thousand Dollars ($1,000) and any integral multiple thereof and are exchangeable or a like aggregate principal amount of Bonds of this Series of other authorized denominations. This bond is transferable as prescribed in the lortgage by the registered holder hereof in person, or by his duly authorized attorney, at the office or agency of the Company in said Borough of lanhattan, The City of New York, upon surrender and cancellation of this bond, and upon payment, if the Company shall require it, of the ansfer charges prescribed in the Forty-Fifth Supplemental Indenture hereinabove referred to, and thereupon a new fully registered bond or bonds f authorized denominations of the same series and for the same aggregate principal amount will be issued to the transferee in exchange herefor as rovided in the Mortgage. The Company and the Trustee, any paying agent and any bond registrar may deem and treat the person in whose name nis bond is registered as the absolute owner hereof, whether or not this bond shall be overdue, for the purpose of receiving payment and for all ther purposes and neither the Company nor the Trustee nor any paying agent nor any bond registrar shall be affected by any notice to the ontrary.

he Bonds of this Series may be redeemed at the option of the Company in whole at any time, or in part from time to time, prior to maturity, at a nake-whole redemption price (the "Make-Whole Redemption Price"). The Make-Whole Redemption Price shall be equal to the greater of i) 100% of the principal amount of the Bonds of this Series being redeemed or (ii) the sum of the present values of the remaining scheduled ayments of principal and interest on the Bonds of this Series being redeemed, discounted to the redemption date on a semiannual basis (assuming 360-day year consisting of twelve 30-day months) at the Treasury Rate plus ___ basis points, plus in each case accrued and unpaid interest on ne principal amount being redeemed to the redemption date.

Comparable Treasury Issue," means the United States Treasury security or securities selected by an Independent Investment Banker (as defined elow) as having an actual or interpolated maturity comparable to the remaining term of the Bonds of this Series being redeemed that would be tilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of omparable maturity to the remaining term of such Bonds of this Series.

Comparable Treasury Price," means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations (as lefined below) for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if the

Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Independent Investment Banker," means one of the Reference Treasury Dealers (as defined below) appointed by the Company.

Reference Treasury Dealer," means each of Barclays Capital Inc., its respective successor, and three other primary U.S. Government securities dealers in The City of New York (a "primary treasury dealer") selected by the Company. If any Reference Treasury Dealer shall cease to be a primary treasury dealer, the Company will substitute another primary treasury dealer for that dealer.

Reference Treasury Dealer Quotations," means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

Treasury Rate," means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

So long as the Bonds of this Series are registered in the name of DTC, its nominee or a successor depositary, if the Company elects to redeem less than all of the Bonds of this Series, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of DTC in the Bonds of this Series to be redeemed. At all other times, the Trustee shall draw by lot, in such manner as it deems appropriate, the particular Bonds of this Series, or portions of them, to be redeemed.

The Bonds of this Series shall also be redeemable, as a whole but not in part, at the Make-Whole Redemption Price in the event that (i) all the outstanding common stock of the Company shall be acquired by some governmental body or instrumentality and the Company elects to redeem all of the bonds of all series, the redemption date in any such event to be not more than one hundred twenty (120) days after the date on which all said stock is so acquired or (ii) all or substantially all the mortgaged and pledged property constituting bondable property as defined in the Mortgage which at the time shall be subject to the lien of the Mortgage as a first lien shall be released from the lien of the Mortgage pursuant to the provisions thereof, and available moneys in the hands of JPMorgan Chase Bank, N.A. or its successor as Trustee, including any moneys deposited by the Company available for the purpose, are sufficient to redeem all the bonds of all series at the redemption prices (together with accrued interest to the date of redemption) specified therein applicable to the redemption thereof upon the happening of such event.

Notice of redemption shall be given by mail not less than 30 nor more than 90 days prior to the date fixed for redemption to the holders of the Bonds of this Series to be redeemed (which, as long as the Bonds of this Series are held in the book-entry only system, will be the Depository, its nominee or a successor depository). On and after the date fixed for redemption (unless the

Company defaults in the payment of the Make-Whole Redemption Price and interest accrued thereon to such date), interest on the Bonds of this Series or the portions of them so called for redemption shall cease to accrue. If the Company elects to redeem any Bonds of this Series, the Company will notify the Trustee of its election at least 45 days prior to the redemption date (or a shorter period acceptable to the Trustee) including in such notice, a reasonably detailed computation of the Make-Whole Redemption Price.

The Mortgage provides that if the Company shall deposit with JPMorgan Chase Bank, N.A. or its successor as Trustee in trust for the purpose funds sufficient to pay the principal of all the bonds of any series, or such of the bonds of any series as have been or are to be called for redemption (including any portions, constituting $1,000 or an integral multiple thereof, of fully registered bonds), and premium, if any, thereon, and all interest payable on such bonds (or portions) to the date on which they become due and payable at maturity or upon redemption or otherwise, and complies with the other provisions of the Mortgage in respect thereof, then from the date of such deposit such bonds (or portions) shall no longer be secured by the lien of the Mortgage.

The Mortgage provides that, upon any partial redemption of a fully registered bond, upon surrender thereof endorsed for transfer, new bonds of the same series and of authorized denominations in principal amount equal to the unredeemed portion of such fully registered bond will be delivered in exchange therefor.

The principal hereof may be declared or may become due prior to the express date of the maturity hereof on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a completed default as in the Mortgage provided.

No recourse shall be had for the payment of the principal of, the Make-Whole Redemption Price, if applicable, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Mortgage or under or upon any obligation, covenant or agreement contained in the Mortgage, against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director, as such, of the Company or of any predecessor or successor corporation, either directly or through the Company or any predecessor or successor corporation under any present or future rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

C. INTEREST ON THE NEW SERIES BONDS

Interest on any New Series Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that bond (or one or more predecessor bonds) is registered at the close of business on the Regular Record Date for such interest specified in the provisions of this Supplemental Indenture. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

Any interest on any New Series Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered holder on the relevant Regular Record Date solely by virtue of such holder having been such holder; and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Subsection A or B below:

A. The Company may elect to make payment of any Defaulted Interest on the New Series Bonds to the persons in whose names such bonds (or their respective predecessor bonds) are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner (a "Special Record Date"). The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Subsection provided and not to be deemed part of the trust estate or trust moneys. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each holder of a bond of the New Series Bonds at the address as it appears in the bond register not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion in the name and at the expense of the Company, cause a similar notice to be published at least once in a newspaper approved by the Company in each place of payment of the New Series Bonds, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the New Series Bonds (or their respective predecessor bonds) are registered on such Special Record Date and shall no longer be payable pursuant to the following Subsection B.

B. The Company may make payment of any Defaulted Interest on the New Series Bonds in any other lawful manner not inconsistent with the requirements of any securities exchange on which such bonds may be listed and upon such notice as may be required by such exchange, if after notice given by the Company to the Trustee of the proposed payment pursuant to this Subsection, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each New Series Bond delivered under this Supplemental Indenture upon transfer of or in exchange for or in lieu of any other New Series Bonds shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried

/ such other bond and each such bond shall bear interest from such date, that neither gain nor loss in interest shall result from such transfer, :change or substitution.

ARTICLE II

ADDITIONAL COVENANTS

he Company hereby covenants as follows:

ection 1. That it will, prior to or simultaneously with the initial authentication and delivery by the Trustee of the New Series Bonds under ection 4.03 of the Original Indenture, deliver to the Trustee the instruments required by said Section.

ection 2. That, so long as any of the New Series Bonds shall be outstanding, it will not declare or pay any dividends (except a dividend in its own)mmon stock) upon its common stock, or make any other distribution (by way of purchase, or otherwise) to the holders thereof, except a payment r distribution out of net income of the Company subsequent to December 31, 1943; and that it will not permit any subsidiary of the Company to urchase any shares of common stock of the Company.

or the purpose of this Section, net income of the Company shall be determined by regarding as charges or credits to income, as the case may be, ny and all charges or credits to earned surplus subsequent to December 31, 1943, representing adjustments on account of excessive or deficient ccruals to income for taxes, and operating expenses shall include all proper charges for the maintenance and repairs of the property owned by the 'ompany and appropriations out of income for the retirement or depreciation of the property used in its electric business in an amount of not less ıan the amount of the minimum provision for depreciation determined as provided in clause (5) of paragraph A of Section 1.05 of the Original ıdenture.

ARTICLE III

SUNDRY PROVISIONS

ection 1. This Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Original Indenture, and shall form part thereof and all of the provisions contained in the Original Indenture in respect to the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect hereof as fully and with like effect as if set forth herein in full.

ection 2. This Supplemental Indenture may be simultaneously executed in any number of counterparts, and all of said counterparts executed and lelivered, each as an original, shall constitute but one and the same instrument.

ection 3. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental ndenture or of the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely.

Section 4. Due to a scriveners error, the Thirty-Ninth and Fortieth Supplemental Indentures to the Original Indenture erroneously indicated that the Thirty-Seventh Supplemental Indenture dated as of December 1, 1993 was recorded in Sumter County, Florida at Book 502, Page 157. The correct recording location is Book 502, Page 167.

Section 5. Although this Supplemental Indenture is dated for convenience and for purposes of reference as of May 1, 2005, the actual dates of execution by the Company and by the Trustee are as indicated by the respective acknowledgments hereto annexed.

[*Remainder of Page Intentionally Left Blank*]

N WITNESS WHEREOF, FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC. has caused this Supplemental Indenture to be signed in its name and behalf by its Executive Vice President, and its corporate seal to be hereunto affixed and ttested by its Assistant Secretary, and **JPMORGAN CHASE BANK, N.A.** has caused this Supplemental Indenture to be signed and sealed in its ame and behalf by a Vice President, and its corporate seal to be attested by a Vice President, all as of the day and year first above written.

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

By: /S/ GEOFFREY S. CHATAS
Geoffrey S. Chatas, Executive Vice President
100 Central Avenue St. Petersburg, Florida 33701

SEAL]

Attest:

S/ FRANK A. SCHILLER
Frank A. Schiller, Secretary
.00 Central Avenue
St. Petersburg, Florida 33701

Signed, sealed and delivered by said
FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

in the presence of:

'S/ C.G. BEURIS
C.G. Beuris

'S/ N. MANLY JOHNSON III
N. Manly Johnson III

[Company's Signature Page of Forty-Fifth Supplemental Indenture]

JPMORGAN CHASE BANK, N.A.

By: /S/ JANICE OTT ROTUNNO
Janice Ott Rotunno, Vice President
4 New York Plaza
New York, New York 10004

SEAL]

ttest:

/ J. MORAND
lame: J. Morand, Vice President
New York Plaza
lew York, NY 10004

igned, sealed and delivered by said

PMORGAN CHASE BANK, N.A.

1 the presence of:

S/ GEORGE N. REAVES
Jeorge N. Reaves

S/ LEONARD GNAT
eonard Gnat

[Trustee's Signature Page of Forty-Fifth Supplemental Indenture]

TATE OF NORTH CAROLINA)
SS:
'OUNTY OF WAKE)

efore me, the undersigned, a notary public in and for the State and County aforesaid, an officer duly authorized to take acknowledgments of eeds and other instruments, personally appeared Geoffrey S. Chatas, Executive Vice President of **FLORIDA POWER CORPORATION d/b/a ROGRESS ENERGY FLORIDA, INC.**, a corporation, the corporate party of the first part in and to the above written instrument, and also ersonally appeared before me Frank A. Schiller, Secretary of the said corporation; such persons being severally personally known to me, who did ıke an oath and are known by me to be the same individuals who as such Executive Vice President and as such Assistant Secretary executed the bove written instrument on behalf of said corporation; and he, the said Executive Vice President, acknowledged that as such Executive Vice resident, he subscribed the said corporate name to said instrument on behalf and by authority of said corporation, and he, the said Assistant ecretary, acknowledged that he affixed the seal of said corporation to said instrument and attested the same by subscribing his name as Assistant ecretary of said corporation, by authority and on behalf of said corporation, and each of the two persons above named acknowledged that, being ıformed of the contents of said instrument, they, as such Executive Vice President and Assistant Secretary, delivered said instrument by authority nd on behalf of said corporation and that all such acts were done freely and voluntarily and for the uses and purposes in said instrument set forth nd that such instrument is the free act and deed of said corporation; and each of said persons further acknowledged and declared that he knows ıe seal of said corporation, and that the seal affixed to said instrument is the corporate seal of the corporation aforesaid.

N WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 16th day of May, 2005 at Raleigh in the State and County foresaid.

/s/ BRENDA B. ADDISON

NOTARIAL SEAL]

TATE OF ILLINOIS)
SS:
:OUNTY OF COOK)

:efore me, the undersigned, a notary public in and for the State and County aforesaid, an officer duly authorized to take acknowledgments of eeds and other instruments, personally appeared Janice Ott Rotunno, a Vice President (the "Executing Vice President") of **JPMORGAN :HASE BANK, N.A.**, a national banking association, the corporate party of the second part in and to the above written instrument, and also ersonally appeared before me J. Morand, a Vice President (the "Attesting Vice President") of the said corporation; said persons being severally ersonally known to me, who did take an oath and are known by me to be the same individuals who as such Executing Vice President and as such .ttesting Vice President executed the above written instrument on behalf of said corporation; and he, the said Executing Vice President, cknowledged that as such Executing Vice President he subscribed the said corporate name to said instrument and affixed the seal of said orporation to said instrument on behalf and by authority of said corporation, and she, the said Attesting Vice President, acknowledged that she ttested the same by subscribing her name as Vice President of said corporation, by authority and on behalf of said corporation, and each of the wo persons above named acknowledged that, being informed of the contents of said instrument, they, as such Executing Vice President and .ttesting Vice President, delivered said instrument by authority and on behalf of said corporation and that all such acts were done freely and oluntarily and for the uses and purposes in said instrument set forth and that such instrument is the free act and deed of said corporation, and each f said persons further acknowledged and declared that he/she knows the seal of said corporation, and that the seal affixed to said instrument is the orporate seal of the corporation aforesaid.

N WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 16th day of May, 2005, at Chicago, Illinois, in the State nd County aforesaid.

/S/ DIANE MARY WUERTZ

NOTARIAL SEAL]

EXHIBIT A

RECORDING INFORMATION

ORIGINAL INDENTURE dated January 1, 1944

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	02/25/44	121	172
Bay	10/20/47	59	18
Brevard	10/30/91	3157	3297
Citrus	02/25/44	18	1
Columbia	02/25/44	42	175
Dixie	02/25/44	3	127
Flagler	10/30/91	456	288
Franklin	02/25/44	0	83
Gadsden	02/26/44	A-6	175
Gilchrist	02/25/44	5	60
Gulf	02/26/44	6	193
Hamilton	02/25/44	42	69
Hardee	02/25/44	23	1
Hernando	02/25/44	90	1
Highlands	02/25/44	48	357
Hillsborough	02/25/44	662	105
Jackson	02/26/44	370	1
Jefferson	07/02/51	25	1
Lafayette	02/25/44	22	465
Lake	02/25/44	93	1
Leon	02/25/44	41	1
Levy	02/25/44	3	160
Liberty	02/25/44	"H"	116
Madison	07/02/51	61	86
Marion	02/25/44	103	1
Orange	02/25/44	297	375
Osceola	02/25/44	20	1
Pasco	02/25/44	39	449
Pinellas	02/26/44	566	1
Polk	02/25/44	666	305
Seminole	02/25/44	65	147
Sumter	02/25/44	25	1
Suwanee	02/25/44	58	425
Taylor	07/03/51	36	1
Volusia	02/25/44	135	156
Wakulla	02/25/44	14	1

STATE OF GEORGIA

County	Date of Recordation	Book	Page
Cook	02/25/44	24	1
Echols	02/25/44	A-1	300
Lowndes	02/25/44	5-0	1

SUPPLEMENTAL INDENTURE (First) dated July 1, 1946

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	11/12/46	166	1
Bay	10/20/47	59	1
Brevard	10/30/91	3157	3590
Citrus	11/12/46	17	362
Columbia	11/12/46	49	283
Dixie	11/14/46	3	357
Flagler	10/30/91	456	579
Franklin	11/13/46	"P"	80
Gadsden	11/13/46	A-9	148
Gilchrist	11/14/46	7	120
Gulf	11/13/46	10	313
Hamilton	11/12/46	40	371
Hardee	11/12/46	24	575
Hernando	11/14/46	99	201
Highlands	11/12/46	55	303
Hillsborough	11/06/46	95	375
Jackson	11/13/46	399	1
Jefferson	07/02/51	25	287
Lafayette	11/14/46	23	156
Lake	11/13/46	107	209
Leon	11/13/46	55	481
Levy	11/14/46	4	133
Liberty	11/13/46	"H"	420
Madison	07/02/51	61	373
Marion	11/12/46	110	1
Orange	11/12/46	338	379
Osceola	11/12/46	20	164
Pasco	11/14/46	44	169
Pinellas	11/06/46	632	161
Polk	11/12/46	744	511
Seminole	11/13/46	74	431
Sumter	11/13/46	25	467
Suwanee	11/12/46	63	316
Taylor	07/03/51	36	145
Volusia	11/13/46	158	203
Wakulla	11/13/36	14	299

SUPPLEMENTAL INDENTURE (Second) dated November 1, 1948

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	01/08/49	196	287
Bay	01/10/49	64	395
Brevard	10/30/91	3157	3607
Citrus	01/13/49	18	414
Columbia	01/08/49	55	493
Dixie	01/10/49	4	201
Flagler	10/30/91	456	601
Franklin	01/10/49	"Q"	1
Gadsden	01/10/49	A-13	157
Gilchrist	01/08/49	6	274
Gulf	01/10/49	13	74
Hamilton	01/10/49	44	1
Hardee	01/08/49	28	110
Hernando	01/08/49	109	448
Highlands	01/08/49	61	398
Hillsborough	01/13/49	810	452
Jackson	01/10/49	400	563
Jefferson	07/02/51	25	320
Lafayette	01/10/49	25	210
Lake	01/08/49	119	555
Leon	01/10/49	82	303
Levy	01/08/49	5	242
Liberty	01/08/49	"H"	587
Madison	07/02/51	61	407
Marion	01/11/49	122	172
Orange	01/08/49	388	604
Osceola	01/08/49	25	104
Pasco	01/08/49	47	549
Pinellas	01/05/49	716	11
Polk	01/07/49	807	411
Seminole	01/06/49	84	389
Sumter	01/08/49	28	41
Suwanee	01/08/49	69	150
Taylor	07/03/51	36	162
Volusia	01/06/49	192	167
Wakulla	01/10/49	16	1

UPPLEMENTAL INDENTURE (Third) dated July 1, 1951

TATE OF FLORIDA

ounty	Date of Recordation	Book	Page
lachua	08/02/51	234	340
ay	08/03/51	93	155
revard	10/30/91	3157	3630
itrus	07/30/51	20	251
olumbia	08/02/51	66	503
ixie	08/02/51	5	271
lagler	10/30/91	456	624
ranklin	08/03/51	"Q"	522
adsden	08/03/51	A-19	271
ilchrist	08/02/51	7	422
ulf	08/03/51	16	59
amilton	08/03/51	51	347
ardee	08/02/51	32	1
ernando	08/02/51	118	537
ighlands	08/02/51	69	344
illsborough	08/02/51	927	174
efferson	08/03/51	25	359
afayette	08/03/51	27	305
ake	07/31/51	139	323
eon	08/02/51	113	465
evy	08/02/51	7	211
iberty	07/25/51	1	232
adison	08/07/51	62	1
arion	08/02/51	142	143
range	08/07/51	460	60
sceola	08/02/51	31	385
asco	08/10/51	56	1
inellas	08/02/51	847	301
olk	08/01/51	899	539
eminole	08/07/51	100	403
umter	08/02/51	32	345
uwanee	08/02/51	76	413
aylor	08/07/51	36	182
olusia	08/07/51	245	393
akulla	08/03/51	17	259

STATE OF GEORGIA

ounty	Date of Recordation	Book	Page
ook	08/08/51	35	566
chols	08/02/51	A-3	521
owndes	08/04/51	7-E	188

OURTH SUPPLEMENTAL INDENTURE November 1, 1952

TATE OF FLORIDA

ounty	Date of Recordation	Book	Page
.lachua	12/31/52	256	288
;ay	01/01/53	104	571
;revard	10/30/91	3157	3663
;itrus	12/31/52	22	321
;olumbia	12/31/52	72	521
)ixie	12/31/52	6	135
lagler	10/31/91	456	657
ranklin	12/31/52	R	477
;adsden	12/31/52	A-22	511
;ilchrist	12/31/52	9	124
;ulf	01/02/53	17	7
Iamilton	12/31/52	54	293
Iardee	12/31/52	33	433
Iernando	12/31/52	125	361
Iighlands	01/02/53	74	131
Iillsborough	12/29/52	993	545
efferson	12/31/52	27	1
.afayette	12/31/52	28	445
.ake	01/02/53	150	343
.eon	12/31/52	130	1
.evy	12/31/52	8	362
.iberty	01/09/53	1	462
Iadison	01/02/53	65	134
Iarion	01/02/53	153	434
)range	12/31/52	505	358
)sceola	12/31/52	36	145
'asco	01/02/53	61	563
'inellas	12/29/52	926	561
'olk	01/12/53	974	177
;eminole	01/02/53	111	41
;umter	12/31/52	35	441
;uwanee	01/02/53	82	27
Iaylor	12/31/52	37	325
Volusia	01/10/53	278	107
Wakulla	01/02/53	18	383

;TATE OF GEORGIA

;ounty	Date of Recordation	Book	Page
;ook	01/01/53	39	95
Echols	01/01/53	A-4	110
Lowndes	12/31/52	7-0	540

IFTH SUPPLEMENTAL INDENTURE November 1, 1953

TATE OF FLORIDA

ounty	Date of Recordation	Book	Page
.lachua	12/29/53	271	24
·ay	01/01/54	115	505
·revard	10/30/91	3157	3690
'itrus	12/28/53	2	73
'olumbia	12/28/53	7	3
)ixie	12/23/53	6	466
lagler	10/30/91	456	684
ranklin	12/28/53	1	447
iadsden	12/24/53	A-26	251
ilchrist	12/23/53	9	317
ulf	12/28/53	11	229
lamilton	12/28/53	58	220
lardee	12/23/53	35	518
lernando	12/23/53	130	409
lighlands	12/29/53	78	1
lillsborough	01/04/54	1050	229
efferson	12/29/53	28	91
.afayette	12/24/53	30	16
.ake	12/23/53	160	189
.eon	12/23/53	144	268
.evy	12/23/53	9	368
.iberty	01/06/54	J	40
Madison	12/26/53	67	381
Marion	12/28/53	168	179
)range	12/24/53	541	253
)sceola	12/24/53	39	42
'asco	12/23/53	67	1
'inellas	12/22/53	988	333
'olk	01/05/54	1021	473
Seminole	12/29/53	118	535
Sumter	12/28/53	37	466
Suwanee	12/28/53	85	346
Taylor	12/24/53	43	225
Volusia	12/24/53	303	454
Wakulla	12/30/53	19	380

STATE OF GEORGIA

County	Date of Recordation	Book	Page
Cook	01/15/54	39	437
Echols	01/15/54	A-4	418
Lowndes	12/29/53	7-X	235

IXTH SUPPLEMENTAL INDENTURE dated July 1, 1954

TATE OF FLORIDA

ounty	Date of Recordation	Book	Page
.lachua	11/19/54	286	129
;ay	11/22/54	125	502
;revard	10/30/91	3157	3719
;itrus	11/19/54	9	525
;olumbia	11/20/54	17	479
)ixie	11/19/54	7	299
lagler	10/30/91	456	713
ranklin	11/19/54	5	465
;adsden	11/20/54	A-29	411
;ilchrist	11/19/54	9	530
;ulf	11/22/54	19	284
lamilton	11/22/54	59	425
lardee	11/19/54	37	307
lernando	11/19/54	7	335
lighlands	11/19/54	82	403
lillsborough	11/26/54	1116	164
efferson	11/19/54	29	17
.afayette	11/19/54	31	138
.ake	11/19/54	170	225
.eon	11/19/54	159	209
.evy	11/19/54	10	523
.iberty	11/30/54	"J"	215
Madison	11/20/54	69	483
Marion	11/20/54	181	573
Orange	11/23/54	578	123
Osceola	11/20/54	42	216
Pasco	11/22/54	15	568
Pinellas	11/18/54	1046	507
Polk	11/23/54	1068	22
Seminole	11/19/54	28	374
Sumter	11/30/54	40	81
Suwanee	11/23/54	89	1
Taylor	11/20/54	45	377
Volusia	11/23/54	327	538
Wakulla	11/19/54	20	445

STATE OF GEORGIA

County	Date of Recordation	Book	Page
Cook	11/20/54	55	385
Echols	11/20/54	5	86
Lowndes	11/20/54	3	387

SEVENTH SUPPLEMENTAL INDENTURE dated July 1, 1956

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	07/27/56	320	309
Bay	07/27/56	145	395
Brevard	10/30/91	3157	3746
Citrus	07/25/56	28	403
Columbia	07/26/56	38	279
Dixie	07/30/56	9	1
Flagler	10/30/91	456	740
Franklin	07/27/56	16	392
Gadsden	07/26/56	A-36	100
Gilchrist	07/31/56	11	289
Gulf	08/02/56	23	475
Hamilton	07/27/56	11	79
Hardee	07/31/56	43	1
Hernando	07/26/56	21	88
Highlands	07/31/56	11	571
Hillsborough	08/06/56	1260	125
Jefferson	07/25/56	30	295
Lafayette	07/25/56	33	117
Lake	07/26/56	189	613
Leon	07/25/56	190	301
Levy	07/30/56	14	13
Liberty	07/31/56	"J"	531
Madison	07/26/56	74	12
Marion	07/26/56	208	223
Orange	07/27/56	126	165
Osceola	07/26/56	49	1
Pasco	08/02/56	51	353
Pinellas	07/24/56	1168	481
Polk	08/20/56	1180	30
Seminole	07/27/56	90	5
Sumter	08/02/56	43	523
Suwanee	07/26/56	96	67
Taylor	07/25/56	52	451
Volusia	07/26/56	384	195
Wakulla	07/25/56	22	281

STATE OF GEORGIA

County	Date of Recordation	Book	Page
Cook	07/26/56	48	36
Echols	07/26/56	5	401
Lowndes	07/25/56	22	419

EIGHTH SUPPLEMENTAL INDENTURE dated July 1, 1958

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	07/23/58	20	227
Bay	08/05/58	170	295
Brevard	10/30/91	3157	3785
Citrus	07/24/58	55	336
Columbia	07/23/58	66	365
Dixie	07/22/58	11	166
Flagler	10/30/91	456	779
Franklin	07/22/58	29	248
Gadsden	07/23/58	9	48
Gilchrist	07/22/58	12	341
Gulf	07/24/58	29	40
Hamilton	07/22/58	23	1
Hardee	07/22/58	49	451
Hernando	07/25/58	39	358
Highlands	07/29/58	50	514
Hillsborough	07/29/58	111	108
Jefferson	07/23/58	33	19
Lafayette	07/23/58	35	120
Lake	07/31/58	56	297
Leon	07/23/58	216	129
Levy	07/22/58	18	63
Liberty	07/24/58	"K"	413
Madison	07/23/58	78	310
Marion	07/29/58	237	447
Orange	07/23/58	403	300
Osceola	07/23/58	26	462
Pasco	07/25/58	96	455
Pinellas	07/24/58	381	683
Polk	07/24/58	165	452
Seminole	07/23/58	178	26
Sumter	08/01/58	5	66
Suwanee	07/23/58	102	360
Taylor	07/22/58	4	254
Volusia	07/23/58	129	244
Wakulla	07/25/58	24	375

FINTH SUPPLEMENTAL INDENTURE dated October 1, 1960

TATE OF FLORIDA

ounty	Date of Recordation	Book	Page
Alachua	11/23/60	119	158
Bay	11/25/60	28	411
Brevard	10/30/91	3157	3822
Citrus	12/01/60	93	370
Columbia	11/17/60	105	133
Dixie	11/16/60	13	331
Flagler	10/30/91	456	816
Franklin	11/17/60	49	375
Gadsden	11/17/60	29	655
Gilchrist	11/16/60	1	473
Gulf	11/21/60	5	409
Hamilton	11/18/60	37	171
Hardee	11/17/60	60	76
Hernando	11/16/60	65	688
Highlands	11/18/60	108	421
Hillsborough	11/23/60	629	675
efferson	11/18/60	8	290
afayette	11/16/60	38	185
ake	11/21/60	141	619
eon	11/23/60	254	479
evy	11/16/60	23	537
iberty	11/17/60	"M"	525
Madison	11/22/60	11	153
Marion	11/18/60	54	420
Orange	11/22/60	817	569
Osceola	11/16/60	68	410
Pasco	11/21/60	158	530
Pinellas	11/16/60	1036	239
Polk	11/18/60	440	179
Seminole	11/21/60	332	203
Sumter	11/30/60	25	318
Suwanee	11/17/60	111	282
Taylor	11/18/60	21	626
Volusia	11/21/60	330	281
Wakulla	11/21/60	28	185

TENTH SUPPLEMENTAL INDENTURE dated May 1, 1962

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	06/07/62	188	123
Bay	06/15/62	70	173
Brevard	10/30/91	3157	3858
Citrus	06/08/62	120	221
Columbia	06/05/62	130	187
Dixie	06/05/62	15	36
Flagler	10/30/91	456	852
Franklin	06/06/62	58	333
Gadsden	06/05/62	45	493
Gilchrist	06/05/62	7	261
Gulf	06/06/62	14	147
Hamilton	06/05/62	46	407
Hardee	06/05/62	16	449
Hernando	06/05/62	82	326
Highlands	06/11/62	148	617
Hillsborough	0611/62	949	738
Jefferson	06/05/62	13	606
Lafayette	06/08/62	39	385
Lake	06/06/62	204	1
Leon	06/11/62	48	49
Levy	06/05/62	27	574
Liberty	06/06/62	0	214
Madison	06/05/62	20	76
Marion	06/15/62	112	412
Orange	06/06/62	1060	464
Osceola	06/05/62	90	389
Pasco	06/08/62	202	457
Pinellas	06/01/62	1438	571
Polk	06/14/62	605	696
Seminole	06/13/62	408	102
Sumter	06/13/62	40	85
Suwanee	06/05/62	116	273
Taylor	06/05/62	34	330
Volusia	06/20/62	456	46
Wakulla	06/11/62	31	349

ELEVENTH SUPPLEMENTAL INDENTURE dated April 1, 1965

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	05/21/65	324	610
Bay	05/28/65	158	231
Brevard	10/30/91	3157	3894
Citrus	05/13/65	179	485
Columbia	05/17/65	184	314
Dixie	05/13/65	6	485
Flagler	10/30/91	456	888
Franklin	05/19/65	72	497
Gadsden	05/18/65	73	410
Gilchrist	05/13/65	17	11
Gulf	05/18/65	24	717
Hamilton	05/13/65	63	327
Hardee	05/13/65	47	377
Hernando	05/13/65	112	236
Highlands	05/21/65	232	421
Hillsborough	05/12/65	1448	57
Jefferson	05/14/65	23	198
Lafayette	05/13/65	1	687
Lake	05/19/65	287	74
Leon	05/21/65	178	48
Levy	05/21/65	34	519
Liberty	05/14/65	6	1
Madison	05/14/65	34	399
Marion	05/24/65	228	528
Orange	05/25/65	1445	830
Osceola	05/18/65	132	351
Pasco	05/13/65	291	437
Pinellas	05/12/65	2154	77
Polk	05/17/65	929	371
Seminole	05/19/65	535	241
Sumter	05/14/65	68	83
Suwanee	05/17/65	24	673
Taylor	05/17/65	56	129
Volusia	05/19/65	708	531
Wakulla	05/17/65	8	6

TWELFTH SUPPLEMENTAL INDENTURE dated November 1, 1965

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	12/10/65	355	229
Bay	12/20/65	174	619
Brevard	10/30/91	3157	3931
Citrus	12/22/65	192	309
Columbia	12/10/65	194	338
Dixie	12/10/65	9	42
Flagler	10/30/91	456	925
Franklin	12/13/65	76	249
Gadsden	12/10/65	78	606
Gilchrist	12/10/65	19	447
Gulf	12/10/65	26	692
Hamilton	12/10/65	66	303
Hardee	12/10/65	53	426
Hernando	12/13/65	118	441
Highlands	12/20/65	248	20
Hillsborough	12/17/65	1548	603
Jefferson	12/10/65	24	595
Lafayette	12/10/65	2	671
Lake	12/20/65	301	528
Leon	12/20/65	205	170
Levy	12/20/65	36	184
Liberty	12/10/65	6	477
Madison	12/11/65	36	806
Marion	12/27/65	254	153
Orange	12/10/65	1499	785
Osceola	12/10/65	140	445
Pasco	12/13/65	312	19
Pinellas	12/09/65	2283	186
Polk	12/20/65	984	641
Seminole	12/22/65	559	591
Sumter	12/14/65	73	283
Suwanee	12/14/65	30	218
Taylor	12/10/65	59	361
Volusia	12/10/65	755	174
Wakulla	12/20/65	9	390

THIRTEENTH SUPPLEMENTAL INDENTURE dated August 1, 1967

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	08/22/67	458	347
Bay	08/28/67	223	457
Brevard	10/30/91	3157	3964
Citrus	08/28/67	218	756
Columbia	08/22/67	225	304
Dixie	08/22/67	15	367
Flagler	10/30/91	456	962
Franklin	08/28/67	83	556
Gadsden	08/23/67	96	29
Gilchrist	08/22/67	25	131
Gulf	08/22/67	33	618
Hamilton	08/23/67	76	465
Hardee	08/22/67	71	366
Hernando	08/28/67	137	646
Highlands	08/30/67	288	585
Hillsborough	08/28/67	1795	635
Jefferson	08/23/67	30	662
Lafayette	08/22/67	5	694
Lake	08/25/67	342	196
Leon	08/30/67	280	594
Levy	08/28/67	41	262
Liberty	08/23/67	10	90
Madison	08/23/67	44	606
Marion	09/01/67	324	444
Orange	08/24/67	1660	421
Osceola	08/22/67	164	335
Pasco	08/28/67	370	728
Pinellas	08/21/67	2659	498
Polk	09/06/67	1108	900
Seminole	08/31/67	628	506
Sumter	09/06/67	87	602
Suwanee	08/23/67	47	228
Taylor	08/24/67	67	782
Volusia	08/24/67	964	254
Wakulla	08/31/67	14	755

FOURTEENTH SUPPLEMENTAL INDENTURE dated November 1, 1968

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	12/06/68	543	198
Bay	12/18/68	262	487
Brevard	10/30/91	3157	3984
Citrus	12/09/68	239	487
Columbia	12/09/68	242	397
Dixie	12/09/68	20	109
Flagler	10/30/91	456	983
Franklin	12/06/68	88	538
Gadsden	12/12/68	110	7
Gilchrist	12/06/68	29	281
Gulf	12/09/68	38	359
Hamilton	12/06/68	82	245
Hardee	12/06/68	83	221
Hernando	12/09/68	164	395
Highlands	12/11/68	319	390
Hillsborough	12/19/68	1977	890
Jefferson	12/09/68	35	32
Lafayette	12/06/68	9	170
Lake	12/06/68	371	438
Leon	12/19/68	342	572
Levy	12/09/68	44	215
Liberty	12/09/68	12	41
Madison	12/09/68	49	627
Marion	12/20/68	375	12
Orange	12/06/68	1785	837
Osceola	12/06/68	183	688
Pasco	12/06/68	423	607
Pinellas	12/06/68	2964	580
Polk	12/10/68	1193	854
Seminole	12/18/68	695	638
Sumter	01/02/69	98	509
Suwanee	12/06/68	60	50
Taylor	12/09/68	73	494
Volusia	12/09/68	1060	466
Wakulla	12/19/68	18	593

FIFTEENTH SUPPLEMENTAL INDENTURE dated August 1, 1969

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	08/26/69	592	206
Bay	09/03/69	283	513
Brevard	10/30/91	3157	4002
Citrus	08/26/69	251	437
Columbia	09/05/69	251	586
Dixie	08/26/69	21	705
Flagler	10/30/91	456	1001
Franklin	08/26/69	92	363
Gadsden	08/26/69	116	723
Gilchrist	09/04/69	31	539
Gulf	08/26/69	41	23
Hamilton	08/26/69	85	292
Hardee	08/26/69	91	19
Hernando	09/03/69	191	745
Highlands	09/05/69	339	90
Hillsborough	09/03/69	2073	501
efferson	08/26/69	37	193
afayette	08/26/69	12	235
ake	09/11/69	389	148
eon	09/05/69	377	548
evy	08/26/69	6	348
iberty	08/29/69	12	680
Madison	08/26/69	52	263
Marion	09/08/69	399	668
Orange	08/27/69	1867	156
Osceola	09/03/69	192	726
Pasco	08/26/69	459	315
Pinellas	08/26/69	3149	131
Polk	09/04/69	1241	971
Seminole	09/05/69	740	500
Sumter	09/05/69	104	504
Suwanee	08/26/69	66	489
Taylor	08/26/69	77	44
Volusia	08/26/69	1123	577
Wakulla	09/05/69	21	231

SIXTEENTH SUPPLEMENTAL INDENTURE dated February 1, 1970

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	03/13/70	625	297
Bay	03/23/70	298	539
Brevard	10/30/91	3157	4019
Citrus	03/16/70	261	729
Columbia	03/13/70	257	622
Dixie	03/13/70	23	107
Flagler	10/30/91	456	1019
Franklin	03/13/70	94	507
Gadsden	03/13/70	121	571
Gilchrist	03/20/70	33	449
Gulf	03/16/70	43	244
Hamilton	03/14/70	87	291
Hardee	03/16/70	97	225
Hernando	03/20/70	212	536
Highlands	03/20/70	352	25
Hillsborough	03/20/70	2146	824
Jefferson	03/13/70	38	643
Lafayette	03/16/70	14	42
Lake	03/13/70	400	545
Leon	04/02/70	406	203
Levy	03/20/70	11	150
Liberty	03/13/70	13	494
Madison	03/13/70	54	152
Marion	03/20/70	419	113
Orange	03/20/70	1927	853
Osceola	03/13/70	199	282
Pasco	03/13/70	487	207
Pinellas	03/23/70	3294	582
Polk	03/27/70	1278	4
Seminole	03/20/70	771	384
Sumter	03/27/70	109	1
Suwanee	03/13/70	71	61
Taylor	03/16/70	79	282
Volusia	03/13/70	1183	353
Wakulla	03/24/70	23	36

SEVENTEENTH SUPPLEMENTAL INDENTURE dated November 1, 1970

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	12/15/70	678	70
	01/08/71	682	405B
Bay	01/11/71	321	565
Brevard	10/30/91	3157	4030
Citrus	01/07/71	277	324
Columbia	12/16/70	266	25
	01/07/71	266	351
Dixie	01/07/71	25	246
Flagler	10/30/91	456	1030
Franklin	12/15/70	98	171
	01/18/71	98	472
Gadsden	01/07/71	128	705
Gilchrist	01/13/71	36	5
Gulf	12/16/70	46	132
Hamilton	12/16/70	90	201
	01/08/71	90	325
Hardee	12/16/70	106	109
	01/07/71	107	15
Hernando	12/16/70	246	299
	01/13/71	252	715
Highlands	01/11/71	372	79
Hillsborough	01/11/71	2261	308
Jefferson	12/16/70	41	467
Lafayette	01/06/71	16	144
Lake	01/12/71	421	742
Leon	01/14/71	449	244
Levy	01/11/71	18	65
Liberty	12/16/70	14	535
Madison	01/07/71	56	911
Marion	01/11/71	449	33
Orange	01/11/71	2021	24
Osceola	01/29/71	212	353
Pasco	01/08/71	524	86
Pinellas	01/14/71	3467	449
Polk	01/14/71	1331	880
Seminole	01/11/71	819	223
Sumter	01/11/71	115	308
Suwanee	12/17/70	77	82
Taylor	12/17/70	83	53
Volusia	01/11/71	1257	142
Wakulla	01/12/71	26	175

EIGHTEENTH SUPPLEMENTAL INDENTURE dated October 1, 1971

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	11/17/71	755	116
Bay	11/09/71	351	33
Brevard	10/30/91	3157	4062
Citrus	11/16/71	296	490
Columbia	11/15/71	278	597
Dixie	11/09/71	31	23
Flagler	10/30/91	456	1062
Franklin	11/09/71	103	278
Gadsden	11/10/71	138	360
Gilchrist	11/16/71	39	92
Gulf	11/11/71	49	107
Hamilton	11/09/71	93	538
Hardee	11/09/71	119	63
Hernando	11/17/71	280	1
Highlands	11/16/71	393	578
Hillsborough	11/17/71	2393	263
Jefferson	11/11/71	45	135
Lafayette	11/09/71	19	91
Lake	11/16/71	447	834
Leon	11/12/71	496	190
Levy	11/16/71	26	748
Liberty	11/10/71	16	108
Madison	11/11/71	61	220
Marion	11/16/71	487	239
Orange	11/18/71	2144	179
Osceola	11/10/71	229	360
Pasco	11/12/71	569	344
Pinellas	11/09/71	3659	630
Polk	11/16/71	1400	1
Seminole	11/16/71	892	460
Sumter	11/09/71	123	457
Suwanee	11/12/71	86	28
Taylor	11/09/71	87	706
Volusia	11/09/71	1352	118
Wakulla	11/16/71	30	218

NINETEENTH SUPPLEMENTAL INDENTURE dated June 1, 1971

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	07/31/72	797	81
Bay	07/31/72	378	483
Brevard	10/30/91	3157	4079
Citrus	08/01/72	314	557
Columbia	07/31/72	290	418
Dixie	07/31/72	35	44
Flagler	10/30/91	456	1079
Franklin	07/31/72	107	442
Gadsden	07/31/72	147	296
Gilchrist	07/31/72	41	148
Gulf	07/31/72	51	371
Hamilton	07/31/72	96	573
Hardee	07/31/72	130	35
Hernando	07/31/72	295	702
Highlands	07/31/72	409	578
Hillsborough	07/31/72	2518	15
Jefferson	07/31/72	48	389
Lafayette	08/04/72	22	70
Lake	08/02/72	474	134
Leon	08/02/72	537	763
Levy	08/02/72	35	5
Liberty	08/03/72	17	319
Madison	08/03/72	65	120
Marion	08/02/72	521	427
Orange	08/03/72	2259	950
Osceola	08/02/72	245	626
Pasco	08/03/72	619	487
Pinellas	08/02/72	3846	454
Polk	08/02/72	1467	276
Seminole	08/03/72	948	1035
Sumter	08/02/72	131	348
Suwanee	08/02/72	93	785
Taylor	08/03/72	92	198
Volusia	08/02/72	1456	420
Wakulla	08/03/72	33	147

TWENTIETH SUPPLEMENTAL INDENTURE dated November 1, 1972

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	01/22/73	818	709
Bay	01/22/73	400	226
Brevard	10/30/91	3157	4096
Citrus	01/22/73d	328	152
Columbia	01/22/73	298	244
Dixie	01/22/73	38	92
Flagler	10/30/91	456	1096
Franklin	01/22/73	110	446
Gadsden	01/22/73	154	117
Gilchrist	01/2273	42	685
Gulf	01/22/73	52	813
Hamilton	01/22/73	99	270
Hardee	01/22/73	138	88
Herdando	01/22/73	306	325
Highlands	01/22/73	422	5
Hillsborough	01/22/73	2612	659
Jefferson	01/23/73	50	632
Lafayette	01/22/73	23	338
Lake	01/22/73	492	696
Leon	01/25/73	567	238
Levy	01/22/73	40	755
Liberty	01/23/73	18	51
Madison	01/23/73	67	413
Marion	01/22/73	546	125
Orange	01/22/73	2345	569
Osceola	01/24/73	256	564
Pasco	01/22/73	654	281
Pinellas	01/23/73	3980	788
Polk	01/24/73	1514	854
Seminole	01/22/73	136	696
Sumter	01/22/73	136	696
Suwanee	01/22/73	98	583
Taylor	01/22/73	95	99
Volusia	01/22/73	1533	327
Wakulla	01/26/73	35	266

TWENTY-FIRST SUPPLEMENTAL INDENTURE dated June 1, 1973

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	08/30/73	850	668
Bay	08/30/73	431	401
Brevard	10/30/91	3157	4126
Citrus	08/31/73	349	609
Columbia	08/30/73	309	245
Dixie	08/30/73	41	473
Flagler	10/30/91	456	1126
Franklin	08/31/73	115	120
Gadsden	08/31/73	164	90
Gilchrist	08/31/73	45	387
Gulf	09/04/73	54	736
Hamilton	09/04/73	104	250
Hardee	08/31/73	149	295
Herdando	08/31/73	321	479
Highlands	08/31/73	442	961
Hillsborough	08/31/73	2740	278
Jefferson	08/31/73	54	591
Lafayette	09/07/73	26	73
Lake	08/31/73	520	70
Leon	09/06/73	609	543
Levy	09/05/73	50	741
Liberty	08/31/73	19	111
Madison	08/31/73	71	22
Marion	09/04/73	585	491
Orange	09/07/73	2448	1009
Osceola	09/06/73	272	204
Pasco	09/04/73	707	613
Pinellas	08/31/73	4073	767
Polk	08/31/73	1550	1341
Seminole	09/04/73	993	0048
Sumter	08/31/73	144	265
Suwanee	09/04/73	106	192
Taylor	08/31/73	99	444
Volusia	08/31/73	1647	440
Wakulla	08/31/73	38	458

TWENTY-SECOND SUPPLEMENTAL INDENTURE dated December 1, 1973

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	02/28/74	876	74
Bay	02/28/74	457	572
Brevard	10/30/91	3157	4155
Citrus	03/18/74	365	200
Columbia	03/01/74	319	179
Dixie	02/28/74	44	149
Flagler	10/30/91	456	1155
Franklin	03/01/74	119	14
Gadsden	03/01/74	171	264
Gilchrist	02/28/74	48	25
Gulf	03/01/74	56	427
Hamilton	03/01/74	109	89
Hardee	02/28/74	158	140
Herdando	02/28/74	333	455
Highlands	02/28/74	458	394
Hillsborough	02/28/74	2842	642
Jefferson	03/01/74	58	5
Lafayette	03/01/74	28	34
Lake	03/04/74	540	77
Leon	03/01/74	638	672
Levy	02/28/74	57	769
Liberty	03/01/74	20	54
Madison	03/01/74	73	545
Marion	02/28/74	617	19
Orange	02/28/74	2504	1707
Osceola	03/01/74	284	344
Pasco	03/01/74	739	1360
Pinellas	02/28/74	4141	1397
Polk	02/28/74	1578	1983
Seminole	03/04/74	1010	1601
Sumter	03/01/74	150	278
Suwanee	03/04/74	111	766
Taylor	03/04/74	102	694
Volusia	03/04/74	1712	645
Wakulla	03/05/74	40	626

WENTY-THIRD SUPPLEMENTAL INDENTURE dated October 1, 1976

TATE OF FLORIDA

ounty	Date of Recordation	Book	Page
lachua	11/29/76	1035	716
ay	11/29/76	600	687
revard	10/30/91	3157	4184
itrus	12/08/76	448	668
olumbia	12/03/76	370	898
ixie	11/29/76	56	160
lagler	10/30/91	456	1184
ranklin	11/29/76	136	420
adsden	12/06/76	219	533
ilchrist	11/30/76	62	464
ulf	11/30/76	68	753
amilton	11/30/76	131	855
ardee	11/29/76	212	10
erdando	12/03/76	397	623
ighlands	11/29/76	535	951
illsborough	11/29/76	3181	1281
efferson	11/29/76	75	198
afayette	11/29/76	36	422
ake	12/06/76	620	66
eon	11/30/76	823	723
evy	11/29/76	98	32
iberty	11/29/76	25	104
Madison	12/06/76	89	124
Marion	12/08/76	779	258
Orange	12/06/76	2745	889
Osceola	11/30/76	345	524
Pasco	12/03/76	867	1165
Pinellas	12/03/76	4484	1651
Polk	11/29/76	1720	2000
Seminole	12/06/76	1105	1137
Sumter	11/30/76	181	97
Suwanee	11/29/76	146	437
Taylor	11/30/76	123	111
Volusia	12/06/76	1872	1438
Wakulla	12/07/76	53	837

TWENTY-FOURTH SUPPLEMENTAL INDENTURE dated April 1, 1979

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	06/11/79	1212	956
Bay	06/12/79	734	343
Brevard	10/30/91	3157	4212
Citrus	06/12/79	538	1687
Columbia	06/14/79	429	139
Dixie	06/12/79	68	122
Flagler	10/30/91	456	1212
Franklin	06/13/79	159	186
Gadsden	06/13/79	259	396
Gilchrist	06/12/79	77	260
Gulf	06/14/79	78	174
Hamilton	06/12/79	142	859
Hardee	06/12/79	245	558
Herdando	06/12/79	443	17
Highlands	06/13/79	620	77
Hillsborough	06/12/79	3523	1162
Jefferson	06/13/79	93	685
Lafayette	06/13/79	44	496
Lake	06/12/79	678	266
Leon	06/15/79	931	526
Levy	06/12/79	141	163
Liberty	06/13/79	30	394
Madison	06/13/79	108	655
Marion	06/13/79	976	451
Orange	06/13/79	3018	812
Osceola	06/12/79	438	115
Pasco	06/14/79	1013	126
Pinellas	06/12/79	4867	291
Polk	06/12/79	1881	2012
Seminole	06/12/79	1228	606
Sumter	06/12/79	216	642
Suwanee	06/12/79	184	514
Taylor	06/13/79	145	686
Volusia	06/12/79	2082	1430
Wakulla	06/13/79	69	884

TWENTY-FIFTH SUPPLEMENTAL INDENTURE dated April 1, 1980

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	07/25/80	1290	319
Bay	07/25/80	794	596
Brevard	10/30/91	3157	4238
Citrus	07/28/80	560	2030
Columbia	07/24/80	451	126
Dixie	07/24/80	73	220
Flagler	10/30/91	456	1238
Franklin	07/28/80	169	589
Gadsden	07/25/80	275	649
Gilchrist	07/24/80	84	551
Gulf	07/28/80	82	290
Hamilton	07/25/80	148	774
Hardee	07/25/80	257	823
Herdando	07/24/80	465	441
Highlands	07/29/80	658	523
Hillsborough	07/24/80	3684	411
Jefferson	07/25/80	101	387
Lafayette	07/24/80	47	586
Lake	07/24/80	705	977
Leon	07/25/80	966	426
Levy	07/25/80	161	478
Liberty	07/25/80	32	981
Madison	07/28/80	117	572
Marion	07/28/80	1027	1141
Orange	07/25/80	3127	1401
Osceola	07/30/80	489	198
Pasco	07/25/80	1077	1362
Pinellas	06/24/80	5038	2013
Polk	07/25/80	1956	1808
Seminole	07/28/80	1288	1105
Sumter	07/25/80	233	598
Suwanee	07/29/80	200	618
Taylor	07/28/80	156	740
Volusia	07/25/80	2185	587
Wakulla	07/28/80	76	879

TWENTY-SIXTH SUPPLEMENTAL INDENTURE dated November 1, 1980

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	01/27/81	1326	527
Bay	01/26/81	823	570
Brevard	10/30/91	3157	4267
Citrus	01/28/81	570	1391
Columbia	01/27/81	461	435
Dixie	01/23/81	75	785
Flagler	10/30/91	456	1267
Franklin	01/27/81	174	320
Gadsden	01/26/81	282	356
Gilchrist	01/23/81	87	484
Gulf	01/26/81	84	307
Hamilton	01/26/81	151	44
Hardee	01/27/81	264	214
Herdando	01/26/81	476	916
Highlands	01/26/81	676	12
Hillsborough	01/26/81	3760	1223
Jefferson	01/26/81	104	658
Lafayette	01/27/81	49	175
Lake	01/27/81	717	2439
Leon	01/30/81	983	1982
Levy	01/26/81	169	716
Liberty	01/26/81	33	875
Madison	01/27/81	121	535
Marion	01/26/81	1051	47
Orange	01/26/81	3167	2388
Osceola	01/28/81	512	78
Pasco	01/26/81	1108	1247
Pinellas	12/31/80	5128	1781
Polk	01/27/81	1994	436
Seminole	01/27/81	1317	775
Sumter	01/26/81	241	211
Suwanee	01/27/81	209	696
Taylor	01/26/81	161	461
Volusia	01/26/81	2236	1396
Wakulla	01/26/81	79	837

TWENTY-SEVENTH SUPPLEMENTAL INDENTURE dated November 15, 1980

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	02/10/81	1328	880
Bay	02/10/81	825	667
Brevard	10/30/91	3157	4295
Citrus	02/13/81	571	1236
Columbia	02/09/81	462	275
Dixie	02/09/81	76	147
Flagler	10/30/91	456	1295
Franklin	02/11/81	174	590
Gadsden	02/11/81	283	105
Gilchrist	02/13/81	88	100
Gulf	02/17/81	84	561
Hamilton	02/11/81	151	256
Hardee	02/11/81	264	618
Herdando	02/10/81	477	904
Highlands	02/11/81	677	519
Hillsborough	02/10/81	3766	35
Jefferson	02/12/81	105	318
Lafayette	02/10/81	49	299
Lake	02/10/81	718	2428
Leon	02/18/81	985	1655
Levy	02/12/81	170	567
Liberty	02/12/81	34	94
Madison	02/11/81	122	47
Marion	02/10/81	1052	1660
Orange	02/11/81	3171	1797
Osceola	02/13/81	514	336
Pasco	02/10/81	1111	307
Pinellas	02/10/81	5147	951
Polk	02/11/81	1997	527
Seminole	02/11/81	1319	1660
Sumter	02/11/81	241	746
Suwanee	02/11/81	210	652
Taylor	02/11/81	161	793
Volusia	02/10/81	2241	333
Wakulla	02/11/81	80	188

TWENTY-EIGHTH SUPPLEMENTAL INDENTURE dated May 1, 1981

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	06/08/81	1351	161
Bay	07/20/81	853	623
Brevard	10/30/91	3157	4321
Citrus	06/08/81	578	919
Columbia	06/08/81	469	507
Dixie	06/09/81	78	172
Flagler	10/30/91	456	1321
Franklin	06/10/81	178	166
Gadsden	06/08/81	286	1847
Gilchrist	06/05/81	90	526
Gulf	06/09/81	85	881
Hamilton	06/08/81	152	776
Hardee	06/05/81	267	797
Herdando	06/05/81	484	1645
Highlands	06/05/81	689	338
Hillsborough	06/05/81	3814	700
Jefferson	06/09/81	107	352
Lafayette	06/05/81	50	758
Lake	06/08/81	727	209
Leon	06/08/81	996	1780
Levy	06/08/81	176	81
Liberty	06/12/81	34	859
Madison	06/08/81	125	615
Marion	06/05/81	1068	1824
Orange	06/08/81	3199	783
Osceola	06/09/81	532	1
Pasco	06/05/81	1132	1007
Pinellas	06/05/81	5201	1902
Polk	06/12/81	2022	642
Seminole	06/08/81	1340	894
Sumter	06/05/81	246	210
Suwanee	06/05/81	217	153
Taylor	06/09/81	165	536
Volusia	06/05/81	2272	1296
Wakulla	06/08/81	82	500

TWENTY-NINTH SUPPLEMENTAL INDENTURE dated September 1, 1982

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	10/06/82	1440	284
Bay	10/08/82	912	523
Brevard	10/30/91	3157	4348
Citrus	10/07/82	604	1403
Columbia	10/06/82	498	260
Dixie	10/07/82	85	2
Flagler	10/30/91	456	1348
Franklin	10/11/82	191	239
Gadsden	10/08/82	297	266
Gilchrist	10/07/82	98	657
Gulf	10/07/82	91	125
Hamilton	10/06/82	159	396
Hardee	10/07/82	281	339
Herdando	10/06/82	510	1386
Highlands	10/08/82	733	571
Hillsborough	10/06/82	4009	985
Jefferson	10/08/82	115	766
Lafayette	10/06/82	55	163
Lake	10/08/82	759	836
Leon	10/07/82	1041	20
Levy	10/06/82	198	511
Liberty	10/07/82	38	218
Madison	10/07/82	136	685
Marion	10/06/82	1128	717
Orange	10/07/82	3316	738
Osceola	10/11/82	606	68
Pasco	10/06/82	1212	1279
Pinellas	10/07/82	5411	1407
Polk	10/07/82	2110	93
Seminole	10/06/82	1416	535
Sumter	10/06/82	263	631
Suwanee	10/06/82	238	524
Taylor	10/07/82	178	879
Volusia	10/06/82	2391	1879
Wakulla	10/07/82	91	306

THIRTIETH SUPPLEMENTAL INDENTURE dated October 1, 1982

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	12/02/82	1450	90
Bay	12/06/82	916	1538
Brevard	10/30/91	3157	4364
Citrus	12/03/82	607	1034
Columbia	12/06/82	501	729
Dixie	12/06/82	86	49
Flagler	10/30/91	456	1364
Franklin	12/07/82	192	448
Gadsden	12/06/82	298	608
Gilchrist	12/03/82	100	18
Gulf	12/07/82	91	744
Hamilton	12/06/82	160	118
Hardee	12/08/82	283	11
Herdando	12/03/82	513	992
Highlands	12/07/82	738	221
Hillsborough	12/03/82	4033	293
Jefferson	12/06/82	117	9
Lafayette	12/06/82	55	444
Lake	12/03/82	763	19
Leon	12/07/82	1047	812
Levy	12/06/82	201	136
Liberty	12/08/82	38	547
Madison	12/07/82	137	808
Marion	12/07/82	1135	1015
Orange	12/06/82	3330	2301
Osceola	12/09/82	615	721
Pasco	12/06/82	1222	1592
Pinellas	11/23/82	5434	229
Polk	12/08/82	2121	118
Seminole	12/06/82	1425	1476
Sumter	12/06/82	265	768
Suwanee	12/07/82	240	699
Taylor	12/06/82	180	189
Volusia	12/06/82	2406	460
Wakulla	12/06/82	92	272

THIRTY-FIRST SUPPLEMENTAL INDENTURE dated November 1, 1991

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	12/05/91	1836	2215
Bay	12/04/91	1347	1335
Brevard	12/05/91	3165	1204
Citrus	12/04/91	917	725
Columbia	12/04/91	753	1847
Dixie	12/09/91	156	90
Flagler	12/04/91	458	1266
Franklin	12/04/91	364	11
Gadsden	12/04/91	386	1240
Gilchrist	12/09/91	182	573
Gulf	12/04/91	148	72
Hamilton	12/04/91	294	236
Hardee	12/04/91	420	322
Herdando	12/03/91	843	1139
Highlands	12/03/91	1161	1860
Hillsborough	12/04/91	6449	1412
Jefferson	12/04/91	225	39
Lafayette	12/05/91	87	430
Lake	12/04/91	1138	1083
Leon	12/04/91	1530	452
Levy	12/05/91	446	454
Liberty	12/04/91	68	508
Madison	12/04/91	258	173
Marion	12/04/91	1787	161
Orange	12/06/91	4352	22
Osceola	12/05/91	1042	587
Pasco	12/03/91	2071	503
Pinellas	11/13/91	7731	740
Polk	12/06/91	3041	1252
Seminole	12/05/91	2364	1942
Sumter	12/03/91	443	254
Suwanee	12/05/91	423	515
Taylor	12/04/91	296	232
Volusia	12/09/91	3712	968
Wakulla	12/05/91	185	524

THIRTY-SECOND SUPPLEMENTAL INDENTURE dated December 1, 1992

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	12/30/92	1888	2338
Bay	12/30/92	1410	42
Brevard	12/29/92	3256	2503
Citrus	12/29/92	965	231
Columbia	12/30/92	769	532
Dixie	12/30/92	165	484
Flagler	12/30/92	480	212
Franklin	12/30/92	399	1
Gadsden	12/30/92	399	1762
Gilchrist	12/30/92	194	693
Gulf	01/06/93	157	343
Hamilton	12/29/92	314	215
Hardee	12/31/92	439	211
Herdando	12/29/92	894	688
Highlands	12/29/92	1200	1665
Hillsborough	12/30/92	6838	810
Jefferson	12/30/92	250	196
Lafayette	12/30/92	92	129
Lake	12/30/92	1203	323
Leon	01/07/93	1611	2296
Levy	12/29/92	479	312
Liberty	12/30/92	73	427
Madison	12/30/92	292	205
Marion	12/29/92	1888	1815
Orange	12/30/92	4506	2985
Osceola	12/31/92	1102	2325
Pasco	12/29/92	3101	950
Pinellas	12/15/92	8120	1705
Polk	12/31/92	3185	899
Seminole	12/29/92	2525	1408
Sumter	12/29/92	471	468
Suwanee	12/29/92	449	469
Taylor	01/21/93	313	221
Volusia	12/30/92	3797	1647
Wakulla	12/31/92	204	765

THIRTY-THIRD SUPPLEMENTAL INDENTURE dated December 1, 1992

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	12/30/92	1888	2426
Bay	12/30/92	1410	130
Brevard	12/29/92	3256	2592
Citrus	12/29/92	965	319
Columbia	12/30/92	769	622
Dixie	12/30/92	165	572
Flagler	12/30/92	480	300
Franklin	12/30/92	399	89
Gadsden	12/30/92	399	1850
Gilchrist	12/30/92	195	1
Gulf	01/06/93	157	431
Hamilton	12/29/92	315	1
Hardee	12/31/92	439	299
Herdando	12/29/92	894	776
Highlands	12/29/92	1200	1754
Hillsborough	12/30/92	6838	898
Jefferson	12/30/92	250	285
Lafayette	12/30/92	92	217
Lake	12/30/92	1203	411
Leon	01/07/93	1611	2384
Levy	12/29/92	479	400
Liberty	12/30/92	73	515
Madison	12/30/92	292	293
Marion	12/29/92	1888	1903
Orange	12/30/92	4506	3073
Osceola	12/31/92	1102	2413
Pasco	12/29/92	3101	1038
Pinellas	12/15/92	8120	1795
Polk	12/31/92	3185	987
Seminole	12/29/92	2525	1496
Sumter	12/29/92	471	556
Suwanee	12/29/92	449	595
Taylor	01/21/93	313	309
Volusia	12/30/92	3797	1735
Wakulla	12/31/92	204	853

THIRTY-FOURTH SUPPLEMENTAL INDENTURE dated February 1, 1993

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	02/23/93	1895	1712
Bay	02/22/93	1418	1202
Brevard	02/22/93	3268	4928
Citrus	03/03/93	972	1372
Columbia	02/23/93	771	1030
Dixie	02/23/93	166	771
Flagler	02/23/93	483	86
Franklin	02/23/93	404	209
Gadsden	02/22/93	402	153
Gilchrist	02/22/93	196	612
Gulf	02/22/93	158	636
Hamilton	02/22/93	317	37
Hardee	02/26/93	442	29
Herdando	02/22/93	901	1009
Highlands	02/23/93	1206	1393
Hillsborough	02/23/93	6891	182
Jefferson	02/23/93	254	267
Lafayette	02/22/93	92	788
Lake	02/22/93	1211	1060
Leon	02/23/93	1621	51
Levy	02/22/93	484	459
Liberty	02/22/93	74	366
Madison	02/22/93	297	50
Marion	03/01/93	1902	1706
Orange	03/01/93	4527	4174
Osceola	02/23/93	1111	2070
Pasco	03/01/93	3118	1205
Pinellas	02/09/93	8173	382
Polk	02/22/93	3203	2186
Seminole	02/22/93	2547	765
Sumter	02/22/93	475	750
Suwanee	02/23/93	454	51
Taylor	02/25/93	314	853
Volusia	02/23/93	3808	3551
Wakulla	02/23/93	207	396

THIRTY-FIFTH SUPPLEMENTAL INDENTURE dated March 1, 1993

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	03/22/93	1898	2769
Bay	03/23/93	1423	659
Brevard	03/22/93	3275	3473
Citrus	03/22/93	975	1
Columbia	03/24/93	772	1536
Dixie	03/23/93	167	499
Flagler	03/23/93	484	1113
Franklin	03/22/93	407	47
Gadsden	03/22/93	403	66
Gilchrist	03/22/93	197	704
Gulf	03/22/93	159	388
Hamilton	03/22/93	320	1
Hardee	03/22/93	443	137
Herdando	03/22/93	905	480
Highlands	03/22/93	1210	47
Hillsborough	03/22/93	6917	972
Jefferson	03/24/93	257	40
Lafayette	03/23/93	93	218
Lake	03/23/93	1216	1165
Leon	03/23/93	1626	1941
Levy	03/23/93	487	375
Liberty	03/22/93	74	627
Madison	03/22/93	299	211
Marion	03/22/93	1910	738
Orange	03/23/93	4539	2634
Osceola	03/25/93	1115	2511
Pasco	03/22/93	3129	149
Pinellas	03/10/93	8200	2030
Polk	03/22/93	3214	1331
Seminole	03/22/93	2559	1330
Sumter	03/22/93	478	191
Suwanee	03/24/93	456	58
Taylor	03/26/93	316	580
Volusia	03/23/93	3814	4453
Wakulla	03/22/93	208	563

THIRTY-SIXTH SUPPLEMENTAL INDENTURE dated July 1, 1993

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	08/06/93	1919	2335
Bay	08/09/93	1447	1661
Brevard	08/05/93	3312	2304
Citrus	08/06/93	994	111
Columbia	08/09/93	778	736
Dixie	08/10/93	171	595
Flagler	08/06/93	493	183
Franklin	08/16/93	423	78
Gadsden	08/06/93	407	1440
Gilchrist	08/06/93	202	372
Gulf	08/06/93	162	831
Hamilton	08/06/93	326	301
Hardee	08/06/93	450	623
Herdando	08/09/93	925	1936
Highlands	08/06/93	1225	1608
Hillsborough	08/05/93	7071	222
Jefferson	08/10/93	266	252
Lafayette	08/09/93	95	394
Lake	08/06/93	1241	430
Leon	08/09/93	1660	1955
Levy	08/06/93	500	395
Liberty	08/06/93	76	362
Madison	08/06/93	312	20
Marion	08/06/93	1948	1022
Orange	08/09/93	4602	366
Osceola	08/06/93	1138	832
Pasco	08/05/93	3182	104
Pinellas	07/20/93	8342	522
Polk	08/05/93	3268	1251
Seminole	08/09/93	2627	330
Sumter	08/05/93	489	700
Suwanee	08/09/93	467	488
Taylor	08/06/93	323	490
Volusia	08/06/93	3848	2752
Wakulla	08/06/93	217	104

THIRTY-SEVENTH SUPPLEMENTAL INDENTURE dated December 1, 1993

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	12/29/93	1942	1768
Bay	12/29/93	1473	1090
Brevard	12/28/93	3353	2186
Citrus	12/29/93	1013	1791
Columbia	12/30/93	784	1174
Dixie	01/04/94	175	744
Flagler	12/30/93	503	269
Franklin	12/30/93	437	69
Gadsden	12/29/93	412	1638
Gilchrist	01/03/94	207	597
Gulf	12/29/93	166	710
Hamilton	12/29/93	334	78
Hardee	12/28/93	458	139
Herdando	12/30/93	947	1037
Highlands	12/29/93	1241	1888
Hillsborough	12/29/93	7235	1829
efferson	12/30/93	276	231
afayette	12/29/93	97	746
ake	12/29/93	1267	2229
eon	12/29/93	1698	1017
evy	12/30/93	512	733
iberty	12/29/93	78	291
Madison	12/29/93	324	302
Marion	12/29/93	1990	1962
Orange	12/29/93	4675	2208
Osceola	12/30/93	1163	2641
Pasco	12/29/93	3239	112
Pinellas	12/15/93	8502	2162
Polk	12/28/93	3327	562
Seminole	12/28/93	2703	466
Sumter	12/28/93	502	167*
Suwanee	12/29/93	478	324
Taylor	12/29/93	330	533
Volusia	12/29/93	3885	2736
Wakulla	12/30/93	224	727

* Due to a scriveners error, the Thirty-Ninth and Fortieth Supplemental Indentures to the Original Indenture erroneously indicated a page number of 157.

THIRTY-EIGHTH SUPPLEMENTAL INDENTURE dated July 25, 1994

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	08/08/94	1975	2678
Bay	08/08/94	1516	432
Brevard	08/08/94	3412	3309
Citrus	08/08/94	1044	2108
Columbia	08/08/94	794	188
Dixie	08/11/94	183	3
Flagler	08/08/94	516	1458
Franklin	08/10/94	465	42
Gadsden	08/09/94	422	570
Gilchrist	08/10/94	216	477
Gulf	08/08/94	172	664
Hamilton	08/08/94	347	189
Hardee	08/08/94	471	495
Herdando	09/06/94	983	887
Highlands	08/08/94	1267	791
Hillsborough	08/10/94	7485	745
Jefferson	08/09/94	298	22
Lafayette	08/09/94	101	626
Lake	08/09/94	1311	1274
Leon	08/08/94	1754	594
Levy	08/08/94	533	45
Liberty	08/09/94	81	566
Madison	08/08/94	348	172
Marion	08/10/94	2060	1272
Orange	08/09/94	4779	4850
Osceola	08/08/94	1205	1060
Pasco	08/08/94	3326	1162
Pinellas	07/25/94	8734	1574
Polk	08/08/94	3423	2168
Seminole	08/08/94	2809	131
Sumter	08/08/94	524	256
Suwanee	08/08/94	500	170
Taylor	08/09/94	342	576
Volusia	08/11/94	3942	4371
Wakulla	08/10/94	239	322

THIRTY-NINTH SUPPLEMENTAL INDENTURE dated July 1, 2001

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	07/16/01	2371	1703
Bay	07/24/01	2052	225
Brevard	07/24/01	4387	206
Citrus	07/16/01	1440	322
Columbia	07/24/01	931	1741
Dixie	07/23/01	262	1
Flagler	07/24/01	758	320
Franklin	07/26/01	671	542
Gadsden	07/23/01	529	134
Gilcrest	07/23/01	2001	3068
Gulf	07/24/01	262	872
Hamilton	07/23/01	504	59
Hardee	07/23/01	614	764
Hernando	07/16/01	1437	619
Highlands	07/16/01	1556	1380
Hillsborough	07/23/01	10952	1626
Jefferson	07/23/01	471	268
Lafayette	07/23/01	169	348
Lake	07/16/01	1974	2275
Leon	07/23/01	2530	74
Levy	07/23/01	752	726
Liberty	07/23/01	124	311
Madison	07/24/01	587	48
Manatee	07/23/01	1692	6974
Marion	07/16/01	2987	1131
Orange	07/16/01	6302	3365
Osceola	07/16/01	1902	1112
Pasco	07/16/01	4667	77
Pinellas	07/13/01	11475	2488
Polk	07/16/01	4751	1
Seminole	07/16/01	4128	170
Sumter	07/16/01	894	40
Suwannee	07/23/01	877	77
Taylor	07/23/01	464	215
Volusia	07/17/01	4714	4356
Wakulla	07/23/01	414	599

FORTIETH SUPPLEMENTAL INDENTURE dated July 1, 2002

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	07/19/02	2486	439
Bay	07/19/02	2164	520
Brevard	07/01/01	4641	2591
Citrus	07/19/02	1521	2
Columbia	07/19/02	958	500
Dixie	07/19/02	277	1
Flagler	07/24/02	838	776
Franklin	07/24/02	706	23
Gadsden	07/19/02	548	415
Gilchrist*	07/19/02	Instrument Number 2002	3363
Gulf	07/19/02	285	369
Hamilton	07/19/02	530	143
Hardee	07/19/02	630	147
Hernando	07/19/02	1552	745
Highlands	07/19/02	1616	1919
Hillsborough	07/19/02	11790	0680
Jefferson	07/22/02	0492	0001
Lafayette	07/19/02	181	406
Lake	07/22/02	02145	1576
Leon	07/19/02	R2697	01718
Levy	07/19/02	795	531
Liberty	07/19/02	131	454
Madison	07/19/02	627	171
Manatee	07/19/02	1759	970
Marion	07/19/02	3203	0458
Orange	07/23/02	6573	5463
Osceola	07/22/02	2082	1419
Pasco	07/19/02	5012	1362
Pinellas	07/26/02	12128	1700
Polk	07/19/02	5064	0027
Seminole	07/23/02	4468	0429
Sumter	07/19/02	988	512
Suwannee	07/19/02	948	7
Taylor	07/19/02	484	562
Volusia	07/19/02	4898	2002
Wakulla	07/22/02	450	344

* Gilchrist County utilizes an instrument number indexing system rather than a book/page indexing system.

FORTY-FIRST SUPPLEMENTAL INDENTURE dated February 1, 2003

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	03/10/03	2620	1182
Bay	03/20/03	2252	1616
Brevard	03/10/03	4845	847
Citrus	03/10/03	1580	537
Columbia	03/10/03	976	2505
Dixie	03/10/03	285	654
Flagler	03/10/03	905	1523
Franklin	03/12/03	729	424
Gadsden	03/10/03	561	1091
Gilchrist*	03/10/03	Instrument Number 2003	1224
Gulf	03/10/03	301	432
Hamilton	03/10/03	543	358
Hardee	03/10/03	640	218
Hernando	03/07/03	1636	204
Highlands	03/10/03	1660	726
Hillsborough	03/10/03	12427	1748
Jefferson	03/10/03	507	98
Lafayette	03/10/03	189	107
Lake	03/10/03	2276	2224
Leon	03/11/03	2827	95
Levy	03/10/03	826	208
Liberty	03/11/03	136	479
Madison	03/09/03	653	69
Manatee	03/07/03	1809	6624
Marion	03/10/03	3363	1414
Orange	03/10/03	6820	89
Osceola	03/10/03	2208	1762
Pasco	03/07/03	5267	216
Pinellas	03/06/03	12582	1011
Polk	03/06/03	5289	1762
Seminole	03/10/03	4745	970
Sumter	03/07/03	1052	4
Suwannee	03/10/03	995	83
Taylor	03/10/03	497	542
Volusia	03/10/03	5033	4056
Wakulla	03/10/03	478	79

* Gilchrist County utilizes an instrument number indexing system rather than a book/page indexing system.

FORTY-SECOND SUPPLEMENTAL INDENTURE dated April 1, 2003

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	05/27/2003	2676	753
Bay	05/27/2003	2283	585
Brevard	06/06/2003	4935	345
Citrus	05/23/2003	1604	305
Columbia	05/23/2003	984	87
Dixie	05/23/2003	289	447
Flagler	05/27/2003	935	151
Franklin	05/27/2003	739	166
Gadsden	05/23/2003	566	840
Gilchrist*	05/23/2003	Instrument Number 200300271	
Gulf	05/27/2003	307	784
Hamilton	05/23/2003	549	1
Hardee	05/28/2003	644	670
Hernando	05/23/2003	1671	1084
Highlands	05/23/2003	1676	1168
Hillsborough	05/28/2003	12682	320
Jefferson	05/23/2003	512	367
Lafayette	05/23/2003	191	373
Lake	05/22/2003	2324	1507
Leon	05/28/2003	2874	1027
Levy	05/27/2003	837	42
Liberty	05/27/2003	138	218
Madison	05/23/2003	664	225
Manatee	05/28/2003	1831	1979
Marion	05/30/2003	3426	1046
Orange	05/23/2003	6925	2125
Osceola	05/22/2003	2256	2207
Pasco	05/23/2003	5370	1906
Pinellas	05/23/2003	12767	1631
Polk	05/23/2003	5372	1233
Seminole	05/30/2003	4843	1879
Sumter	05/30/2003	1076	307
Suwannee	05/23/2003	1013	263
Taylor	05/28/2003	502	773
Volusia	06/02/2003	5084	4311
Wakulla	05/23/2003	488	388

* Gilchrist County utilizes an instrument number indexing system rather than a book/page indexing system.

FORTY-THIRD SUPPLEMENTAL INDENTURE dated November 1, 2003

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	12/30/2003	2831	1359
Bay	01/12/2004	2385	484
Brevard	01/08/2004	5166	2137
Citrus	12/29/2003	1675	939
Columbia	12/30/2003	1003	767
Dixie	12/30/2003	300	401
Flagler	12/29/2003	1024	1365
Franklin	12/30/2003	769	78
Gadsden	12/29/2003	580	1923
Gilchrist*	12/30/2003	Instrument Number 200300679	
Gulf	12/30/2003	327	232
Hamilton	12/29/2003	563	163
Hardee	12/29/2003	656	951
Hernando	12/31/2003	1776	1140
Highlands	12/29/2003	1727	647
Hillsborough	12/31/2003	13433	1463
Jefferson	12/30/2003	530	192
Lafayette	12/30/2003	199	454
Lake	12/30/2003	2478	691
Leon	01/08/2004	3018	255
Levy	01/05/2004	868	897
Liberty	12/30/2003	142	561
Madison	12/30/2003	695	129
Manatee	12/30/2003	1891	3077
Marion	01/05/2004	3610	1489
Orange	12/30/2003	7245	2525
Osceola	01/07/2004	2418	906
Pasco	12/30/2003	5676	531
Pinellas	12/23/2003	13265	2523
Polk	12/29/2003	5624	1278
Seminole	12/30/2003	5149	1458
Sumter	01/06/2004	1156	447
Suwannee	12/30/2003	1065	398
Taylor	12/30/2003	516	670
Volusia	12/29/2003	5232	3126
Wakulla	12/29/2003	518	436

* Gilchrist County utilizes an instrument number indexing system rather than a book/page indexing system.

FORTY-FOURTH SUPPLEMENTAL INDENTURE dated August 1, 2004

STATE OF FLORIDA

County	Date of Recordation	Book	Page
Alachua	09/08/2004	2989	679
Bay	09/20/2004	2503	1164
Brevard	09/10/2004	5358	4062
Citrus	09/08/2004	1761	1476
Columbia	09/08/2004	1025	1081
Dixie	09/08/2004	313	405
Flagler	09/10/2004	1141	1282
Franklin	09/07/2004	811	160
Gadsden	09/09/2004	596	209
Gilchrist*	09/08/2004	Instrument Number 2004004967	
Gulf	09/08/2004	351	826
Hamilton	09/08/2004	579	91
Hardee	09/07/2004	669	579
Hernando	09/09/2004	1897	1207
Highlands	09/07/2004	1787	1955
Hillsborough	09/16/2004	14220	1091
Jefferson	09/08/2004	552	115
Lafayette	09/10/2004	209	329
Lake	09/09/2004	2652	1330
Leon	09/10/2004	3158	1432
Levy	09/08/2004	905	525
Liberty	09/09/2004	148	295
Madison	09/08/2004	728	181
Manatee	09/09/2004	1955	6519
Marion	09/14/2004	3819	714
Orange	09/17/2004	7618	4387
Osceola	09/15/2004	2595	1666
Pasco	09/15/2004	6027	311
Pinellas	09/09/2004	13817	1552
Polk	09/09/2004	5915	905
Seminole	09/14/2004	5450	663
Sumter	09/17/2004	1267	646
Suwannee	09/08/2004	1133	1
Taylor	09/07/2004	532	603
Volusia	09/16/2004	5399	4694
Wakulla	09/08/2004	556	566

* Gilchrist County utilizes an instrument number indexing system rather than a book/page indexing system.

EXHIBIT B

PROPERTY DESCRIPTIONS

45th Supplemental Indenture — Exhibit B
August 1, 2004-May 1, 2005

DOC TYPE	GRANTOR	COUNTY/ST	REC/ DATE	BOOK	PAGE	SECTION-TOWNSHIP-RANGE WITH DESCRIPTION
D	ELVIRETTA CORPORATION, A FLORIDA CORPORATION	HERNANDO (FL)	28-Dec-04	1950	672	09-23S-18E; PART OF 295' FPC ROW LYING IN N 1/2 OF SEC, LYING W OF W BOUNDARY OF VILLAGE VAN GOGH, PB 24/6, LYING E OF E BOUNDARY OF SPRING HILL, UNITS 18-20, PB 17/29, LYING N OF N ROW LINE OF ELGIN BLVD
D	MCI SALES AND SERVICE, INC., FKA HAUSMAN BUS SALES, INC., A DELAWARE CORPORATION	ORANGE (FL)	03-Jan-05	7759	3986	31-23S-30E; LOT 1 PLAT OF MOTOR COACH AT AIRPORT DISTRIBUTION CENTER, PB 44/78
TR	THOMPSON, THEODORE R.	LAKE (FL)	03-Aug-04	2629	912	24-19S-25E; LOT 20, BLK C, SUNNY DELL PARK PB 12/76
TR	DE BELVA, THEODORE AND SIMONE DE BELVA	LAKE (FL)	03-Aug-04	2629	913	11-19S-25E; THE S 25' OF THE N 75' OF PARCEL 6N, SCOTTISH HIGHLANDS CONDOMINIUM, OR 768/1856 & PB 2/6, CPB 1/84, CPB 2/2, CPB
TR	LLOYD, PAMELA, AND BARBARA MACKLEN, INDIVIDUALLY AND AS PERSONAL REPRESENTATIVES FOR THE ADELYN GOOLEY WALLACE ESTATE; DEBRA S. HINKLE; CYNTHIA SNYDER	LAKE (FL)	05-Aug-04	2630	2163	19-22S-25E; M&B, BEGIN AT INTERSECTION OF N BOUNDARY OF TRACT 51, GROVELAND FARMS, PB 2/10
TR	SIMMERS, DARLENE	LAKE (FL)	16-Aug-04	2637	195	12-19S-25E; THE W 45' OF LOT 21, BLK D, HILLTOP, PB 13/37
TR	STONE, JOAN AND JOHNNIE STONE	LAKE (FL)	16-Aug-04	2637	200	12-19S-25E; THE W 45' OF LOT 19, BLK D, HILLTOP, UNIT 2, PB 13/37
TR	ZIEGLER, KENNETH C., AND GERALDINE M. ZIEGLER	LAKE (FL)	16-Aug-04	2637	190	12-19S-25E; THE W 45' OF LOT 17, BLK D, HILLTOP, UNIT 2, PB 13/37

D=Deed; TR=Transmission Easement; EA=Easement

45th Supplemental Indenture — Exhibit B
August 1, 2004-May 1, 2005

DOC TYPE	GRANTOR	COUNTY/ST	REC/ DATE	BOOK	PAGE	SECTION-TOWNSHIP-RANGE WITH DESCRIPTION
TR	HARRIS, ELDEN D., TRUSTEE	DIXIE (FL)	01-Sep-04	313	190	24-09S-13E; THE W 10' OF LOTS 2 & 3, HARRIS ACRES, PB 1/247
TR	KELLER, GORDON W.	LAKE (FL)	09-Sep-04	2653	516	25-19S-25E; THE S 21' OF LOT 1, GROVES AT BAYTREE PHASE 1, PB 43/11
TR	MOSS, DAVID D., AND NANCY J. MOSS	LAKE (FL)	09-Sep-04	2653	545	11-19S-25E; THE S 25' OF THE N 75' OF PARCEL 4N, SCOTTISH HIGHLANDS CONDOMINIUM, OR 768/1856, AND CPB 1/84, CPB 2/2, CPB 2/6
TR	DUNAWAY, WILLIAM E., AND EVELYN JEAN DUNAWAY	LAKE (FL)	09-Sep-04	2653	541	12-19S-25E; THE W 45' OF LOT 20, BLK D, HILLTOP UNIT 2, PB 13/37
TR	SUMTER ELECTRIC COOPERATIVE, INC.	LAKE (FL)	09-Sep-04	2653	529	13-19S-25E; M & B; COMMENCE AT THE SW CORNER OF SW 1/4 OF NW 1/4
TR	BS PROPERTIES, LLC	LAKE (FL)	09-Sep-04	2653	520	11-19S-25E; THE N 25' OF LANDS IN OR 1655/734
TR	FREEMAN, JEFFREY M., AND BRIDGET B. FREEMAN	LAKE (FL)	09-Sep-04	2653	533	12-19S-25E; THE W 45' FO LOT 13, BLK D, HILLTOP UNIT 2, PB 13/37
TR	HICKMAN, ROBERT H., AND KATHLEEN E. HICKMAN	LAKE (FL)	09-Sep-04	2653	537	25-19S-25E; THE S 21' OF LOT 70, GROVES AT BAYTREE PHASE 1, PB 43/11
TR	BRADSHAW JR., CHARLES E.	LAKE (FL)	09-Sep-04	2653	485	19-22S-25E; M & B; COMMENCE AT IRON ROD AT NW CORNER OF THE SE 1/4 OF NW 1/4; FORMER CSX ROW
TR	BRADSHAW JR., CHARLES E.	LAKE (FL)	09-Sep-04	2653	489	19-22S-25E; M & B; COMMENCE AT IRON ROD AT NW CORNER OF SE 1/4 OF NW 1/4
TR	JETT, WILLIAM K., AND NANCY W. COFFEY JETT	VOLUSIA (FL)	13-Sep-04	5396	3777	35-15S-29E; CENTERLINE IN FORMER ROW OF CARL STREET, & BOUNDED BY LOTS 1, 3, 5 & 7, BLK 23; LOTS 4 & 6, BLK 24, DELEON SPRINGS, MB 1/131
TR	SEIDLE, WILLIAM D.	LAKE (FL)	13-Oct-04	2676	466	28-22S-26E; TRACTS 23 & 24, LESS S 107' OF TRACT 24, , PB 2/28

D=Deed; TR=Transmission Easement; EA=Easement

45th Supplemental Indenture — Exhibit B
August 1, 2004-May 1, 2005

DOC TYPE	GRANTOR	COUNTY/ST	REC/ DATE	BOOK	PAGE	SECTION-TOWNSHIP-RANGE WITH DESCRIPTION
TR	SPENCER, WAYNE G. AND MARY G. SPENCER	LAKE (FL)	13-Oct-04			24-19S-25E; PORTIONS OF OR 1010/4386, E 100' OF LOT 10, BLK D, FIRST ADD TO SUNNY DELL PARK, PB 12/76; PORTIONS OF OR 920/2060, LOT 11, BLK D, FIRST ADD TO SUNNY DELL PARK, PB 12/76
TR	SMILNAT, PATRICIA M.; CHRISTINA CARRUTHERS FKA CHRISTINA SMILNAK; SOPHIE E. SMILNAK	DIXIE (FL)	18-Oct-04	315	483	36-09S-13E; E 10' OF E ROW OF ST 349, OR 210/172
TR	MARRERO, IVAN AND LISETTE MARRERO	HERNANDO (FL)	20-Oct-04	1916	910	09-23S-18E; S 10' OF LOT 1, BLK 3, VILLAGE VAN GOGH, PB 24/6
TR	KING-WEBER, LISA; THOMAS J. WEBER	LEVY (FL)	21-Oct-04	911	736	01-17S-16E; PORTION OF OR 848/568, STARTING AT NE CORNER OF E 1/2 OF W 1/2 OF W 1/2 OF SE 1/4 OF SE 1/4
TR	STOUT, DOUGLAS AND SUSAN STOUT	LEVY (FL)	21-Oct-04	911	733	01-17S-16E; PORTION OF OR 757/777, START AT NE CORNER OF E 1/2 OF E 1/2 OF W 1/2 OF SE 1/4 OF SE 1/4
TR	DAN'S MOBILE PARK, INC.	LEVY (FL)	21-Oct-04	911	730	01-17S-16E; PART OF OR 422/753 START AT NE CORNER OF W 1/2 OF E 1/2 OF W 1/2 OF SE 1/4 OF SE 1/4
TR	HARRISON, JOHNNY ANDREW	LEVY (FL)	21-Oct-04	911	724	01-17S-16E; PORTION OF OR 632/990, STARTING AT NE CORNER OF E 1/2 OF E 1/2 OF E 1/2 OF SE 1/4 OF SE 1/4
TR	STOUT, DOUGLAS AND SUSAN STOUT	LEVY (FL)	21-Oct-04	911	739	01-17S-16E; S 10' OF W 1/2 OF E 1/2 OF W 1/2 OF SE 1/4 OF SE 1/4
TR	CSEH, MICHAEL AND JOY CSEH	LEVY (FL)	21-Oct-04	911	727	01-17S-16E; PORTION OF OR 642/677, START AT NE CORNER OF W 1/2 OF E 1/2 OF E 1/2 OF SE 1/4 OF SE 1/4
TR	HERNANDO COUNTY BOARD OF COUNTY COMMISSIONERS	HERNANDO (FL)	27-Oct-04	1920	1712	09-23S-18E;10-23S-18E;15-23S-18E;S 10' OI TRACT B, BLK 1, BLK 3 , VILLAGE VAN GOGH, PB 24/6; S 10' OF OR 827/205; W 10 OF OR 1079/553

D=Deed; TR=Transmission Easement; EA=Easement

45th Supplemental Indenture — Exhibit B
August 1, 2004-May 1, 2005

DOC TYPE	GRANTOR	COUNTY/ST	REC/DATE	BOOK	PAGE	SECTION-TOWNSHIP-RANGE WITH DESCRIPTION
TR	HERNANDO COUNTY BOARD OF COUNTY COMMISSIONERS	HERNANDO (FL)	27-Oct-04	1920	1709	09-23S-18E; ACROSS E PORTION OF DRAINAGE RETENTION, BLK 1, HOLLAND SPRING INDUSTRIAL PARK UNIT 1, PB 19/50
TR	MOORE, BARRY L.	LEVY (FL)	08-Nov-04	914	937	01-17S-16E; START AT NE CORNER OF W 1/2 OF W 1/2 OF W 1/2 OF SE 1/4 OF SE 1/4 OF SEC
TR	KULANGARAS, INC.	MARION (FL)	10-Nov-04	3869	664	26-16S-20E; PORTION OF OR 3346/970 COMPLEX TWO HUNDRED, LOT 1
TR	GEORGIA PACIFIC CORPORATION	LIBERTY (FL)	10-Nov-04	149	593	29-01N-05W;30-01N-05W;31-01N-05W; M & B, PART OF OR 134/136, S 1/2 OF SEC 30; SW 1/4 OF SEC 29; NE 1/4 OF SEC 31
TR	HELLWIG, ROBERT AND JACQUELINE A. HELLWIG	MARION (FL)	10-Nov-04	3869	659	26-16S-20E; PORTION OF OR 1430/1013, STARTING AT INTERSECTION OF N BOUNDARY OF COMPLEX TWO HUNDRED, PB X/53
TR	TALQUIN ELECTRIC COOPERATIVE, INC.	LIBERTY (FL)	10-Nov-04	149	587	31-01N-05W; M & B, PART OF TALQUIN ELEC COOP SUBSTATION, NE 1/4
TR	HOSFORD, JOYCE SUMMERS; KITTE HOSFORD CARTER	LIBERTY (FL)	10-Nov-04	149	582	05-01S-05W; M & B, S 1/2 OF SEC 5
TR	STOKES, JR., BERYL N.	LAKE (FL)	16-Nov-04	2698	1537	06-23S-25E; PORTION OF OR 903/330, GROVELAND FARMS, TRACT 25 & 26, PB 2/10
TR	FISHBACK, SHIRLEY T., PERSONAL REPRESENTATIVE OF THE ESTATE OF DAVIS FISHBACK	LAKE (FL)	16-Nov-04	2698	1540	06-23S-25E; PORTION OF OR 967/2161, GROVELAND FARMS, TRACTS 25 & 26, PE 2/10
TR	CRF-COACH I, L.L.C.	HERNANDO (FL)	24-Nov-04	1933	1509	10-23S-18E; PART OF TRACT E BLK 1, SILVERTHORN PHASE 1, PB 28/36
TR	VA DEVELOPMENT, INC	HERNANDO (FL)	08-Dec-04	1939	93	15-23S-18E; M & B, W 10' OF OR 1322/1410, COMMENCE AT NE CORNER OF SEC

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TR	ROWAN, JR., GEORGE W.	GADSDEN (FL)	12-Dec-04	601	1779	33-03N-05W; M & B, COMMENCE AT SW CORNER OF SEC LYING W OF HANNA MILL POND RD
TR	SMILEY, WILLIAM L. AND CONSTANCE J. SMILEY	GADSDEN (FL)	13-Dec-04	601	1744	21-03N-05W; M & B, PORTION OF TRACT B & D ATWOOD WOODS MINOR SUBDIVISION, COMMENCE AT NE CORNER OF SEC
TR	HIERS, DONNA J.	GADSDEN (FL)	13-Dec-04	601	1749	21-02N-05W; M & B, PRTION OF OR 592/103 COMMENCE AT W 1/4 CORNER OF SEC
TR	MORNINGSTAR MISSIONARY BAPTIST CHURCH	GADSDEN (FL)	13-Dec-04	601	1754	21-03N-05W; M & B, COMMENCE AT SE CORNER OF SEC
TR	SMITH, PAULINE F.	GADSDEN (FL)	13-Dec-04	601	1764	34-03N-05W; M & B, COMMENCE AT NW CORNER OF SEC
TR	MILLER, DELBERT	GADSDEN (FL)	13-Dec-04	601	1774	21-03N-05W; M & B, PORTION OF TIMBERLAND SUBDIVISION, COMMENCE AT SE CORNER OF SEC
TR	FLETCHER GROVES, INC.	POLK (FL)	13-Dec-04	6016	964	35-28S-27E; M & B, S 1/2 OF NW 1/4 OF NW 1/4 OF SEC, DB 396/639
TR	CRICHTON, BRUCE; NELIA GAY	LEVY (FL)	13-Dec-04	919	770	01-17S-16E; M & B, PORTION OF OR 751/217, COMMENCE AT NE CORNER OF W 1/2 OF W 1/2 OF E 1/2 OF SE 1/4 OF SE 1/4 OF SEC; AND COMMENCE AT CORNER OF E 1/2 OF W 1/2 OF E 1/2 OF SE 1/4 OF SE 1/4 OF SEC
TR	U.S. AGRI-CHEMICALS CORPORATION	POLK (FL)	13-Dec-04	6016	958	05-32-S-25E; 06-32-S-25E; 32-31-S-25E; M & B, COMMENCE AT NW CORNER OF SEC 5
TR	SMITH, PAULINE F.	GADSDEN (FL)	13-Dec-04	601	1769	27-03N-05W; M & B, COMMENCE AT SW CORNER OF SEC
TR	FINKLEY, LULA MAE MOORE; RANDALL DENOID BASS	GADSDEN (FL)	13-Dec-04	601	1759	21-03N-05W; M & B, PORTION OF OR 467/1462, COMMENCE AT E 1/4 CORNER OF SEC

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TR	WIN-ULMERTON, LTD., A FLORIDA LIMITED PARTNERSHIP BY PDG, II, INC., A FLORIDA CORP.	PINELLAS (FL)	14-Dec-04	14001	330	03-30S-15E; M & B, E 165' OF SW 1/4 OF SE 1/4
TR	HOME DEPOT U.S.A., INC.	PINELLAS (FL)	14-Dec-04	14001	335	03-30S-15E; M & B, E 165' OF SW 1/4 OF SE 1/4
TR	ST. JOE TIMBERLAND COMPANY OF DELAWARE, LLC., A DELAWARE LIMITED LIABILITY COMPANY	LIBERTY (FL)	20-Dec-04	150	392	04-01S-05W;05-01S-05W;08-01S-05W;09-01S-05W; 17-01S-05W;18-01S-05W;31-01N-05W;32-01N-05W;33-01N-05W; M & B, SEVERAL PARCELS, SEE IMAGE
TR	SUN TRUST BANK, INC.	HERNANDO (FL)	21-Dec-04	1945	1907	15-23S-18E; M & B, ACROSS W PORTION OF OR 1235/161, LOT 3 HOLLAND SPRING COMMERCIAL SUBDIVISION, PB 31/27
TR	MILLER, PHILLIP A., AND REBA E. MILLER, TRUSTEES	HERNANDO (FL)	21-Dec-04	1945	1911	22-23S-18E; LOT 1, BLK 3 AND LOT 3 BLK 1, HOLLAND SPRING INDUSTRIAL PARK, UNIT 1, PB 19/50
TR	GIRARD, WILLIAM T. AND JANIS V. GIRARD	VOLUSIA (FL)	21-Dec-04	5460	3487	35-15S-29E; 38-16S-29E; EASEMENT BOUNDED BY LOTS 1-2, BLK 22, LOTS 7-8, BLK 24 AND CARL ST BEING BOUNDED BY LOTS 6 & 8, BLK 24, LOTS 1, 3, 5 & 7, BLK 23 IN DELEON SPRINGS SUBDIVISION, MB 1/131
TR	HATTAWAY, ROBERT T.	ORANGE (FL)	28-Dec-04	7754	1588	34-20S-28E; DOCUMENT IS A DEED WITH RESERVED TRANSMISSION EASEMENT AND ACCESS EASEMENT
TR	ANCHOR INVESTMENT CORPORATION OF FLORIDA	MARION (FL)	11-Jan-05	3922	359	35-16S-20E; M & B, COMMENCE AT INTERSECTION OF E BOUNDARY OF NW 1/4 OF SEC
TR	WARD, MARY L., AKA LYNN WARD	GADSDEN (FL)	11-Jan-05	603	1561	09-02N-05W; M & B, PORTIONS OF OR 516/1281, LYIN IN S 1/2 OF SEC
TR	VALENTINO, JOHN M. AND KATHLEEN H. VALENTINO	CITRUS (FL)	11-Jan-05	1804	1007	16-17S-18E;10-17S-18E; PORTION OF OR 1464/2328, N 40' OF LOT 1, BLK 260, CITRUS SPRINGS UNIT 3, PB 5/116

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TR	HOPPER, ROSA MURL, AKA R. MURL HOPPER	GADSDEN (FL)	11-Jan-05	603	1569	09-02N-05W; M & B, PORTIONS OF OR 405/821, LYING IN S 1/2, AND IN SW 1/4
TR	POWER, ROBERT C. AND JOYCE L. POWER	CITRUS (FL)	11-Jan-05	1804	1011	16-17S-18E; 10-17S-18E; PORTION OF OR 425/226, N 40' OF LOT 8, BLK 260, CITRUS SPRINGS UNIT 3, PB 5/116
TR	BLACK, BILLY B. AND WANDA I. CALLAWAY	CITRUS (FL)	11-Jan-05	1804	1021	15-17S-17E; M & B, PORTION OF OR 1392/1064 STAT AT NW CORNER OF E 1/2 OF NE 1/4
TR	SMITH, DORA W.	CITRUS (FL)	11-Jan-05	1804	1029	16-17S-18E; 10-17S-18E; PORTION OF OR 1459/2211, N 40' OF LOT 13, BLK 261, CITRUS SPRINGS UNIT 3, PB 5/116
TR	ALCANTARA, DION AND JENNIFER ALCANTARA	CITRUS (FL)	11-Jan-05	1804	1025	16-17S-18E;10-17S-18E; PORTION OF OR 1766/1950, N 40', LOT 5, BLK 270, CITRUS SPRINGS UNIT 3, PB 5/116
TR	INGRAHAM, JR., VIVAL AND HELEN D. INGRAHAM	CITRUS (FL)	11-Jan-05	1804	1015	14-17S-17E; 15-17S-17E; M & B, PORTION OF OR 1403/1400, COSTA * SON INC., PB 5/59; AND PORTION OF OR 1235/1760, START AT NE CORNER
TR	ELVIRETTA CORPORATION	HERNANDO (FL)	12-Jan-05	1957	1067	15-23S-18E; M & B, W 10' OF OR 685/721, COMMENCE IN NE CORNER OF SEC
TR	BOYD INDUSTRIES, INC., A FLORIDA CORPORATION	HERNANDO (FL)	12-Jan-05	1957	1063	22-23S-18E; M & B, 2 STRIPS LYING IN LOT 1, BLK 4, HOLLAND SPRING INDUSTRIAL PARK, UNIT 1, PB 19/50
TR	BARNES, JOHN P., AND MARY ANN BARNES	POLK (FL)	14-Jan-05	6053	849	15-29S-27E; M & B; SW 1/4 OF NW 1/4 OF NW 1/4 OF SW 1/4; TRACT B, THE N 561.58' OF W 250' OF SW 1/4 OF NW 1/4
TR	LONG, MICHAEL; FERRILY LONG	GADSDEN (FL)	24-Jan-05	604	842	28-03N-05W; M & B, PART OF LOT 3 HARDAWAY FARMS MINOR, COMMENCE AT NE CORNER
TR	TOLAR, GERALD B. AS ATTORNEY IN FACT FOR CECIL F. TOLAR; MARVIN D. TOLAR	GADSDEN (FL)	24-Jan-05	604	836	09-02N-05W;16-02N-05W; M & B, PART OF DB 80/234, COMMENCE AT N 1/4 CORNER

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TR	HOPPER, ROSA MURL, AKA R. MURL HOPPER	GADSDEN (FL)	24-Jan-05	604	828	09-02N-05W;M & B, OR 405/821 LYING IN PORTION OF SW 1/4 OF NE 1/4; AND PORTION OF S 1/2
TR	THOMAS, KING JAMES AND EZIE BATES THOMAS, INDIVIDUALLY AND AS THE SOLE SURVIVING HEIR OF WILLY JAMES THOMAS	GADSDEN (FL)	24-Jan-05	604	822	21-02N-05W; M & B, PORTION OF OR 435/590, STARTING A NW CORNER
TR	THOMAS, KEVIN	GADSDEN (FL)	24-Jan-05	604	817	04-02N-05W; M & B, PORTION OF S 1/2 OF NE 1/4
TR	UGLARIK, JOHN	CITRUS (FL)	25-Jan-05	1809	917	10-17S-18E;16-17S-18E;PORTION OF OR 578/481, N 40' OF LOT 2, BLK 270, CITRUS SPRINGS UNIT 3, PB 5/116
TR	BRITTO, ANGELA	CITRUS (FL)	25-Jan-05	1809	909	16-17S-18E;10-17S-18E;PORTION OF OR 1481/1856, N 40' OF LOTS 9-11, BLK 270, CITRUS SPRINGS UNIT 3, PB 5/116
TR	WITHLACOOCHEE RIVER ELECTRIC COOPERATIVE, INC., A FLORIDA CORP.	HERNANDO (FL)	26-Jan-05	1963	1591	22-23S-18E; HOLLAND SPRING INDUSTRIAL PARK UNIT 1, LOT 2, BLK 4, PB 19/50
TR	STERLING HILL COMMUNITY DEVELOPMENT DISTRICT	HERNANDO (FL)	26-Jan-05	1963	1594	09-23S-18E;15-23S-18E; M & B, S 10' OF OR 685/721, BEGIN AT SE CORNER OF LOT 1, BLK 6 VILLAGE VAN GOGH, PB 24/5; AND BEGIN AT SE CORNER OF W 1/2 OF SEC 1(
TR	SUN TRUST BANK, INC.	MARION (FL)	27-Jan-05	3934	1941	26-16S-20E; M & B, PORTION OF OR 1610/232, BEGIN AT INTERSECTION OF S BOUNDARY OF SE 1/4
TR	MARION CENTER, INC.	MARION (FL)	27-Jan-05	3934	1935	35-16S-20E; M & B, PORTION OF OR 3672/950, BEGIN AT INTERSECTION OF N BOUNDARY OF SW 1/4
TR	BRYANT, STERLING A., AND ROSE MARIE BRYANT	GADSDEN (FL)	21-Feb-05	606	605	34-03N-05W; M & B, PORTION OF OR 344/1031 & 344/1033, BEGIN AT NW CORNER OF SEC

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R	VERONICA LANIER AKA VERONICA B. LANIER	GADSDEN (FL)	21-Feb-05	606	611	33-03N-05W;34-03N-05W; M & B, PORTION OF OR 368/62, BEGIN AT NE CORNER OF SEC 33
R	SNOW, SARAH	GADSDEN (FL)	21-Feb-05	606	616	16-02N-05W; M & B, PORTION OF OR 333/871, MAP OF GREENSBORO, PB 1/127, BEGIN AT SW CORNER OF SEC , SE 1/4 OF NW 1/4
R	WITHSTANDLEY, KENNETH R.	CITRUS (FL)	22-Feb-05	1819	2408	16-17S-18E; PART OF OR 1085/551, N 40' OF LOT 33, BLK 254, CITRUS SPRINS UNIT 3, PB 5/116
R	GIAMPA, SALVATORE I.	CITRUS (FL)	22-Feb-05	1819	2412	16-17S-18E; PART OF OR 586/268, N 40' OF LOT 6, BLK 271, CITRUS SPRINGS UNIT 3, PB 5/116
R	NEW VISTA PROPERTIES, INC., A FLORIDA CORPORATION	CITRUS (FL)	22-Feb-05	1819	2420	16-17S-18E;PORTION OF OR 1102/1285, N 40' OF LOT 1, BLK 275, CITRUS SPRINGS UNIT 3, PB 5/116
R	TOMPETRINI, PHILLIP P.	CITRUS (FL)	22-Feb-05	1819	2416	16-17S-18E; PORTION OF OR 915/1109, N 40 OF LOT 2 BLK 261, CITRUS SPRINGS UNIT 3, PB 5/116
R	LINCOLN TRUST COMPANY, TRUSTEE FBO JAMES LAWRENCE GISSY	LAKE (FL)	23-Feb-05	2764	1006	19-22S-25E; M & B, PORTION OF OR 2572/2064, BEGIN AT INTERSECTION OF S BOUNDARY OF TRACT A, REPLAT OF GEORGE M. BRESSLER SUBDIVISION, PB 11/12; AND INTERSECTION OF TRACT 46, GROVELAND FARMS, PB 2/10
R	CRUMMEY, KITTY A., INDIVIDUALLY AND AS PERSONAL REPRESENTATIVE OF THE ESTATE OF VERNON A. CRUMMEY	DIXIE (FL)	24-Feb-05	321	381	25-09S-13E; E 10' OF LOT 39, SUWANNEE RIVER HIGHLANDS, PB 1/78

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TR	CRUMMEY, KITTY A., INDIVIDUALLY AND AS PERSONAL REPRESENTATIVE OF THE ESTATE OF VERNON A. CRUMMEY	DIXIE (FL)	24-Feb-05	321	384	25-09S-13E;36-09S-13E; W 10' OF LOTS 15 & 16, MAJESTIC OAKS, PB 1/179
TR	GILMORE, ALAN AND BERTHA GILMORE	PASCO (FL)	07-Mar-05	6258	436	03-26S-21E; M & B, PORTION OF OR 4536/1758, BEGIN AT E CORNER OF LOT 13, LAURELWOOD AT SILVER OAKS PHASE 1A, PB 30/51
TR	TAYLOR, CLARENCE EDWARD	PASCO (FL)	07-Mar-05	6258	440	03-26S-21E; M & B, PORTION OF OR 4378/1349, BEGIN AT SW CORNER OF LOT 6, LAURELWOOD AT SILVER OAKS, PB 32/110
TR	BRYANT, STERLING A., AND ROSE MARIE BRYANT; VERONICA LANIER AKA VERONICA B. LANIER	GADSDEN (FL)	07-Mar-05	607	216	34-03N-05W; M & B, PORTION OF OR 366/1230, BEGIN AT NW CORNER OF SEC
TR	VAN NESS, THOMAS M. AND PATRICIA A. VAN NESS	CITRUS (FL)	08-Mar-05	1825	554	17-17S-17E; M & B, PORTION OF OR 836/723, START AT NW CORNER OF SEC
TR	LEWIS, SHANNON	PASCO (FL)	21-Mar-05	6278	307	04-26S-21E; M & B, PORTION OF OR 5567/642, TRACT 124, ZEPHYRHILLS COLONY CO. PB 1/55, START AT SE CORNER OF SW 1/4
TR	KRETSCHMANN, HILDEGARD	CITRUS (FL)	24-Mar-05	1832	13	16-17S-18E; PART OF OR 551/535, N 40' OF LOT 1, BLK 266, CITRUS SPRINGS UNIT 3, PB 5/116
TR	BAGGETT, JUDSON B. AND LINDA K. BAGGETT	PASCO (FL)	04-Apr-05	6303	1512	02-26S-21E; PART OF OR 857/508, W 10' OF E 25' OF TRACT 23, ZEPHYRHILLS COLONY COMPANY LANDS, PB 1/55
TR	RYMAN, KEVIN L. AND TAMMY L. RYMAN; NELSON L. RYMAN AND DOTTIE A. RYMAN	PASCO (FL)	04-Apr-05	6303	1507	02-26S-21E; M & B, PART OF OR 5532/577, START AT NE CORNER OF TRACT 6, ZEPHYRHILLS COLONY COMPANY LANDS, PB 1/55

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TR	BAHR, RANDALL K. AND SUZANNE P. BAHR; MARTY R. MONBARREN AND CARRIE F. MONBARREN	PASCO (FL)	04-Apr-05	6303	1502	03-26S-21E; M & B, PART OF OR 5845/312, BEGIN AT INTERSECTION OF E ROW OF FORT KING RD AND S ROW OF EILAND BLVD, SEPHYRHILLS BYPASS W IN SE 1/4
TR	THOMAS, DEAN S.	PASCO (FL)	04-Apr-05	6303	1498	04-26S-21E; M & B, PART OF OR 6033/1658, BEGIN AT SE CORNER OF SE 1/4
TR	LIKINS, LINDA D.; GLORIA J. ACCIARD	PASCO (FL)	04-Apr-05	6303	1313	04-26S-21E; M & B, PART OF OR 5936/1873, START AT SE CORNER OF SE 1/4 OF SEC
TR	HICKEY, NEIL A.; OSGOOD, RODERICK	PASCO (FL)	04-Apr-05	6303	1317	03-26S-21E; M & B, PART OF OR 6121/783, BEGIN AT SE CORNER OF LOT 5, LAURELWOOD AT SILVER OAKS, PB 32/110
TR	DAUGHTER3Y ROAD PROFESSIONAL CENTER III LANDOWNERS ASSOCIATION, INC.	PASCO (FL)	04-Apr-05	6303	1309	02-26S-21E; M & B, PART OF OR 5846/1166, START AT NE CORNER OF TRACT 56, ZEPHYRHILLS COLONY COMPANY LANDS, PB 1/55
TR	MUTHIG, GARY, W. AND PHYLLIS E. MUTHIG	PASCO (FL)	04-Apr-05	6303	1305	03-26S-21E; M & B, PART OF OR 5712/854, START AT SE CORNER OF LOT 14, SILVER OAKS PHASE 1A, PB 30/51, SAID POINT LYINC ON THE N ROW OF EILAND BLVD, MAP TITLED ZEPHYRHILLS BYPASS W
TR	FOURNIER, CHARLES D. AND VALERIE A. FOURNIER	PASCO (FL)	04-Apr-05	6303	1301	03-26S-21E; M & B, PART OF OR 4464/506, BEGIN AT SE CORNER OF LOT 15, SILVER OAKS PHASE 1A, PB 30/51, POINT LYING ON N ROW CURVE OF EILAND BLVD, MAP TITLED ZEPHYRHILLS BYPASS W
TR	ZIATAS, ARIS AND GLORIA J. ZIATAS	PASCO (FL)	04-Apr-05	6303	1297	03-26S-21E; M & B, PART OF OR 3669/1592, BEGIN AT SE CORNER OF TRACT A, SILVER OAKS, PHASE 1A, PB 30/51, SAID POINT LYING ON N ROW OF EILAND BLVD, MAP TITLED ZEPHYRHILLS BYPASS W

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TR	HOME THEATRE OF ZEPHYRHILLS, INC.	PASCO (FL)	04-Apr-05	6303	1293	02-26S-21E; PART OF OR 4805/1997, W 10' OF E 25' LESS N 200' OF TRACT 10, ZEPHYRHILLS COLONY COMPANY LANDS, PB 1/55
TR	WREGG, KENNETH H. AND MARCIA L. WREGG	PASCO (FL)	04-Apr-05	6303	1516	M & B, PART OF OR 3754/523, START AT INTERSECTION OF W BOUNDARY OF E 1/4 OF SEC, AND N ROW OF ZEPHYRHILLS BYPASS
TR	BURDGE, CHRISTOPHER	PASCO (FL)	04-Apr-05	6303	1527	05-26S-21E; M & B, PCLS A & B, PART OF OR 4009/11, ALSO PART OF TRACTS 116, 125 & 126, ZEPHYRHILLS COLONY COMPANY, PB 1/55; PCLS C & D, PART OF OR 4221/1903, ALSO PART OF TRACTS 102, 107, 108 & 117, ZEPHYRHILLS COLONY COMPANY, PB 1/55;
TR	RYMAN, KEVIN L. AND TAMMY L. RYMAN	PASCO (FL)	04-Apr-05	6303	1521	02-26S-21E; PART OF OR 4895/1018, W 10' OFM E 25' OF N 100' OF OF TRACT 26, ZEPHYRHILLS COLONY COMPANY LANDS, PB 1/55; AND PART OF OR 5402/148, W 10' OF E 25' LESS N 100' OF TRACT 26, ZEPHYRHILLS COLONY COMPANY LANDS, PB 1/55
TR	LANE, TIMOTHY O. AND BERNICE A. LANE	GADSDEN (FL)	04-Apr-05	608	1716	21-02N-05W; M & B, PART OF OR 172/476, START AT NW CORNER OF SEC
TR	CITONY DEVELOPMENT CORP., A FLORIDA CORP.	CITRUS (FL)	04-Apr-05	1836	1659	16-17S-18E; PART OF OR 963/1835, TRACT C, CITRUS SPRINGS UNIT 3, PB 5/116
TR	DEUTSCH, CAROL MERDLER	CITRUS (FL)	04-Apr-05	1836	1653	16-17S-18E; PART OF OR 776/1191, N 40' OF LOT 4, BLK 271, CITRUS SPRINGS UNIT 3, PB 5/116; AND PART OF OR 776/1192, N 40' OF LOT 5, BLK 271, CITRUS SPRINGS UNIT 3, PB 5/116
TR	CITY OF ZEPHYRHILLS	PASCO (FL)	20-Apr-05	6329	1601	02-26S-21E; PART OF OR 3534/1069, W 10' OF E 25' OF N 200' OF TRACT 10, ZEPHYRHILLS COLONY COMPANY LANDS SUBDIVISION, PB 1/55

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TR	EILAND WOODS, INC.	PASCO (FL)	20-Apr-05	6329	1597	04-26S-21EM & B, PART OF OR 3935/1335, START AT CORNER OF SE 1/4 OF SEC 4
D	DOUGLAS J. SCHOLD AND BRENDA L. SCHOLD	ORANGE (FL)	22-Mar-05	7883	1974	33-24S-30E; THE NORTH 1/2 OF THE NORTH 1/2 OF THE EAST 1/2 OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4 OF SEC 33
D	CHARLES JAMES WILSON III AND DOREEN WILSON	HIGHLANDS (FL)	1-Dec-04	1807	3	30-36S-30E; THE SOUTH HALF OF THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4 AND THE SOUTH 1/2 OF THE WESTERLY 3 ACRES ALSO DESCRIBED AS THE WESTERLY 198 FEET OF THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4, ALL IN SECTION 30.
D	GLENN ALLEN SUTTON AND ANN TRACY SUTTON AS CO-TRUSTEES OF THE GLENN ALLEN SUTTON REVOCABLE TRUST U/A DATED 11/15/1993	VOLUSIA (FL)	25-Oct-04	5424	1964	LOTS 11 THROUGH 23, INCLUSIVE, AND LOTS 36 THROUGH 46, INCLUSIVE, BLOCK 2, DAVIS PARK SIXTEENTH ADDITION TO ORANGE CITY, A SUBDIVISION ACCORDING TO MAP IN MAP BOOK 7, PAGE 68 OF THE PUBLIC RECORDS OF VOLUSIA CO., FL.
D	KARL F. SCHILLER	VOLUSIA (FL)	25-Oct-04	5424	1989	LOTS 24 THROUGH 28, INCLUSIVE, BLOCK 2, DAVIS PARK SIXTEENTH ADDITION TO ORANGE CITY, A SUBDIVISION ACCORDING TO MAP IN MAP BOOK 7, PAGE 68 OF THE PUBLIC RECORDS OF VOLUSIA CO., FL
D	AZMI M. IDEIS	VOLUSIA (FL)	25-Oct-04	5424	1987	LOTS 29 THROUGH 33, INCLUSIVE, BLOCK 2, DAVIS PARK SIXTEENTH ADDITION TO ORANGE CITY, A SUBDIVISION ACCORDING TO MAP IN MAP BOOK 7, PAGE 68 OF THE PUBLIC RECORDS OF VOLUSIA CO., FL.

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45th Supplemental Indenture — Exhibit B
August 1, 2004-May 1, 2005

DOC TYPE	GRANTOR	COUNTY/ST	REC/DATE	BOOK	PAGE	SECTION-TOWNSHIP-RANGE WITH DESCRIPTION
D	BARBARA FRENDEN AND DONALD P. CURTIS	VOLUSIA (FL)	15-Nov-04	5436	867	LOTS 1 THROUGH 10, INCLUSIVE, BLOCK 2, DAVIS PARK SIXTEENTH ADDITION TO ORANGE CITY, A SUBDIVISION ACCORDING TO MAP IN MAP BOOK 7, PAGE 68 OF THE PUBLIC RECORDS OF VOLUSIA CO., FL.
D	MARY BOOMERSHINE	VOLUSIA (FL)	3-Dec-04	5448	1050	LOTS 34 THROUGH 35, INCLUSIVE, BLOCK 2, DAVIS PARK SIXTEENTH ADDITION TO ORANGE CITY, A SUBDIVISION ACCORDING TO MAP IN MAP BOOK 7, PAGE 68 OF THE PUBLIC RECORDS OF VOLUSIA CO., FL.
D	ST. JOE TIMBERLAND COMPANY OF DELAWARE, LLC.	LIBERTY (FL)	13-Jan-05	150	668	18-01S-05W; SW CORNER OF SEC 18 W OF SEC 18 N OF RIGHT-OF-WAY LINE OF STATE ROAD 20. SUBJECT TO 100' WIDE POWER LINE EASEMENT DESCRIBED IN OR BOOK 38, PG 604 PUBLIC RECORDS OF LIBERTY CO., FL.
EA	REEDY CREEK IMPROVEMENT DISTRICT	ORANGE (FL)	19-Jan-05	7785	4715	10' WIDE STRIP OF LAND LYING IN SEC 21, TWNSHIP 24S, RANGE 27E; AND BEING 5' EACH SIDE OF CENTERLINE COMMENCING AT NE CORNER OF SEC 21 RUN ALONG NORTH LINE OF NW 1/4 OF SEC 21.
EA	REEDY CREEK IMPROVEMENT DISTRICT	ORANGE (FL)	19-Jan-05	7785	4725	A PARCEL OF LAND LYING IN SEC 21, TWNSHIP 24S, RANGE 27E, COMMENCING AT NW CORNER OF SEC 21, RUN ALONG NORTH INE OF NW 1/4 OF SEC 21.

D=Deed; TR=Transmission Easement; EA=Easement

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-103974

Prospectus Supplement
To Prospectus dated April 4, 2003)

Progress Energy

$300,000,000

Florida Power Corporation d/b/a
Progress Energy Florida, Inc.

First Mortgage Bonds
4.50% Series due 2010

The bonds will mature on June 1, 2010. We will pay interest on the bonds on June 1 and December 1 of each year, beginning December 1, 2005. The bonds will be issued only in denominations of $1,000 and integral multiples of $1,000. We may redeem some or all of the bonds at any time at the make-whole redemption price as described in this prospectus supplement under "Certain Terms of the Bonds — Redemption — Optional Redemption." There is no sinking fund for the bonds. The bonds are not obligations of, nor guaranteed by, Progress Energy, Inc., our corporate parent.

The bonds are secured by the lien of our mortgage and rank equally with all of our other first mortgage bonds from time to time outstanding. The lien of our mortgage is discussed under "Description of First Mortgage Bonds — Ranking and Security" on page 8 of the accompanying prospectus.

We do not intend to list the bonds on any securities exchange or to include them in any automated quotation system.

Investing in our bonds involves risks. See "Risk Factors" on page S-6 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the bonds or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Per Bond	Total
Public offering price(1)	99.895%	$299,685,000
Underwriting discount	0.600%	$ 1,800,000
Proceeds to us before expenses(1)	99.295%	$297,885,000

(1) Plus accrued interest, if any, from May 16, 2005, if settlement occurs after that date.

The bonds are expected to be delivered in global form through the book-entry delivery system of The Depository Trust Company against payment in New York, New York on or about May 16, 2005.

Joint Book-Running Managers

Barclays Capital

Wachovia Securities

Banc of America Securities LLC

RBS Greenwich Capital

Calyon Securities (USA)

Goldman, Sachs & Co.

The date of this prospectus supplement is May 11, 2005

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the bonds we are offering anc rtain other matters relating to us and our financial condition. The second part, the base prospectus, provides more general information about the st mortgage bonds that we may offer from time to time, some of which may not apply to the bonds we are offering hereby. Generally, when we fer to the prospectus, we are referring to both parts of this document combined. If the description of the bonds varies between this prospectus ıpplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in this document or to which this document refers you. We have not, and the underwriters ıve not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you ıould not rely on it. We are not making an offer of the bonds in any jurisdiction where an offer or sale of them is not permitted. The information this document may only be accurate as of the date of this document. Our business, financial condition, results of operations and prospects may ıve changed since that date.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement to "Florida Power," "Progress nergy Florida," "we," "us," and "our," or similar terms, are to Florida Power Corporation d/b/a Progress Energy Florida, Inc. In this prospectus ıpplement, references to "bonds" are to the First Mortgage Bonds, 4.50% Series, due June 1, 2010.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

We have included in this document, and in the documents incorporated by reference into this document, "forward-looking statements," as defined by the Private Securities Litigation Reform Act of 1995. We have used the words or phrases such as "anticipate," "will likely result," "will continue," "intend," "may," "expect," "believe," "plan," "will," "estimate," "should" and variations of such words and similar expressions in this prospectus and in the documents incorporated by reference to identify such forward-looking statements. Forward-looking statements, by their nature, involve estimates, projections, goals, objectives, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond our control. Many, but not all of the factors that may impact actual results are discussed under the heading "Safe Harbor For Forward-Looking Statements" in the accompanying prospectus and under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference into this document, and under the "Risk Factors" section contained in this prospectus supplement. You should carefully read these sections. New factors emerge from time to time, and it is not possible for our management to predict all of such factors or to assess the effect of each such factor on our business.

Any forward-looking statement speaks only as of the date on which it is made; and, except to fulfill our obligations under the United States securities laws, we undertake no obligation to update any such statement to reflect events or circumstances after the date on which it is made.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus supplement, the accompanying prospectus, and the financial statements and other documents incorporated by reference. You should carefully read the "Risk Factors" sections that are contained in this prospectus supplement and in our Form 10-K for the year ended December 31, 2004, which is incorporated by reference into this document, to determine whether an investment in our bonds is appropriate for you.

Progress Energy Florida

We are a regulated public utility engaged in the generation, transmission, distribution and sale of electricity within an approximately 20,000 square mile service area covering portions of Florida, including the cities of St. Petersburg and Clearwater, as well as the central Florida area surrounding Orlando.

At March 31, 2005, we billed approximately 1.6 million customers. For the three months ended March 31, 2005, approximately 52% of our electric revenues were derived from residential customers, 25% from commercial customers, 9% from wholesale customers, 8% from industrial customers and 6% from municipal customers.

At March 31, 2005, we had installed generating capacity of 8,544 megawatts, including approximately 115 megawatts of jointly-owned generating capacity, through a system of 14 power plants. Over the twelve months ended March 31, 2005, our energy supply was comprised of 35% coal, 16% gas, 16% nuclear and 12% oil. In addition, for the twelve months ended March 31, 2005, 21% of our energy supply was from purchased power.

Summary of the Offering

The following is a brief summary of the terms of this offering. For a more complete description of the terms of the bonds, see "Certain Terms of the Bonds" beginning on page S-8 and "Description of First Mortgage Bonds" beginning on page S-13 of this prospectus supplement and page 6 of the accompanying prospectus.

Issuer	Florida Power Corporation d/b/a Progress Energy Florida, Inc. The bonds are not obligations of, nor guaranteed by, Progress Energy, Inc.
Bonds	We are offering $300,000,000 aggregate principal amount of first mortgage bonds.
Interest Rate	4.50% per year.
Maturity Date	June 1, 2010
Interest Payment Dates	Interest on the bonds will be payable semi-annually in arrears on June 1 and December 1, commencing December 1, 2005, to holders of record on May 22 and November 21, as applicable.
Optional Redemption	We may redeem some or all of the bonds at any time, at our option, at make-whole redemption prices as described under "Certain Terms of the Bonds — Redemption — Optional Redemption."
Special Redemption	Upon the occurrence of specific events, we may redeem the bonds, together with all other outstanding first mortgage bonds, in whole, but not in part, as described under "Certain Terms of the Bonds — Redemption — Special Redemption." In the event of a special redemption, the bonds will be redeemable at the make-whole redemption prices as described under "Certain Terms of the Bonds — Redemption — Optional Redemption."
Ranking	The bonds will be secured by the lien of the Mortgage, as defined in the accompanying prospectus, and will rank equally with all other outstanding first mortgage bonds. See "Description of First Mortgage Bonds — Ranking and Security" in the accompanying prospectus. At March 31, 2005, we had outstanding approximately $1.6 billion in aggregate principal amount of first mortgage bonds.
Sinking Fund	There is no sinking fund for the bonds.
Issuance of Additional First Mortgage Bonds	As of March 31, 2005, we could issue additional first mortgage bonds under the Mortgage in amounts equal to approximately (i) $2.3 billion based upon the bondable value of property additions ($2.0 billion after giving effect to this offering) and (ii) $175.5 million based upon the amount of previously authenticated first mortgage bonds that have been cancelled or delivered for cancellation.
The Trustee	The trustee under the Mortgage is JPMorgan Chase Bank, N.A. In the normal course of business, the Trustee or its affiliates may, from time to time, provide certain commercial banking, investment banking, and securities underwriting services to us and our affiliates.

Further Issues of the Bonds	Initially, the bonds will be limited to $300,000,000 in aggregate principal amount. We may, subject to the provisions of the Mortgage, "reopen" the bonds and issue additional bonds, without the consent of the holders of the bonds.
Use of Proceeds	We expect to use the net proceeds from the sale of the bonds of approximately $296.4 million, after deducting offering discounts and estimated offering expenses, to reduce the outstanding balance of our notes payable to affiliated companies, which notes represent our borrowings under an internal money pool operated by our parent, Progress Energy, Inc. Upon repayment of our money pool borrowings, Progress Energy, Inc. expects to use those proceeds to reduce its outstanding commercial paper balance. For additional information, see "Use of Proceeds."
Ratings	The bonds are expected to be assigned ratings of "A2" (stable outlook) by Moody's Investors Service, Inc., "BBB" (negative outlook) by Standard & Poor's Ratings Services and "A-" (stable outlook) by Fitch, Inc. A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold the bonds. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if it decides the circumstances warrant that change.

Summary Financial Information

In the table below, we provide you with our summary financial information. The information is only a summary, and you should read it together with the financial information incorporated by reference in this document. See "Documents Incorporated by Reference" on page S-15 of this prospectus supplement and "Where You Can Find More Information" on page 2 of the accompanying prospectus.

	Three Months Ended March 31,		Year Ended December 31,		
	2005	2004	2004	2003	2002
	(Dollars in Millions)				
Income Statement Data:					
Operating revenues	$ 848	$ 784	$3,525	$3,152	$3,062
Operating income	89	103	618	528	599
Net interest charges	32	30	114	91	106
Net income	44	50	335	297	325
Balance Sheet Data (end of period):					
Total assets	7,663	7,264	7,924	7,280	6,678
Total debt(a)	2,536	2,273	2,431	2,310	1,955
Other Data:					
Ratio of earnings to fixed charges(b)	4.97x	4.92x	5.17x	5.30x	5.28x
Capital expenditures	$ 128	$ 121	$ 492	$ 526	$ 535

(a) Includes notes payable to affiliated companies, which totaled approximately $479 million, $84 million, $178 million, $363 million and $237 million at March 31, 2005 and 2004, and December 31, 2004, 2003 and 2002 respectively. Notes payable to affiliated companies represents our net position from our participation in an internal money pool operated by our parent, Progress Energy, Inc.

(b) Ratios for the periods ended March 31 represent the ratios for the twelve-month periods ending on those dates. We define "earnings" as income before income taxes plus fixed charges and "fixed charges" as the sum of interest on long-term debt, other interest and amortization of debt discount and expense.

RISK FACTORS

Investing in our securities involves risks that could affect us and our business as well as the energy industry generally. Please see the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference into this document. Much of the business information as well as the financial and operational data contained in our risk factors is updated in our periodic reports, which are also incorporated by reference into this document. Although we have tried to discuss key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Before purchasing our securities, you should carefully consider the risks discussed in our Annual Report on Form 10-K for the year ended December 31, 2004 and the other information in this prospectus supplement and the accompanying prospectus, as well as the documents incorporated by reference herein. Each of the risks described could result in a decrease in the value of our securities and your investment therein.

CAPITALIZATION AND SHORT-TERM DEBT

The following table sets forth our actual and adjusted capitalization and short-term debt as of March 31, 2005. The as adjusted amounts reflec the receipt of net proceeds from the sale of the bonds of approximately $296.4 million, after deducting underwriting discounts and estimated offering expenses, and the application of such proceeds as set forth herein under the caption "Use of Proceeds."

	As of March 31, 2005			
	Actual	Ratio	Adjusted	Ratio
	(Dollars in Millions)			
Short-term Debt				
Commercial Paper	$ 153	3.1%	$ 153	3.1%
Current Portion of Long-term Debt	48	1.0%	48	1.0%
Notes Payable to Affiliated Companies(a)	479	9.7%	183	3.7%
Long-term Debt				
First Mortgage Bonds(b)	1,568	31.7%	1,864	37.7%
Other Long-term Debt(c)	288	5.8%	288	5.8%
Total Debt	$2,536	51.3%	$2,536	51.3%
Preferred Stock — Redemption Not Required	34	0.6%	34	0.6%
Common Stock Equity	2,379	48.1%	2,379	48.1%
Total Capitalization and Short-term Debt	$4,949	100.0%	$4,949	100.0%

(a) Represents our net position at March 31, 2005 from our participation in an internal money pool operated by our parent, Progress Energy, Inc We participate in the money pool to more effectively utilize cash resources and to reduce outside short-term borrowings.

(b) Includes approximately $241 million of first mortgage bonds issued to secure certain pollution control revenue refunding bonds. Adjusted amount includes bond discount and offering expenses of approximately $4 million.

(c) Includes borrowings under our long-term credit facility and medium-term notes.

USE OF PROCEEDS

We expect to use the net proceeds from the sale of the bonds of approximately $296.4 million, after deducting offering discounts and estimated offering expenses, to reduce the outstanding balance of our notes payable to affiliated companies, which, at March 31, 2005, had an outstanding balance of $478.8 million and an interest rate of 3.53%. Notes payable to affiliated companies represents our net position from our participation in an internal money pool operated by our parent, Progress Energy, Inc. Upon repayment of our money pool borrowings, Progress Energy, Inc. expects to use those proceeds to reduce its outstanding commercial paper balance.

CERTAIN TERMS OF THE BONDS

We will issue the bonds under an Indenture, dated as of January 1, 1944, with JPMorgan Chase Bank, N.A., as successor trustee (the "Mortgage Trustee"). The Indenture is supplemented by supplemental indentures. In the following discussion, we will refer to the Indenture and all indentures supplemental to the Indenture together as the "Mortgage."

Please read the following information concerning the bonds in conjunction with the statements under "Description of First Mortgage Bonds" herein and in the accompanying prospectus, which the following information supplements and, in the event of any inconsistencies, supersedes. Capitalized terms not defined in this prospectus supplement are used as defined in the Mortgage and supplemental indenture governing the bonds or as otherwise provided in the accompanying prospectus.

General

We will initially offer $300,000,000 aggregate principal amount of our first mortgage bonds. We are issuing the bonds as a new series of first mortgage bonds under our Mortgage. The Forty-Fifth Supplemental Indenture, dated as of May 1, 2005, supplements, and will become a part of, the Mortgage and establishes the specific terms of the bonds. Except as provided under "—Basis for Issuance of the Bonds," we may, at any time, without the consent of the holders of the bonds, issue additional first mortgage bonds having the same ranking, interest rate, maturity and other terms as the bonds being offered hereby. Any such additional bonds, together with the bonds offered hereby, will be taken to constitute the same series of bonds under the Mortgage. The bonds are not obligations of, nor guaranteed by, Progress Energy, Inc.

Basis for Issuance of the Bonds

We will issue the bonds under the Mortgage based upon the value of bondable property additions.

As of March 31, 2005, we could issue under the Mortgage:

- based upon the value of bondable property additions, up to approximately $2.3 billion ($2.0 billion after giving effect to this offering) of additional first mortgage bonds; and
- based upon the amount of previously authenticated first mortgage bonds that have been canceled or delivered for cancellation, approximatel $175.5 million of additional first mortgage bonds.

Form and Denomination

The bonds will initially be represented by one or more global securities that will be deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. The bonds will be sold in multiples of $1,000. For more information o DTC, see " — The Depositary" below.

Maturity, Interest and Payment

The bonds will mature on June 1, 2010.

We will pay interest on the bonds at 4.50% per year. Interest on the bonds will accrue from and include the date of original issuance. We will pay interest on the bonds on June 1 and December 1 of each year, beginning December 1, 2005. We will pay interest on the bonds to the person(s) in whose name(s) the bonds are registered at the close of business on the tenth calendar day next preceding the interest payment date (i.e., May 22 and November 21, respectively), *provided, however,* that so long as the bonds are registered in the name of DTC, its nominee or a successor depositary, the record date for interest payable on any interest payment date shall be the close of business on the business day immediately preceding such interest payment date for the bonds so registered. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. If a due date for the payment of interest or principal falls on a day that is not a business day, then the payment will be made on the next succeeding business

day, and no interest will accrue on the amounts payable for the period from and after the original due date and until the next business day.

Pursuant to the Mortgage, we will pay interest, to the extent enforceable under law, on any overdue installment of interest on the bonds at the highest rate of interest payable on any of the first mortgage bonds outstanding under the Mortgage.

Ranking and Security

The bonds will be secured by the lien of the Mortgage and will rank equally with all our other first mortgage bonds from time to time outstanding. At March 31, 2005, we had approximately $1.6 billion in aggregate principal amount of first mortgage bonds outstanding. In the opinion of our counsel, the Mortgage constitutes a first mortgage lien, subject only to permitted encumbrances and liens, on substantially all of the fixed properties owned by us, except miscellaneous properties specifically excepted. After-acquired property is covered by the lien of the Mortgage, subject to existing liens at the time such property is acquired.

Dividend Restrictions

As of March 31, 2005, we had retained earnings of $1.3 billion. None of our retained earnings were restricted by provisions of the Mortgage described in the accompanying prospectus that restrict the amount of retained earnings that we can use to pay cash dividends on our common stock.

Redemption

The bonds are redeemable prior to maturity, as set forth below. We have agreed that before any applicable redemption date, we will deposit with the Mortgage Trustee a sum of money equal to the applicable redemption price. If we elect to redeem any bonds, we will notify the Mortgage Trustee of our election at least 45 days prior to the redemption date, or a shorter period acceptable to the Mortgage Trustee, including in the notice of redemption a reasonably detailed computation of the redemption price. Our failure to make the required deposit will constitute a completed default under the Mortgage on the specified redemption date and the subject bonds or, in the case of a special redemption, all outstanding first mortgage bonds, including the bonds, shall immediately become due and payable.

Optional Redemption

We may redeem some or all of the bonds at any time and from time to time, at our option, at a redemption price equal to the greater of:

- 100% of the principal amount of the bonds then outstanding to be redeemed; or
- the sum of the present values of the remaining scheduled payments of principal and interest on the bonds being redeemed, discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate applicable to the bonds plus 10 basis points,

plus, in each case, accrued and unpaid interest on the principal amount being redeemed to the redemption date.

"Comparable treasury issue," means the United States Treasury security or securities selected by an independent investment banker (as defined below) as having an actual or interpolated maturity comparable to the remaining term of the bonds being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such bonds.

"Comparable treasury price," means, with respect to any redemption date, (1) the average of the reference treasury dealer quotations (as defined below) for such redemption date, after excluding the

highest and lowest such reference treasury dealer quotations, or (2) if we obtain fewer than four such reference treasury dealer quotations, the average of all such quotations.

"Independent investment banker," means one of the reference treasury dealers (as defined below) appointed by us.

"Reference treasury dealer," means Barclays Capital Inc. and its respective successor, and three other primary U.S. Government securities dealers in The City of New York (a "primary treasury dealer") selected by us. If any reference treasury dealer shall cease to be a primary treasury dealer, we will substitute another primary treasury dealer for that dealer.

"Reference treasury dealer quotations," means with respect to each reference treasury dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such reference treasury dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

"Treasury rate," means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the comparable treasury issue, assuming a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.

So long as the bonds are registered in the name of DTC, its nominee or a successor depositary, if we elect to redeem less than all of the bonds, DTC's practice is to determine by lot the amount of the interest of each Direct Participant, as defined below, in the bonds to be redeemed. At all other times, the Mortgage Trustee shall draw by lot, in such manner as it deems appropriate, the particular bonds, or portions of them, to be redeemed. Notice of redemption shall be given by mail not less than 30 nor more than 90 days prior to the date fixed for redemption to the holders of bonds to be redeemed, which, as long as the bonds are held in the book-entry only system, will be DTC, its nominee or a successor depositary. On and after the date fixed for redemption (unless we default in the payment of the redemption price and interest accrued thereon to such date), interest on the bonds, or the portions of them so called for redemption, shall cease to accrue. For further information on DTC and its practices, see " — The Depositary" below.

Special Redemption

The bonds, together with all other outstanding first mortgage bonds, are redeemable as a whole, but not in part, at the prices set forth below, upon not more than 90 days' notice in the event that:

- all of our outstanding common stock is acquired by some governmental body or instrumentality and we elect to redeem all outstanding first mortgage bonds, including the bonds; or
- all, or substantially all, of the mortgaged and pledged property constituting bondable property, as defined in the Mortgage, that is then subject to the Mortgage as a first lien shall be released from the lien of the Mortgage pursuant to the provisions thereof, and available moneys held by the Mortgage Trustee, including any moneys deposited by us for the purpose, are sufficient to redeem all outstanding first mortgage bonds, including the bonds, at the applicable redemption prices (together with accrued interest to the date of redemption) upon the happening of such event.

In the event of a special redemption, the bonds will be redeemable at the make-whole redemption price defined above under " — Optional Redemption."

Sinking Fund

The bonds will not be entitled to the benefit of any sinking fund, or to a special redemption by operation of a sinking fund.

The Depositary

DTC is a:

- limited-purpose trust company organized under the New York Banking Law;
- "banking organization" within the meaning of the New York Banking Law;
- member of the Federal Reserve System;
- "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds securities that its Participants, as defined below, deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts. This book-entry system eliminates the need for physical movement of securities certificates.

Participants in DTC include direct participants ("Direct Participants") and indirect participants ("Indirect Participants," and, together with Direct Participants, "Participants"). Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to Indirect Participants, which include, among others, securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly. The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of bonds under DTC's system must be made by or through Direct Participants, which will receive a credit for the bonds on DTC's records. The ownership interest of each actual purchaser of bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase; rather, Beneficial Owners are expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

To facilitate subsequent transfers, all bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as Cede & Co., as nominee for DTC, is the sole holder of the bonds, the Mortgage Trustee shall treat Cede & Co. as the only holder of the bonds for all purposes, including receipt of all principal of, premium, if any, and interest on such bonds, receipt of notices, and voting and requesting or directing the Mortgage Trustee to take or not to take, or consent to, certain actions.

We, or, at our request, the Mortgage Trustee, will send any redemption notices to DTC. If we redeem less than all of the bonds, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the bonds. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the bonds are credited on the record date and includes an attached list identifying such Direct Participants. Further, we believe tha it is the policy of DTC that it will take any action permitted to be taken by a

holder of bonds only at the direction of one or more Direct Participants to whose account interests in the bonds are credited and only in respect of such portion of the aggregate principal amount of the bonds as to which such Direct Participant or Participants has or have given such direction.

Principal of, and premium, if any, and interest payments on the bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the applicable payment date in accordance with the Direct Participants' respective holdings shown on DTC's records on the calendar day immediately preceding the applicable payment date unless DTC has reason to believe that it will not receive payment. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participants and not of DTC, the Mortgage Trustee or us, subject to applicable statutory or regulatory requirements. Payment of principal, premium, if any, and interest to DTC is our responsibility, or the responsibility of the Mortgage Trustee with funds we provide. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

Neither we, the Mortgage Trustee nor any underwriter makes any representation as to the accuracy of the above description of DTC's business, organization and procedures, which is based on information received from sources we believe to be reliable.

The Mortgage provides that if:

- the depositary gives reasonable notice to us or to the Mortgage Trustee that it is unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 days, or
- the depositary ceases to be eligible under the Mortgage and a successor depositary is not appointed by us within 90 days, or
- we decide to discontinue use of the system of book-entry transfers through the depositary or its successor,

the global bonds will be exchanged for bonds in definitive form of like tenor and of an equal aggregate principal amount, in authorized denominations. The depositary will provide to the Mortgage Trustee the name or names in which the Mortgage Trustee is to register these definitive bonds.

We, the underwriters and the Mortgage Trustee have no responsibility or obligation to DTC Participants or the Beneficial Owners with respec to:

- the accuracy of any records maintained by DTC or any Participant;
- the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, and interest on, the bonds;
- the delivery or timeliness of delivery by DTC to any Participant or by any Participant to any Beneficial Owner of any notice that is required or permitted under the terms of the Mortgage; or
- any other action taken by DTC or its nominee, Cede & Co., as holder of the bonds.

A further description of DTC's procedures with respect to the bonds is set forth under "Global Securities" in the accompanying prospectus.

DESCRIPTION OF FIRST MORTGAGE BONDS

Recent Amendments to the Mortgage

Pursuant to the Forty-Fourth Supplemental Indenture dated as of August 1, 2004, the Mortgage was amended to provide that, with respect to compliance with conditions precedent to the authentication and delivery of first mortgage bonds, no certificate or opinion of an accountant shall be required to be of any person other than an officer or employee of ours that is actively engaged in accounting work, but who need not be a certified or licensed public accountant, as to dates or periods not covered by annual reports required to be filed by us, in the case of conditions precedent which depend upon a state of facts as of a date or dates for a period or periods different from that required to be covered by such annual reports. For periods covered by an annual report, the Mortgage provides that any required certificate or opinion of an accountant must be from an independent public accountant. See Article I of the Forty-Fourth Supplemental Indenture to the Mortgage.

Pursuant to the Forty-Second Supplemental Indenture, dated as of April 1, 2003, the Mortgage was amended to permit an entity whose primary headquarters are not in the Borough of Manhattan, The City of New York to serve as trustee, so long as it maintained a principal business office in the Borough of Manhattan, The City of New York. Additionally, the amendment requires current and future trustees to have a combined capital and surplus of at least $100 million and to be rated investment grade by at least two nationally recognized rating agencies. See Article I of the Forty-Second Supplemental Indenture.

UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement dated May 11, 2005 among us and the underwriters named below, we have agreed to sell to each of the underwriters, and each of the underwriters has severally, and not jointly, agreed to purchase, the respective principal amounts of the bonds set forth opposite its name below:

Underwriter	Principal Amount of Bonds
Barclays Capital Inc.	$112,500,000
Wachovia Capital Markets, LLC	112,500,000
Banc of America Securities LLC	22,500,000
Greenwich Capital Markets, Inc.	22,500,000
Calyon Securities (USA) Inc.	15,000,000
Goldman, Sachs & Co.	15,000,000
Total	**$300,000,000**

Under the terms and conditions of the underwriting agreement, the underwriters are committed to take and pay for all the bonds, if any are taken; provided, that under certain circumstances relating to a default of one or more underwriters, less than all of the bonds may be purchased. The underwriters propose to offer the bonds in part directly to purchasers at the initial public offering price set forth on the cover page of this prospectus supplement and in part to certain securities dealers at this price less a concession not to exceed 0.350% of the principal amount of the bonds. The underwriters may allow, and any such dealers may reallow, a concession to certain other dealers not to exceed 0.250% of the principal amount of the bonds. After the bonds are released for sale to the public, the offering price and other selling terms may from time to time be varied by the underwriters.

The bonds constitute new issues of securities with no established trading market. We do not intend to apply for listing of the bonds on any national securities exchange or for quotation through any national quotation system. We have been advised by the underwriters that they intend to make a market in the bonds but are not obligated to do so and may discontinue market making at any time without notice. Therefore, we can give no assurances that a liquid trading market will develop for the bonds, that you will be able to sell your bonds at a particular time, or that the prices that you receive when you sell will be favorable.

In connection with the offering of the bonds, the underwriters may engage in overallotment, stabilizing transactions and syndicate covering transactions in accordance with Regulation M under the Securities Exchange Act of 1934, as amended. Overallotment involves sales in excess of the offering size, which creates a short position for the underwriters. Stabilizing transactions involve bids to purchase the bonds in the open market for the purpose of pegging, fixing or maintaining the price of the bonds. Syndicate covering transactions involve purchases of the bonds in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the bonds to be higher than would otherwise be the case in the absence of those transactions. If the underwriters engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

Certain of the underwriters will make the bonds available for distribution on the Internet through a proprietary Website and/or a third-party system operated by Market Axess Inc., an Internet-based communications technology provider. Market Axess Inc. is providing the system as a conduit for communications between such underwriters and their customers and is not a party to any transactions. Market Axess Inc., a registered broker-dealer, will receive compensation from such underwriters based on transactions such underwriters conduct through the system. Such underwriters will make the bonds available to their customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

The underwriters and certain of their affiliates have engaged and in the future may engage in investment banking transactions and in general financing and commercial banking transactions with, and the provision of services to, us and our affiliates in the ordinary course of business for which they have received, and will in the future receive, customary fees. Some of the underwriters or their affiliates are lenders under our revolving credit facility that backs up our or our affiliates' commercial paper programs.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933 or contribute to payments that the underwriters may be required to make in respect thereof.

We estimate that the total expenses of the offering, including applicable recording and related taxes, but excluding the underwriting discount, will be approximately $1.5 million.

EXPERTS

The financial statements and the related financial statement schedule incorporated in this document by reference from our Annual Report on Form 10-K for the year ended December 31, 2004 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated by reference herein (which report on the financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of a new accounting principle in 2003), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

R. Alexander Glenn, Deputy General Counsel — Florida of Progress Energy Service Company, LLC, and Hunton & Williams LLP, our outside counsel, will issue opinions about the legality of the offered securities for us. The underwriters will be advised about issues relating to this offering by their legal counsel, Dewey Ballantine LLP of New York, New York.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this document, and information that we file later with the SEC will automatically update and supersede the information in this prospectus. Our SEC filing number is 1-3274. We incorporate by reference the documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of th Securities Exchange Act of 1934 until we sell all of the securities being registered; provided, however, that we are not incorporating by reference any information furnished under Item 9, Item 12, Item 2.02 and Item 7.01 of any Current Report on Form 8-K.

- Our Annual Report on Form 10-K for the year ended December 31, 2004.
- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
- Our Current Reports on Form 8-K or Form 8-K/ A filed January 28, March 4, March 15, March 22 and April 1, 2005.

We frequently make our SEC filings on a joint basis with Florida Progress Corporation, our direct corporate parent, or certain of our other affiliates. Any information included in such SEC filings that relates solely to Florida Progress or our other affiliates is not and shall not be deemed to be incorporated by reference into this prospectus supplement or the accompanying prospectus.

You may request a copy of these filings, at no cost, by writing or calling us at the following:

Progress Energy Florida, Inc.
c/o Progress Energy, Inc.
Investor Relations
410 South Wilmington Street
Raleigh, North Carolina 27601
Telephone: (800) 662-7232

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Prospectus

Florida Power Corporation d/b/a

Progress Energy Florida, Inc.

$1,050,000,000

First Mortgage Bonds
Debt Securities

These securities are not obligations of, nor guaranteed by, Progress Energy, Inc., our corporate parent.

Investing in our securities involves risks. See the "Risk Factors" section on page 5 of this prospectus.

We will provide specific terms of these securities, and the manner in which they are being offered, in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest. We cannot sell any of these securities unless this prospectus is accompanied by a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved o these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This Prospectus is dated April 4, 2003.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a "shelf" registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of $1,050,000,000. We may offer any of the following securities: First Mortgage Bonds and/or other Debt Securities.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Any prospectus supplement may also add, update or change information contained in this prospectus. The registration statement we filed with the SEC includes exhibits that provide more detail on descriptions of the matters discussed in this prospectus. You should read this prospectus and the related exhibits filed with the SEC and any prospectus supplement together with additional information described under the heading "WHERE YOU CAN FIND MORE INFORMATION."

OUR COMPANY

We are a regulated public utility incorporated under the laws of Florida in 1899. We are engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. We are an indirect, wholly-owned subsidiary of Progress Energy, Inc., a North Carolina corporation. All of our common stock is held directly by Florida Progress Corporation, a Florida corporation, also referred to as Florida Progress. Effective January 1, 2003, we began doing business under the assumed name Progress Energy Florida, Inc. There were no changes to our articles of incorporation and our legal name remains Florida Power Corporation.

Our principal executive offices are located at 100 Central Avenue, St. Petersburg, Florida 33701. Our telephone number is (727) 820-5151.

Unless the context requires otherwise, references in this prospectus to the terms "we," "us," "our" or other similar terms mean Progress Energy Florida, Inc.

APPLICATION OF PROCEEDS

Unless we state otherwise in any prospectus supplement, we will use the net proceeds from the sale of the offered securities:

- to finance the construction of new facilities and the maintenance of existing facilities;
- to finance the future acquisition of other entities or their assets;
- to refund, repurchase, retire, redeem or reduce outstanding short- or long-term indebtedness; and
- for other general corporate purposes.

In the event that any proceeds are not immediately applied, we may temporarily invest them in U.S., state or municipal government or agency obligations, commercial paper, bank certificates of deposit, or repurchase agreements collateralized by U.S. government or agency obligations, or we may deposit the proceeds with banks.

RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to fixed charges for each of the following periods was:

For the Twelve Months Ended December 31,				
2002	2001	2000	1999	1998
5.46x	5.30x	3.82x	4.37x	3.87x

We define "earnings" as income before income taxes plus fixed charges. We define "fixed charges" as the sum of interest on long-term debt, other interest and amortization of debt discount and expense.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and special reports, current reports, proxy statements and other information with the SEC. Our SEC filing number is 1-3274. Our SEC filings are available to the public over the Internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document we file with the SEC at the SEC's public reference room in Washington, D.C. The SEC's public reference room in Washington is located at 450 5th Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information

in its public reference rooms. Additionally, information about us and our SEC filings are available on our web site at http://www.fpc.com. **The contents of our web site do not constitute a part of this prospectus or any prospectus supplement hereto.**

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede the information in this prospectus. We incorporate by reference the documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities being registered; provided, however, that we are not incorporating by reference any information furnished under Items 9 or 12 of any Current Report on Form 8-K.

Our Annual Report on Form 10-K for the year ended December 31, 2002.

Our Current Reports on Form 8-K filed January 3, February 12, February 18 (2 filed), February 21 and April 1, 2003.

We typically make our SEC filings on a joint basis with Florida Progress, our direct corporate parent. Any information included in such SEC filings that relates solely to Florida Progress is not and shall not be deemed to be incorporated by reference into this prospectus or any prospectus supplement.

You may request a copy of these filings at no cost, by writing or calling us at the following address:

Progress Energy Florida, Inc.
c/o Progress Energy, Inc.
Investor Relations
410 South Wilmington Street
Raleigh, North Carolina 27601
Telephone: (800) 662-7232

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. We are not making any offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

This prospectus contains, and any supplement hereto will contain, forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We have used words or phrases such as "anticipate," "will likely result," "will continue," "intend," "may," "expect," "believe," "plan," "will," "estimate," "should," and variations of such words and similar expressions in this prospectus and in the documents incorporated by reference to identify such forward-looking statements. The matters discussed throughout this prospectus and any supplement hereto, including the documents incorporated by reference herein or therein, that are not historical facts are forward-looking and, accordingly, involve estimates, projects, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made.

Examples of factors that you should consider with respect to any forward-looking statements made include, but are not limited to, the following:

- the impact of fluid and complex government laws and regulations, including those relating to the environment;
- the impact of recent events in the energy markets that have increased the level of public and regulatory scrutiny in the energy industry and in the capital markets;
- the impact of our rate case settlement;
- deregulation or restructuring in the electric industry that may result in increased competition and unrecovered (stranded) costs;
- the uncertainty regarding the timing, creation and structure of regional transmission organizations;
- weather conditions that directly influence the demand for electricity and natural gas;
- recurring seasonal fluctuations in demand for electricity and natural gas;
- fluctuation in the price of energy commodities and purchased power;
- economic fluctuations and the corresponding impact on our commercial and industrial customers;
- the inherent risks associated with the operation of nuclear facilities, including environmental, health, regulatory and financial risks;
- the impact of any terrorist acts generally and on our generating facilities and other properties;
- the ability to successfully access capital markets on favorable terms;
- the impact that increases in leverage may have on us and our ability to maintain our current credit ratings;
- the impact of derivative contracts used in the normal course of business; and
- unanticipated changes in operating expenses and capital expenditures.

These and other factors are detailed from time to time in our SEC filings which are incorporated herein. Many, but not all of the factors that may impact actual results are discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2002, which is incorporated by reference into this prospectus. You should carefully read that "Risk Factors" section. 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 us to predict all such factors, nor can we assess the effect of each such factor on us.

RISK FACTORS

Investing in our securities involves risks that could affect the energy industry, as well as us and our business. Please see the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2002, which is incorporated into this prospectus. Although we have tried to discuss key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Before purchasing our securities, you should carefully consider the risks discussed therein and the other information in this prospectus and any prospectus supplement hereto, as well as the documents incorporated by reference herein or therein. Each of the risks described could result in a decrease in the value of our securities and your investment therein.

DESCRIPTION OF THE SECURITIES

This prospectus describes certain general terms of the offered securities. When we offer to sell a particular security, we will describe the specific terms in a prospectus supplement. The securities will be issued under indentures, selected provisions of which we have summarized below. The summary is not complete. The indentures appear as exhibits to the registration statement of which this prospectus is a part, or are incorporated by reference as exhibits to such registration statement, or will appear as exhibits to other documents that we will file with the SEC, which will be incorporated by reference into this prospectus. You should carefully read the indentures as they, and not this prospectus or any prospectus supplement hereto, govern your rights as a security holder. Capitalized terms used in the following summaries have the meanings specified in the applicable indentures unless otherwise defined below.

DESCRIPTION OF FIRST MORTGAGE BONDS

General

We will issue First Mortgage Bonds in one or more series under an Indenture, dated as of January 1, 1944, with First Chicago Trust Company of New York, as successor trustee (the "Mortgage Trustee"), as supplemented by supplemental indentures, including one or more supplemental indentures relating to the First Mortgage Bonds. In the following discussion, we will refer to the Indenture and all supplements to the Indenture together as the "Mortgage." We will refer to all of our First Mortgage Bonds, including those already issued and those to be issued under this shelf registration process or otherwise issued in the future, as "First Mortgage Bonds." The information we are providing you in this prospectus concerning the First Mortgage Bonds and the Mortgage is only a summary of the information provided in those documents and the information is qualified in its entirety by reference to the provisions of the Mortgage. You should consult the First Mortgage Bonds themselves, the Mortgage and other documents for more complete information on the First Mortgage Bonds. These documents appear as exhibits to the registration statement of which this prospectus is a part, or are incorporated by reference as exhibits to such registration statement, or will appear as exhibits to other documents that we will file with the SEC, which will be incorporated by reference into this prospectus. The Mortgage has been qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and you should refer to the Trust Indenture Act for the provisions that apply to the First Mortgage Bonds. In the summary below, we have included references to applicable section numbers of the Mortgage so that you can more easily locate the relevant provisions.

Provisions of a Particular Series

The First Mortgage Bonds may from time to time, be issued in one or more series. You should consult the prospectus supplement relating to any particular issue of the First Mortgage Bonds for the following information:

- the designation, series and aggregate principal amount of the First Mortgage Bonds;
- the percentage of the principal amount for which we will issue and sell the First Mortgage Bonds;
- the date of maturity for the First Mortgage Bonds;
- the rate at which the First Mortgage Bonds will bear interest or the method of determining that rate;
- the dates on which interest is payable;
- the denominations in which we will authorize the First Mortgage Bonds to be issued, if other than $1,000 or integral multiples of $1,000;
- whether we will offer the First Mortgage Bonds in the form of global bonds and, if so, the name of the depositary for any global bonds;

- the terms applicable to any rights to convert First Mortgage Bonds into or exchange them for other of our securities or those of any other entity;

- redemption terms and sinking fund provisions, if any; and

- any other specific terms that do not conflict with the Mortgage.

For more information, see Section 2.01 of the Mortgage.

No series of the First Mortgage Bonds will be limited in aggregate principal amount except as provided in the Mortgage. Unless the applicable prospectus supplement states otherwise, the covenants contained in the Mortgage will not afford holders of the First Mortgage Bonds protection in the event of a change of control or highly leveraged transaction. As of the date of this prospectus, we had approximately $1.48 billior aggregate principal amount of First Mortgage Bonds outstanding.

Form and Exchanges

Unless otherwise specified in the applicable prospectus supplement, we expect to issue the First Mortgage Bonds as fully registered bonds without coupons in denominations of $1,000 or any integral multiple of $1,000. Holders may exchange them, free of charge, for a like aggregate principal amount of other First Mortgage Bonds of different authorized denominations of the same series. Holders may also transfer the First Mortgage Bonds free of charge except for any stamp taxes or other governmental charges that may apply. The First Mortgage Bonds may be presented for transfer or exchange at the corporate trust office of the Trustee in New York, New York. For more information, see Sections 2.01 and 2.03 of the Mortgage.

Interest and Payment

The prospectus supplement for any First Mortgage Bonds will state the interest rate, the method of determination of the interest rate, and the date on which interest is payable. Unless the prospectus supplement states otherwise, principal and interest on First Mortgage Bonds held in (i) definitive or certificated form will be paid at the corporate trust office of the Mortgage Trustee in New York, New York, and (ii) global form will be paid as set forth herein under "Global Securities."

We have agreed to pay interest, to the extent enforceable under law, on any overdue installment of interest on the First Mortgage Bonds at the highest rate of interest payable on any of the First Mortgage Bonds outstanding under the Mortgage. For more information, see Section 2.01 and Article X of the Mortgage.

Redemption and Purchase of First Mortgage Bonds

If the First Mortgage Bonds are redeemable, the redemption terms will appear in the prospectus supplement. We may declare redemptions on at least 30 days' notice to the holders of First Mortgage Bonds to be redeemed and to the Mortgage Trustee. We have agreed that before the redemption date we will deposit with the Mortgage Trustee a sum of money sufficient to redeem the subject First Mortgage Bonds. Our failure to make this required deposit will constitute a completed default under the Mortgage on the specified redemption date and the First Mortgage Bonds called for redemption shall immediately become due and payable. For more information, see Article VIII of the Mortgage.

First Mortgage Bonds are redeemable, in whole but not in part, on not more than 90 days' notice to holders, at a redemption price of 100% of the principal amount thereof, together with accrued interest to the date of redemption, in the event that:

- all of our outstanding common stock is acquired by some governmental body or instrumentality and we elect to redeem all First Mortgage Bonds; or

- all or substantially all the mortgaged and pledged property, constituting bondable property as defined in the Mortgage, that is then subject to the Mortgage as a first lien shall be released from

the lien of the Mortgage under the provisions thereof, and available moneys held by the Mortgage Trustee, including any moneys deposited by us for the purpose, are sufficient to redeem all the First Mortgage Bonds at the redemption prices (together with accrued interest to the date of redemption) specified therein applicable to the redemption thereof upon the happening of such event.

For more information, see Section 8.08 of the Mortgage.

Maintenance Fund

The Mortgage provides that the amount expended for property additions (excluding several stated exceptions) will, at the end of each year, equal the minimum provision for depreciation, for each calendar year subsequent to December 31, 1943, and if at the end of any such year we have not expended such required amount, we will, on or before the next succeeding March 31, deposit with the Mortgage Trustee the difference in cash. Certain credits are allowed against cash so required to be deposited. During the three years immediately following a cash deposit with the Mortgage Trustee, we may at any time or from time to time withdraw cash in an amount equal to any available maintenance credit. Cash not so withdrawn shall be applied towards the payment due upon maturity or for the purchase of outstanding First Mortgage Bonds as provided in the Mortgage. For more information, see Sections 5.08 and 1.05 of the Mortgage.

We must provide the Mortgage Trustee with an annual maintenance certificate with respect to the bondable value of property additions. The minimum provision for depreciation means an amount equal to:

- 15% of our gross operating revenues, net of the cost of electric energy purchased for resale; *less*
- an amount equal to the aggregate of the charges to operating expense for maintenance; *provided, however,*
- that the minimum provision for depreciation for any period shall not exceed the maximum provision for depreciation, as defined, for the period.
- the maximum provision for depreciation shall mean as to each full calendar year, an amount equal to:
- $755,000, *plus*
- 2.25% of the sum of all property additions after January 1, 1944 up to the beginning of the subject calendar year, *less*
- 2.25% of the aggregate amount of all retirements of bondable property during the period after January 1, 1944 up to the beginning of the subject calendar year.

For periods other than a calendar year, the maximum provision for depreciation shall be based upon the maximum provision for depreciation for the calendar year ended during such period multiplied by the number of calendar months or fractions thereof included in such period and divided by 12.

As of December 31, 2002, we had a cumulative maintenance credit of approximately $6.3 billion.

Ranking and Security

The First Mortgage Bonds will be secured by the lien of the Mortgage and will rank equally with all bonds outstanding thereunder. In the opinion of our counsel, the Mortgage constitutes a first mortgage lien, subject only to permitted encumbrances and liens, on substantially all of the fixed properties owned by us except miscellaneous properties specifically excepted. After-acquired property covered by the lien of the Mortgage, subject to existing liens at the time such property is acquired. For more information, see the Preambles and Section 2.01 of the Mortgage.

Issuance of Additional First Mortgage Bonds

First Mortgage Bonds may be issued under the Mortgage in a principal amount equal to:

- an amount not exceeding 60% of the bondable value of property additions, which term generally includes all of our tangible property that we are authorized to acquire, own and operate, that has become subject to the Mortgage and which is used in connection with the generation, purchase, transmission, distribution or sale of electricity for light, heat, power or other purposes;
- an additional aggregate principal amount not exceeding the aggregate principal amount of refundable prior lien bonds deposited with the Mortgage Trustee or judicially determined to be invalid;
- an additional aggregate principal amount not exceeding the aggregate principal amount of any outstanding First Mortgage Bonds that have been canceled or delivered for cancellation; and
- an additional aggregate principal amount equal to the amount of cash deposited with the Mortgage Trustee against the issuance of bonds.

For more information, see Sections 4.03 thorough 4.06 of the Mortgage.

As of December 31, 2002, the bondable value of property additions under the first bullet point above was approximately $4.2 billion permitting the issuance of approximately $2.5 billion of additional bonds ($1.85 billion after giving effect to our February 2003 First Mortgage Bond issuance). As of the date of this prospectus, the additional aggregate principal amount of First Mortgage Bonds that could be issued based upon the amount of previously issued First Mortgage Bonds that have been canceled or delivered for cancellation under the third bullet point above was approximately $265.5 million. Cash deposited with the Mortgage Trustee under the fourth bullet point above may be withdrawn in an amount equal to the principal amount of any First Mortgage Bonds we would otherwise be entitled to have authenticated under any of the provisions referred to in the first three bullet points above, and may also be used for the purchase or redemption of First Mortgage Bonds which, by their terms, are redeemable. For more information, see Section 4.06 of the Mortgage.

First Mortgage Bonds may be authenticated pursuant to the first and fourth bullet points above (and in certain cases pursuant to the second and third bullet points above) only if net earnings for 12 successive months in the 15 months immediately preceding the first day of the month in which application for additional First Mortgage Bonds is made shall be at least two times the annual interest charges on the First Mortgage Bonds and prior lien bonds outstanding and to be outstanding. For more information, see Sections 4.08 and 1.06 of the Mortgage.

Restriction on Dividends

Unless otherwise stated in the prospectus supplement, in the case of First Mortgage Bonds issued under this prospectus and any accompanying prospectus supplement, and so long as any First Mortgage Bonds are outstanding, we may only pay cash dividends on our common stock, and make any other distribution to Florida Progress, our common stockholder, out of our net income subsequent to December 31, 1943. For more information, see Section 5.24 of the Mortgage.

Release and Substitution of Property

Subject to various limitations, property may be released from the lien of the Mortgage when sold or exchanged, upon the basis of:

- cash deposited with the Mortgage Trustee;
- the principal amount of any purchase money obligations pledged with the Mortgage Trustee;
- the fair value of any property additions certified to the Mortgage Trustee and acquired by us in exchange for the property to be released; or

- if non-bondable property is to be released, the fair value of property and certain securities certified to the Mortgage Trustee and acquired by us in exchange for the property to be released, less the principal amount of certain outstanding prior lien bonds.

For more information, see Section 9.03 of the Mortgage.

If all or substantially all of the mortgaged and pledged property constituting bondable property which at the time shall be subject to the lien of the Mortgage as a first lien shall be released, whether pursuant to our request or by eminent domain, then we are required to redeem all the First Mortgage Bonds and have agreed to deposit with the Mortgage Trustee sufficient cash for that purpose. Any new property acquired to take the place of any property released shall be subjected to the lien of the Mortgage. For more information, see Sections 8.08(b), 9.03, 9.05 and 9.11 of the Mortgage.

Modification of Mortgage

General

The Mortgage may generally be modified with the consent of the holders of not less than 75% in aggregate principal amount of First Mortgage Bonds outstanding which would be affected by the action proposed to be taken, except no such modifications shall:

- extend the maturity of any First Mortgage Bonds, or reduce the interest rate or extend the time of payment thereof, or reduce the principal amount thereof, without the express consent of the holder of each First Mortgage Bond affected;

- reduce the percentage of holders who must consent to the modifications referred to in this section without the consent of the holders of all First Mortgage Bonds outstanding;

- permit the creation of a prior or equal lien on the pledged property; or

- deprive any First Mortgage Bond of the lien of the Mortgage.

For more information, see Section 17.02 of the Mortgage.

Anticipated Amendments

With respect to all First Mortgage Bonds issued on or after July 1, 2002, the date of the Fortieth Supplemental Indenture, we have reserved the right to amend the Mortgage, at our sole discretion, after the bonds issued prior to July 1, 2002 are retired or redeemed, as follows:

- to change the requirement that the Mortgage Trustee have its principal office and place of business in the Borough of Manhattan, The City o New York to require that it have a principal office and place of business in that location; and

- to provide that, with respect to compliance with conditions precedent to the authentication and delivery of First Mortgage Bonds, no certificate or opinion of an accountant shall be required to be of any person other than an officer or employee of ours that is actively engage in accounting work, but who need not be a certified or licensed public accountant, as to dates or periods not covered by annual reports required to be filed by us, in the case of conditions precedent which depend upon a state of facts as of a date or dates for a period or periods different from that required to be covered by such annual reports.

With respect to the second bullet point immediately above, the Mortgage currently provides that, except in limited circumstances, any required certificate or opinion of an accountant must be from an independent public accountant, regardless of the dates or periods covered by such certificate or opinion. See Sections 1.02 and 1.06 of the Mortgage and the Fortieth Supplemental Indenture to the Mortgage, dated July 1, 2002.

In July 2002, we issued an aggregate principal amount of approximately $240.9 million First Mortgage Bonds in three series (the "2002 Bonds"). The beneficial owner of the 2002 Bonds has consented to these

amendments. In February 2003, we issued an aggregate principal amount of $650 million First Mortgage Bonds in two series (the "2003 Bonds") in an underwritten public offering. The underwriters, as initial holders of the 2003 Bonds, have consented to these amendments. As of the date of this prospectus, the 2002 Bonds and the 2003 Bonds collectively represent approximately 60% of the aggregate principal amount of outstanding First Mortgage Bonds.

In order to effectuate the amendment set forth in the first bullet point above as soon as possible, we are soliciting consents from certain of the current holders of our First Mortgage Bonds. To effectuate the amendment set forth in the second bullet point above we will continue to seek consents from future holders concurrent with the issuance of any new series of First Mortgage Bonds to such holders; however, we may also solicit consents from certain of the current holders of the First Mortgage Bonds. Future First Mortgage Bonds will include an express consent to the amendments and future holders of such First Mortgage Bonds shall be deemed to have consented to the amendments.

Default

In the event of a completed default, the Mortgage Trustee or the holders of at least 25% of the outstanding First Mortgage Bonds may declare the principal of all outstanding First Mortgage Bonds immediately due and payable. The following are defined as completed defaults in the Mortgage:

- default in the payment of principal of, and premium, if any, on any of the First Mortgage Bonds when due and payable, whether at maturity or by declaration, or otherwise;
- default continued for 60 days in the payment of any interest on any of the First Mortgage Bonds;
- default in the payment of principal or interest upon any outstanding prior lien bonds continued beyond any applicable grace period;
- certain acts of bankruptcy, insolvency or reorganization; and
- default continued for 60 days after written notice to us by the Mortgage Trustee (or to us and the Mortgage Trustee by the holders of at least 25% in principal amount of the then outstanding First Mortgage Bonds) in the observance or performance of any other covenant, agreement or condition contained in the Mortgage or in any of the First Mortgage Bonds.

For more information, see Section 10.01 of the Mortgage.

If all defaults have been cured, however, the holders of not less than a majority in aggregate principal amount of the First Mortgage Bonds then outstanding may rescind and annul the declaration and its consequences. If the Mortgage Trustee in good faith determines it to be in the interest of the holders of the First Mortgage Bonds, it may withhold notice of default, except in payment of principal, premium, if any, interest or sinking fund payments, if any, for retirement of First Mortgage Bonds. We are required by the Mortgage to report annually to the Mortgage Trustee as to the absence of default and compliance with the provisions of the Mortgage. For more information, see Sections 10.01, 10.02 and 5.2 of the Mortgage.

The holders of not less than a majority in principal amount of the First Mortgage Bonds outstanding have the right to direct the time, method and place of conducting any proceedings for any remedy available to, or conferred by the Mortgage upon, the Mortgage Trustee; provided, however, that the Mortgage Trustee may, if it determines in good faith that such direction would involve the Mortgage Trustee in personal liability or be unjustly prejudicial to the rights of the non-assenting bondholders, decline to follow such direction. For more information, see Section 10.06 of the Mortgage.

Evidence to Be Furnished to the Mortgage Trustee Under the Mortgage

We may demonstrate compliance with Mortgage provisions regarding certificates and opinions by providing written statements to the Mortgage Trustee from our officers or experts we select. For instance, we may select an engineer or appraiser to provide a written statement regarding the value of property being certified or released, or an accountant regarding net earnings, or counsel regarding property titles and

compliance with the Mortgage generally. In certain significant matters, applicable law requires that an accountant or engineer must be independent. For more information, see Section 314(d) of the Trust Indenture Act. We must file certificates and other papers each year and whenever certain events occur. Additionally, we must provide evidence from time to time demonstrating our compliance with the conditions and covenants under the Mortgage.

Relationship With the Trustee

In the normal course of business, the Mortgage Trustee or its affiliates may, from time to time, provide certain commercial banking, investment banking, and securities underwriting services to us and our affiliates. In connection with the proposed amendment discussed in the first bullet point under "Modification of Mortgage — Anticipated Amendments" we expect the current Mortgage Trustee to resign and to be replaced by Bank One, N.A., an affiliate of the Mortgage Trustee.

DESCRIPTION OF DEBT SECURITIES

General

The Debt Securities offered by this prospectus will be our direct unsecured general obligations. This prospectus describes certain general terms of the Debt Securities offered through this prospectus. When we offer to sell a particular series of Debt Securities, we will describe the specific terms of that series in a prospectus supplement. The Debt Securities will be issued under one or more indentures for Debt Securities between us and a trustee elected by us. In this prospectus, we will refer to any indenture under which we may issue Debt Securities as the "Debt Securities Indenture," and we will refer to the trustee under any Debt Securities Indenture as the "Debt Securities Trustee." A form of Debt Securities Indenture is filed as an exhibit to the registration statement of which this prospectus is a part.

The prospectus supplement applicable to a particular series of Debt Securities may state that a particular series of Debt Securities will be our subordinated obligations. The form of Debt Securities Indenture referred to above includes optional provisions (designated by brackets ("[ ]")) tha we would expect to appear in a separate indenture for subordinated debt securities in the event we issue subordinated debt securities. In the following discussion, we refer to any subordinated obligations as the "Subordinated Debt Securities." Unless the applicable prospectus supplemen provides otherwise, we will use a separate Debt Securities Indenture for any Subordinated Debt Securities that we may issue. Each Debt Securitie Indenture will be qualified under the Trust Indenture Act and you should refer to the Trust Indenture Act for the provisions that apply to the Debt Securities.

We have summarized selected provisions of the Debt Securities Indenture below. Each Debt Securities Indenture will be independent of any other Debt Securities Indenture unless otherwise stated in a prospectus supplement. The summary that follows is not complete. You should consul the applicable Debt Securities, Debt Securities Indenture, and any supplemental indentures and other related documents for more complete information on the Debt Securities. These documents appear as exhibits to, or are incorporated by reference into, the registration statement of which this prospectus is a part, or will appear as exhibits to other documents that we will file with the SEC, which will be incorporated by reference into this prospectus. In the summary below, we have included references to applicable section numbers of the Debt Securities Indenture so that you can easily locate these provisions.

Provisions of a Particular Series

The Debt Securities may from time to time be issued in one or more series. You should consult the prospectus supplement relating to any particular series of Debt Securities for the following information:

- the title of the Debt Securities;

- any limit on aggregate principal amount of the Debt Securities or the series of which they are a part;

- the date(s), or method for determining the date(s), on which the principal of the Debt Securities will be payable;
- the rate, including the method of determination if applicable, at which the Debt Securities will bear interest, if any; and
  - — the date from which any interest will accrue;
  - — the dates on which we will pay interest; and
  - — the record date for any interest payable on any interest payment date;
- the place where
  - — the principal of, premium, if any, and interest on the Debt Securities will be payable;
  - — you may register transfer of the Debt Securities;
  - — you may exchange the Debt Securities; and
  - — you may serve notices and demands upon us regarding the Debt Securities;
- the security registrar for the Debt Securities and whether the principal of the Debt Securities is payable without presentment or surrender of them;
- the terms and conditions upon which we may elect to redeem any Debt Securities;
- the denominations in which we may issue Debt Securities, if other than $1,000 and integral multiples of $1,000;
- the terms and conditions upon which the Debt Securities must be redeemed or purchased due to our obligations pursuant to any sinking fund or other mandatory redemption or tender provisions, or at the holder's option, including any applicable exceptions to notice requirements;
- the currency, if other than United States currency, in which payments on the Debt Securities will be payable;
- the terms according to which elections can be made by us or the holder regarding payments on the Debt Securities in currency other than the currency in which the Debt Securities are stated to be payable;
- if payments are to be made on the Debt Securities in securities or other property, the type and amount of the securities and other property or the method by which the amount shall be determined;
- the manner in which we will determine any amounts payable on the Debt Securities that are to be determined with reference to an index or other fact or event ascertainable outside the applicable indenture;
- if other than the entire principal amount, the portion of the principal amount of the Debt Securities payable upon declaration of acceleration of their maturity;
- any addition to the events of default applicable to any Debt Securities and any additions to our covenants for the benefit of the holders of the Debt Securities;
- the terms applicable to any rights to convert Debt Securities into or exchange them for other of our securities or those of any other entity;
- whether we are issuing Debt Securities as global securities, and if so,
  - — any limitations on transfer or exchange rights or the right to obtain the registration of transfer;
  - — any limitations on the right to obtain definitive certificates for the Debt Securities; and

— any other matters incidental to the Debt Securities;

- whether we are issuing the Debt Securities as bearer securities;
- any limitations on transfer or exchange of Debt Securities or the right to obtain registration of their transfer, and the terms and amount of any service charge required for registration of transfer or exchange;
- any exceptions to the provisions governing payments due on legal holidays, or any variations in the definition of business day with respect to the Debt Securities;
- any collateral security, assurance, guarantee or other credit enhancement applicable to the Debt Securities; and
- any other terms of the Debt Securities not in conflict with the provisions of the applicable Debt Securities Indenture.

For more information, see Section 301 of the applicable Debt Securities Indenture.

Debt Securities may be sold at a substantial discount below their principal amount. You should consult the applicable prospectus supplement for a description of certain special United States federal income tax considerations that may apply to Debt Securities sold at an original issue discount or denominated in a currency other than dollars.

Unless the applicable prospectus supplement states otherwise, the covenants contained in the applicable indenture will not afford holders of Debt Securities protection in the event we have a change in control or are involved in a highly-leveraged transaction.

Subordination

The applicable prospectus supplement may provide that a series of Debt Securities will be Subordinated Debt Securities, subordinate and junior in right of payment to all of our Senior Indebtedness, as defined below. If so, we will issue these securities under a separate Debt Securities Indenture for Subordinated Debt Securities. For more information, see Article XV of the applicable Debt Securities Indenture.

No payment of principal of, including redemption and sinking fund payments, or any premium or interest on, the Subordinated Debt Securities may be made if:

- there occur certain acts of bankruptcy, insolvency, liquidation, dissolution or other winding up of our company;
- any Senior Indebtedness is not paid when due,
- any applicable grace period with respect to other defaults with respect to any Senior Indebtedness has ended, the default has not been cured or waived, and the maturity of such Senior Indebtedness has been accelerated because of the default, or
- the maturity of the Subordinated Debt Securities of any series has been accelerated because of a default and Senior Indebtedness is then outstanding.

Upon any distribution of our assets to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal of, and any premium and interest due or to become due on, all outstanding Senior Indebtedness must be paid in full before the holders of the Subordinated Debt Securities are entitled to payment. For more information, see Section 1502 of the applicable Debt Securities Indenture. The rights of the holders of the Subordinated Debt Securities will be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions applicable to Senior Indebtedness until all amounts owing on the Subordinated Debt Securities are paid in full. For more information, see Section 1504 of the applicable Debt Securities Indenture.

As defined in the Subordinated Debt Securities Indenture, the term "Senior Indebtedness" means:

- all obligations (other than non-recourse obligations and the indebtedness issued under the Subordinated Debt Securities Indenture) of, or guaranteed or assumed by, us
  - — for borrowed money (including both senior and subordinated indebtedness for borrowed money, but excluding the Subordinated Debt Securities); or
  - — for the payment of money relating to any lease that is capitalized on our consolidated balance sheet in accordance with generally accepted accounting principles; or
- indebtedness evidenced by bonds, debentures, notes or other similar instruments.

In the case of any such indebtedness or obligations, Senior Indebtedness includes amendments, renewals, extensions, modifications and refundings, whether existing as of the date of the Subordinated Debt Securities Indenture or subsequently incurred by us.

The Subordinated Debt Securities Indenture does not limit the aggregate amount of Senior Indebtedness that we may issue.

Form, Exchange and Transfer

Unless the applicable prospectus supplement states otherwise, we will issue Debt Securities only in fully registered form without coupons and in denominations of $1,000 and integral multiples of that amount. For more information, see Sections 201 and 302 of the applicable Debt Securities Indenture.

Holders may present Debt Securities for exchange or for registration of transfer, duly endorsed or accompanied by a duly executed instrument of transfer, at the office of the security registrar or at the office of any transfer agent we may designate. Exchanges and transfers are subject to the terms of the applicable indenture and applicable limitations for global securities. We may designate ourselves the security registrar. No charge will be made for any registration of transfer or exchange of Debt Securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge that the holder must pay in connection with the transaction. Any transfer or exchange will become effective upon the security registrar or transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. For more information, see Section 305 of the applicable Debt Securities Indenture.

The applicable prospectus supplement will state the name of any transfer agent, in addition to the security registrar initially designated by us, for any Debt Securities. We may at any time designate additional transfer agents or withdraw the designation of any transfer agent or make a change in the office through which any transfer agent acts. We must, however, maintain a transfer agent in each place of payment for the Debt Securities of each series. For more information, see Section 602 of the applicable Debt Securities Indenture.

We will not be required to:

- issue, register the transfer of, or exchange any Debt Securities or any tranche of any Debt Securities during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any Debt Securities called for redemption and ending at the close of business on the day of mailing; or
- register the transfer of, or exchange any Debt Securities selected for redemption except the unredeemed portion of any Debt Securities being partially redeemed.

For more information, see Section 305 of the applicable Debt Securities Indenture.

Payment and Paying Agents

Unless the applicable prospectus supplement states otherwise, we will pay interest on a Debt Security on any interest payment date to the person in whose name the Debt Security is registered at the close of

business on the regular record date for the interest payment. For more information, see Section 307 of the applicable Debt Securities Indenture.

Unless the applicable prospectus supplement provides otherwise, we will pay principal and any premium and interest on Debt Securities at the office of the paying agent whom we will designate for this purpose. Unless the applicable prospectus supplement states otherwise, the corporate trust office of the Debt Securities Trustee in New York City will be designated as our sole paying agent for payments with respect to Debt Securities of each series. Any other paying agents initially designated by us for the Debt Securities of a particular series will be named in the applicable prospectus supplement. We may at any time add or delete paying agents or change the office through which any paying agent acts. We must, however, maintain a paying agent in each place of payment for the Debt Securities of a particular series. For more information, see Section 602 of the applicable Debt Securities Indenture.

All money we pay to a paying agent for the payment of the principal and any premium or interest on any Debt Security that remains unclaimed at the end of two years after payment is due will be repaid to us. After that date, the holder of that Debt Security shall be deemed an unsecured general creditor and may look only to us for these payments. For more information, see Section 603 of the applicable Debt Securities Indenture.

Redemption

You should consult the applicable prospectus supplement for any terms regarding optional or mandatory redemption of Debt Securities. Except for any provisions in the applicable prospectus supplement regarding Debt Securities redeemable at the holder's option, Debt Securities may be redeemed only upon notice by mail not less than 30 nor more than 60 days prior to the redemption date. Further, if less than all of the Debt Securities of a series, or any tranche of a series, are to be redeemed, the Debt Securities to be redeemed will be selected by the method provided for the particular series. In the absence of a selection provision, the Debt Securities Trustee will select a fair and appropriate method of random selection. For more information, see Sections 403 and 404 of the applicable Debt Securities Indenture.

A notice of redemption we provide may state:

- that redemption is conditioned upon receipt by the paying agent on or before the redemption date of money sufficient to pay the principal of and any premium and interest on the Debt Securities; and
- that if the money has not been received, the notice will be ineffective and we will not be required to redeem the Debt Securities.

For more information, see Section 404 of the applicable Debt Securities Indenture.

Consolidation, Merger and Sale of Assets

We may not consolidate with or merge into any other person, nor may we transfer or lease substantially all of our assets and property to any person, unless:

- the corporation formed by the consolidation or into which we are merged, or the person that acquires by conveyance or transfer, or that leases, substantially all of our property and assets
  - — is organized and validly existing under the laws of any domestic jurisdiction; and
  - — expressly assumes by supplemental indenture our obligations on the Debt Securities and under the applicable indentures;
- immediately after giving effect to the transaction, no event of default, and no event that would become an event of default, has occurred and is continuing; and
- we have delivered to the Debt Securities Trustee an officer's certificate and opinion of counsel as provided in the applicable indentures.

For more information, see Section 1101 of the applicable Debt Securities Indenture.

Events of Default

"Event of default" under the applicable indenture with respect to Debt Securities of any series means any of the following:

- failure to pay any interest due on any Debt Security of that series within 30 days;
- failure to pay principal or premium, if any, when due on any Debt Security of that series;
- failure to make any required sinking fund payment on any Debt Securities of that series;
- breach of or failure to perform any other covenant or warranty in the applicable indenture with respect to Debt Securities of that series for 60 days (subject to extension under certain circumstances for another 120 days) after we receive notice from the Debt Securities Trustee, or we and the Debt Securities Trustee receive notice from the holders of at least 33% in principal amount of the Debt Securities of that series outstanding under the applicable indenture according to the provisions of the applicable indenture;
- certain events of bankruptcy, insolvency or reorganization; and
- any other event of default set forth in the applicable prospectus supplement.

For more information, see Section 801 of the applicable Debt Securities Indenture.

An event of default with respect to a particular series of Debt Securities does not necessarily constitute an event of default with respect to the Debt Securities of any other series issued under the applicable indenture.

If an event of default with respect to a particular series of Debt Securities occurs and is continuing, either the Debt Securities Trustee or the holders of at least 33% in principal amount of the outstanding Debt Securities of that series may declare the principal amount of all of the Debt Securities of that series to be due and payable immediately. If the Debt Securities of that series are discount securities or similar Debt Securities, only the portion of the principal amount as specified in the applicable prospectus supplement may be immediately due and payable. If an event of default occurs and is continuing with respect to all series of Debt Securities issued under a Debt Securities Indenture, including all events of default relating to bankruptcy, insolvency or reorganization, the Debt Securities Trustee or the holders of at least 33% in principal amount of the outstanding Debt Securities of all series issued under that Debt Securities Indenture, considered together, may declare an acceleration of the principal amount of all series of Debt Securities issued under that Debt Securities Indenture. There is no automatic acceleration, even in the event of our bankruptcy or insolvency.

The applicable prospectus supplement may provide, with respect to a series of Debt Securities to which a credit enhancement is applicable, that the provider of the credit enhancement may, if a default has occurred and is continuing with respect to the series, have all or any part of the rights with respect to remedies that would otherwise have been exercisable by the holder of that series.

At any time after a declaration of acceleration with respect to the Debt Securities of a particular series, and before a judgment or decree for payment of the money due has been obtained, the event of default giving rise to the declaration of acceleration will, without further action, be deemed to have been waived, and the declaration and its consequences will be deemed to have been rescinded and annulled, if:

- we have paid or deposited with the Debt Securities Trustee a sum sufficient to pay
  - all overdue interest on all Debt Securities of the particular series;
  - the principal of and any premium on any Debt Securities of that series that have become due otherwise than by the declaration of acceleration and any interest at the rate prescribed in the Debt Securities

— interest upon overdue interest at the rate prescribed in the Debt Securities, to the extent payment is lawful; and

— all amounts due to the Debt Securities Trustee under the applicable indenture; and

- any other event of default with respect to the Debt Securities of the particular series, other than the failure to pay the principal of the Debt Securities of that series that has become due solely by the declaration of acceleration, has been cured or waived as provided in the applicable indenture.

For more information, see Section 802 of the applicable Debt Securities Indenture.

The applicable Debt Securities Indenture includes provisions as to the duties of the Debt Securities Trustee in case an event of default occurs and is continuing. Consistent with these provisions, the Debt Securities Trustee will be under no obligation to exercise any of its rights or powers at the request or direction of any of the holders unless those holders have offered to the Debt Securities Trustee reasonable indemnity against the costs, expenses and liabilities that may be incurred by it in compliance with such request or direction. For more information, see Section 903 of the applicable Debt Securities Indenture. Subject to these provisions for indemnification, the holders of a majority in principal amount of the outstanding Debt Securities of any series may direct the time, method and place of conducting any proceeding for any remedy available to the Debt Securities Trustee, or exercising any trust or power conferred on the Debt Securities Trustee, with respect to the Debt Securities of that series. For more information, see Section 812 of the applicable Debt Securities Indenture.

No holder of Debt Securities may institute any proceeding regarding the applicable indenture, or for the appointment of a receiver or a trustee or for any other remedy under the applicable indenture unless:

- the holder has previously given to the Debt Securities Trustee written notice of a continuing event of default of that particular series;

- the holders of a majority in principal amount of the outstanding Debt Securities of all series with respect to which an event of default is continuing have made a written request to the Debt Securities Trustee, and have offered reasonable indemnity to the Debt Securities Trustee to institute the proceeding as trustee; and

- the Debt Securities Trustee has failed to institute the proceeding, and has not received from the holders of a majority in principal amount of the outstanding Debt Securities of that series a direction inconsistent with the request, within 60 days after notice, request and offer of reasonable indemnity.

For more information, see Section 807 of the applicable Debt Securities Indenture.

The preceding limitations do not apply, however, to a suit instituted by a holder of a Debt Security for the enforcement of payment of the principal of or any premium or interest on the Debt Securities on or after the applicable due date stated in the Debt Securities. For more information, see Section 808 of the applicable Debt Securities Indenture.

We must furnish annually to the Debt Securities Trustee a statement by an appropriate officer as to that officer's knowledge of our compliance with all conditions and covenants under each of the indentures for Debt Securities. Our compliance is to be determined without regard to any grace period or notice requirement under the respective indenture. For more information, see Section 606 of the applicable Debt Securities Indenture.

Modification and Waiver

We and the Debt Securities Trustee, without the consent of the holders of the Debt Securities, may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the applicable indenture and the Debt Securities;

- to add one or more covenants or other provisions for the benefit of the holders of outstanding Debt Securities or to surrender any right or power conferred upon us by the applicable indenture;

- to add any additional events of default;

- to change or eliminate any provision of the applicable indenture or add any new provision to it, but if this action would adversely affect the interests of the holders of any particular series of Debt Securities in any material respect, the action will not become effective with respect to that series while any Debt Securities of that series remain outstanding under the applicable indenture;

- to provide collateral security for the Debt Securities;

- to establish the form or terms of Debt Securities according to the provisions of the applicable indenture;

- to evidence the acceptance of appointment of a successor Debt Securities Trustee under the applicable indenture with respect to one or more series of the Debt Securities and to add to or change any of the provisions of the applicable indenture as necessary to provide for trust administration under the applicable indenture by more than one trustee;

- to provide for the procedures required to permit the use of a non-certificated system of registration for any series of Debt Securities;

- to change any place where

  — the principal of and any premium and interest on any Debt Securities are payable;

  — any Debt Securities may be surrendered for registration of transfer or exchange; or

  — notices and demands to or upon us regarding Debt Securities and the applicable indentures may be served; or

- to cure any ambiguity or inconsistency, but only by means of changes or additions that will not adversely affect the interests of the holders of Debt Securities of any series in any material respect.

For more information, see Section 1201 of the applicable Debt Securities Indenture.

The holders of at least a majority in aggregate principal amount of the outstanding Debt Securities of any series may waive:

- compliance by us with certain provisions of the applicable indenture (see Section 607 of the applicable Debt Securities Indenture); and

- any past default under the applicable indenture, except a default in the payment of principal, premium, or interest and certain covenants and provisions of the applicable indenture that cannot be modified or amended without consent of the holder of each outstanding Debt Security of the series affected (see Section 813 of the applicable Debt Securities Indenture).

The Trust Indenture Act of 1939 may be amended after the date of the applicable indenture to require changes to the indenture. In this event, the indenture will be deemed to have been amended so as to effect the changes, and we and the Debt Securities Trustee may, without the consent of any holders, enter into one or more supplemental indentures to evidence or effect the amendment. For more information, see Section 1201 of the applicable Debt Securities Indenture.

Except as provided in this section, the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities issued pursuant to a Debt Securities Indenture, considered as one class, is required to change in any manner the applicable indenture pursuant to one or more supplemental indentures. If less than all of the series of Debt Securities outstanding under a Debt Securities Indenture are directly affected by a proposed supplemental indenture, however, only the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities of all series directly affected, considered as one class, will be required. Furthermore, if the Debt Securities of any series

have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of one or more, but not all, tranches, only the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities of all tranches directly affected, considered as one class, will be required. In addition, an amendment or modification:

- may not, without the consent of the holder of each outstanding Debt Security affected
  - — change the maturity of the principal of, or any installment of principal of or interest on, any Debt Securities;
  - — reduce the principal amount or the rate of interest, or the amount of any installment of interest, or change the method of calculating the rate of interest;
  - — reduce any premium payable upon the redemption of the Debt Securities;
  - — reduce the amount of the principal of any Debt Security originally issued at a discount from the stated principal amount that would be due and payable upon a declaration of acceleration of maturity;
  - — change the currency or other property in which a Debt Security or premium or interest on a Debt Security is payable; or
  - — impair the right to institute suit for the enforcement of any payment on or after the stated maturity, or in the case of redemption, on or after the redemption date, of any Debt Securities;
- may not reduce the percentage of principal amount requirement for consent of the holders for any supplemental indenture, or for any waiver of compliance with any provision of or any default under the applicable indenture, or reduce the requirements for quorum or voting, without the consent of the holder of each outstanding Debt Security of each series or tranche affected; and
- may not modify provisions of the applicable indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the Debt Securities of any series, or any tranche of a series, without the consent of the holder of each outstanding Debt Security affected.

A supplemental indenture will be deemed not to affect the rights under the applicable indenture of the holders of any series or tranche of the Debt Securities if the supplemental indenture:

- changes or eliminates any covenant or other provision of the applicable indenture expressly included solely for the benefit of one or more other particular series of Debt Securities or tranches thereof; or
- modifies the rights of the holders of Debt Securities of any other series or tranches with respect to any covenant or other provision.

For more information, see Section 1202 of the applicable Debt Securities Indenture.

If we solicit from holders of the Debt Securities any type of action, we may at our option by board resolution fix in advance a record date for the determination of the holders entitled to vote on the action. We shall have no obligation, however, to do so. If we fix a record date, the action may be taken before or after the record date, but only the holders of record at the close of business on the record date shall be deemed to be holder for the purposes of determining whether holders of the requisite proportion of the outstanding Debt Securities have authorized the action. For that purpose, the outstanding Debt Securities shall be computed as of the record date. Any holder action shall bind every future holder of the same security and the holder of every security issued upon the registration of transfer of or in exchange for or in lieu of the security in respect of anything done or permitted by the Debt Securities Trustee or us in reliance on that action, whether or not notation of the action is made upon the security. For more information, see Section 104 of the applicable Debt Securities Indenture.

Defeasance

Unless the applicable prospectus supplement provides otherwise, any Debt Security, or portion of the principal amount of a Debt Security, will be deemed to have been paid for purposes of the applicable indenture, and, at our election, our entire indebtedness in respect of the Debt Security, or portion thereof, will be deemed to have been satisfied and discharged, if we have irrevocably deposited with the Debt Securities Trustee or any paying agent other than us, in trust money, certain eligible obligations, as defined in the applicable indenture, or a combination of the two, sufficient to pay principal of and any premium and interest due and to become due on the Debt Security or portion thereof. For more information, see Section 701 of the applicable Debt Securities Indenture. For this purpose, unless the applicable prospectus supplement provides otherwise, eligible obligations include direct obligations of, or obligations unconditionally guaranteed by, the United States, entitled to the benefit of full faith and credit of the United States, and certificates, depositary receipts or other instruments that evidence a direct ownership interest in those obligations or in any specific interest or principal payments due in respect of those obligations.

Resignation, Removal of Debt Securities Trustee; Appointment of Successor

The Debt Securities Trustee may resign at any time by giving written notice to us or may be removed at any time by an action of the holders of a majority in principal amount of outstanding Debt Securities delivered to the Debt Securities Trustee and us. No resignation or removal of the Debt Securities Trustee and no appointment of a successor trustee will become effective until a successor trustee accepts appointment in accordance with the requirements of the applicable indenture. So long as no event of default or event that would become an event of default has occurred and is continuing, and except with respect to a Debt Securities Trustee appointed by an action of the holders, if we have delivered to the Debt Securities Trustee a resolution of our board of directors appointing a successor trustee and the successor trustee has accepted the appointmen in accordance with the terms of the applicable indenture, the Debt Securities Trustee will be deemed to have resigned and the successor trustee will be deemed to have been appointed as trustee in accordance with the applicable indenture. For more information, see Section 910 of the applicable Debt Securities Indenture.

Notices

We will give notices to holders of Debt Securities by mail to their addresses as they appear in the Debt Security Register. For more information, see Section 106 of the applicable Debt Securities Indenture.

Title

The Debt Securities Trustee and its agents, and we and our agents, may treat the person in whose name a Debt Security is registered as the absolute owner of that Debt Security, whether or not that Debt Security may be overdue, for the purpose of making payment and for all other purposes. For more information, see Section 308 of the applicable Debt Securities Indenture.

Governing Law

The Debt Securities Indentures and the Debt Securities, including any Subordinated Debt Securities Indentures and Subordinated Debt Securities, will be governed by, and construed in accordance with, the law of the State of New York. For more information, see Section 112 of the applicable Debt Securities Indenture.

GLOBAL SECURITIES

We may issue some or all of the First Mortgage Bonds or Debt Securities of any series as global securities. We will register each global security in the name of a depositary identified in the applicable prospectus supplement. The global securities will be deposited with a depositary or nominee or custodian for the depositary and will bear a legend regarding restrictions on exchanges and registration of transfer as discussed below and any other matters to be provided pursuant to the indenture.

As long as the depositary or its nominee is the registered holder of a global security, that person will be considered the sole owner and holder of the global security and the securities represented by it for all purposes under the securities and the indenture. Except in limited circumstances, owners of a beneficial interest in a global security:

- will not be entitled to have the global security or any securities represented by it registered in their names;
- will not receive or be entitled to receive physical delivery of certificated securities in exchange for the global security; and
- will not be considered to be the owners or holders of the global security or any securities represented by it for any purposes under the securities or the indenture.

We will make all payments of principal and any premium and interest on a global security to the depositary or its nominee as the holder of the global security. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions having accounts with the depositary or its nominee, called "participants" for purposes of this discussion, and to persons that hold beneficial interests through participants. When a global security is issued, the depositary will credit on its book entry, registration and transfer system the principal amounts of securities represented by the global security to the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by:

- the depositary, with respect to participants' interests; or
- any participant, with respect to interests of persons held by the participants on their behalf.

Payments by participants to owners of beneficial interests held through the participants will be the responsibility of the participants. The depositary may from time to time adopt various policies and procedures governing payments, transfers, exchanges and other matters relating to beneficial interests in a global security. None of the following will have any responsibility or liability for any aspect of the depositary's or any participant's records relating to, or for payments made on account of, beneficial interests in a global security, or for maintaining, supervising or reviewing any records relating to those beneficial interests:

- us or our affiliates;
- the trustee under any indenture; or
- any agent of any of the above.

PLAN OF DISTRIBUTION

Unless the applicable prospectus supplement provides otherwise, we expect to sell the securities in any of three ways:

- through underwriters or dealers;
- directly through a limited number of institutional purchasers or to a single purchaser; or
- through agents.

The applicable prospectus supplement will set forth the terms under which the securities are offered, including

- the names of any underwriters, dealers or agents;
- the purchase price and the net proceeds to us from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any initial public offering price; and
- any discounts or concessions allowed, re-allowed or paid to dealers.

We or any underwriters or dealers may change from time to time any initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers.

If we use underwriters in the sale, the securities will be acquired by the underwriters for their own account and may be resold in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of the sale. Unless the applicable prospectus supplement states otherwise, the obligations of the underwriters to purchase the securities will be subject to certain conditions, and the underwriters will be severally obligated to purchase all of the securities, except that in certain cases involving a default by an underwriter, less than all of the securities may be purchased. If we sell securities through an agent, the applicable prospectus supplement will state the name and any commission payable by us to the agent. Unless the prospectus supplement provides otherwise, any agent acting for us will be acting on a best efforts basis for the period of its appointment.

The applicable prospectus supplement will state whether we will authorize agents, underwriters or dealers to solicit offers by certain specified institutions to purchase securities at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified future date. These contracts will be subject to the conditions set forth in the prospectus supplement. Additionally, the prospectus supplement will set forth the commission payable for solicitation of these contracts.

Agents and underwriters may be entitled, under agreements with us, to indemnification by us against certain civil liabilities, including liabilities under the Securities Act of 1933.

EXPERTS

The financial statements and the related financial statement schedule as of and for the years ended December 31, 2002 and 2001 incorporated in this prospectus from our Annual Report on Form 10-K for the year ended December 31, 2002 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports, which are incorporated herein by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The financial statements and the related financial statement schedule for the year ended December 31, 2000, included in our Annual Report on Form 10-K for the year ended December 31, 2002, have been incorporated by reference in this prospectus and the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, incorporated by reference in the prospectus, and given upon the authority of that firm as experts in accounting and auditing.

On March 21, 2001, our Board of Directors formally elected to engage Deloitte & Touche LLP as our independent accountants and to dismiss KPMG as such independent accountant. Deloitte & Touche became our independent accountant upon KPMG's completion of the 2000 audit and our issuance of the related financial statements. For additional detail regarding our change in independent accountants, please refer to "ITEM 9 — Changes in and Disagreements with Accountants on Accounting and Financial Disclosure" included in our Form 10-K for the year ended December 31, 2001.

LEGAL OPINIONS

Unless the applicable prospectus supplement provides otherwise, R. Alexander Glenn, Associate General Counsel of Progress Energy Service Company, LLC, and Hunton & Williams, our outside counsel, will issue opinions about the legality of the offered securities for us. Unless the applicable prospectus supplement provides otherwise, any underwriters or agents will be advised about issues relating to any offering by their legal counsel, Dewey Ballantine LLP of New York, New York.

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$300,000,000

Florida Power Corporation d/b/a
Progress Energy Florida, Inc.

First Mortgage Bonds
4.50% Series due 2010

Prospectus Supplement
May 11, 2005

Joint Book-Running Managers

Barclays Capital
Wachovia Securities

Co-Managers

Banc of America Securities LLC
RBS Greenwich Capital
Calyon Securities (USA)
Goldman, Sachs & Co.

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF
A TRUSTEE PURSUANT TO SECTION 305(b)(2) X

J. P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION

(Exact name of trustee as specified in its charter)

(State of incorporation if not a national bank)

95-465507
(I.R.S. employe identification No.

1999 Avenue of the Stars — Floor 26
Los Angeles, CA
(Address of principal executive offices)

9006
(Zip Code

Christopher C. Holly, Esq.
Vice President and Assistant General Counsel
227 West Monroe Street, Suite 2600
Chicago, Illinois 60606
Tel: (312) 267-5063
(Name, address and telephone number of agent for service)

Florida Power Corporation d/b/a Progress Energy Florida, Inc.

(Exact name of obligor as specified in its charter)

Florida
(State or other jurisdiction of incorporation or organization)

59-024777
(I.R.S. employe identification No.

100 Central Avenue
St. Petersburg, Florida
(Address of principal executive offices)

3370
(Zip Code

Debt Securities
(Title of the indenture securities)

Item 1. General Information.

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency, Washington, D.C.
Board of Governors of the Federal Reserve System, Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with Obligor.

If the Obligor is an affiliate of the trustee, describe each such affiliation.

None.

Pursuant to General Instruction B of the Form T-1, no responses are included for Items 3-15 of this Form T-1 because the Obligor is not in default as provided under Item 13.

Item 16. List of Exhibits.

List below all exhibits filed as part of this statement of eligibility.

Exhibit 1. Articles of Association of the Trustee as Now in Effect

Exhibit 2. Certificate of Authority of the Trustee to Commence Business

Exhibit 3. Authorization of the Trustee to Exercise Corporate Trust Powers

Exhibit 4. Existing By-Laws of the Trustee

Exhibit 5. Not Applicable

Exhibit 6. The consent of the Trustee required by Section 321 (b) of the Act

Exhibit 7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority

Exhibit 8. Not Applicable

Exhibit 9. Not Applicable

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, J. P. Morgan Trust Company, National Association, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Chicago, and State of Illinois, on the 8th day of December, 2005.

J. P. Morgan Trust Company, National Association

By /s/ Janice Ott Rotunno
Janice Ott Rotunno
Vice President

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EXHIBIT 1

Articles of Association of the Trustee as Now in Effect

J.P. MORGAN TRUST COMPANY,

NATIONAL ASSOCIATION

CHARTER NO. 23470

ARTICLES OF ASSOCIATION

For the purpose of organizing an Association to perform any lawful activities of national banks, the undersigned do enter into the following Articles of Association:

FIRST. The title of this Association shall be J.P. Morgan Trust Company, National Association (the "Association").

SECOND. The main office of the Association shall be in the City of Los Angeles, County of Los Angeles, State of California. The general business of the Association shall be conducted at its main office and its branches.

THIRD. The board of directors of this Association shall consist of not less than five nor more than twenty-five persons, the exact number to be fixed and determined from time to time by resolution of a majority of the full board of directors or by resolution of a majority of the shareholders at any annual or special meeting thereof. Each director, during the full term of his directorship, shall own common or preferred stock of the Association or of a holding company owning the Association, with an aggregate par, fair market or equity value of not less than $1,000. Any vacancy in the board of directors may be filled by action of the shareholders or a majority of the remaining directors.

Terms of directors, including directors selected to fill vacancies, shall expire at the next regular meeting of shareholders at which directors are elected, unless the directors resign or are removed from office.

Despite the expiration of a director's term, the director shall continue to serve until his or her successor is elected and qualifies or until there is a decrease in the number of directors and his or her position is eliminated.

FOURTH. There shall be an annual meeting of the shareholders to elect directors and transact whatever other business may be brought before the meeting. It shall be held at the main office or any other convenient place the board of directors may designate, on the day of each year specified therefore in the by-laws, or if that day falls on a legal holiday in the state in which the Association is located, on the next following banking day. I no election is held on the day fixed or in event of a legal holiday, on the following banking day, an election may be held on any subsequent day within 60 days of the day fixed, to be designated by the board of directors, or, if the directors fail to fix the day, by shareholders representing two-thirds of the shares issued and outstanding. Advance notice of the meeting may be waived duly waived by the sole shareholder in accordance with 12 C.F.R.

§ 7.2001.

A director may resign at any time by delivering written notice to the board of directors, its Chairperson, or to the Association, which resignation shall be effective when the notice is delivered unless the notice specifies a later effective date.

A director may be removed by shareholders at a meeting called to remove him or her, when notice of the meeting stating that the purpose or one of the purposes is to remove him or her is provided, if there is a failure to fulfill one of the affirmative requirements for qualification, or for cause.

FIFTH. The authorized amount of capital stock of this Association shall be Six Hundred Thousand ($600,000), divided into Six Thousand (6,000) shares of common stock of the par value of One Hundred dollars ($100) each; but said capital stock may be increased or decreased from time to time, according to the provisions of the laws of the United States.

No holder of shares of the capital stock of any class of the Association shall have any preemptive or preferential right of subscription to any shares of any class of stock of the Association, whether now or hereafter authorized, or to any obligations convertible into stock of the Association, issued, or sold, nor any right to subscription to any thereof other than such, if any, as the board of directors, in its discretion may from time to time determine and at such price as the board of directors may from time to time fix.

Unless otherwise specified in the Articles of Association or required by law, (1) all matters requiring shareholder action, including amendments to the Articles of Association, must be approved by shareholders owning a majority voting interest in the outstanding voting stock, and (2) each shareholder shall be entitled to one vote per share.

The Association, at any time and from time to time, may authorize and issue debt obligations, whether or not subordinated, without the approval of the shareholders.

SIXTH. The board of directors may appoint one of its members President of this Association, and one of its members Chairperson of the board or two of its members as Co-Chairpersons of the board, and shall have the power to appoint one or more Vice Presidents, a Secretary who shall keep minutes of the directors' and shareholders' meetings and be responsible for authenticating the records of the Association, and such other officers and employees as may be required to transact the business of this Association. A duly appointed officer may appoint one or more officers or assistant officers if authorized by the board of directors in accordance with the by-laws.

The board of directors shall have the power to:

(1) Define the duties of the officers, employees, and agents of the Association.

(2) Delegate the performance of its duties, but not the responsibility for its duties, to the officers, employees, and agents of the Association.

(3) Fix the compensation and enter into employment contracts with its officers and employees upon reasonable terms and conditions consistent with applicable law.

(4) Dismiss officers and employees.

(5) Require bonds from officers and employees and fix the penalty thereof.

(6) Ratify written policies authorized by the Association's management or committees of the board.

(7) Regulate the manner in which any increase or decrease of the capital of the Association shall be made, provided that nothing herein shall restrict the power of shareholders to increase or decrease the capital of the Association in accordance with law.

(8) Manage and administer the business and affairs of the Association.

(9) Adopt initial by-laws, not inconsistent with law or the Articles of Association, for managing the business and regulating the affairs of the Association.

(10) Amend or repeal by-laws, except to the extent that the Articles of Association reserve this power in whole or in part to shareholders.

(11) Make contracts.

(12) Generally perform all acts that are legal for a board of directors to perform.

SEVENTH. The board of directors shall have the power to change the location of the main office to any other location permitted under applicable law, without the approval of the shareholders, and shall have the power to establish or change the location of any branch or branches of the Association to any other location permitted under applicable law, without the approval of the shareholders subject to approval by the Office of the Comptroller of the Currency.

EIGHTH. The corporate existence of this Association shall continue until termination according to the laws of the United States.

NINTH. These Articles of Association may be amended at any regular or special meeting of the shareholders by the affirmative vote of the holder of a majority of the stock of this Association, unless the vote of the holders of a greater amount of stock is required by law, and in that case by the vote of the holders of such greater amount. The Association's board of directors may propose one or more amendments to the Articles of Association for submission to the shareholders.

EXHIBIT 2

Certificate of Authority of the Trustee to Commence Business

Comptroller of the Currency
Administrator of National Banks
Washington, D.C. 20219

Certificate of Corporate Existence and Fiduciary Powers

I, John C. Dugan, Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq., as amended, 12 U.S.C. 1, et seq., as amended, has possession, custody and control of all records pertaining to the chartering of all National Banking Associations.

2. "J.P. Morgan Trust Company, National Association," Los Angeles, California, (Charter No. 23470) is a National Banking Association formed under the laws of the United States and is authorized thereunder to transact the business of banking and exercise Fiduciary Powers on the date of this Certificate.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the Treasury Department in the City of Washington and District of Columbia, this October 27, 2005.

/s/ John C. Dugan
Comptroller of the Currency

EXHIBIT 3

Authorization of the Trustee to Exercise Corporate Trust Powers

Comptroller of the Currency
Administrator of National Banks
Washington, D.C. 20219

Certificate of Corporate Existence and Fiduciary Powers

I, John C. Dugan, Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq., as amended, 12 U.S.C. 1, et seq., as amended, has possession, custody and control of all records pertaining to the chartering of all National Banking Associations.

2. "J.P. Morgan Trust Company, National Association," Los Angeles, California, (Charter No. 23470) is a National Banking Association formed under the laws of the United States and is authorized thereunder to transact the business of banking and exercise Fiduciary Powers on the date of this Certificate.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the Treasury Department in the City of Washington and District of Columbia, this October 27, 2005.

/s/ John C. Dugan
Comptroller of the Currency

EXHIBIT 4

Existing By-Laws of the Trustee

BY-LAWS

OF

J.P. MORGAN TRUST COMPANY,

NATIONAL ASSOCIATION

As amended through December 3, 2001

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION
BY-LAWS

Article I

Meetings of Shareholders

Section 1.1. *Annual Meeting.* The regular annual meeting of the shareholders to elect directors and transact whatever other business may properly come before the meeting, shall be held at the main office of the Association, or such other place as the board may designate, and at such time in each year as may be designated by the board of directors. Unless otherwise provided by law, notice of the meeting may be waived by the Association's sole shareholder in accordance with 12 C.F.R. § 7.2001. If, for any cause, an election of directors is not made on that date, or in the event of a legal holiday, on the next following banking day, an election may be held on any subsequent day within 60 days of the date fixed, to be designated by the board, or, if the directors fail to fix the date, by shareholders representing two thirds of the shares issued and outstanding.

Section 1.2. *Special Meetings.* Except as otherwise specifically provided by statute, special meetings of the shareholders may be called for any purpose at any time by a majority of the board of directors or by any one or more shareholders owning, in the aggregate, not less than twenty-five percent of the stock of the Association or by the Chairperson of the board of directors or the President. Unless otherwise provided by law, advance notice of a special meeting may be waived by the Association's Sole Shareholder in accordance with 12 C.F.R. § 7.2001.

Section 1.3. *Nominations of Directors.* Nominations for election to the board of directors may be made by the board of directors or by any stockholder of any outstanding class of capital stock of the Association entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the existing management of the Association, shall be made in writing and shall be delivered or mailed to the President of the Association and to the Comptroller of the Currency, Washington, D.C., not less than 14 days nor more than 50 days prior to any meeting of shareholders called for the election of directors, *provided, however,* that if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Association and to the Comptroller of the Currency not later than the close of business on the seventh (7th) day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder.

(1) The name and address of each proposed nominee.

(2) The principal occupation of each proposed nominee.

(3) The total number of shares of capital stock of the Association that will be voted for each proposed nominee.

(4) The name and residence address of the notifying shareholder.

(5) The number of shares of capital stock of the Association owned by the notifying shareholder.

Nominations not made in accordance herewith may, in his/her discretion, be disregarded by the Chairperson of the meeting, and upon his/her instructions, the vote tellers may disregard all votes cast for each such nominee.

Section 1.4. *Proxies.* Shareholders may vote at any meeting of the shareholders by proxies duly authorized in writing, but no officer or employee of this Association shall act as proxy. Proxies shall be valid only for one meeting to be specified therein, and any adjournments of such meeting. Proxies shall be dated and filed with the records of the meeting. Proxies with rubber stamped facsimile signatures may be used and unexecuted proxies may be counted upon receipt of a confirming telegram from the shareholder. Proxies meeting above requirements submitted at any time during a meeting shall be accepted.

Section 1.5 *Quorum.* A majority of the outstanding capital stock, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders, unless otherwise provided by law, or by the shareholders or directors pursuant to Section 10.2, but less than a quorum may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice. A majority of the votes cast shall decide every question or matter submitted to the shareholders at any meeting, unless otherwise provided by law or by the Articles of Association, or by the shareholders or directors pursuant to Section 10.2. Any action required or permitted to be taken by the shareholders may be taken without a meeting by unanimous written consent of the shareholders to a resolution authorizing the action. The resolution and the written consent shall be filed with the minutes of the proceedings of the shareholders.

Article II

Directors

Section 2.1. *Board of Directors.* The board of directors ("board") shall have the power to manage and administer the business and affairs of the Association. Except as expressly limited by law, all corporate powers of the Association shall be vested in and may be exercised by the board.

Section 2.2. *Number.* The board shall consist of not less than five nor more than twenty-five persons, the exact number within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full board or by resolution of a majority of the shareholders at any meeting thereof; provided, however,

hat a majority of the full board may not increase the number of directors to a number which: (1) exceeds by more than two the number of lirectors last elected by shareholders where such number was 15 or less; and (2) exceeds by more than four the number of directors last elected by shareholders where such number was 16 or more, but in no event shall the number of directors exceed 25.

Section 2.3. *Organization Meeting.* The Secretary shall notify the directors-elect of their election and of the time at which they are required to neet at the main office of the Association to organize the new board and elect and appoint officers of the Association for the succeeding year. Such meeting shall be held on the day of the election or as soon thereafter as practicable, and, in any event, within 30 days thereof. If, at the time ixed for such meeting, there shall not be a quorum, the directors present may adjourn the meeting, from time to time, until a quorum is obtained.

Section 2.4. *Regular Meetings.* The time and location of regular meetings of the board shall be set by the board. Such meetings may be held without notice. Any business may be transacted at any regular meeting. The board may adopt any procedures for the notice and conduct of any neetings as are not prohibited by law.

Section 2.5. *Special Meetings.* Special meetings of the board may be called at the request of the Chairperson or Co-Chairperson of the board, the President, or three or more directors. Each member of the board shall be given notice stating the time and place, by telegram, telephone, letter or in person, of each such special meeting at least one day prior to such meeting. Any business may be transacted at any special meeting.

Section 2.6. *Action by the Board.* Except as otherwise provided by law, corporate action to be taken by the board shall mean such action at a neeting of the board. Any action required or permitted to be taken by the board or any committee of the board may be taken without a meeting if all members of the board or the committee consent in writing to a resolution authorizing the action. The resolution and the written consents thereto shall be filed with the minutes of the proceedings of the board or committee. Any one or more members of the board or any committee may participate in a meeting of the board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at such meeting.

Section 2.7. *Waiver of Notice.* Notice of a special meeting need not be given to any director who submits a signed waiver of notice, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the

lack of notice to him or her.

Section 2.8. *Quorum and Manner of Acting.* Except as otherwise required by law, the Articles of Association or these by-laws, a majority of the directors shall constitute a quorum for the transaction of any business at any meeting of the board and the act of a majority of the directors present and voting at a meeting at which a quorum is present shall be the act of the board. In the absence of a quorum, a majority of the directors present may adjourn any meeting, from time to time, until a quorum is present and no notice of any adjourned meeting need be given. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 2.9. *Vacancies.* In the event a majority of the full board increases the number of directors to a number which exceeds the number of directors last elected by shareholders, as permitted by Section 2.2, directors may be appointed to fill the resulting vacancies by vote of such majority of the full board. In the event of a vacancy in the board for any other cause, a director may be appointed to fill such vacancy by vote of a majority of the remaining directors then in office.

Section 2.10. *Removal of Directors.* The vacancy created by the removal of a director pursuant to this Section may be filled by the board in accordance with Section 2.9 of these by-laws or by the shareholders.

Article III

Committees

Section 3.1. *Executive Committee.* There may be an executive committee consisting of the Chairperson or Co-Chairperson of the board and not less than two other directors appointed by the board annually or more often. Subject to the limitations in Section 3.4(g) of these by-laws, the executive committee shall have the maximum authority permitted by law.

Section 3.2. *Audit Committee.* There may be an audit committee composed of not less than two directors, exclusive of any active officers, appointed by the board annually or more often, whose duty it shall be to make an examination at least once during each

calendar year and within fifteen months of the last examination into the affairs of the Association, or cause continuous suitable examinations to be made, by auditors responsible only to the board, and to report the results of any such examinations in writing to the board from time to time. Such examinations shall include audits of the fiduciary business of the Association as may be required by law or regulation.

Section 3.3. *Other Committees.* The board may appoint, from time to time, other committees of one or more persons, for such purposes and with such powers as the board may determine.

Section 3.4. *General.*

(a) Each committee shall elect a Chairperson from among the members thereof and shall also designate a Secretary of the committee, who shall keep a record of its proceedings.

(b) Vacancies occurring from time to time in the membership of any committee shall be filled by the board for the unexpired term of the member whose departure causes such vacancy. The board may designate one or more alternate members of any committee, who may replace any absent member or members at any meeting of such committee.

(c) Each committee shall adopt its own rules of procedure and shall meet at such stated times as it may, by resolution, appoint. It shall also meet whenever called together by its Chairperson or the Chairperson of the board.

(d) No notice of regular meetings of any committee need be given. Notice of every special meeting shall be given either by mailing such notic to each member of such committee at his or her address, as the same appears in the records of the Association, at least two days before the day of such meeting, or by notifying each member on or before the day of such meeting by telephone or by personal notice, or by leaving a written notic at his or her residence or place of business on or before the day of such meeting. Waiver of notice in writing of any meeting, whether prior or subsequent to such meeting, or attendance at such meeting, shall be equivalent to notice of such meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at any special meeting.

(e) All committees shall, with respect to all matters, be subject to the authority and direction of the board and shall report to it when required.

(f) Unless otherwise required by law, the Articles of Association or these by-laws, a quorum at any meeting of any committee shall be one-third of the full membership and the act of a majority of members present and voting at a meeting at which a quorum is present shall be the act of the committee.

(g) No committee shall have authority to take any action which is expressly required by law or regulation to be taken at a meeting of the board or by a specified proportion of directors.

Article IV

Officers and Employees

Section 4.1. *Chairperson of the Board.* The board shall appoint one of its members to be the Chairperson of the board, or two persons to serve as Co-Chairperson of the board to serve at its pleasure. Such person shall preside at all meetings of the board. The Chairperson or Co-Chairpersons o the board shall supervise the carrying out of the policies adopted or approved by the board; shall have general executive powers, as well as the specific powers conferred by these by-laws; and shall also have and may exercise such further powers and duties as from time to time may be conferred upon, or assigned by the board.

Section 4.2. *President.* The board may appoint one of its members to be the President of the Association. In the absence of the Chairperson or Co-Chairpersons, the President shall preside at any meeting of the board. The President shall have general executive powers, and shall have and may exercise any and all other powers and duties pertaining by law, regulation, or practice to the office of President, or imposed by these by-laws. The President shall also have and may exercise such further powers and duties as from time to time may be conferred, or assigned by the board.

Section 4.3. *Vice President.* The board may appoint one or more Vice Presidents. Each Vice President shall have such powers and duties as may be assigned by the board.

Section 4.4. *Secretary.* The board shall appoint a Secretary, Cashier, or other designated officer who shall be Secretary of the board and of the Association, and shall keep accurate minutes of all meetings. The Secretary shall attend to the giving of all notices required by these by-laws; shal be custodian of the corporate seal, records, documents and papers of the Association; shall provide for the keeping of proper records of all transactions of the Association; shall have and may exercise any and all other powers and duties pertaining by law, regulation or practice, to the office of Cashier, or imposed by these by-laws; and shall also perform such other duties as may be assigned from time to time, by the board.

Section 4.5. *Other Officers.* The board may appoint one or more Assistant Vice Presidents, one or more Trust Officers, one or more Assistant Secretaries, one or more

Assistant Cashiers, one or more Managers and Assistant Managers of branches and such other officers and attorneys in fact as from time to time may appear to the board to be required or desirable to transact the business of the Association. Such officers shall respectively exercise such powers and perform such duties as pertain to their several offices, or as may be conferred upon, or assigned to, them by the board, the Chairperson or Co-Chairpersons of the board, or the President. The board may authorize an officer to appoint one or more officers or assistant officers.

Section 4.6. *Resignation.* An officer may resign at any time by delivering notice to the Association. A resignation is effective when the notice is given unless the notice specifies a later effective date.

Article V

Fiduciary Activities

Section 5.1. *Trust Committee.* There shall be a Trust Committee of this Association composed of four or more members, who shall be capable and experienced officers or directors of the Association. The Committee is charged with the responsibility for the investment, retention, or disposition of assets held in accounts with respect to which the Association has investment authority; for the review of the assets of accounts for which the Association has investment authority promptly after the acceptance of such an account and at least once during every calendar year thereafter to determine the advisability of retaining or disposing of such assets; for the determination of the manner in which proxies received for accounts for which the Association has responsibility for the voting of proxies shall be voted; for the determination of all substantial questions involving discretionary authority of the Association of a non-investment nature, including, but not limited to, distribution of principal and/or income in respect of any account; for providing advice as to the investment, retention, or disposition of assets in investment advisory accounts maintained by the Association; for the making of such reports as this board shall require; and for such other responsibilities as may be assigned by this board. The Trust Committee, in discharging its aforementioned responsibilities, may authorize officers of the Association to exercise such powers and under such conditions as the Committee may from time to time prescribe.

Section 5.2. *Trust Investments.* Funds held in a fiduciary capacity shall be invested according to the instrument establishing the fiduciary relationship and local law. Where

such instrument does not specify the character and class of investments to be made and does not vest in the Association discretion in the matter, funds held pursuant to such instrument shall be invested in investments in which corporate fiduciaries may invest under applicable law.

Section 5.3. *Trust Audit Committee.* The board shall appoint a committee of at least two directors, exclusive of any active officer of the association, which shall, at least once during each calendar year make suitable audits of the association's fiduciary activities or cause suitable audits to be made by auditors responsible only to the board, and at such time shall ascertain whether fiduciary powers have been administered according to law, Part 9 of the Regulations of the Comptroller of the Currency, and sound fiduciary principles.

Section 5.4. *Fiduciary Files.* There shall be maintained by the association all fiduciary records necessary to assure that its fiduciary responsibilities have been properly undertaken and discharged.

Article VI

Stock and Stock Certificates

Section 6.1. *Transfers.* Shares of stock shall be transferable on the books of the Association, and a transfer book shall be kept in which all transfers of stock shall be recorded. Every person becoming a shareholder by such transfer shall, in proportion to his or her shares, succeed to all rights of the prior holder of such shares.

The board may impose conditions upon the transfer of the stock reasonably calculated to simplify the work of the Association with respect to stock transfers, voting at shareholder meetings, and related matters and to protect it against fraudulent transfers.

Section 6.2. *Stock Certificates.* Certificates of stock shall bear the signature of the Chairperson or Co-Chairpersons of the board or President (which may be engraved, printed or impressed), and shall be signed manually or by facsimile process by the Secretary, Assistant Secretary, Cashier, Assistant Cashier, or any other officer appointed

by the board for that purpose, to be known as an authorized officer, and the seal of the Association shall be engraved thereon. Each certificate shal recite on its face that the stock represented thereby is transferable only upon the books of the Association properly endorsed. In case any such officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such before such certificate is issued, it may be issued by the Association with the same effect as if such officer had not ceased to be such at the time of its issue. The corporate seal may be a facsimile, engraved or printed.

Article VII

Corporate Seal

The Chairperson, the President, the Cashier, the Secretary or any Assistant Cashier or Assistant Secretary, or other officer thereunto designated by the board, shall have authority to affix the corporate seal to any document requiring such seal, and to attest the same. Such seal shall be substantially in the following form: A circle, with the words "J.P. Morgan Trust Company, National Association" within such circle.

IMPRESSION

OF SEAL

Article VIII

Miscellaneous Provisions

Section 8.1. *Fiscal Year.* The fiscal year of the Association shall be the calendar year.

Section 8.2. *Execution of Instruments.* All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, proxies and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted on behalf of the Association by the Chairperson or Co-Chairpersons of the board, or the President, or any Vice Chairperson, or any Managing Director, or any Vice President, or any Assistant Vice President, or the Chief Financial Officer, or the Controller, or the Secretary, or the Cashier, or, if in connection with the provision of fiduciary, corporate trust, escrow or agency services, by any of those officers or by any Trust Officer or any Assistant Trust Officer. Any such instruments may also be executed, acknowledged, verified, delivered or accepted on behalf of the Association in such other manner and by such other officers or other persons as the board may from time to time direct. The provisions of this Section 8.2 are supplementary to any other provision of these by-laws.

Section 8.3. *Records.* The Articles of Association, the by-laws and the proceedings of all meetings of the shareholders, the board, and standing committees of the board, shall be recorded in appropriate minute books provided for that purpose. The minutes of each meeting shall be signed by the Secretary, Cashier or other officer appointed to act as Secretary of the meeting.

Section 8.4. *Corporate Governance Procedures.* To the extent not inconsistent with applicable Federal banking law, bank safety and soundness or these by-laws, the corporate governance procedures found in the Delaware General Corporation Law shall be followed by the Association.

Article IX

Indemnification

Section 9.1. *Right to Indemnification.* Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the Association or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"),

whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Association to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Association to provide broader indemnification rights than such law permitted the Association to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 9.3 of these by-laws with respect to proceedings to enforce rights to indemnification, the Association shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the board.

Section 9.2. *Right to Advancement of Expenses.* The right to indemnification conferred in Section 9.1 of these by-laws shall include the right to be paid by the Association the expenses (including attorney's fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Association of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 9.2 or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections 9.1 and 9.2 of these by-laws shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

Section 9.3. *Right of Indemnitee to Bring Suit.* If a claim under Section 9.1 or 9.2 of these by-laws is not paid in full by the Association within sixty (60) days after a written claim has been received by the Association except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Association to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Association to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (1) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (2) any suit brought

by the Association to recover an advancement of expenses pursuant to the terms of an undertaking, the Association shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Association (including the board, the Association's independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actua determination by the Association (including the board, the Association's independent legal counsel, or its shareholders) that the indemnitee has no met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Association to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article IX or otherwise shall be on the Association.

Section 9.4. *Non-Exclusivity of Rights.* The rights to indemnification and to the advancement of expenses conferred in this Article IX shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Association's Articles of Association, by-laws, agreement, vote of shareholders or disinterested directors or otherwise.

Section 9.5. *Insurance.* The Association may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Association or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Association would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 9.6. *Indemnification of Employees and Agents of the Association.* The Association may, to the extent authorized from time to time by the board, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Association to the fullest extent of the provisions of this Article IX with respect to the indemnification and advancement of expenses of directors and officers of the Association.

Article X

By-laws

Section 10.1. *Inspection.* A copy of the by-laws, with all amendments, shall at all times be kept in a convenient place at the main office of the Association, and shall be open for inspection to all shareholders during banking hours.

Section 10.2. *Amendments.* The by-laws may be amended, altered or repealed, at any regular meeting of the board by a vote of a majority of the total number of the directors except as provided below. The Association's shareholders may amend or repeal the by-laws even though the by-laws may be amended or repealed by its board.

EXHIBIT 6

The consent of the Trustee required by Section 321 (b) of the Act

December 8, 200

Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

In connection with the qualification of an indenture between Florida Power Corporation d/b/a Progress Energy Florida, Inc., and J.P. Morgan Trus Company, National Association, as Trustee, the undersigned, in accordance with Section 321(b) of the Trust Indenture Act of 1939, as amended, hereby consents that the reports of examinations of the undersigned, made by Federal or State authorities authorized to make such examinations, may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Very truly yours,

J. P. Morgan Trust Company, National Association

By: /s/ Janice Ott Rotunno

Name: Janice Ott Rotunno
Title: Vice President

EXHIBIT 7

A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority

30-Sep-05

	($000)
Assets	
Cash and Due From Banks	44,924
Securities	214,539
Loans and Leases	115,633
Premises and Fixed Assets	7,396
Intangible Assets	356,469
Goodwill	202,094
Other Assets	43,434
Total Assets	984,489
Liabilities	
Deposits	119,305
Other Liabilities	47,817
Total Liabilities	167,122
Equity Capital	
Common Stock	600
Surplus	701,587
Retained Earnings	72,537
Total Equity Capital	817,367
Total Liabilities and Equity Capital	984,489

Filed Pursuant to Rule 424(b)(2
Registration No. 333-10397

Prospectus Supplement
(To Prospectus dated April 4, 2003)

Progress Energy

$450,000,000

Florida Power Corporation d/b/a

Progress Energy Florida, Inc.

Series A Floating Rate Senior Notes due 2008

We are offering $450,000,000 of our Series A Floating Rate Senior Notes due 2008 (the "Senior Notes"). We will pay interest on the Senior Notes quarterly on February 14, May 14, August 14 and November 14 of each year, beginning on February 14, 2006. Interest on the Senior Notes will be based on the three-month LIBOR rate plus 0.40%, and will be reset quarterly. The Senior Notes will mature on November 14, 2008. At our option, we may redeem some or all of the Senior Notes on June 13, 2006 or any interest payment date thereafter at a redemption price of 100% of the principal amount of the Senior Notes being redeemed plus accrued and unpaid interest to the redemption date. The Senior Notes have no sinking fund provisions. The Senior Notes are not obligations of, nor guaranteed by, Progress Energy, Inc., our corporate parent.

The Senior Notes will be unsecured senior obligations of our company and will rank equally with all of our other unsecured senior indebtedness from time to time outstanding.

We do not intend to list the Senior Notes on any securities exchange or to include them in any automated quotation system.

Investing in our Senior Notes involves risks. See "Risk Factors" on page S-6 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Senior Notes or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Per Senior Note	Total
Public offering price(1)	100.00%	$ 450,000,000
Underwriting discount	0.35%	$ 1,575,000
Proceeds to us before expenses(1)	99.65%	$ 448,425,000

(1) Plus accrued interest, if any, from December 13, 2005, if settlement occurs after that date.

The Senior Notes are expected to be delivered in global form through the book-entry delivery system of The Depository Trust Company against payment in New York, New York on or about December 13, 2005.

Joint Book-Running Managers

Barclays Capital **Lehman Brother**

BNP PARIBAS

Calyon Securities (USA)

SunTrust Robinson Humphrey

UBS Investment Bank

Deutsche Bank Securities

Mellon Financial Markets, LL(

The date of this prospectus supplement is December 7, 2005

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the Senior Notes we are offering and certain other matters relating to us and our financial condition. The second part, the base prospectus, provides more general information about the debt securities that we may offer from time to time, some of which may not apply to the Senior Notes we are offering hereby. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. If the description of the Senior Notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in this document or to which this document refers you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer of the Senior Notes in any jurisdiction where an offer or sale of them is not permitted. The information in this document may only be accurate as of the date of this document. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement to "Florida Power," "Progress Energy Florida," "we," "us," and "our," or similar terms, are to Florida Power Corporation d/b/a Progress Energy Florida, Inc. In this prospectus supplement, references to "Senior Notes" are to the Series A Floating Rate Senior Notes due 2008.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

We have included in this document, and in the documents incorporated by reference into this document, "forward-looking statements," as defined by the Private Securities Litigation Reform Act of 1995. We have used the words or phrases such as "anticipate," "will likely result," "wil continue," "intend," "may," "expect," "believe," "plan," "will," "estimate," "should" and variations of such words and similar expressions in this prospectus and in the documents incorporated by reference to identify such forward-looking statements. Forward-looking statements, by their nature, involve estimates, projections, goals, objectives, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond our control. Many, but not all of the factors that may impact actual results are discussed under the heading "Safe Harbor For Forward-Looking Statements" in the accompanying prospectus and under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference into this document, and under the "Risk Factors" section contained in this prospectus supplement. You should carefully read these sections. New factors emerge from time to time, and it is not possible for our management to predict all of such factors or to assess the effect of each such factor on our business.

Any forward-looking statement speaks only as of the date on which it is made; and, except to fulfill our obligations under the United States securities laws, we undertake no obligation to update any such statement to reflect events or circumstances after the date on which it is made.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus supplement, the accompanying prospectus, and the financial statements and other documents incorporated by reference. You should carefully read the "Risk Factors" sections that are contained in this prospectus supplement and in our Form 10-K for the year ended December 31, 2004, which is incorporated by reference into this document, to determine whether an investment in our Senior Notes is appropriate for you.

Progress Energy Florida

We are a regulated public utility engaged in the generation, transmission, distribution and sale of electricity within an approximately 20,000 square mile service area. Our service area includes the cities of St. Petersburg and Clearwater, as well as the central Florida area surrounding Orlando.

At September 30, 2005, we billed approximately 1.6 million customers. For the nine months ended September 30, 2005, approximately 53% of our electric revenues were derived from residential customers, 25% from commercial customers, 8% from industrial customers, 8% from wholesale customers and 6% from municipal customers.

At September 30, 2005, we had installed summer generating capacity of 8,544 megawatts, including approximately 143 megawatts of jointly-owned generating capacity, through a system of 14 power plants. Over the twelve months ended September 30, 2005, our energy supply was comprised of 33% gas and oil, 32% coal, 21% purchased power and 14% nuclear.

Recent Developments

Fuel Cost Recovery Request Approval

On November 9, 2005, the Florida Public Service Commission approved our request to recover the increased costs of fuel used to generate electricity. Our fuel cost adjustment represents an increase of $600.3 million and includes actual and projected costs from 2004 through 2006. As a result of the increased fuel cost recovery, residential customer bills will increase by approximately $11.78 per 1,000 kilowatt-hours (kWh) each billing cycle from January 1, 2006 through December 31, 2006.

Summary of the Offering

The following is a brief summary of the terms of this offering. For a more complete description of the terms of the Senior Notes, see "Description of Senior Notes" beginning on page S-9 and "Description of Debt Securities" beginning on page 12 of the accompanying prospectus.

Issuer	Florida Power Corporation d/b/a Progress Energy Florida, Inc. The Senior Notes are not obligations of, nor guaranteed by, Progress Energy, Inc.
Senior Notes Offered	$450,000,000 aggregate principal amount of Series A Floating Rate Senior Notes due 2008.
Maturity Date	November 14, 2008.
Interest Payment Dates and Rate	Interest on the Senior Notes will be payable quarterly on February 14, May 14, August 14 and November 14, commencing February 14, 2006. Interest on the Senior Notes will generally be based on the three-month LIBOR rate plus 0.40%, and will be reset quarterly.
Optional Redemption	At our option, we may redeem some or all of the Senior Notes on June 13, 2006 or any interest payment date thereafter at a redemption price of 100% of the principal amount of the Senior Notes being redeemed plus accrued and unpaid interest to the redemption date.
Ranking	The Senior Notes will be our unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. The Senior Notes will be effectively subordinate to all of our secured debt, including our first mortgage bonds, aggregating approximately $1.9 billion outstanding at September 30, 2005. For additional information, see "Description of Senior Notes — Ranking."
Sinking Fund	There is no sinking fund for the Senior Notes.
Trustee	The trustee under the Indenture is J.P. Morgan Trust Company, National Association.
Further Issues of the Senior Notes	Initially, the Senior Notes will be limited to $450,000,000 in aggregate principal amount. We may, subject to the provisions of the Indenture, "reopen" the Senior Notes and issue additional Senior Notes, without the consent of the holders of the Senior Notes. For additional information, see "Description of Senior Notes — General."
Use of Proceeds	We expect to use the net proceeds from the sale of the Senior Notes of approximately $447.9 million, after deducting offering discounts and estimated offering expenses to repay our outstanding commercial paper balance, to repay the outstanding balance of our notes payable to affiliated companies, and for general corporate purposes. Notes payable to affiliated companies represents our net position from our participation in an internal money

	pool operated by our parent, Progress Energy, Inc. For additional information, see "Use of Proceeds."
Ratings	The Senior Notes are expected to be assigned ratings of "A3" (stable outlook) by Moody's Investors Service, Inc., "BBB-" (stable outlook) by Standard & Poor's Ratings Services and "BBB+" (stable outlook) by Fitch, Inc. A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold the Senior Notes. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if it decides the circumstances warrant that change.

Summary Financial Information

In the table below, we provide you with our summary financial information. The information is only a summary, and you should read it together with the financial information incorporated by reference in this document. See "Documents Incorporated by Reference" page S-15 of this prospectus supplement and "Where You Can Find More Information" on page 2 of the accompanying prospectus.

	Nine Months Ended September 30,		Year Ended December 31,		
	2005	2004	2004	2003	2002
			(Dollars in Millions)		
Income Statement Data:					
Operating revenues	$ 2,983	$ 2,673	$ 3,525	$ 3,152	$ 3,062
Operating income	387	505	618	528	599
Net interest charges	90	84	114	91	106
Net income	205	274	335	297	325
Balance Sheet Data (end of period):					
Total assets	8,130	8,005	7,924	7,280	6,678
Total debt	2,479	2,247	2,431	2,310	1,955
Other Data:					
Ratio of earnings to fixed charges(a)	4.15x	5.21x	5.17x	5.30x	5.28x
Capital expenditures	$ 336	$ 336	$ 492	$ 526	$ 535

(a) Ratios for the periods ended September 30 represent the ratios for the twelve-month periods ending on those dates. We define "earnings" as income before income taxes plus fixed charges and "fixed charges" as the sum of interest on long-term debt, other interest and amortization of debt discount and expense. Ratio of earnings to fixed charges for the years ended December 31, 2001 and 2000 were 5.22x and 3.79x, respectively.

RISK FACTORS

Investing in our securities involves risks that could affect us and our business as well as the energy industry generally. Please see the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference into this document. Much of the business information as well as the financial and operational data contained in our risk factors is updated in our periodic reports, which are also incorporated by reference into this document. Although we have tried to discuss key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Before purchasing our securities, you should carefully consider the risks discussed in our Annual Report on Form 10-K for the year ended December 31, 2004 and the other information in this prospectus supplement and the accompanying prospectus, as well as the documents incorporated by reference herein. Each of the risks described could result in a decrease in the value of our securities and your investment therein.

CAPITALIZATION AND SHORT-TERM DEBT

The following table sets forth our capitalization and short-term debt as of September 30, 2005. For a discussion of the application of the proceeds of this offering, see "Use of Proceeds."

	As of September 30, 2005 (Dollars in Millions)	
Short-term Debt(a)		
Commercial Paper	$ 292	5.8%
Current Portion of Long-term Debt	48	0.9%
Notes Payable to Affiliated Companies(b)	31	0.6%
Long-term Debt		
First Mortgage Bonds	1,866	36.9%
Other Long-term Debt	242	4.8%
Total Debt	$ 2,479	49.0%
Preferred Stock — Redemption Not Required	34	0.7%
Common Stock Equity	2,540	50.3%
Total Capitalization and Short-term Debt	$ 5,053	100.0%

(a) Excludes commercial paper reductions of approximately $74 million and additional internal money pool borrowings of approximately $82 million for the period from October 1, 2005 to November 30, 2005. Outstanding commercial paper balances and internal money pool borrowings will be repaid with the net proceeds of this offering. See "Use of Proceeds."

(b) Represents our net position, at September 30, 2005, from our participation in an internal money pool operated by our parent, Progress Energy, Inc. We participate in the money pool to more effectively utilize cash resources and to reduce outside short-term borrowings.

USE OF PROCEEDS

We expect to use the net proceeds from the sale of the Senior Notes of approximately $447.9 million, after deducting offering discounts and estimated offering expenses, as follows:

- approximately $218.3 million to repay our outstanding commercial paper balance;
- approximately $113.5 million to repay the outstanding balance of our notes payable to affiliated companies; and
- the remainder for general corporate purposes.

At November 30, 2005, we had an outstanding commercial paper balance of $218.3 million with a weighted average maturity of approximately 70 days and a weighted-average interest rate of approximately 4.48%. At November 30, 2005, the balance of our notes payable to affiliated companies was $113.5 million and had an interest rate of 4.43%.

Notes payable to affiliated companies represents our net position from our participation in an internal money pool operated by our parent, Progress Energy, Inc. We participate in the money pool to more effectively utilize cash resources and to reduce outside short-term borrowings. From time to time, we use commercial paper proceeds and money pool borrowings for, among other things, general corporate purposes.

DESCRIPTION OF SENIOR NOTES

The Senior Notes will be a series of unsecured and unsubordinated Debt Securities, as described under the heading "Description of Debt Securities" in the accompanying prospectus. Because the following description setting forth specific terms and provisions of the Senior Notes is only a summary, it does not contain all the information that may be important to you. Please read the following information concerning the Senior Notes in conjunction with the statements under "Description of Debt Securities" in the accompanying prospectus, which the following information supplements and, in the event of any inconsistencies, supersedes. The following summary is qualified in its entirety by reference to the terms and provisions of the Senior Notes and the Indenture (for Debt Securities) between us and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), dated as of December 7, 2005 (the "Indenture"), which are incorporated in this prospectus supplement and the accompanying prospectus by reference. Capitalized terms not defined in this prospectus supplement are used as defined in the Indenture or as otherwise provided in the accompanying prospectus.

General

We will initially offer $450,000,000 aggregate principal amount of our Series A Floating Rate Senior Notes due 2008 under the Indenture. The Indenture does not limit the amount of Senior Notes or other debt securities we may issue under it. We may, at any time, without notice to or the consent of the holders of the Senior Notes, increase the principal amount of the Senior Notes under the Indenture and issue such increased principal amount (or any portion thereof), in which case any additional Senior Notes so issued shall have the same form and terms (other than the date of issuance, the public offering price, and, under certain circumstances, the date from which interest thereon shall begin to accrue and the first interest payment date), and shall carry the same right to receive accrued and unpaid interest, as the Senior Notes previously issued, and such additional notes shall form a single series with the Senior Notes offered hereby. The Senior Notes are not obligations of, nor guaranteed by, Progress Energy, Inc.

Form and Denomination

The Senior Notes will initially be represented by one or more global securities that will be deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. The Senior Notes will be sold in multiples of $1,000. For more information on DTC, see "— The Depositary" below.

Interest and Maturity

Each Senior Note will bear interest from the date of original issuance at the rates determined by the calculation agent as described below. Interest on the Senior Notes will be payable quarterly, in arrears, on February 14, May 14, August 14 and November 14 of each year, beginning on February 14, 2006, to the holders of record at the close of business on the fifteenth calendar day (whether or not a business day) prior to the applicable interest payment date (i.e., January 30, April 29, July 30 and October 30, respectively); provided, however, that so long as the Senior Notes are registered in the name of DTC, its nominee or a successor depositary, the record date for interest payable on any interest payment date shall be the close of business on the business day immediately preceding such interest payment date for the Senior Notes so registered.

The interest rate applicable during each quarterly interest period will be equal to the Three-Month LIBOR Rate (as defined below) as of the Interest Determination Date, plus 0.40%. Interest on the Senior Notes for subsequent quarterly periods will be reset on each interest payment date (each of these dates is called an "interest reset date"), beginning on February 14, 2006, based on the Three-Month LIBOR Rate as of the Interest Determination Date plus 0.40% per year. The interest rate on the Senior Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application; provided however, that in no event shall the rate of interest on the Senior Notes exceed 12% per annum.

"Three-Month LIBOR Rate" means the rate for deposits in U.S. dollars for the three-month period commencing on the applicable interest reset date which appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on the applicable Interest Determination Date. If this rate does not appear on Telerate Page 3750, the calculation agent will determine the rate on the basis of the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market (selected by the calculation agent) at approximately 11:00 a.m., London time, on the applicable Interest Determination Date to prime banks in the London interbank market for a period of three months commencing on that interest reset date and in a principal amount equal to an amount not less than $1,000,000 that is representative for a single transaction in such market at such time. In such case, the calculation agent will request the principal London office of each of the aforesaid major banks to provide a quotation of such rate. If at least two such quotations are provided, the rate for that interest reset date will be the arithmetic mean of the quotations, and, if fewer than two quotations are provided as requested, the rate for that interest reset date will be the arithmetic mean of the rates quoted by three major banks in New York City, selected by the calculation agent, at approximately 11:00 a.m., New York City time, on the applicable Interest Determination Date for loans in U.S. dollars to leading European banks for a period of three months commencing on that interest reset date and in a principal amount equal to an amount not less than $1,000,000 that is representative for a single transaction in such market at such time; provided however, that if fewer than three banks selected by the calculation agent are quoting rates, the interest rate for the applicable interest period will be the same as the interest rate for the immediately preceding period.

"Telerate Page 3750" means the display page so designated on the Moneyline Telerate, Inc. (or such other page as may replace such page on that service or any successor service for the purpose of displaying London interbank offered rates of major banks).

"Interest Determination Date" means, with respect to any interest reset date, the second London banking day prior to the applicable interest reset date; provided that the initial Interest Determination Date shall be December 9, 2005.

A London banking day is any business day in which dealings in U.S. dollars are transacted in the London interbank market.

The calculation agent will, upon the request of the holder of any Senior Note, provide the interest rate then in effect. The Trustee will serve as the calculation agent until such time as we appoint a successor calculation agent. All calculations made by the calculation agent in the absence of manifest error shall be conclusive for all purposes and binding on us and the holders of the Senior Notes. We may appoint a successor calculation agent at our sole discretion.

All percentages resulting from any calculation of the interest rate with respect to the Senior Notes will be rounded, if necessary, to the nearest one-hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (for example, 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655) and 9.876544% (or .09876544) being rounded to 9.87654% (or .0987654)), and all dollar amounts in or resulting from any such calculation will be rounded to the nearest cent (with one-half cent being rounded upwards).

Interest on the Senior Notes will be computed on the basis of a 360-day year and the actual number of days elapsed in each quarterly interest period.

The Senior Notes will mature on November 14, 2008 and are subject to earlier redemption at our option as described under "— Optional Redemption."

Payment

If any interest payment date (other than the maturity date) for the Senior Notes falls on a day that is not a business day, the interest payment date will be postponed to the next succeeding business day, except if that business day is in the next succeeding calendar month, the interest payment date will be the immediately preceding business day. If the maturity date for the Senior Notes falls on a day that is not a

business day, the payment of principal and interest will be made on the next succeeding business day, and no interest on such payment shall accrue for the period from and after the maturity date.

We will pay principal of and any premium on the Senior Notes at stated maturity, upon redemption or otherwise, upon presentation of the Senior Notes at the office of the Trustee, as our paying agent. In our discretion, we may appoint one or more additional paying agents and security registrars and designate one or more additional places for payment and for registration of transfer.

Ranking

The Senior Notes will be our unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness. The Senior Notes will be effectively subordinate to all of our secured debt, including our first mortgage bonds, aggregating approximately $1.9 billion outstanding at September 30, 2005. At September 30, 2005, the total amount of our outstanding unsecured and unsubordinated indebtedness (excluding guarantees and short-term borrowings) was approximately $290 million. The Senior Notes are our obligations exclusively, and are not obligations of, nor guaranteed by, Progress Energy, Inc.

Optional Redemption

We may, at our option, redeem the Senior Notes in whole or in part on June 13, 2006 or any interest payment date thereafter at a redemption price equal to 100% of the principal amount of the Senior Notes being redeemed, plus accrued and unpaid interest to the date of redemption. If we elect to redeem any Senior Notes, we will notify the Trustee of our election at least 45 days prior to the redemption date, or a shorter period acceptable to the Trustee.

So long as the Senior Notes are registered in the name of DTC, its nominee or a successor depositary, if we elect to redeem less than all of the Senior Notes, DTC's practice is to determine by lot the amount of the interest of each Direct Participant, as defined below, in the Senior Notes to be redeemed. At all other times, the Trustee shall draw by lot, in such manner as it deems appropriate, the particular Senior Notes, or portions of them, to be redeemed. Notice of redemption shall be given by mail not less than 30 nor more than 60 days prior to the date fixed for redemption to the holders of Senior Notes to be redeemed, which, as long as the Senior Notes are held in the book-entry only system, will be DTC, its nominee or a successor depositary. On and after the date fixed for redemption (unless we default in the payment of the redemption price and interest accrued thereon to such date), interest on the Senior Notes, or the portions of them so called for redemption, shall cease to accrue. For further information on DTC and its practices, see "— The Depositary" below.

Sinking Fund

The Senior Notes will not be entitled to the benefit of any sinking fund, or to a special redemption by operation of a sinking fund.

Concerning the Trustee

The Trustee and its affiliates engage in various general financing and commercial and investment banking transactions with us and our affiliates. JPMorgan Chase Bank, N.A., an affiliate of the Trustee, is the trustee under our indenture for our first mortgage bonds.

The Depositary

DTC is a:

- limited-purpose trust company organized under the New York Banking Law;
- "banking organization" within the meaning of the New York Banking Law;
- member of the Federal Reserve System;

- "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds securities that its Participants, as defined below, deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts. This book-entry system eliminates the need for physical movement of securities certificates.

Participants in DTC include direct participants ("Direct Participants") and indirect participants ("Indirect Participants," and, together with Direct Participants, "Participants"). Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to Indirect Participants, which include, among others, securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly. The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Senior Notes under DTC's system must be made by or through Direct Participants, which will receive a credit for the Senior Notes on DTC's records. The ownership interest of each actual purchaser of Senior Notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase; rather, Beneficial Owners are expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

To facilitate subsequent transfers, all Senior Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Senior Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Senior Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Senior Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as Cede & Co., as nominee for DTC, is the sole holder of the Senior Notes, the Trustee shall treat Cede & Co. as the only holder of the Senior Notes for all purposes, including receipt of all principal of, premium, if any, and interest on such Senior Notes, receipt of notices, and voting and requesting or directing the Trustee to take or not to take, or consent to, certain actions.

We, or, at our request, the Trustee, will send any redemption notices to DTC. If we redeem less than all of the Senior Notes, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Senior Notes to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Senior Notes. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Senior Notes are credited on the record date and includes an attached list identifying such Direct Participants. Further, we believe that it is the policy of DTC that it will take any action permitted to be taken by a holder of Senior Notes only at the direction of one or more Direct Participants to whose account interests in the Senior Notes are credited and only in respect of such portion of the aggregate principal amount of the Senior Notes as to which such Direct Participant or Participants has or have given such direction.

Principal of, and premium, if any, and interest payments on the Senior Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the applicable payment date in accordance

with the Direct Participants' respective holdings shown on DTC's records on the calendar day immediately preceding the applicable payment date unless DTC has reason to believe that it will not receive payment. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participants and not of DTC, the Trustee or us, subject to applicable statutory or regulatory requirements. Payment of principal, premium, if any, and interest to DTC is our responsibility, or the responsibility of the Trustee with funds we provide. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

Neither we, the Trustee nor any underwriter makes any representation as to the accuracy of the above description of DTC's business, organization and procedures, which is based on information received from sources we believe to be reliable.

The Indenture provides that if:

- the depositary gives reasonable notice to us or to the Trustee that it is unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 days, or
- the depositary ceases to be eligible under the Indenture and a successor depositary is not appointed by us within 90 days, or
- we decide to discontinue use of the system of book-entry transfers through the depositary or its successor,

the global Senior Notes will be exchanged for Senior Notes in definitive form of like tenor and of an equal aggregate principal amount, in authorized denominations. The depositary will provide to the Trustee the name or names in which the Trustee is to register these definitive Senior Notes.

We, the underwriters and the Trustee have no responsibility or obligation to DTC Participants or the Beneficial Owners with respect to:

- the accuracy of any records maintained by DTC or any Participant;
- the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, and interest on, the Senior Notes;
- the delivery or timeliness of delivery by DTC to any Participant or by any Participant to any Beneficial Owner of any notice that is required or permitted under the terms of the Indenture; or
- any other action taken by DTC or its nominee, Cede & Co., as holder of the Senior Notes.

A further description of DTC's procedures with respect to the Senior Notes is set forth under "Global Securities" in the accompanying prospectus.

UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement dated December 7, 2005 among us and the underwriters named below, we have agreed to sell to each of the underwriters, and each of the underwriters has severally, and not jointly, agreed to purchase, the respective principal amounts of the Senior Notes set forth opposite its name below:

Underwriter	Principal Amount
Barclays Capital Inc.	$ 146,250,000
Lehman Brothers Inc.	146,250,000
BNP Paribas Securities Corp.	31,500,000
Calyon Securities (USA) Inc.	31,500,000
SunTrust Capital Markets, Inc.	31,500,000
UBS Securities LLC	31,500,000
Deutsche Bank Securities Inc.	22,500,000
Mellon Financial Markets, LLC	9,000,000
Total	$ 450,000,000

Under the terms and conditions of the underwriting agreement, the underwriters are committed to take and pay for all the Senior Notes, if any are taken; provided, that under certain circumstances relating to a default of one or more underwriters, less than all of the Senior Notes may be purchased. The underwriters propose to offer the Senior Notes in part directly to purchasers at the initial public offering price set forth on the cover page of this prospectus supplement and may offer the Senior Notes to certain securities dealers at this price less a concession not to exceed 0.210% of the principal amount of the Senior Notes. The underwriters may allow, and any such dealers may reallow, a concession to certain other dealers not to exceed 0.140% of the principal amount of the Senior Notes. After the Senior Notes are released for sale to the public, the offering price and other selling terms may from time to time be varied by the underwriters.

The Senior Notes constitute a new issue of securities with no established trading market. We do not intend to apply for listing of the Senior Notes on any national securities exchange or for quotation through any national quotation system. We have been advised by the underwriters that they intend to make a market in the Senior Notes but are not obligated to do so and may discontinue market making at any time without notice. Therefore, we can give no assurances that a liquid trading market will develop for the Senior Notes, that you will be able to sell your Senior Notes at a particular time, or that the prices that you receive when you sell will be favorable.

In connection with the offering of the Senior Notes, the underwriters may engage in overallotment, stabilizing transactions and syndicate covering transactions in accordance with Regulation M under the Securities Exchange Act of 1934, as amended. Overallotment involves sales in excess of the offering size, which creates a short position for the underwriters. Stabilizing transactions involve bids to purchase the Senior Notes i the open market for the purpose of pegging, fixing or maintaining the price of the Senior Notes. Syndicate covering transactions involve purchase of the Senior Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Senior Notes to be higher than would otherwise be the case in the absence of those transactions. If the underwriters engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

Certain of the underwriters will make the Senior Notes available for distribution on the Internet through a proprietary Web site and/or a third-party system operated by Market Axess Corporation, an Internet-based communications technology provider. Market Axess Corporation is providing the system as a conduit for communications between such underwriters and their customers and is not a party to any transactions. Market Axess Corporation, a registered broker-dealer, will receive compensation from such

underwriters based on transactions such underwriters conduct through the system. Such underwriters will make the Senior Notes available to their customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

The underwriters and certain of their affiliates have engaged and in the future may engage in investment banking transactions and in general financing and commercial banking transactions with, and the provision of services to, us and our affiliates in the ordinary course of business for which they have received, and will in the future receive, customary fees. Some of the underwriters or their affiliates are lenders under our revolving credit facility that backs up our or our affiliates' commercial paper programs.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933 or contribute to payments that the underwriters may be required to make in respect thereof.

We estimate that the total expenses of the offering, including applicable recording and related taxes, but excluding the underwriting discount, will be approximately $500,000.

EXPERTS

The financial statements and the related financial statement schedule incorporated in this document by reference from our Annual Report on Form 10-K for the year ended December 31, 2004 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated by reference herein (which report on the financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of a new accounting principle in 2003), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

R. Alexander Glenn, Deputy General Counsel — Florida of Progress Energy Service Company, LLC, and Hunton & Williams LLP, our outside counsel, will issue opinions about the legality of the offered securities for us. The underwriters will be advised about issues relating to this offering by their legal counsel, Dewey Ballantine LLP of New York, New York. As of November 30, 2005, Mr. Glenn owned 614 shares of Progress Energy, Inc. common stock. Mr. Glenn is acquiring additional shares of Progress Energy, Inc. common stock at regular intervals as a participant in the Progress Energy 401(k) Savings & Stock Ownership Plan.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this document, and information that we file later with the SEC will automatically update and supersede the information in this prospectus. Our SEC filing number is 1-3274. We incorporate by reference the documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of th Securities Exchange Act of 1934 until we sell all of the securities being registered; provided, however, that we are not incorporating by reference any information furnished under Item 9, Item 12, Item 2.02 and Item 7.01 of any Current Report on Form 8-K.

- Our Annual Report on Form 10-K for the year ended December 31, 2004.
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2005.

- Our Current Reports on Form 8-K or Form 8-K/ A filed January 28, March 4, March 15, March 22, April 1, May 16, May 24, July 18, August 31, November 15, November 28 and December 7, 2005.

We frequently make our SEC filings on a joint basis with Progress Energy, Inc. our corporate parent and Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. ("PEC"), one of our affiliates. Any information included in such SEC filings that relates solely to Progress Energy, Inc. or PEC is not and shall not be deemed to be incorporated by reference into this prospectus supplement or the accompanying prospectus.

You may request a copy of these filings, at no cost, by writing or calling us at the following:

Progress Energy Florida, Inc.
c/o Progress Energy, Inc.
Investor Relations
410 South Wilmington Street
Raleigh, North Carolina 27601
Telephone: (919) 546-7474

Prospectus

Florida Power Corporation d/b/a

Progress Energy Florida, Inc.

$1,050,000,000

First Mortgage Bonds
Debt Securities

These securities are not obligations of, nor guaranteed by, Progress Energy, Inc., our corporate parent.

Investing in our securities involves risks. See the "Risk Factors" section on page 5 of this prospectus.

We will provide specific terms of these securities, and the manner in which they are being offered, in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest. We cannot sell any of these securities unless this prospectus is accompanied by a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved o these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This Prospectus is dated April 4, 2003.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a "shelf" registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of $1,050,000,000. We may offer any of the following securities: First Mortgage Bonds and/or other Debt Securities.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Any prospectus supplement may also add, update or change information contained in this prospectus. The registration statement we filed with the SEC includes exhibits that provide more detail on descriptions of the matters discussed in this prospectus. You should read this prospectus and the related exhibits filed with the SEC and any prospectus supplement together with additional information described under the heading "WHERE YOU CAN FIND MORE INFORMATION."

OUR COMPANY

We are a regulated public utility incorporated under the laws of Florida in 1899. We are engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. We are an indirect, wholly-owned subsidiary of Progress Energy, Inc., a North Carolina corporation. All of our common stock is held directly by Florida Progress Corporation, a Florida corporation, also referred to as Florida Progress. Effective January 1, 2003, we began doing business under the assumed name Progress Energy Florida, Inc. There were no changes to our articles of incorporation and our legal name remains Florida Power Corporation.

Our principal executive offices are located at 100 Central Avenue, St. Petersburg, Florida 33701. Our telephone number is (727) 820-5151.

Unless the context requires otherwise, references in this prospectus to the terms "we," "us," "our" or other similar terms mean Progress Energy Florida, Inc.

APPLICATION OF PROCEEDS

Unless we state otherwise in any prospectus supplement, we will use the net proceeds from the sale of the offered securities:

- to finance the construction of new facilities and the maintenance of existing facilities;
- to finance the future acquisition of other entities or their assets;
- to refund, repurchase, retire, redeem or reduce outstanding short- or long-term indebtedness; and
- for other general corporate purposes.

In the event that any proceeds are not immediately applied, we may temporarily invest them in U.S., state or municipal government or agency obligations, commercial paper, bank certificates of deposit, or repurchase agreements collateralized by U.S. government or agency obligations, or we may deposit the proceeds with banks.

RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to fixed charges for each of the following periods was:

For the Twelve Months Ended December 31,				
2002	2001	2000	1999	1998
5.46x	5.30x	3.82x	4.37x	3.87x

We define "earnings" as income before income taxes plus fixed charges. We define "fixed charges" as the sum of interest on long-term debt, other interest and amortization of debt discount and expense.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and special reports, current reports, proxy statements and other information with the SEC. Our SEC filing number is 1-3274. Our SEC filings are available to the public over the Internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document we file with the SEC at the SEC's public reference room in Washington, D.C. The SEC's public reference room in Washington is located at 450 5th Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information

on its public reference rooms. Additionally, information about us and our SEC filings are available on our web site at http://www.fpc.com. **The contents of our web site do not constitute a part of this prospectus or any prospectus supplement hereto.**

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede the information in this prospectus. We incorporate by reference the documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities being registered; provided, however, that we are not incorporating by reference any information furnished under Items 9 or 12 of any Current Report on Form 8-K.

- Our Annual Report on Form 10-K for the year ended December 31, 2002.
- Our Current Reports on Form 8-K filed January 3, February 12, February 18 (2 filed), February 21 and April 1, 2003.

We typically make our SEC filings on a joint basis with Florida Progress, our direct corporate parent. Any information included in such SEC filings that relates solely to Florida Progress is not and shall not be deemed to be incorporated by reference into this prospectus or any prospectus supplement.

You may request a copy of these filings at no cost, by writing or calling us at the following address:

Progress Energy Florida, Inc.
c/o Progress Energy, Inc.
Investor Relations
410 South Wilmington Street
Raleigh, North Carolina 27601
Telephone: (800) 662-7232

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. We are not making any offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than th date on the front of those documents.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

This prospectus contains, and any supplement hereto will contain, forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We have used words or phrases such as "anticipate," "will likely result," "will continue," "intend," "may," "expect," "believe," "plan," "will," "estimate," "should," and variations of such words and similar expressions in this prospectus and in the documents incorporated by reference to identify such forward-looking statements. The matters discussed throughout this prospectus and any supplement hereto, including the documents incorporated by reference herein or therein, that are not historical facts are forward-looking and, accordingly, involve estimates, projects, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made.

Examples of factors that you should consider with respect to any forward-looking statements made include, but are not limited to, the following:

- the impact of fluid and complex government laws and regulations, including those relating to the environment;
- the impact of recent events in the energy markets that have increased the level of public and regulatory scrutiny in the energy industry and in the capital markets;
- the impact of our rate case settlement;
- deregulation or restructuring in the electric industry that may result in increased competition and unrecovered (stranded) costs;
- the uncertainty regarding the timing, creation and structure of regional transmission organizations;
- weather conditions that directly influence the demand for electricity and natural gas;
- recurring seasonal fluctuations in demand for electricity and natural gas;
- fluctuation in the price of energy commodities and purchased power;
- economic fluctuations and the corresponding impact on our commercial and industrial customers;
- the inherent risks associated with the operation of nuclear facilities, including environmental, health, regulatory and financial risks;
- the impact of any terrorist acts generally and on our generating facilities and other properties;
- the ability to successfully access capital markets on favorable terms;
- the impact that increases in leverage may have on us and our ability to maintain our current credit ratings;
- the impact of derivative contracts used in the normal course of business; and
- unanticipated changes in operating expenses and capital expenditures.

These and other factors are detailed from time to time in our SEC filings which are incorporated herein. Many, but not all of the factors that may impact actual results are discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2002, which is incorporated by reference into this prospectus. You should carefully read that "Risk Factors" section. 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 us to predict all such factors, nor can we assess the effect of each such factor on us.

RISK FACTORS

Investing in our securities involves risks that could affect the energy industry, as well as us and our business. Please see the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2002, which is incorporated into this prospectus. Although we have tried to discuss key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Before purchasing our securities, you should carefully consider the risks discussed therein and the other information in this prospectus and any prospectus supplement hereto, as well as the documents incorporated by reference herein or therein. Each of the risks described could result in a decrease in the value of our securities and your investment therein.

DESCRIPTION OF THE SECURITIES

This prospectus describes certain general terms of the offered securities. When we offer to sell a particular security, we will describe the specific terms in a prospectus supplement. The securities will be issued under indentures, selected provisions of which we have summarized below. The summary is not complete. The indentures appear as exhibits to the registration statement of which this prospectus is a part, or are incorporated by reference as exhibits to such registration statement, or will appear as exhibits to other documents that we will file with the SEC, which will be incorporated by reference into this prospectus. You should carefully read the indentures as they, and not this prospectus or any prospectus supplement hereto, govern your rights as a security holder. Capitalized terms used in the following summaries have the meanings specified in the applicable indentures unless otherwise defined below.

DESCRIPTION OF FIRST MORTGAGE BONDS

General

We will issue First Mortgage Bonds in one or more series under an Indenture, dated as of January 1, 1944, with First Chicago Trust Company of New York, as successor trustee (the "Mortgage Trustee"), as supplemented by supplemental indentures, including one or more supplemental indentures relating to the First Mortgage Bonds. In the following discussion, we will refer to the Indenture and all supplements to the Indenture together as the "Mortgage." We will refer to all of our First Mortgage Bonds, including those already issued and those to be issued under this shel registration process or otherwise issued in the future, as "First Mortgage Bonds." The information we are providing you in this prospectus concerning the First Mortgage Bonds and the Mortgage is only a summary of the information provided in those documents and the information is qualified in its entirety by reference to the provisions of the Mortgage. You should consult the First Mortgage Bonds themselves, the Mortgage and other documents for more complete information on the First Mortgage Bonds. These documents appear as exhibits to the registration statement of which this prospectus is a part, or are incorporated by reference as exhibits to such registration statement, or will appear as exhibits tc other documents that we will file with the SEC, which will be incorporated by reference into this prospectus. The Mortgage has been qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and you should refer to the Trust Indenture Act for the provisions that apply to the First Mortgage Bonds. In the summary below, we have included references to applicable section numbers of the Mortgage so that you can more easily locate the relevant provisions.

Provisions of a Particular Series

The First Mortgage Bonds may from time to time, be issued in one or more series. You should consult the prospectus supplement relating to any particular issue of the First Mortgage Bonds for the following information:

- the designation, series and aggregate principal amount of the First Mortgage Bonds;
- the percentage of the principal amount for which we will issue and sell the First Mortgage Bonds;
- the date of maturity for the First Mortgage Bonds;
- the rate at which the First Mortgage Bonds will bear interest or the method of determining that rate;
- the dates on which interest is payable;
- the denominations in which we will authorize the First Mortgage Bonds to be issued, if other than $1,000 or integral multiples of $1,000;
- whether we will offer the First Mortgage Bonds in the form of global bonds and, if so, the name of the depositary for any global bonds;

- the terms applicable to any rights to convert First Mortgage Bonds into or exchange them for other of our securities or those of any other entity;
- redemption terms and sinking fund provisions, if any; and
- any other specific terms that do not conflict with the Mortgage.

For more information, see Section 2.01 of the Mortgage.

No series of the First Mortgage Bonds will be limited in aggregate principal amount except as provided in the Mortgage. Unless the applicable prospectus supplement states otherwise, the covenants contained in the Mortgage will not afford holders of the First Mortgage Bonds protection in the event of a change of control or highly leveraged transaction. As of the date of this prospectus, we had approximately $1.48 billion aggregate principal amount of First Mortgage Bonds outstanding.

Form and Exchanges

Unless otherwise specified in the applicable prospectus supplement, we expect to issue the First Mortgage Bonds as fully registered bonds without coupons in denominations of $1,000 or any integral multiple of $1,000. Holders may exchange them, free of charge, for a like aggregate principal amount of other First Mortgage Bonds of different authorized denominations of the same series. Holders may also transfer the First Mortgage Bonds free of charge except for any stamp taxes or other governmental charges that may apply. The First Mortgage Bonds may be presented for transfer or exchange at the corporate trust office of the Trustee in New York, New York. For more information, see Sections 2.01 and 2.03 of the Mortgage.

Interest and Payment

The prospectus supplement for any First Mortgage Bonds will state the interest rate, the method of determination of the interest rate, and the date on which interest is payable. Unless the prospectus supplement states otherwise, principal and interest on First Mortgage Bonds held in (i) definitive or certificated form will be paid at the corporate trust office of the Mortgage Trustee in New York, New York, and (ii) global form will be paid as set forth herein under "Global Securities."

We have agreed to pay interest, to the extent enforceable under law, on any overdue installment of interest on the First Mortgage Bonds at the highest rate of interest payable on any of the First Mortgage Bonds outstanding under the Mortgage. For more information, see Section 2.01 and Article X of the Mortgage.

Redemption and Purchase of First Mortgage Bonds

If the First Mortgage Bonds are redeemable, the redemption terms will appear in the prospectus supplement. We may declare redemptions on at least 30 days' notice to the holders of First Mortgage Bonds to be redeemed and to the Mortgage Trustee. We have agreed that before the redemption date we will deposit with the Mortgage Trustee a sum of money sufficient to redeem the subject First Mortgage Bonds. Our failure to make this required deposit will constitute a completed default under the Mortgage on the specified redemption date and the First Mortgage Bonds called for redemption shall immediately become due and payable. For more information, see Article VIII of the Mortgage.

First Mortgage Bonds are redeemable, in whole but not in part, on not more than 90 days' notice to holders, at a redemption price of 100% of the principal amount thereof, together with accrued interest to the date of redemption, in the event that:

- all of our outstanding common stock is acquired by some governmental body or instrumentality and we elect to redeem all First Mortgage Bonds; or
- all or substantially all the mortgaged and pledged property, constituting bondable property as defined in the Mortgage, that is then subject to the Mortgage as a first lien shall be released from

the lien of the Mortgage under the provisions thereof, and available moneys held by the Mortgage Trustee, including any moneys deposited by us for the purpose, are sufficient to redeem all the First Mortgage Bonds at the redemption prices (together with accrued interest to the date of redemption) specified therein applicable to the redemption thereof upon the happening of such event.

For more information, see Section 8.08 of the Mortgage.

Maintenance Fund

The Mortgage provides that the amount expended for property additions (excluding several stated exceptions) will, at the end of each year, equal the minimum provision for depreciation, for each calendar year subsequent to December 31, 1943, and if at the end of any such year we have not expended such required amount, we will, on or before the next succeeding March 31, deposit with the Mortgage Trustee the difference in cash. Certain credits are allowed against cash so required to be deposited. During the three years immediately following a cash deposit with the Mortgage Trustee, we may at any time or from time to time withdraw cash in an amount equal to any available maintenance credit. Cash not so withdrawn shall be applied towards the payment due upon maturity or for the purchase of outstanding First Mortgage Bonds as provided in the Mortgage. For more information, see Sections 5.08 and 1.05 of the Mortgage.

We must provide the Mortgage Trustee with an annual maintenance certificate with respect to the bondable value of property additions. The minimum provision for depreciation means an amount equal to:

- 15% of our gross operating revenues, net of the cost of electric energy purchased for resale; *less*
- an amount equal to the aggregate of the charges to operating expense for maintenance; *provided, however,*
- that the minimum provision for depreciation for any period shall not exceed the maximum provision for depreciation, as defined, for the period.
- the maximum provision for depreciation shall mean as to each full calendar year, an amount equal to:
- $755,000, *plus*
- 2.25% of the sum of all property additions after January 1, 1944 up to the beginning of the subject calendar year, *less*
- 2.25% of the aggregate amount of all retirements of bondable property during the period after January 1, 1944 up to the beginning of the subject calendar year.

For periods other than a calendar year, the maximum provision for depreciation shall be based upon the maximum provision for depreciation for the calendar year ended during such period multiplied by the number of calendar months or fractions thereof included in such period and divided by 12.

As of December 31, 2002, we had a cumulative maintenance credit of approximately $6.3 billion.

Ranking and Security

The First Mortgage Bonds will be secured by the lien of the Mortgage and will rank equally with all bonds outstanding thereunder. In the opinion of our counsel, the Mortgage constitutes a first mortgage lien, subject only to permitted encumbrances and liens, on substantially all of the fixed properties owned by us except miscellaneous properties specifically excepted. After-acquired property covered by the lien of the Mortgage, subject to existing liens at the time such property is acquired. For more information, see the Preambles and Section 2.01 of the Mortgage.

Issuance of Additional First Mortgage Bonds

First Mortgage Bonds may be issued under the Mortgage in a principal amount equal to:

- an amount not exceeding 60% of the bondable value of property additions, which term generally includes all of our tangible property that we are authorized to acquire, own and operate, that has become subject to the Mortgage and which is used in connection with the generation, purchase, transmission, distribution or sale of electricity for light, heat, power or other purposes;
- an additional aggregate principal amount not exceeding the aggregate principal amount of refundable prior lien bonds deposited with the Mortgage Trustee or judicially determined to be invalid;
- an additional aggregate principal amount not exceeding the aggregate principal amount of any outstanding First Mortgage Bonds that have been canceled or delivered for cancellation; and
- an additional aggregate principal amount equal to the amount of cash deposited with the Mortgage Trustee against the issuance of bonds.

For more information, see Sections 4.03 thorough 4.06 of the Mortgage.

As of December 31, 2002, the bondable value of property additions under the first bullet point above was approximately $4.2 billion permitting the issuance of approximately $2.5 billion of additional bonds ($1.85 billion after giving effect to our February 2003 First Mortgage Bond issuance). As of the date of this prospectus, the additional aggregate principal amount of First Mortgage Bonds that could be issued based upon the amount of previously issued First Mortgage Bonds that have been canceled or delivered for cancellation under the third bullet point above was approximately $265.5 million. Cash deposited with the Mortgage Trustee under the fourth bullet point above may be withdrawn in an amount equal to the principal amount of any First Mortgage Bonds we would otherwise be entitled to have authenticated under any of the provisions referred to in the first three bullet points above, and may also be used for the purchase or redemption of First Mortgage Bonds which, by their terms, are redeemable. For more information, see Section 4.06 of the Mortgage.

First Mortgage Bonds may be authenticated pursuant to the first and fourth bullet points above (and in certain cases pursuant to the second and third bullet points above) only if net earnings for 12 successive months in the 15 months immediately preceding the first day of the month in which application for additional First Mortgage Bonds is made shall be at least two times the annual interest charges on the First Mortgage Bonds and prior lien bonds outstanding and to be outstanding. For more information, see Sections 4.08 and 1.06 of the Mortgage.

Restriction on Dividends

Unless otherwise stated in the prospectus supplement, in the case of First Mortgage Bonds issued under this prospectus and any accompanying prospectus supplement, and so long as any First Mortgage Bonds are outstanding, we may only pay cash dividends on our common stock, and make any other distribution to Florida Progress, our common stockholder, out of our net income subsequent to December 31, 1943. For more information, see Section 5.24 of the Mortgage.

Release and Substitution of Property

Subject to various limitations, property may be released from the lien of the Mortgage when sold or exchanged, upon the basis of:

- cash deposited with the Mortgage Trustee;
- the principal amount of any purchase money obligations pledged with the Mortgage Trustee;
- the fair value of any property additions certified to the Mortgage Trustee and acquired by us in exchange for the property to be released; or

- if non-bondable property is to be released, the fair value of property and certain securities certified to the Mortgage Trustee and acquired by us in exchange for the property to be released, less the principal amount of certain outstanding prior lien bonds.

For more information, see Section 9.03 of the Mortgage.

If all or substantially all of the mortgaged and pledged property constituting bondable property which at the time shall be subject to the lien of the Mortgage as a first lien shall be released, whether pursuant to our request or by eminent domain, then we are required to redeem all the First Mortgage Bonds and have agreed to deposit with the Mortgage Trustee sufficient cash for that purpose. Any new property acquired to take the place of any property released shall be subjected to the lien of the Mortgage. For more information, see Sections 8.08(b), 9.03, 9.05 and 9.11 of th Mortgage.

Modification of Mortgage

General

The Mortgage may generally be modified with the consent of the holders of not less than 75% in aggregate principal amount of First Mortgag Bonds outstanding which would be affected by the action proposed to be taken, except no such modifications shall:

- extend the maturity of any First Mortgage Bonds, or reduce the interest rate or extend the time of payment thereof, or reduce the principal amount thereof, without the express consent of the holder of each First Mortgage Bond affected;
- reduce the percentage of holders who must consent to the modifications referred to in this section without the consent of the holders of all First Mortgage Bonds outstanding;
- permit the creation of a prior or equal lien on the pledged property; or
- deprive any First Mortgage Bond of the lien of the Mortgage.

For more information, see Section 17.02 of the Mortgage.

Anticipated Amendments

With respect to all First Mortgage Bonds issued on or after July 1, 2002, the date of the Fortieth Supplemental Indenture, we have reserved the right to amend the Mortgage, at our sole discretion, after the bonds issued prior to July 1, 2002 are retired or redeemed, as follows:

- to change the requirement that the Mortgage Trustee have its principal office and place of business in the Borough of Manhattan, The City c New York to require that it have a principal office and place of business in that location; and
- to provide that, with respect to compliance with conditions precedent to the authentication and delivery of First Mortgage Bonds, no certificate or opinion of an accountant shall be required to be of any person other than an officer or employee of ours that is actively engage in accounting work, but who need not be a certified or licensed public accountant, as to dates or periods not covered by annual reports required to be filed by us, in the case of conditions precedent which depend upon a state of facts as of a date or dates for a period or periods different from that required to be covered by such annual reports.

With respect to the second bullet point immediately above, the Mortgage currently provides that, except in limited circumstances, any require certificate or opinion of an accountant must be from an independent public accountant, regardless of the dates or periods covered by such certificate or opinion. See Sections 1.02 and 1.06 of the Mortgage and the Fortieth Supplemental Indenture to the Mortgage, dated July 1, 2002.

In July 2002, we issued an aggregate principal amount of approximately $240.9 million First Mortgage Bonds in three series (the "2002 Bonds"). The beneficial owner of the 2002 Bonds has consented to these

amendments. In February 2003, we issued an aggregate principal amount of $650 million First Mortgage Bonds in two series (the "2003 Bonds") in an underwritten public offering. The underwriters, as initial holders of the 2003 Bonds, have consented to these amendments. As of the date of this prospectus, the 2002 Bonds and the 2003 Bonds collectively represent approximately 60% of the aggregate principal amount of outstanding First Mortgage Bonds.

In order to effectuate the amendment set forth in the first bullet point above as soon as possible, we are soliciting consents from certain of the current holders of our First Mortgage Bonds. To effectuate the amendment set forth in the second bullet point above we will continue to seek consents from future holders concurrent with the issuance of any new series of First Mortgage Bonds to such holders; however, we may also solicit consents from certain of the current holders of the First Mortgage Bonds. Future First Mortgage Bonds will include an express consent to the amendments and future holders of such First Mortgage Bonds shall be deemed to have consented to the amendments.

Default

In the event of a completed default, the Mortgage Trustee or the holders of at least 25% of the outstanding First Mortgage Bonds may declare the principal of all outstanding First Mortgage Bonds immediately due and payable. The following are defined as completed defaults in the Mortgage:

- default in the payment of principal of, and premium, if any, on any of the First Mortgage Bonds when due and payable, whether at maturity or by declaration, or otherwise;
- default continued for 60 days in the payment of any interest on any of the First Mortgage Bonds;
- default in the payment of principal or interest upon any outstanding prior lien bonds continued beyond any applicable grace period;
- certain acts of bankruptcy, insolvency or reorganization; and
- default continued for 60 days after written notice to us by the Mortgage Trustee (or to us and the Mortgage Trustee by the holders of at least 25% in principal amount of the then outstanding First Mortgage Bonds) in the observance or performance of any other covenant, agreement or condition contained in the Mortgage or in any of the First Mortgage Bonds.

For more information, see Section 10.01 of the Mortgage.

If all defaults have been cured, however, the holders of not less than a majority in aggregate principal amount of the First Mortgage Bonds then outstanding may rescind and annul the declaration and its consequences. If the Mortgage Trustee in good faith determines it to be in the interest of the holders of the First Mortgage Bonds, it may withhold notice of default, except in payment of principal, premium, if any, interest or sinking fund payments, if any, for retirement of First Mortgage Bonds. We are required by the Mortgage to report annually to the Mortgage Trustee as to the absence of default and compliance with the provisions of the Mortgage. For more information, see Sections 10.01, 10.02 and 5.2 of the Mortgage.

The holders of not less than a majority in principal amount of the First Mortgage Bonds outstanding have the right to direct the time, method and place of conducting any proceedings for any remedy available to, or conferred by the Mortgage upon, the Mortgage Trustee; provided, however, that the Mortgage Trustee may, if it determines in good faith that such direction would involve the Mortgage Trustee in personal liability or be unjustly prejudicial to the rights of the non-assenting bondholders, decline to follow such direction. For more information, see Section 10.06 of the Mortgage.

Evidence to Be Furnished to the Mortgage Trustee Under the Mortgage

We may demonstrate compliance with Mortgage provisions regarding certificates and opinions by providing written statements to the Mortgage Trustee from our officers or experts we select. For instance, we may select an engineer or appraiser to provide a written statement regarding the value of property being certified or released, or an accountant regarding net earnings, or counsel regarding property titles and

compliance with the Mortgage generally. In certain significant matters, applicable law requires that an accountant or engineer must be independent. For more information, see Section 314(d) of the Trust Indenture Act. We must file certificates and other papers each year and whenever certain events occur. Additionally, we must provide evidence from time to time demonstrating our compliance with the conditions and covenants under the Mortgage.

Relationship With the Trustee

In the normal course of business, the Mortgage Trustee or its affiliates may, from time to time, provide certain commercial banking, investment banking, and securities underwriting services to us and our affiliates. In connection with the proposed amendment discussed in the firs bullet point under "Modification of Mortgage — Anticipated Amendments" we expect the current Mortgage Trustee to resign and to be replaced by Bank One, N.A., an affiliate of the Mortgage Trustee.

DESCRIPTION OF DEBT SECURITIES

General

The Debt Securities offered by this prospectus will be our direct unsecured general obligations. This prospectus describes certain general term of the Debt Securities offered through this prospectus. When we offer to sell a particular series of Debt Securities, we will describe the specific terms of that series in a prospectus supplement. The Debt Securities will be issued under one or more indentures for Debt Securities between us and a trustee elected by us. In this prospectus, we will refer to any indenture under which we may issue Debt Securities as the "Debt Securities Indenture," and we will refer to the trustee under any Debt Securities Indenture as the "Debt Securities Trustee." A form of Debt Securities Indenture is filed as an exhibit to the registration statement of which this prospectus is a part.

The prospectus supplement applicable to a particular series of Debt Securities may state that a particular series of Debt Securities will be our subordinated obligations. The form of Debt Securities Indenture referred to above includes optional provisions (designated by brackets ("[ ]")) tha we would expect to appear in a separate indenture for subordinated debt securities in the event we issue subordinated debt securities. In the following discussion, we refer to any subordinated obligations as the "Subordinated Debt Securities." Unless the applicable prospectus supplemen provides otherwise, we will use a separate Debt Securities Indenture for any Subordinated Debt Securities that we may issue. Each Debt Securitie Indenture will be qualified under the Trust Indenture Act and you should refer to the Trust Indenture Act for the provisions that apply to the Debt Securities.

We have summarized selected provisions of the Debt Securities Indenture below. Each Debt Securities Indenture will be independent of any other Debt Securities Indenture unless otherwise stated in a prospectus supplement. The summary that follows is not complete. You should consul the applicable Debt Securities, Debt Securities Indenture, and any supplemental indentures and other related documents for more complete information on the Debt Securities. These documents appear as exhibits to, or are incorporated by reference into, the registration statement of which this prospectus is a part, or will appear as exhibits to other documents that we will file with the SEC, which will be incorporated by reference into this prospectus. In the summary below, we have included references to applicable section numbers of the Debt Securities Indenture so that you can easily locate these provisions.

Provisions of a Particular Series

The Debt Securities may from time to time be issued in one or more series. You should consult the prospectus supplement relating to any particular series of Debt Securities for the following information:

- the title of the Debt Securities;
- any limit on aggregate principal amount of the Debt Securities or the series of which they are a part;

- the date(s), or method for determining the date(s), on which the principal of the Debt Securities will be payable;
- the rate, including the method of determination if applicable, at which the Debt Securities will bear interest, if any; and
  - — the date from which any interest will accrue;
  - — the dates on which we will pay interest; and
  - — the record date for any interest payable on any interest payment date;
- the place where
  - — the principal of, premium, if any, and interest on the Debt Securities will be payable;
  - — you may register transfer of the Debt Securities;
  - — you may exchange the Debt Securities; and
  - — you may serve notices and demands upon us regarding the Debt Securities;
- the security registrar for the Debt Securities and whether the principal of the Debt Securities is payable without presentment or surrender of them;
- the terms and conditions upon which we may elect to redeem any Debt Securities;
- the denominations in which we may issue Debt Securities, if other than $1,000 and integral multiples of $1,000;
- the terms and conditions upon which the Debt Securities must be redeemed or purchased due to our obligations pursuant to any sinking fund or other mandatory redemption or tender provisions, or at the holder's option, including any applicable exceptions to notice requirements;
- the currency, if other than United States currency, in which payments on the Debt Securities will be payable;
- the terms according to which elections can be made by us or the holder regarding payments on the Debt Securities in currency other than the currency in which the Debt Securities are stated to be payable;
- if payments are to be made on the Debt Securities in securities or other property, the type and amount of the securities and other property or the method by which the amount shall be determined;
- the manner in which we will determine any amounts payable on the Debt Securities that are to be determined with reference to an index or other fact or event ascertainable outside the applicable indenture;
- if other than the entire principal amount, the portion of the principal amount of the Debt Securities payable upon declaration of acceleration of their maturity;
- any addition to the events of default applicable to any Debt Securities and any additions to our covenants for the benefit of the holders of the Debt Securities;
- the terms applicable to any rights to convert Debt Securities into or exchange them for other of our securities or those of any other entity;
- whether we are issuing Debt Securities as global securities, and if so,
  - — any limitations on transfer or exchange rights or the right to obtain the registration of transfer;
  - — any limitations on the right to obtain definitive certificates for the Debt Securities; and
  - — any other matters incidental to the Debt Securities;

- whether we are issuing the Debt Securities as bearer securities;
- any limitations on transfer or exchange of Debt Securities or the right to obtain registration of their transfer, and the terms and amount of any service charge required for registration of transfer or exchange;
- any exceptions to the provisions governing payments due on legal holidays, or any variations in the definition of business day with respect to the Debt Securities;
- any collateral security, assurance, guarantee or other credit enhancement applicable to the Debt Securities; and
- any other terms of the Debt Securities not in conflict with the provisions of the applicable Debt Securities Indenture.

For more information, see Section 301 of the applicable Debt Securities Indenture.

Debt Securities may be sold at a substantial discount below their principal amount. You should consult the applicable prospectus supplement for a description of certain special United States federal income tax considerations that may apply to Debt Securities sold at an original issue discount or denominated in a currency other than dollars.

Unless the applicable prospectus supplement states otherwise, the covenants contained in the applicable indenture will not afford holders of Debt Securities protection in the event we have a change in control or are involved in a highly-leveraged transaction.

Subordination

The applicable prospectus supplement may provide that a series of Debt Securities will be Subordinated Debt Securities, subordinate and junior in right of payment to all of our Senior Indebtedness, as defined below. If so, we will issue these securities under a separate Debt Securities Indenture for Subordinated Debt Securities. For more information, see Article XV of the applicable Debt Securities Indenture.

No payment of principal of, including redemption and sinking fund payments, or any premium or interest on, the Subordinated Debt Securities may be made if:

- there occur certain acts of bankruptcy, insolvency, liquidation, dissolution or other winding up of our company;
- any Senior Indebtedness is not paid when due,
- any applicable grace period with respect to other defaults with respect to any Senior Indebtedness has ended, the default has not been cured or waived, and the maturity of such Senior Indebtedness has been accelerated because of the default, or
- the maturity of the Subordinated Debt Securities of any series has been accelerated because of a default and Senior Indebtedness is then outstanding.

Upon any distribution of our assets to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal of, and any premium and interest due or to become due on, all outstanding Senior Indebtedness must be paid in full before the holders of the Subordinated Debt Securities are entitled to payment. For more information, see Section 1502 of the applicable Debt Securities Indenture. The rights of the holders of the Subordinated Debt Securities will be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions applicable to Senior Indebtedness until all amounts owing on the Subordinated Debt Securities are paid in full. For more information, see Section 1504 of the applicable Debt Securities Indenture.

As defined in the Subordinated Debt Securities Indenture, the term "Senior Indebtedness" means:

- all obligations (other than non-recourse obligations and the indebtedness issued under the Subordinated Debt Securities Indenture) of, or guaranteed or assumed by, us
  - — for borrowed money (including both senior and subordinated indebtedness for borrowed money, but excluding the Subordinated Debt Securities); or
  - — for the payment of money relating to any lease that is capitalized on our consolidated balance sheet in accordance with generally accepted accounting principles; or
- indebtedness evidenced by bonds, debentures, notes or other similar instruments.

In the case of any such indebtedness or obligations, Senior Indebtedness includes amendments, renewals, extensions, modifications and refundings, whether existing as of the date of the Subordinated Debt Securities Indenture or subsequently incurred by us.

The Subordinated Debt Securities Indenture does not limit the aggregate amount of Senior Indebtedness that we may issue.

Form, Exchange and Transfer

Unless the applicable prospectus supplement states otherwise, we will issue Debt Securities only in fully registered form without coupons and in denominations of $1,000 and integral multiples of that amount. For more information, see Sections 201 and 302 of the applicable Debt Securities Indenture.

Holders may present Debt Securities for exchange or for registration of transfer, duly endorsed or accompanied by a duly executed instrument of transfer, at the office of the security registrar or at the office of any transfer agent we may designate. Exchanges and transfers are subject to the terms of the applicable indenture and applicable limitations for global securities. We may designate ourselves the security registrar. No charge wil be made for any registration of transfer or exchange of Debt Securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge that the holder must pay in connection with the transaction. Any transfer or exchange will become effective upon the securit registrar or transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. For more information, see Section 305 of the applicable Debt Securities Indenture.

The applicable prospectus supplement will state the name of any transfer agent, in addition to the security registrar initially designated by us, for any Debt Securities. We may at any time designate additional transfer agents or withdraw the designation of any transfer agent or make a change in the office through which any transfer agent acts. We must, however, maintain a transfer agent in each place of payment for the Debt Securities of each series. For more information, see Section 602 of the applicable Debt Securities Indenture.

We will not be required to:

- issue, register the transfer of, or exchange any Debt Securities or any tranche of any Debt Securities during a period beginning at the openin of business 15 days before the day of mailing of a notice of redemption of any Debt Securities called for redemption and ending at the close of business on the day of mailing; or
- register the transfer of, or exchange any Debt Securities selected for redemption except the unredeemed portion of any Debt Securities being partially redeemed.

For more information, see Section 305 of the applicable Debt Securities Indenture.

Payment and Paying Agents

Unless the applicable prospectus supplement states otherwise, we will pay interest on a Debt Security on any interest payment date to the person in whose name the Debt Security is registered at the close of

business on the regular record date for the interest payment. For more information, see Section 307 of the applicable Debt Securities Indenture.

Unless the applicable prospectus supplement provides otherwise, we will pay principal and any premium and interest on Debt Securities at the office of the paying agent whom we will designate for this purpose. Unless the applicable prospectus supplement states otherwise, the corporate trust office of the Debt Securities Trustee in New York City will be designated as our sole paying agent for payments with respect to Debt Securities of each series. Any other paying agents initially designated by us for the Debt Securities of a particular series will be named in the applicable prospectus supplement. We may at any time add or delete paying agents or change the office through which any paying agent acts. We must, however, maintain a paying agent in each place of payment for the Debt Securities of a particular series. For more information, see Section 602 of the applicable Debt Securities Indenture.

All money we pay to a paying agent for the payment of the principal and any premium or interest on any Debt Security that remains unclaimec at the end of two years after payment is due will be repaid to us. After that date, the holder of that Debt Security shall be deemed an unsecured general creditor and may look only to us for these payments. For more information, see Section 603 of the applicable Debt Securities Indenture.

Redemption

You should consult the applicable prospectus supplement for any terms regarding optional or mandatory redemption of Debt Securities. Excep for any provisions in the applicable prospectus supplement regarding Debt Securities redeemable at the holder's option, Debt Securities may be redeemed only upon notice by mail not less than 30 nor more than 60 days prior to the redemption date. Further, if less than all of the Debt Securities of a series, or any tranche of a series, are to be redeemed, the Debt Securities to be redeemed will be selected by the method provided for the particular series. In the absence of a selection provision, the Debt Securities Trustee will select a fair and appropriate method of random selection. For more information, see Sections 403 and 404 of the applicable Debt Securities Indenture.

A notice of redemption we provide may state:

- that redemption is conditioned upon receipt by the paying agent on or before the redemption date of money sufficient to pay the principal of and any premium and interest on the Debt Securities; and
- that if the money has not been received, the notice will be ineffective and we will not be required to redeem the Debt Securities.

For more information, see Section 404 of the applicable Debt Securities Indenture.

Consolidation, Merger and Sale of Assets

We may not consolidate with or merge into any other person, nor may we transfer or lease substantially all of our assets and property to any person, unless:

- the corporation formed by the consolidation or into which we are merged, or the person that acquires by conveyance or transfer, or that leases, substantially all of our property and assets
  - — is organized and validly existing under the laws of any domestic jurisdiction; and
  - — expressly assumes by supplemental indenture our obligations on the Debt Securities and under the applicable indentures;
- immediately after giving effect to the transaction, no event of default, and no event that would become an event of default, has occurred and is continuing; and
- we have delivered to the Debt Securities Trustee an officer's certificate and opinion of counsel as provided in the applicable indentures.

For more information, see Section 1101 of the applicable Debt Securities Indenture.

Events of Default

"Event of default" under the applicable indenture with respect to Debt Securities of any series means any of the following:

- failure to pay any interest due on any Debt Security of that series within 30 days;
- failure to pay principal or premium, if any, when due on any Debt Security of that series;
- failure to make any required sinking fund payment on any Debt Securities of that series;
- breach of or failure to perform any other covenant or warranty in the applicable indenture with respect to Debt Securities of that series for 60 days (subject to extension under certain circumstances for another 120 days) after we receive notice from the Debt Securities Trustee, or we and the Debt Securities Trustee receive notice from the holders of at least 33% in principal amount of the Debt Securities of that series outstanding under the applicable indenture according to the provisions of the applicable indenture;
- certain events of bankruptcy, insolvency or reorganization; and
- any other event of default set forth in the applicable prospectus supplement.

For more information, see Section 801 of the applicable Debt Securities Indenture.

An event of default with respect to a particular series of Debt Securities does not necessarily constitute an event of default with respect to the Debt Securities of any other series issued under the applicable indenture.

If an event of default with respect to a particular series of Debt Securities occurs and is continuing, either the Debt Securities Trustee or the holders of at least 33% in principal amount of the outstanding Debt Securities of that series may declare the principal amount of all of the Debt Securities of that series to be due and payable immediately. If the Debt Securities of that series are discount securities or similar Debt Securities, only the portion of the principal amount as specified in the applicable prospectus supplement may be immediately due and payable. If an event of default occurs and is continuing with respect to all series of Debt Securities issued under a Debt Securities Indenture, including all events of default relating to bankruptcy, insolvency or reorganization, the Debt Securities Trustee or the holders of at least 33% in principal amount of the outstanding Debt Securities of all series issued under that Debt Securities Indenture, considered together, may declare an acceleration of the principal amount of all series of Debt Securities issued under that Debt Securities Indenture. There is no automatic acceleration, even in the event of our bankruptcy or insolvency.

The applicable prospectus supplement may provide, with respect to a series of Debt Securities to which a credit enhancement is applicable, that the provider of the credit enhancement may, if a default has occurred and is continuing with respect to the series, have all or any part of the rights with respect to remedies that would otherwise have been exercisable by the holder of that series.

At any time after a declaration of acceleration with respect to the Debt Securities of a particular series, and before a judgment or decree for payment of the money due has been obtained, the event of default giving rise to the declaration of acceleration will, without further action, be deemed to have been waived, and the declaration and its consequences will be deemed to have been rescinded and annulled, if:

- we have paid or deposited with the Debt Securities Trustee a sum sufficient to pay
  - all overdue interest on all Debt Securities of the particular series;
  - the principal of and any premium on any Debt Securities of that series that have become due otherwise than by the declaration of acceleration and any interest at the rate prescribed in the Debt Securities

— interest upon overdue interest at the rate prescribed in the Debt Securities, to the extent payment is lawful; and

— all amounts due to the Debt Securities Trustee under the applicable indenture; and

- any other event of default with respect to the Debt Securities of the particular series, other than the failure to pay the principal of the Debt Securities of that series that has become due solely by the declaration of acceleration, has been cured or waived as provided in the applicable indenture.

For more information, see Section 802 of the applicable Debt Securities Indenture.

The applicable Debt Securities Indenture includes provisions as to the duties of the Debt Securities Trustee in case an event of default occurs and is continuing. Consistent with these provisions, the Debt Securities Trustee will be under no obligation to exercise any of its rights or powers at the request or direction of any of the holders unless those holders have offered to the Debt Securities Trustee reasonable indemnity against the costs, expenses and liabilities that may be incurred by it in compliance with such request or direction. For more information, see Section 903 of th applicable Debt Securities Indenture. Subject to these provisions for indemnification, the holders of a majority in principal amount of the outstanding Debt Securities of any series may direct the time, method and place of conducting any proceeding for any remedy available to the Debt Securities Trustee, or exercising any trust or power conferred on the Debt Securities Trustee, with respect to the Debt Securities of that series. For more information, see Section 812 of the applicable Debt Securities Indenture.

No holder of Debt Securities may institute any proceeding regarding the applicable indenture, or for the appointment of a receiver or a trustee, or for any other remedy under the applicable indenture unless:

- the holder has previously given to the Debt Securities Trustee written notice of a continuing event of default of that particular series;
- the holders of a majority in principal amount of the outstanding Debt Securities of all series with respect to which an event of default is continuing have made a written request to the Debt Securities Trustee, and have offered reasonable indemnity to the Debt Securities Trustee to institute the proceeding as trustee; and
- the Debt Securities Trustee has failed to institute the proceeding, and has not received from the holders of a majority in principal amount of the outstanding Debt Securities of that series a direction inconsistent with the request, within 60 days after notice, request and offer of reasonable indemnity.

For more information, see Section 807 of the applicable Debt Securities Indenture.

The preceding limitations do not apply, however, to a suit instituted by a holder of a Debt Security for the enforcement of payment of the principal of or any premium or interest on the Debt Securities on or after the applicable due date stated in the Debt Securities. For more information, see Section 808 of the applicable Debt Securities Indenture.

We must furnish annually to the Debt Securities Trustee a statement by an appropriate officer as to that officer's knowledge of our compliance with all conditions and covenants under each of the indentures for Debt Securities. Our compliance is to be determined without regard to any grac period or notice requirement under the respective indenture. For more information, see Section 606 of the applicable Debt Securities Indenture.

Modification and Waiver

We and the Debt Securities Trustee, without the consent of the holders of the Debt Securities, may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the applicable indenture and the Debt Securities;

- to add one or more covenants or other provisions for the benefit of the holders of outstanding Debt Securities or to surrender any right or power conferred upon us by the applicable indenture;
- to add any additional events of default;
- to change or eliminate any provision of the applicable indenture or add any new provision to it, but if this action would adversely affect the interests of the holders of any particular series of Debt Securities in any material respect, the action will not become effective with respect tc that series while any Debt Securities of that series remain outstanding under the applicable indenture;
- to provide collateral security for the Debt Securities;
- to establish the form or terms of Debt Securities according to the provisions of the applicable indenture;
- to evidence the acceptance of appointment of a successor Debt Securities Trustee under the applicable indenture with respect to one or more series of the Debt Securities and to add to or change any of the provisions of the applicable indenture as necessary to provide for trust administration under the applicable indenture by more than one trustee;
- to provide for the procedures required to permit the use of a non-certificated system of registration for any series of Debt Securities;
- to change any place where
  - — the principal of and any premium and interest on any Debt Securities are payable;
  - — any Debt Securities may be surrendered for registration of transfer or exchange; or
  - — notices and demands to or upon us regarding Debt Securities and the applicable indentures may be served; or
- to cure any ambiguity or inconsistency, but only by means of changes or additions that will not adversely affect the interests of the holders of Debt Securities of any series in any material respect.

For more information, see Section 1201 of the applicable Debt Securities Indenture.

The holders of at least a majority in aggregate principal amount of the outstanding Debt Securities of any series may waive:

- compliance by us with certain provisions of the applicable indenture (see Section 607 of the applicable Debt Securities Indenture); and
- any past default under the applicable indenture, except a default in the payment of principal, premium, or interest and certain covenants and provisions of the applicable indenture that cannot be modified or amended without consent of the holder of each outstanding Debt Security of the series affected (see Section 813 of the applicable Debt Securities Indenture).

The Trust Indenture Act of 1939 may be amended after the date of the applicable indenture to require changes to the indenture. In this event, the indenture will be deemed to have been amended so as to effect the changes, and we and the Debt Securities Trustee may, without the consent of any holders, enter into one or more supplemental indentures to evidence or effect the amendment. For more information, see Section 1201 of the applicable Debt Securities Indenture.

Except as provided in this section, the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities issued pursuant to a Debt Securities Indenture, considered as one class, is required to change in any manner the applicable indenture pursuant to one or more supplemental indentures. If less than all of the series of Debt Securities outstanding under a Debt Securities Indenture are directly affected by a proposed supplemental indenture, however, only the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities of all series directly affected, considered as one class, will be required. Furthermore, if the Debt Securities of any series

have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of one or more, but not all, tranches, only the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities of all tranches directly affected, considered as one class, will be required. In addition, an amendment or modification:

- may not, without the consent of the holder of each outstanding Debt Security affected
  - change the maturity of the principal of, or any installment of principal of or interest on, any Debt Securities;
  - reduce the principal amount or the rate of interest, or the amount of any installment of interest, or change the method of calculating the rate of interest;
  - reduce any premium payable upon the redemption of the Debt Securities;
  - reduce the amount of the principal of any Debt Security originally issued at a discount from the stated principal amount that would be due and payable upon a declaration of acceleration of maturity;
  - change the currency or other property in which a Debt Security or premium or interest on a Debt Security is payable; or
  - impair the right to institute suit for the enforcement of any payment on or after the stated maturity, or in the case of redemption, on or after the redemption date, of any Debt Securities;
- may not reduce the percentage of principal amount requirement for consent of the holders for any supplemental indenture, or for any waiver of compliance with any provision of or any default under the applicable indenture, or reduce the requirements for quorum or voting, without the consent of the holder of each outstanding Debt Security of each series or tranche affected; and
- may not modify provisions of the applicable indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the Debt Securities of any series, or any tranche of a series, without the consent of the holder of each outstanding Debt Security affected.

A supplemental indenture will be deemed not to affect the rights under the applicable indenture of the holders of any series or tranche of the Debt Securities if the supplemental indenture:

- changes or eliminates any covenant or other provision of the applicable indenture expressly included solely for the benefit of one or more other particular series of Debt Securities or tranches thereof; or
- modifies the rights of the holders of Debt Securities of any other series or tranches with respect to any covenant or other provision.

For more information, see Section 1202 of the applicable Debt Securities Indenture.

If we solicit from holders of the Debt Securities any type of action, we may at our option by board resolution fix in advance a record date for the determination of the holders entitled to vote on the action. We shall have no obligation, however, to do so. If we fix a record date, the action may be taken before or after the record date, but only the holders of record at the close of business on the record date shall be deemed to be holder for the purposes of determining whether holders of the requisite proportion of the outstanding Debt Securities have authorized the action. For that purpose, the outstanding Debt Securities shall be computed as of the record date. Any holder action shall bind every future holder of the same security and the holder of every security issued upon the registration of transfer of or in exchange for or in lieu of the security in respect of anything done or permitted by the Debt Securities Trustee or us in reliance on that action, whether or not notation of the action is made upon the security. For more information, see Section 104 of the applicable Debt Securities Indenture.

Defeasance

Unless the applicable prospectus supplement provides otherwise, any Debt Security, or portion of the principal amount of a Debt Security, wil be deemed to have been paid for purposes of the applicable indenture, and, at our election, our entire indebtedness in respect of the Debt Security, or portion thereof, will be deemed to have been satisfied and discharged, if we have irrevocably deposited with the Debt Securities Trustee or any paying agent other than us, in trust money, certain eligible obligations, as defined in the applicable indenture, or a combination of the two, sufficient to pay principal of and any premium and interest due and to become due on the Debt Security or portion thereof. For more information, see Section 701 of the applicable Debt Securities Indenture. For this purpose, unless the applicable prospectus supplement provides otherwise, eligible obligations include direct obligations of, or obligations unconditionally guaranteed by, the United States, entitled to the benefit of full faitl and credit of the United States, and certificates, depositary receipts or other instruments that evidence a direct ownership interest in those obligations or in any specific interest or principal payments due in respect of those obligations.

Resignation, Removal of Debt Securities Trustee; Appointment of Successor

The Debt Securities Trustee may resign at any time by giving written notice to us or may be removed at any time by an action of the holders o: a majority in principal amount of outstanding Debt Securities delivered to the Debt Securities Trustee and us. No resignation or removal of the Debt Securities Trustee and no appointment of a successor trustee will become effective until a successor trustee accepts appointment in accordance with the requirements of the applicable indenture. So long as no event of default or event that would become an event of default has occurred and is continuing, and except with respect to a Debt Securities Trustee appointed by an action of the holders, if we have delivered to the Debt Securities Trustee a resolution of our board of directors appointing a successor trustee and the successor trustee has accepted the appointmen in accordance with the terms of the applicable indenture, the Debt Securities Trustee will be deemed to have resigned and the successor trustee will be deemed to have been appointed as trustee in accordance with the applicable indenture. For more information, see Section 910 of the applicable Debt Securities Indenture.

Notices

We will give notices to holders of Debt Securities by mail to their addresses as they appear in the Debt Security Register. For more information, see Section 106 of the applicable Debt Securities Indenture.

Title

The Debt Securities Trustee and its agents, and we and our agents, may treat the person in whose name a Debt Security is registered as the absolute owner of that Debt Security, whether or not that Debt Security may be overdue, for the purpose of making payment and for all other purposes. For more information, see Section 308 of the applicable Debt Securities Indenture.

Governing Law

The Debt Securities Indentures and the Debt Securities, including any Subordinated Debt Securities Indentures and Subordinated Debt Securities, will be governed by, and construed in accordance with, the law of the State of New York. For more information, see Section 112 of the applicable Debt Securities Indenture.

GLOBAL SECURITIES

We may issue some or all of the First Mortgage Bonds or Debt Securities of any series as global securities. We will register each global security in the name of a depositary identified in the applicable prospectus supplement. The global securities will be deposited with a depositary or nominee or custodian for the depositary and will bear a legend regarding restrictions on exchanges and registration of transfer as discussed below and any other matters to be provided pursuant to the indenture.

As long as the depositary or its nominee is the registered holder of a global security, that person will be considered the sole owner and holder of the global security and the securities represented by it for all purposes under the securities and the indenture. Except in limited circumstances, owners of a beneficial interest in a global security:

- will not be entitled to have the global security or any securities represented by it registered in their names;
- will not receive or be entitled to receive physical delivery of certificated securities in exchange for the global security; and
- will not be considered to be the owners or holders of the global security or any securities represented by it for any purposes under the securities or the indenture.

We will make all payments of principal and any premium and interest on a global security to the depositary or its nominee as the holder of the global security. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions having accounts with the depositary or its nominee, called "participants" for purposes of this discussion, and to persons that hold beneficial interests through participants. When a global security is issued, the depositary will credit on its book entry, registration and transfer system the principal amounts of securities represented by the global security t the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by:

- the depositary, with respect to participants' interests; or
- any participant, with respect to interests of persons held by the participants on their behalf.

Payments by participants to owners of beneficial interests held through the participants will be the responsibility of the participants. The depositary may from time to time adopt various policies and procedures governing payments, transfers, exchanges and other matters relating to beneficial interests in a global security. None of the following will have any responsibility or liability for any aspect of the depositary's or any participant's records relating to, or for payments made on account of, beneficial interests in a global security, or for maintaining, supervising or reviewing any records relating to those beneficial interests:

- us or our affiliates;
- the trustee under any indenture; or
- any agent of any of the above.

PLAN OF DISTRIBUTION

Unless the applicable prospectus supplement provides otherwise, we expect to sell the securities in any of three ways:

- through underwriters or dealers;
- directly through a limited number of institutional purchasers or to a single purchaser; or
- through agents.

The applicable prospectus supplement will set forth the terms under which the securities are offered, including

- the names of any underwriters, dealers or agents;
- the purchase price and the net proceeds to us from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any initial public offering price; and
- any discounts or concessions allowed, re-allowed or paid to dealers.

We or any underwriters or dealers may change from time to time any initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers.

If we use underwriters in the sale, the securities will be acquired by the underwriters for their own account and may be resold in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of the sale. Unless the applicable prospectus supplement states otherwise, the obligations of the underwriters to purchase the securities will be subject to certain conditions, and the underwriters will be severally obligated to purchase all of the securities, except that in certain cases involving a default by an underwriter, less than all of the securities may be purchased. If we sell securities through an agent, the applicable prospectus supplement will state the name and any commission payable by us to the agent. Unless the prospectus supplement provides otherwise, any agent acting for us will be acting on a best efforts basis for the period of its appointment.

The applicable prospectus supplement will state whether we will authorize agents, underwriters or dealers to solicit offers by certain specified institutions to purchase securities at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified future date. These contracts will be subject to the conditions set forth in the prospectus supplement. Additionally, the prospectus supplement will set forth the commission payable for solicitation of these contracts.

Agents and underwriters may be entitled, under agreements with us, to indemnification by us against certain civil liabilities, including liabilities under the Securities Act of 1933.

EXPERTS

The financial statements and the related financial statement schedule as of and for the years ended December 31, 2002 and 2001 incorporated in this prospectus from our Annual Report on Form 10-K for the year ended December 31, 2002 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports, which are incorporated herein by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The financial statements and the related financial statement schedule for the year ended December 31, 2000, included in our Annual Report on Form 10-K for the year ended December 31, 2002, have been incorporated by reference in this prospectus and the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, incorporated by reference in the prospectus, and given upon the authority of that firm as experts in accounting and auditing.

On March 21, 2001, our Board of Directors formally elected to engage Deloitte & Touche LLP as our independent accountants and to dismiss KPMG as such independent accountant. Deloitte & Touche became our independent accountant upon KPMG's completion of the 2000 audit and our issuance of the related financial statements. For additional detail regarding our change in independent accountants, please refer to "ITEM 9 — Changes in and Disagreements with Accountants on Accounting and Financial Disclosure" included in our Form 10-K for the year ended December 31, 2001.

LEGAL OPINIONS

Unless the applicable prospectus supplement provides otherwise, R. Alexander Glenn, Associate General Counsel of Progress Energy Service Company, LLC, and Hunton & Williams, our outside counsel, will issue opinions about the legality of the offered securities for us. Unless the applicable prospectus supplement provides otherwise, any underwriters or agents will be advised about issues relating to any offering by their legal counsel, Dewey Ballantine LLP of New York, New York.

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$450,000,000

Florida Power Corporation d/b/a
Progress Energy Florida, Inc.

Series A Floating Rate
Senior Notes due 2008

Prospectus Supplement
December 7, 2005

Joint Book-Running Managers

Barclays Capital
Lehman Brothers

Co-Managers

BNP PARIBAS
Calyon Securities (USA)
SunTrust Robinson Humphrey
UBS Investment Bank
Deutsche Bank Securities
Mellon Financial Markets, LLC

HUNTON & WILLIAMS

HUNTON & WILLIAMS LLP
POST OFFICE BOX 109
RALEIGH, NORTH CAROLINA 27602

TEL 919 • 899 • 3000
FAX 919 • 833 • 6352

March 28, 2005

To each of the Lenders parties to the Agreement
referred to below and Bank of America, N.A., as
Administrative Agent

Re: Florida Power Corporation d/b/a Progress Energy Florida, Inc.

Ladies and Gentlemen:

This opinion is furnished to you by us as counsel for Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "***Borrower***") pursuant to Section 3.01(a)(viii) of the five-year Credit Agreement, dated as of March 28, 2005 (the "***Agreement***", the terms defined therein being used herein as therein defined), among the Borrower, certain lenders thereunder (the "***Lenders***") and Bank of America, N.A., as Administrative Agent for the Lenders.

In connection with the preparation, execution and delivery of the Agreement, we have examined:

1. The Agreement.

2. The documents furnished by the Borrower pursuant to Section 3.01 of the Agreement.

3. The opinion letter of even date herewith, addressed to you by R. Alexander Glenn, Associate General Counsel of Progress Energy Service Company, LLC, in his capacity as counsel to the Borrower and delivered in connection with the transactions contemplated by the Agreement (the "***Company Opinion Letter***").

We have also examined the originals, or copies of such other corporate records of the Borrower, certificates of public officials and of officers of the Borrower and agreements, instruments and other documents as we have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, we have, when relevant facts were not independently established by us, relied upon certificates of the Borrower or its officers or of public officials. We have assumed the authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted as certified or photostatic copies and the authenticity of the originals (other than those of the Borrower), and the due execution and delivery, pursuant to due authorization, of the Agreement by the Lenders and the Administrative Agent and the validity and binding effect thereof on such parties.

Whenever the phrase "to our knowledge" is used in this opinion it refers to the actual knowledge of the attorneys of this firm involved in the representation of the Borrower without independent investigation.

We are qualified to practice law in the States of Florida and New York, and the opinions expressed herein are limited to the law of the States of Florida and New York and the federal law of the United States. To the extent that our opinions expressed herein depend upon opinions expressed in paragraphs 1 through 4 of the Company Opinion Letter, we have relied without independent investigation on the accuracy of the opinions expressed in the Company Opinion Letter, subject to the assumptions, qualifications and limitations set forth in the Company Opinion Letter.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the opinion that the Agreement constitutes the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms except as enforcement may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other similar laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

The opinion set forth above is subject to the following qualifications:

(a) In addition to the application of equitable principles described above, courts have imposed an obligation on contracting parties to act reasonably and in good faith in the exercise of their contractual rights and remedies, and may also apply public policy considerations in limiting the right of parties seeking to obtain indemnification under circumstances where the conduct of such parties is determined to have constituted negligence.

(b) No opinion is expressed herein as to (i) Section 8.05 of the Agreement, (ii) the enforceability of provisions purporting to grant to a party conclusive rights of determination, (iii) the availability of specific performance or other equitable remedies, (iv) the enforceability of rights to indemnity under federal or state securities laws or (v) the enforceability of waivers by parties of their respective rights and remedies under law.

(c) No opinion is expressed herein as to provisions, if any, in the Agreement, which (A) purport to excuse, release or exculpate a party for liability for or indemnify a party against the consequences of its own acts, (B) purport to make void any act done in contravention thereof, (C) purport to authorize a party to make binding determinations in its sole discretion, (D) relate to the effects of laws which may be enacted in the future, (E) require waivers, consents or amendments to be made only in writing, (F) purport to waive rights of offset or to create rights of set off other than as provided by statute, or (G) purport to permit acceleration of

indebtedness and the exercise of remedies by reason of the occurrence of an immaterial breach of the Agreement or any related document. Further, we express no opinion as to the necessity for any Lender, by reason of such Lender's particular circumstances, to qualify to transact business in the State of New York or as to any Lender's liability for taxes in any jurisdiction.

The foregoing opinion is solely for your benefit and may not be relied upon by any other Person other than (i) any other Person that may become a Lender under the Agreement after the date hereof in accordance with the provisions thereof and (ii) King & Spalding LLP, in connection with its opinion delivered on the date hereof under Section 3.01 of the Agreement.

Very truly yours,

Hunton & Williams LLP

07169/05860/01015

Progress Energy

March 28, 2005

To each of the Lenders parties to the Agreement
referred to below and Bank of America, N.A., as
Administrative Agent

Re: Florida Power Corporation d/b/a Progress Energy Florida, Inc.

Ladies and Gentlemen:

This opinion is furnished to you by me as Deputy General Counsel of Progress Energy Service Company, LLC and in my capacity as counsel to Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "***Borrower***") pursuant to Section 3.01(a)(viii) of the five-year Credit Agreement, dated as of March 28, 2005 (the "***Agreement***", the terms defined therein being used herein as therein defined), among the Borrower, certain lenders thereunder (the "***Lenders***") and Bank of America, N.A., as Administrative Agent for the Lenders.

In connection with the preparation, execution and delivery of the Agreement, I have examined:

1. The Agreement.

2. The documents furnished by the Borrower pursuant to Section 3.01 of the Agreement.

3. The Restated Charter of the Borrower (the "***Charter***").

4. The Bylaws of the Borrower and all amendments thereto (the "***Bylaws***").

5. The FPSC Order, as defined in the Agreement.

I have also examined the originals, or copies of such other corporate records of the Borrower, certificates of public officials and of officers of the Borrower and agreements, instruments and other documents as I have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, I have, when relevant facts were not independently established by me, relied upon certificates of the Borrower or its officers or of public officials. I have assumed the authenticity of all documents submitted to me as originals, the conformity to originals of all documents submitted as certified or photostatic copies and the authenticity of signatures (other than those of the Borrower), and the due execution and delivery, pursuant to due authorization, of the Agreement by the Lenders and the Administrative Agent and the validity and binding effect thereof on such parties. For purposes of my opinions expressed in paragraph 1 below as to existence and good standing, I have relied as of their respective dates on certificates of public officials, copies of which are attached hereto as

Progress Energy Service Company, LLC
PO Box 14042
St. Petersburg, FL 33733

Exhibit A. Whenever the phrase "to my knowledge" is used in this opinion it refers to my actual knowledge and the actual knowledge of the attorneys who work under my supervision and who were involved in the representation of the Borrower in connection with the transactions contemplated by the Agreement.

I or attorneys working under my supervision are qualified to practice law in the State of Florida, and the opinions expressed herein are limited to the law of the State of Florida and the federal law of the United States.

Based upon the foregoing and upon such investigation as I have deemed necessary, I am of the following opinion:

1. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. The Borrower has the corporate power and authority to enter into the transactions contemplated by the Agreement.

2. The execution, delivery and performance of the Agreement by the Borrower have been duly authorized by all necessary corporate action on the part of the Borrower and the Agreement has been duly executed and delivered by the Borrower.

3. The execution, delivery and performance of the Agreement by the Borrower will not (i) violate the Charter or the Bylaws or any law, rule or regulation applicable to the Borrower (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (ii) result in a breach of, or constitute a default under, any judgment, decree or order binding on the Borrower, or any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound.

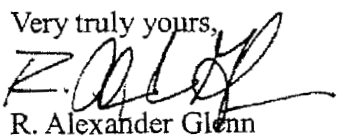
4. No authorization, approval or other action by, and no notice to or filing with any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of the Agreement, other than the FPSC Order, which has been duly issued and is in full force and effect. All periods for review and approval of the FPSC Order have expired, and no such request for review or appeal thereof has been filed or is pending.

5. To my knowledge, except as described in the reports and registration statements that the Borrower has filed with the Securities and Exchange Commission, there are no pending or overtly threatened actions or proceedings against the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, that purport to affect the legality, validity, binding effect or enforceability of the Agreement or that are likely to have a material adverse effect upon the financial condition, operations or properties of the Borrower or any of its Subsidiaries.

The opinions set forth above are subject to the qualification that, except as provided in paragraph 4 above, no opinion is expressed herein as to the enforceability of the Agreement or any other document.

The foregoing opinions are solely for your benefit and may not be relied upon by any other Person other than (i) any other Person that may become a Lender under the Agreement after the date hereof and (ii) Hunton & Williams LLP and King & Spalding LLP, in connection with their respective opinions delivered on the date hereof under Section 3.01 of the Agreement.

Very truly yours,



R. Alexander Glenn

Deputy General Counsel

Progress Energy

Writer's Direct Dial No. 727-820-5587

R. ALEXANDER GLENN
Deputy General Counsel – Florida

Exhibit C

May 16, 2005

JPMORGAN CHASE BANK, N.A.
as Trustee under the Indenture
with Florida Power Corporation,
dated as of January 1, 1944,
as supplemented (the "Indenture").

Ladies and Gentlemen:

I am the Deputy General Counsel of Progress Energy Service Company, LLC and have been selected and duly authorized by Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter called the "Company") to act as counsel under the above referenced Indenture. At the Company's request, I am furnishing this opinion pursuant to Section 4.07(e) and Section 3.01 of the Indenture in connection with an application of the Company for the authentication and delivery, pursuant to Section 4.03 of the Indenture, of $300,000,000 aggregate principal amount of the Company's First Mortgage Bonds, 4.50% Series due 2010 (the "New Series Bonds"). I have examined executed copies of the following instruments to be delivered to you in support of such application:

1. Written order of the Company for the authentication and delivery of the New Series Bonds;

2. Certified copy of Resolutions of the Board of Directors and the First Mortgage Bond Indenture Committee of the Board of Directors of the Company;

3. Forty-Fifth Supplemental Indenture, dated as of May 1, 2005;

4. Copy of Order No. PSC-04-1183-FOF-EI of the Florida Public Service Commission (the "FPSC"), dated December 1, 2004 authorizing the issuance of certain securities of the Company, including the New Series Bonds;

5. Officers' Certificate stating that the Company is not, to the knowledge of the signers, in default in the performance of any of the covenants on its part to be performed under the Indenture;

Progress Energy Service Company, LLC
P.O. Box 14042
St. Petersburg, FL 33733

6. Officers' Certificate of the Bondable Value of Property Additions pursuant to Section 4.03(b) of the Indenture which meets the requirements of paragraph B of Section 1.05 of the Indenture and is accompanied by the instruments required by paragraph C of 1.05 of the Indenture; and

7. Net Earnings Certificate, pursuant to Section 4.03(c), 4.08, 1.05 and 1.06 of the Indenture.

It is my opinion that the issuance of the New Series Bonds, the authentication and delivery of which is applied for, will not cause the limit of indebtedness, if any, of the Company permitted by law, to be exceeded and has been authorized by the Company and has been authorized, approved and consented to by the FPSC as evidenced by its Order referred to above, which is the only governmental body or authority, the authorization, approval, or consent of which is requisite to the legal issuance of the New Series Bonds.

It is further my opinion that, when executed by the Company, and authenticated and delivered to the Trustee and issued by the Company, the New Series Bonds will be valid and binding obligations and will be secured by the lien of the Indenture, and that all taxes payable, if any, in respect of the authentication, delivery and issuance of the New Series Bonds have been paid or provision made therefor.

I have read Sections 1.05, 1.06, 2.01, 3.01, 4.03, 4.07, 4.08, 10.01 and 17.01 of the Indenture and the conditions precedent contained therein (including any covenants, compliance with which constitutes a condition precedent) which relates to (a) the Trustees' execution and delivery of the Forty-Fifth Supplemental Indenture, and (b) the creation, issuance, authentication and delivery of the New Series Bonds (collectively, the "Conditions and Covenants").

With respect to the nature and scope of the examination or investigation upon which the opinions herein are based, I have examined and am familiar with the applicable Statutes of the State of Florida and of the United States of America and the Articles of Incorporation, as amended, of the Company. I have also relied upon my own personal familiarity with the Company's affairs, except that, insofar as the statements or opinions herein contained relate to factual matters, information with respect to which is in the possession of the Company, such statements or opinions are based upon representations by various officers of the Company.

In my opinion, I have made such examination or investigation as is necessary to enable me to express an informed opinion as to whether or not such Conditions and Covenants have been complied with.

In my opinion, such Conditions and Covenants have been complied with.

[Remainder of Page Intentionally Left Blank]

This opinion may be relied upon by you in connection with the Company's Application for Authentication of First Mortgage Bonds, but may not be used, circulated, quoted or otherwise relied upon by any other person or for any other purpose without my prior written consent.

Respectfully submitted,

R. Alexander Glenn
Deputy General Counsel

{Signature Page of Opinion per 4.07(e) of Indenture}

HUNTON & WILLIAMS

HUNTON & WILLIAMS LLP
POST OFFICE BOX 109
RALEIGH, NORTH CAROLINA 27602

TEL 919 • 899 • 3000
FAX 919 • 833 • 6352

May 16, 2005

Barclays Capital Inc.
Wachovia Capital Markets, LLC
Banc of America Securities LLC
Greenwich Capital Markets, Inc.
Calyon Securities (USA) Inc.
Goldman, Sachs & Co.

c/o Barclays Capital Inc.
200 Park Avenue
New York, New York 10166
Attention: General Counsel
Attention: US Transaction Management

and

Wachovia Capital Markets, LLC
One Wachovia Center
301 South College Street
Charlotte, North Carolina 28288-0602
Attention: James T. Williams, Jr.

(As Representative of the Underwriters)

$300,000,000
Florida Power Corporation
d/b/a Progress Energy Florida, Inc.

First Mortgage Bonds
4.50% Series due 2010

Dear Ladies and Gentlemen:

We have acted as counsel to Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "Company") in connection with the issuance of $300,000,000 aggregate principal amount of the Company's First Mortgage Bonds, 4.50% Series due 2010 (the "Securities"), to be issued under the Company's Indenture dated as of January 1, 1944 (the "Indenture"), between the Company and JPMorgan Chase Bank, N.A., as successor trustee (the "Trustee") (as supplemented by forty-five indentures supplemental thereto, including, among others, the Twenty-Ninth Supplemental Indenture dated as of September 1, 1982 (the "Twenty-Ninth

Supplemental Indenture"), the Thirty-Ninth Supplemental Indenture dated as of July 1, 2001 (the "Thirty-Ninth Supplemental Indenture"), the Fortieth Supplemental Indenture dated July 1, 2002 (the "Fortieth Supplemental Indenture"), the Forty-First Supplemental Indenture dated February 1, 2003 (the "Forty-First Supplemental Indenture"), the Forty-Second Supplemental Indenture dated April 1, 2003 (the "Forty-Second Supplemental Indenture"), the Forty-Third Supplemental Indenture dated November 1, 2003 (the "Forty-Third Supplemental Indenture"), the Forty-Fourth Supplemental Indenture dated August 1, 2004 (the "Forty-Fourth Supplemental Indenture") and the Forty-Fifth Supplemental Indenture dated May 1, 2005 (the "Forty-Fifth Supplemental Indenture")). For purposes of this opinion, we refer to the Indenture, the Twenty-Ninth Supplemental Indenture, the Thirty-Ninth Supplemental Indenture, the Fortieth Supplemental Indenture, the Forty-First Supplemental Indenture, the Forty-Second Supplemental Indenture, the Forty-Third Supplemental Indenture, the Forty-Fourth Supplemental Indenture and the Forty-Fifth Supplemental Indenture collectively, the "Mortgage".

This opinion is furnished to you at the Company's request as required by Section 9(c) of the Underwriting Agreement (the "Underwriting Agreement"), dated as of May 11, 2005, by and among the Company and Barclays Capital Inc. and Wachovia Capital Markets, LLC, each as an Underwriter and Representative of the Underwriters described in Schedule II of the Underwriting Agreement, pursuant to which the Securities are being sold today. Capitalized terms used and not defined herein shall have the meanings assigned to them in the Underwriting Agreement.

In connection with the foregoing, we have examined the following:

a. The Company's registration statement on Form S-3 (No. 333-103974) (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Securities Act"), and the Prospectus dated April 4, 2003 (the "Base Prospectus") as supplemented by the Prospectus Supplement dated May 11, 2005, filed pursuant to Rule 424(b) of the Securities Act (the "Prospectus"), pursuant to which the Securities were offered;

b. The Mortgage;

c. The form of the Securities; and

d. The Underwriting Agreement.

For purposes of the opinions expressed below, we have assumed (i) the authenticity of all documents submitted to us as originals, (ii) the conformity to the originals of all documents submitted as certified or photostatic copies and the authenticity of the originals, (iii) the legal capacity of natural persons and (iv) the due authorization, execution and delivery of all documents by all parties and the validity and binding effect thereof (other than the authorization,

execution and delivery of documents by the Company and the validity and binding effect thereof upon the Company).

As to factual matters, we have relied upon the representations included in the Underwriting Agreement, upon certificates of officers of the Company, and upon certificates of public officials. Whenever the phrases "to our knowledge" or "to our attention" are used herein, they refer to the actual knowledge or attention of the attorneys of this firm involved in the representation of the Company in this transaction without independent investigation.

We call your attention to the fact that neither the Mortgage nor the form of the Securities contains a provision specifying the law by which it is to be governed. For purposes of the opinions expressed in paragraphs 2 and 4 of Part I below, we have assumed that the Mortgage and the Securities will be governed by the laws of the State of Florida.

We do not purport to express an opinion on any laws other than those of the State of Florida and the United States of America. We consent to the reliance on this opinion letter by you, by the other Underwriters, by the Trustee, and, with respect to matters of Florida law, by R. Alexander Glenn, Deputy General Counsel - Florida of Progress Energy Service Company, LLC, in his capacity as counsel to the Company, and by Dewey Ballantine LLP for the sole purpose of rendering their opinion pursuant to Section 9(c) of the Underwriting Agreement. Except as provided in the preceding sentence, no one but the addressees (both for themselves and as the Representative) is entitled to rely on this opinion without our prior written consent.

I.

Based upon the foregoing and such other information and documents as we have considered necessary for the purposes hereof, we are of the opinion that:

1. The Mortgage has been duly and validly authorized by all necessary corporate action, and the Forty-Fifth Supplemental Indenture has been duly and validly executed and delivered by the Company.

2. The Mortgage constitutes a valid and binding mortgage of the Company enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealing; provided, however, that certain remedies, waivers and other provisions of the Mortgage may not be enforceable, but such unenforceability will not render the Mortgage invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided

in the Securities or (ii) the right of the Trustee to exercise its right to foreclose under the Mortgage.

3. The Mortgage has been duly qualified under the 1939 Act.

4. Assuming authentication of the Securities by the Trustee in accordance with the Mortgage and delivery of the Securities to and payment for the Securities by the Underwriters, as provided in the Underwriting Agreement, the Securities have been duly and validly authorized, executed and delivered and are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings, and are entitled to the benefits of the security afforded by the Mortgage, and are secured equally and ratably with all other bonds outstanding under the Mortgage except insofar as any sinking or other fund may afford additional security for the bonds of any particular series.

5. The statements made in the Base Prospectus under the caption "Description of First Mortgage Bonds" and in the Prospectus under the captions "Certain Terms of the Bonds" and "Description of First Mortgage Bonds," insofar as they purport to constitute summaries of the documents referred to therein, are correct in all material respects.

6. The Underwriting Agreement has been duly and validly authorized, executed and delivered by the Company.

We express no opinion as to the enforceability of any disclaimers or indemnities (in so far as they may purport to indemnify a party for its own negligent acts or may be contrary to public policy of the State of Florida) or the enforceability of any waiver provisions.

II.

We have participated in various conferences with the officers of the Company. In some conferences you and your counsel also participated. At those conferences, the contents of the Registration Statement and the Prospectus were discussed. Since the dates of those conferences, we have inquired of certain officers whether there has been any material change in the affairs of the Company.

Because of the inherent limitations in the independent verification of factual matters, and the character of determinations involved in the preparation of registration statements under the Securities Act, we are not passing upon, and do not assume any responsibility for, and make no representation that we have independently verified, the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus, except as specifically set

forth in paragraph 5 of Part I of our opinion above. Also, we do not express any opinion or belief as to the financial statements or other financial or statistical information contained, incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectus, and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1. However, subject to the foregoing, on the basis of our participation in the conferences referred to above and our examination of the documents referred to herein, we advise you that, in our opinion, the Registration Statement, at the time and date it was declared effective by the Commission, and the Prospectus, as of its date, complied as to form in all material respects with the requirements of the Securities Act and the 1939 Act and the applicable instructions, rules and regulations of the Commission thereunder; the documents or portions thereof filed with the Commission pursuant to the Exchange Act and deemed to be incorporated by reference in the Registration Statement and the Prospectus pursuant to Item 12 of Form S-3, at the time they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement has become effective under the Securities Act and, to our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and not withdrawn, and no proceedings for a stop order with respect thereto are threatened or pending under Section 8 of the Securities Act. Further, nothing has come to our attention that leads us to believe that the Registration Statement, as of the date of the filing of the Company's Form 10-K for the fiscal year ended December 31, 2004 with the Commission, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and nothing has come to our attention that would lead us to believe that the Prospectus, as of its date and, as amended or supplemented, at the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

Hunton & Williams LLP

07169/05860/08345

Progress Energy

Writer's Direct Dial No. 727-820-5587

R. ALEXANDER GLENN
Deputy General Counsel – Florida

May 16, 2005

Barclays Capital Inc.
Wachovia Capital Markets, LLC
Banc of America Securities LLC
Greenwich Capital Markets, Inc.
Calyon Securities (USA) Inc.
Goldman, Sachs & Co.

c/o Barclays Capital Inc.
200 Park Avenue
New York, New York 10166
Attention: General Counsel
Attention: US Transaction Management

and

Wachovia Capital Markets, LLC
One Wachovia Center
301 South College Street
Charlotte, North Carolina 28288-0602
Attention: James T. Williams, Jr.

(As Representative of the Underwriters)

$300,000,000
Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
First Mortgage Bonds
4.50% Series due 2010

Ladies and Gentlemen:

As Deputy General Counsel - Florida for Progress Energy Service Company, LLC and in my capacity as counsel to Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "Company"), I am familiar with the terms and provisions of the Underwriting Agreement dated

Progress Energy Service Company, LLC
P.O. Box 14042
St. Petersburg, FL 33733

May 11, 2005 (the "Underwriting Agreement") by and between the Company and Barclays Capital Inc. and Wachovia Capital Markets, LLC, each as an Underwriter and Representative of the several Underwriters described in Schedule II of the Underwriting Agreement, providing for the purchase by the Underwriters of $300,000,000 aggregate principal amount of the Company's First Mortgage Bonds, 4.50% Series due 2010 (the "Securities"), to be issued under the Company's Indenture dated as of January 1, 1944 (the "Indenture") between the Company and JPMorgan Chase Bank, N.A., as successor trustee (the "Trustee") (as amended and supplemented by the forty-five indentures supplemental thereto, including the Forty-Fifth Supplemental Indenture, the "Mortgage").

This opinion is furnished to you at the Company's request as required by Section 9(d) of the Underwriting Agreement. Capitalized terms used and not defined herein shall have the meanings assigned to them in the Underwriting Agreement.

In connection with the foregoing, I have examined the following:

a. The Company's registration statement on Form S-3 (No. 333-103974) (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Securities Act"), and the Prospectus dated April 4, 2003 as supplemented by the Prospectus Supplement dated May 11, 2005, filed pursuant to Rule 424(b) of the Securities Act (the "Prospectus"), pursuant to which the Securities were offered;

b. The Mortgage;

c. The form of the Securities; and

d. The Underwriting Agreement.

I call your attention to the fact that neither the Mortgage nor the form of the Securities contains a provision specifying the law by which it is to be governed. For purposes of the opinions expressed in paragraphs 1 and 2 below, I have assumed that the Mortgage and the Securities will be governed by the laws of the State of Florida. The opinions expressed in paragraph 4 below as to incorporation, existence and active status, as the case may be, of the Company are based solely on certificates of legal existence and/or standing issued by the Secretary of State or other appropriate officials of the State of Florida, and my opinion with respect to such matters are rendered as of the respective dates of such certificates and limited accordingly.

As to factual matters, I have relied upon certificates of public officials. I have participated in or reviewed all corporate proceedings with respect to the issuance and sale of the Securities. Whenever the phrases "to the best of my knowledge" or "to my attention" are used herein, they refer to the actual knowledge or attention of me or attorneys employed by the Company and working under my direct supervision.

I.

Based on the foregoing, my familiarity with the properties and affairs of the Company generally, and such other information and documents as I have considered necessary for the purposes hereof, I am of the opinion that:

1. The Mortgage has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered by the Company, and is a valid and binding mortgage of the Company enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealing; provided, however, that certain remedies, waivers and other provisions of the Mortgage may not be enforceable, but such unenforceability will not render the Mortgage invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided in the Securities or (ii) the right of the Trustee to exercise its right to foreclose under the Mortgage.

2. Assuming authentication of the Securities by the Trustee in accordance with the Mortgage and delivery of the Securities to and payment for the Securities by the Underwriters, as provided in the Underwriting Agreement, the Securities have been duly and validly authorized, executed and delivered and are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings, are entitled to the benefits of the security afforded by the Mortgage, and are secured equally and ratably with all other bonds outstanding under the Mortgage except insofar as any sinking or other fund may afford additional security for the bonds of any particular series.

3. The Underwriting Agreement has been duly and validly authorized, executed and delivered by the Company.

4. The Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida.

5. The Company is duly authorized by its Charter to conduct the business that it is now conducting as set forth in the Prospectus.

6. The Company is an electrical utility engaged in the business of generating, transmitting, distributing and selling electric power to the general public in the State of Florida.

7. The Company has valid and subsisting franchises, licenses and permits adequate for the conduct of its business, except where the failure to hold such franchises, licenses and permits would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

8. The Company has good and marketable title, with minor exceptions, restrictions and reservations in conveyances, and defects that are of the nature ordinarily found in properties of similar character and magnitude and that, in my opinion, will not in any substantial way impair the security afforded by the Mortgage, to all the properties described in the granting clauses of the Mortgage and upon which the Mortgage purports to create a lien. The description in the Mortgage of the above-mentioned properties is legally sufficient to constitute the Mortgage a lien upon said properties, including without limitation properties hereafter acquired by the Company (other than those expressly excepted and reserved therefrom). Said properties constitute substantially all the permanent physical properties and franchises (other than those expressly excepted and reserved from the lien of the Mortgage) of the Company and are held by the Company free and clear of all liens and encumbrances except the lien of the Mortgage and excepted encumbrances, as defined in the Mortgage. The properties of the Company are subject to liens for current taxes, which it is the practice of the Company to pay regularly as and when due. The Company has easements for rights-of-way adequate for the operations and maintenance of its transmission and distribution lines that are not constructed upon public highways. The Company has followed the practice generally of acquiring (i) certain rights-of-way and easements and certain small parcels of fee property appurtenant thereto and for use in conjunction therewith and (ii) certain other properties of small or inconsequential value, without an examination of title and, as to the title to lands affected by said rights-of-way and easements, of not examining the title of the lessor or grantor whenever the lands affected by such rights-of-way and easements are not of such substantial value as in the opinion of the Company to justify the expense attendant upon examination of titles in connection therewith. In my opinion, such practice of the Company is consistent with sound economic practice and with the method followed by other companies engaged in the same business and is reasonably adequate to assure the Company of good and marketable title to all such property acquired by it. It is my opinion that any such conditions or defects as may be covered by the above recited exceptions are not substantial and would not materially interfere with the Company's use of such properties or with its business operations. The Company has the right of eminent domain in the State of Florida under which it may, if necessary, perfect or obtain title to privately owned land or acquire easements or rights-of-way required for use or used by the Company in its public utility operations.

9. The Mortgage has been recorded and filed in such manner and in such places as may be required by law in order fully to preserve and protect, in all material respects, the security of the bondholders and all rights of the Trustee thereunder; and the Forty-Fifth Supplemental Indenture relating to the Securities is in proper form for filing for record both as a real estate mortgage and as a security interest in all counties in the State of Florida in which any of the property (except as any therein or in the Mortgage are expressly excepted) described therein or in the Mortgage as subject to the lien of the Mortgage is located and, upon such recording, the Forty-Fifth Supplemental Indenture will constitute adequate record notice to perfect the lien of the Mortgage, and preserve and protect, in all material respects, the security of the bondholders and all rights of the Trustee, as to all mortgaged and pledged property acquired by the Company subsequent to the recording of the Forty-Fourth Supplemental Indenture and prior to the recording of the Forty- Fifth Supplemental Indenture.

10. The Mortgage constitutes a valid, direct and first mortgage lien of record upon all franchises and properties now owned by the Company (other than those expressly excepted from the lien of the Mortgage and other than those franchises and properties which are not, individually or in the aggregate, material to the Company or the security afforded by the Mortgage) situated in the State of Florida, as described or referred to in the granting clauses of the Mortgage, subject to the exceptions as to bankruptcy, insolvency and other laws stated in paragraph 1 above.

11. The issuance and sale of the Securities have been duly authorized by all necessary corporate action on the part of the Company.

12. An order has been entered by the Florida Public Service Commission authorizing the issuance and sale of the Securities, and to the best of my knowledge, said order is still in force and effect; and no further filing with, approval, authorization, consent or other order of any public board or body (except such as have been obtained under the Securities Act and as may be required under the state securities or Blue Sky laws of any jurisdiction) is legally required for the consummation of the transactions contemplated in the Underwriting Agreement.

13. Except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against the Company or any of its properties that are likely, in the aggregate, to result in any material adverse change in the business, properties, results of operations or financial condition of the Company or that are likely, in the aggregate, to materially and adversely affect the Mortgage, the Securities or the consummation of the Underwriting Agreement, or the transactions contemplated therein.

14. The consummation of the transactions contemplated by the Underwriting Agreement and the fulfillment of the terms of the Underwriting Agreement will not (i) result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or the Company's by-laws or (ii) result in a material breach of any terms or provisions of, or constitute a default under, any applicable law, indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

I express no opinion as to the enforceability of any disclaimers or indemnities (in so far as they may purport to indemnify a party for its own negligent acts or may be contrary to public policy of the State of Florida) or the enforceability of any waiver provisions.

II.

I have examined the contents of the Registration Statement and the Prospectus, and have inquired of certain officers whether there has been any material change in the affairs of the Company.

Because of the inherent limitations in the independent verification of factual matters, and the character of determinations involved in the preparation of registration statements under the Securities Act, I am not passing upon, and do not assume any responsibility for, and make no representation that I have independently verified, the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus. Also, I do not express any opinion or belief as to the financial statements or other financial or statistical information contained, incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectus, and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1. However, subject to the foregoing, on the basis of my examination of the documents referred to herein, nothing has come to my attention that would lead me to believe that the Registration Statement, at the time and date it was declared effective by the Commission, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and nothing has come to my attention that would lead me to believe that the Prospectus, as of its date and, as amended or supplemented, at the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This opinion may be relied on by you, by any other Underwriters identified in the Underwriting Agreement, by Hunton & Williams LLP, and by Dewey Ballantine LLP, as counsel for the Underwriters.

Respectfully submitted,

R. Alexander Glenn
Deputy General Counsel - Florida

[Signature Page of the Opinion per Section 9(d) of the Underwriting Agreement]

HUNTON& WILLIAMS

December 13, 2005

J.P. Morgan Trust Company, National Association,
as Trustee under the Indenture
referred to below
227 West Monroe Street, Suite 2600
Chicago, Illinois 60606

Opinion of Counsel

Series A Floating Rate Senior Notes due 2008
(Under Section 303, and 102 of the
Indenture (For Debt Securities), dated as of December 7, 2005
between Florida Power Corporation d/b/a
Progress Energy Florida, Inc.
and J.P. Morgan Trust Company,
National Association , as Trustee)

Ladies and Gentlemen:

We have examined the accompanying Company Order dated December 13, 2005 ("Company Order"), requesting the authentication and delivery of $450,000,000 aggregate principal amount of Series A Floating Rate Senior Notes, due 2008 (the "Senior Notes") of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "Company") and the documents referred to therein, delivered pursuant to the provisions of the Company's Indenture (For Debt Securities) dated as of December 7, 2005 (the "Indenture") to you as Trustee.

We are of the opinion that:

1. The form of the Senior Notes has been duly authorized by the Company and has been established in conformity with the provisions of the Indenture.

2. The terms of the Senior Notes have been duly authorized by the Company and have been established in conformity with the provisions of the Indenture.

3. Assuming authentication by the Trustee (as defined in the Indenture) in accordance with the Indenture, and assuming delivery to and payment for the Senior Notes by the purchasers thereof, the Senior Notes will have been duly issued under the Indenture and will be legal, valid and binding obligations of the Company, enforceable in accordance with their terms, subject, as to enforcement, to laws relating to or affecting generally the enforcement of creditors' rights, including, without limitation, bankruptcy and insolvency laws and to general

principals of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Insofar as this opinion relates to factual matters, information with respect to which is in the possession of the Company, it is based upon the certificates of officers of the Company, to the extent permitted by Section 103 of the Indenture.

We have read, as required by the provisions of Section 102 of the Indenture, the covenants and conditions contained in the Indenture, and the definitions in the Indenture relating thereto, with respect to compliance with which this Opinion is made.

We have made or caused to be made an examination or investigation of the records and papers of the Company applicable to the opinions expressed herein.

In our opinion we have made such examination or investigation as is necessary to enable us to express an informed opinion as to whether or not such covenants and conditions have been complied with.

In our opinion such conditions and covenants, and all conditions precedent provided for in the Indenture (including any covenants compliance with which constitutes a condition precedent) to the action requested by the Company to be taken by the Trustee in the Company Order, have been complied with.

We do not purport to express an opinion on any laws other than those of the States of Florida and New York and the United States of America. With respect to matters of Florida law we have relied on the Opinion of R. Alexander Glenn, Deputy General Counsel - Florida for Progress Energy Service Company, LLC and acting as counsel to Florida Power Corporation d/b/a Progress Energy Florida, Inc., a copy of which has been provided to you.

Very truly yours,

Hunton & Williams LLP

HUNTON& WILLIAMS

HUNTON & WILLIAMS LLP
BANK OF AMERICA PLAZA
101 SOUTH TRYON STREET, SUITE 3500
CHARLOTTE, NORTH CAROLINA 28280

TEL 704 • 378 • 4700
FAX 704 • 378 • 4890

December 13, 2005

Barclays Capital Inc.
Lehman Brothers Inc.
BNP Paribas Securities Corp.
Calyon Securities (USA) Inc.
SunTrust Capital Markets, Inc.
UBS Securities LLC
Deutsche Bank Securities Inc.
Mellon Financial Markets, LLC

c/o Barclays Capital Inc.
200 Park Avenue
New York, New York 10166

and

Lehman Brothers Inc.
745 Seventh Avenue
New York City, NY 10019

(As Representatives of the Underwriters)

$450,000,000
Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
Series A Floating Senior Rate Notes
due 2008

Dear Ladies and Gentlemen:

We have acted as counsel to Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "Company") in connection with the issuance of $450,000,000 aggregate principal amount of the Company's Series A Floating Rate Senior Notes due 2008 (the "Senior Notes"), to be issued under the Company's Indenture (For Debt Securities) dated as of December 7, 2005 (the "Indenture"), between the Company and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee").

This opinion is furnished to you at the Company's request as required by Section 9(c) of the Underwriting Agreement (the "Underwriting Agreement"), dated December 7, 2005, by and

among the Company and Barclays Capital Inc. and Lehman Brothers Inc., each as an Underwriter and Representative of the Underwriters described in Section 1 of the Underwriting Agreement, pursuant to which the Senior Notes are being sold today. Capitalized terms used and not defined herein shall have the meanings assigned to them in the Underwriting Agreement.

In connection with the foregoing, we have examined the following:

a. The Company's registration statement on Form S-3 (No. 333-103974) (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Securities Act"), and the Prospectus dated April 4, 2003, as supplemented by the Preliminary Prospectus Supplement dated December 7, 2005, filed pursuant to Rule 424(b) of the Securities Act (the "Preliminary Prospectus"), and the Prospectus Supplement dated December 7, 2005, filed pursuant to Rule 424(b) of the Securities Act (the "Prospectus"), pursuant to which the Senior Notes were offered;

b. The pricing term sheet dated December 7, 2005, filed pursuant to Rule 433(d) of the Securities Act (the "Permitted Free Writing Prospectus", and together with the Preliminary Prospectus, the "Pricing Disclosure Package"),

c. The Indenture;

d. The form of the Senior Notes; and

e. The Underwriting Agreement.

For purposes of the opinions expressed below, we have assumed (i) the authenticity of all documents submitted to us as originals, (ii) the conformity to the originals of all documents submitted as certified or photostatic copies and the authenticity of the originals, (iii) the legal capacity of natural persons and (iv) the due authorization, execution and delivery of all documents by all parties and the validity and binding effect thereof (other than the authorization, execution and delivery of documents by the Company and the validity and binding effect thereof upon the Company).

As to factual matters, we have relied upon the representations included in the Underwriting Agreement, upon certificates of officers of the Company, and upon certificates of public officials. Whenever the phrases "to our knowledge" or "to our attention" are used herein, they refer to the actual knowledge or attention of the attorneys of this firm involved in the representation of the Company in this transaction without independent investigation.

We do not purport to express an opinion on any laws other than those of the States of Florida and New York and the United States of America. We consent to the reliance on this opinion letter by you, by the other Underwriters, by the Trustee, and, with respect to matters of Florida law, by R. Alexander Glenn, Deputy General Counsel - Florida of Progress Energy Service Company, LLC, in his capacity as counsel to the Company, and by Dewey Ballantine LLP for the sole purpose of rendering their opinion pursuant to Section 9(c) of the Underwriting Agreement. Except as provided in the preceding sentence, no one but the addressees (both for themselves and as the Representatives) is entitled to rely on this opinion without our prior written consent.

I.

Based upon the foregoing and such other information and documents as we have considered necessary for the purposes hereof, we are of the opinion that:

1. The Indenture has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered by the Company, and is a valid and binding obligation of the Company enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings.

2. The Indenture has been duly qualified under the 1939 Act.

3. Assuming authentication of the Senior Notes by the Trustee in accordance with the Indenture and delivery of the Senior Notes to and payment for the Senior Notes by the Underwriters, as provided in the Underwriting Agreement, the Senior Notes have been duly and validly authorized, executed and delivered and are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings, and are entitled to the benefits of the Indenture.

4. The statements made in the Prospectus under the caption "Description of Debt Securities" and in the Prospectus Supplement under the caption "Description of Senior Notes," insofar as they purport to constitute summaries of the documents referred to therein, are correct in all material respects.

5. The Underwriting Agreement has been duly and validly authorized, executed and delivered by the Company.

We express no opinion as to the enforceability of any disclaimers or indemnities (in so far as they may purport to indemnify a party for its own negligent acts or may be contrary to public policy of the State of Florida) or the enforceability of any waiver provisions.

II.

We have participated in various conferences with the officers of the Company. In some conferences you and your counsel also participated. At those conferences, the contents of the Registration Statement, the Preliminary Prospectus, the Permitted Free Writing Prospectus and the Prospectus were discussed. Since the dates of those conferences, we have inquired of certain officers whether there has been any material change in the affairs of the Company.

Because of the inherent limitations in the independent verification of factual matters, and the character of determinations involved in the preparation of registration statements under the Securities Act, we are not passing upon, and do not assume any responsibility for, and make no representation that we have independently verified, the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Preliminary Prospectus, the Permitted Free Writing Prospectus or the Prospectus, except as specifically set forth in paragraph 4 of Part I of our opinion above. Also, we do not express any opinion or belief as to the financial statements or other financial or statistical information contained, incorporated or deemed to be incorporated by reference in the Registration Statement, the Preliminary Prospectus, the Permitted Free Writing Prospectus or the Prospectus, and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1. However, subject to the foregoing, on the basis of our participation in the conferences referred to above and our examination of the documents referred to herein, we advise you that, in our opinion, the Registration Statement, at the time and date it was declared effective by the Commission, and the Preliminary Prospectus, the Permitted Free Writing Prospectus and the Prospectus, as of their respective dates, complied as to form in all material respects with the requirements of the Securities Act and the 1939 Act and the applicable instructions, rules and regulations of the Commission thereunder; the documents or portions thereof filed with the Commission pursuant to the Exchange Act and deemed to be incorporated by reference in the Registration Statement, the Preliminary Prospectus and the Prospectus pursuant to Item 12 of Form S-3, at the time they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement has become effective under the Securities Act and, to our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and not withdrawn, and, to our knowledge, no proceedings for a stop order with respect thereto are threatened or pending under Section 8 of the Securities Act. Further, nothing has come to our attention that leads us to believe that the Registration Statement, at the time and date it was declared effective by the Commission, contained an untrue statement of a material fact or

omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and nothing has come to our attention that leads us to believe that (x) the Pricing Disclosure Package, as of the Applicable Time, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (y) the Prospectus, as of its date and, as amended or supplemented, at the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

Hunton & Williams LLP

07169/05860/08345

Progress Energy

December 13, 2005

Barclays Capital Inc.
Lehman Brothers Inc.
BNP Paribas Securities Corp.
Calyon Securities (USA) Inc.
SunTrust Capital Markets, Inc.
UBS Securities LLC
Deutsche Bank Securities Inc.
Mellon Financial Markets, LLC

c/o Barclays Capital Inc.
200 Park Avenue
New York, New York 10166

and

Lehman Brothers Inc.
745 Seventh Avenue
30th Floor
New York City, NY 10019

(As Representatives of the Underwriters)

$450,000,000
Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
Series A Floating Rate Senior Notes
due 2008

Ladies and Gentlemen:

As Deputy General Counsel - Florida of Progress Energy Service Company, LLC, and in my capacity as counsel to Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "Company"), I am familiar with the terms and provisions of the Underwriting Agreement dated December 7, 2005 (the "Underwriting Agreement") by and between the Company and Barclays Capital Inc. and Lehman Brothers Inc., each as an Underwriter and Representative of the several

Progress Energy Service Company, LLC
P.O. Box 1551
Raleigh, NC 27602

Underwriters described in Section 1 of the Underwriting Agreement, providing for the purchase by the Underwriters of $450,000,000 aggregate principal amount of the Company's Series A Floating Rate Senior Notes due 2008 (the "Senior Notes"), to be issued under the Company's Indenture (For Debt Securities) dated as of December 7, 2005 (the "Indenture") between the Company and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee").

This opinion is furnished to you at the Company's request as required by Section 9(d) of the Underwriting Agreement. Capitalized terms used and not defined herein shall have the meanings assigned to them in the Underwriting Agreement.

In connection with the foregoing, I have examined the following:

a. The Company's registration statement on Form S-3 (No. 333-103974) (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Securities Act"), and the Prospectus dated April 4, 2003, as supplemented by the Preliminary Prospectus Supplement dated December 7, 2005, filed pursuant to Rule 424(b) of the Securities Act (the "Preliminary Prospectus"), and the Prospectus Supplement dated December 7, 2005, filed pursuant to Rule 424(b) of the Securities Act (the "Prospectus"), pursuant to which the Senior Notes were offered;

b. The pricing term sheet dated December 7, 2005, filed pursuant to Rule 433(d) of the Securities Act (the "Permitted Free Writing Prospectus", and together with the Preliminary Prospectus, the "Pricing Disclosure Package");

c. The Indenture;

d. The form of the Senior Notes; and

e. The Underwriting Agreement.

The opinions expressed in paragraph 4 below as to incorporation, existence and active status, as the case may be, of the Company are based solely on certificates of legal existence and/or standing issued by the Secretary of State or other appropriate officials of the State of Florida, and my opinion with respect to such matters are rendered as of the respective dates of such certificates and limited accordingly.

As to factual matters, I have relied upon certificates of public officials. I have participated in or reviewed all corporate proceedings with respect to the issuance and sale of the Senior Notes. Whenever the phrases "to the best of my knowledge" or "to my attention" are used herein, they refer to the actual knowledge or attention of me or attorneys employed by the Company and working under my direct supervision.

I.

Based on the foregoing, my familiarity with the properties and affairs of the Company generally, and such other information and documents as I have considered necessary for the purposes hereof, I am of the opinion that:

1. The Indenture has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered by the Company, and is a valid and legally binding obligation of the Company enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings.

2. Assuming authentication of the Senior Notes by the Trustee in accordance with the Indenture and delivery of the Senior Notes to and payment for the Senior Notes by the Underwriters, as provided in the Underwriting Agreement, the Senior Notes have been duly and validly authorized, executed and delivered and are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings, are entitled to the benefits of the Indenture.

3. The Underwriting Agreement has been duly and validly authorized, executed and delivered by the Company.

4. The Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida.

5. The Company is duly authorized by its Charter to conduct the business that it is now conducting as set forth in the Prospectus.

6. The Company is an electrical utility engaged in the business of generating, transmitting, distributing and selling electric power to the general public in the State of Florida.

7. The Company has valid and subsisting franchises, licenses and permits adequate for the conduct of its business, except where the failure to hold such franchises, licenses and permits would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

8. The issuance and sale of the Senior Notes have been duly authorized by all necessary corporate action on the part of the Company.

9. An order has been entered by the Florida Public Service Commission authorizing the issuance and sale of the Senior Notes, and to the best of my knowledge, said order is still in force and effect; and no further filing with, approval, authorization, consent or other order of any public board or body (except such as have been obtained under the Securities Act and as may be required under the state securities or Blue Sky laws of any jurisdiction) is legally required for the consummation of the transactions contemplated in the Underwriting Agreement.

10. Except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against the Company or any of its properties that are likely, in the aggregate, to result in any material adverse change in the business, properties, results of operations or financial condition of the Company or that are likely, in the aggregate, to materially and adversely affect the Indenture, the Senior Notes or the consummation of the Underwriting Agreement, or the transactions contemplated therein.

11. The consummation of the transactions contemplated by the Underwriting Agreement and the fulfillment of the terms of the Underwriting Agreement will not (i) result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or the Company's by-laws or (ii) result in a material breach of any terms or provisions of, or constitute a default under, any applicable law, indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

I express no opinion as to the enforceability of any disclaimers or indemnities (in so far as they may purport to indemnify a party for its own negligent acts or may be contrary to public policy of the State of Florida) or the enforceability of any waiver provisions.

II.

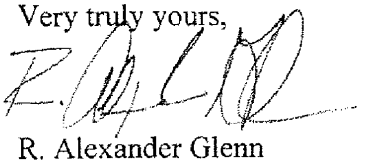
I have examined the contents of the Registration Statement, the Preliminary Prospectus, the Permitted Free Writing Prospectus and the Prospectus, and have inquired of certain officers whether there has been any material change in the affairs of the Company.

Because of the inherent limitations in the independent verification of factual matters, and the character of determinations involved in the preparation of registration statements under the Securities Act, I am not passing upon, and do not assume any responsibility for, and make no representation that I have independently verified, the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Preliminary Prospectus, the Permitted Free Writing Prospectus or the Prospectus. Also, I do not express any opinion or belief as to the financial statements or other financial or statistical information contained, incorporated or deemed to be incorporated by reference in the Registration Statement, the Preliminary Prospectus, the Permitted Free Writing Prospectus or the Prospectus, and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1. However, subject to the foregoing, on the basis of my examination of the documents referred to herein, nothing has come to my attention that would lead me to believe that the Registration Statement, at the time and date it was declared effective by the Commission, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and nothing has come to my attention that would lead me to believe that (x) the Pricing Disclosure Package, as of the Applicable Time, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (y) the Prospectus, as of its date and, as amended or supplemented, at the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the

statements therein, in the light of the circumstances under which they were made, not misleading.

This opinion may be relied on by you, by any other Underwriters identified in the Underwriting Agreement, by Hunton & Williams LLP, and by Dewey Ballantine LLP, as counsel for the Underwriters.

Very truly yours,



R. Alexander Glenn

RAG/sc

Form S-3/A

FLORIDA POWER CORP / - flpwm

Filed: December 22, 2005 (period:)

Pre-effective amendment to an S-3 filing

As filed with the Securities and Exchange Commission on December 22, 2005

Registration No. 333-126967

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.

(Exact name of registrant as specified in its charter)

100 Central Avenue
St. Petersburg, Florida 33701
(727) 820-5151

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Florida	**59-0247770**
(State of Incorporation)	*(I.R.S. Employer Identification No.)*

Peter M. Scott III
Executive Vice President and Chief Financial Officer
410 S. Wilmington Street
Raleigh, North Carolina 27601
(919) 546-6111

(Names and addresses, including zip codes, and telephone numbers, including area codes, of agents for service)

It is respectfully requested that the Commission send copies of all notices, orders and communications to:

Timothy S. Goettel, Esq.	**E. N. Ellis, IV, Esq.**
Hunton & Williams LLP	**Dewey Ballantine LLP**
421 Fayetteville Street Mall	**1301 Avenue of the Americas**
Raleigh, North Carolina 27601	**New York, New York 10019**
(919) 899-3094	**(212) 259-8000**

Approximate date of commencement of proposed sale to the public: From time to time as market conditions warrant after the registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☑

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ☐

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ☐

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED DECEMBER 22, 2005

Prospectus

Progress Energy

Florida Power Corporation d/b/a

Progress Energy Florida, Inc.

$1,000,000,000

First Mortgage Bonds

Debt Securities

Preferred Stock

These securities are not obligations of, nor guaranteed by, Progress Energy, Inc., our corporate parent.

Investing in our securities involves risks. See the "Risk Factors" section on page 6 of this prospectus.

We will provide specific terms of these securities, and the manner in which they are being offered, in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest. We cannot sell any of these securities unless this prospectus is accompanied by a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This Prospectus is dated December , 2005.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a "shelf" registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of $1,000,000,000. We may offer any of the following securities: First Mortgage Bonds, other Debt Securities and/or Preferred Stock.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Any prospectus supplement may also add, update or change information contained in this prospectus. The registration statement we filed with the SEC includes exhibits that provide more detail on descriptions of the matters discussed in this prospectus. You should read this prospectus and the related exhibits filed with the SEC and any prospectus supplement together with additional information described under the heading "WHERE YOU CAN FIND MORE INFORMATION."

OUR COMPANY

We are a regulated public utility incorporated under the laws of Florida in 1899. We are engaged in the generation, transmission, distribution and sale of electricity in portions of Florida, including the cities of St. Petersburg and Clearwater as well as the central Florida area surrounding Orlando. We are an indirect, wholly-owned subsidiary of Progress Energy, Inc., a North Carolina corporation. All of our common stock is held directly by Florida Progress Corporation, a Florida corporation. Since 2003, we have operated our business under the assumed name Progress Energy Florida, Inc., although our legal name is still Florida Power Corporation.

Our principal executive offices are located at 100 Central Avenue, St. Petersburg, Florida 33701. Our telephone number is (727) 820-5151.

Unless the context requires otherwise, references in this prospectus to the terms "we," "us," "our" or other similar terms mean Progress Energy Florida, Inc.

USE OF PROCEEDS

Unless we state otherwise in any prospectus supplement, we will use the net proceeds from the sale of the offered securities:

- to finance the construction of new facilities and the maintenance of existing facilities;
- to finance the future acquisition of other entities or their assets;
- to refund, repurchase, retire, redeem or reduce outstanding short- or long-term indebtedness; and
- for other general corporate purposes.

In the event that any proceeds are not immediately applied, we may temporarily invest them in U.S., state or municipal government or agency obligations, commercial paper, bank certificates of deposit, or repurchase agreements collateralized by U.S. government or agency obligations, or we may deposit the proceeds with banks.

RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Our ratio of earnings to fixed charges for each of the following periods was:

For the Twelve Months Ended September 30,	
2005	2004
4.15x	5.21x

For the Twelve Months Ended December 31,				
2004	2003	2002	2001	2000
5.17x	5.30x	5.28x	5.22x	3.79x

Our ratio of earnings to combined fixed charges and preferred stock dividends for each of the following periods was:

For the Twelve Months Ended September 30,	
2005	2004
4.08x	5.12x

For the Twelve Months Ended December 31,				
2004	2003	2002	2001	2000
5.09x	5.20x	5.15x	5.09x	3.71x

We define "earnings" as income before income taxes plus fixed charges. We define "fixed charges" as the sum of interest on long-term debt, other interest and an imputed interest factor included in rentals.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, and other information with the SEC. Our SEC filing number is 1-03274. Our SEC filings are available to the public over the Internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document we file with the SEC at the SEC's Public Reference Room in Washington, D.C. The SEC's Public Reference Room in Washington is located at 100 F Street, N.E., Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on its public reference rooms. Additionally, information about us and our SEC filings are available on our web site at http://www.fpc.com. **The contents of our web site do not constitute a part of this prospectus or any prospectus supplement hereto.**

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede the information in this prospectus. We incorporate by reference the documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities being registered; provided, however, that we are not incorporating by reference any information furnished under Item 9, Item 12, Item 2.02 or Item 7.01 of any Current Report on Form 8-K.

- Our Annual Report on Form 10-K for the year ended December 31, 2004, also referred to as our "2004 Form 10-K".

- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2005.

- Our Current Reports on Form 8-K or Form 8-K/ A filed January 28, March 4, March 15, March 22, April 1, May 16, May 24, July 18, August 31, November 15, November 28, December 7 and December 13, 2005.

We frequently make our SEC filings on a joint basis with Progress Energy, Inc, our indirect corporate parent, and Carolina Power & Light Company, one of our affiliates. Any information included in such SEC filings that relates solely to Progress Energy, or Carolina Power & Light is not and shall not be deemed to be incorporated by reference into this prospectus or any prospectus supplement.

You may request a copy of these filings at no cost, by writing or calling us at the following address:

Progress Energy Florida, Inc.
c/o Progress Energy, Inc.
Investor Relations
410 South Wilmington Street
Raleigh, North Carolina 27601

Telephone: (919) 546-7474

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. We are not making any offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the respective dates on the front of those documents.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

This prospectus, any supplement hereto, and the documents incorporated by reference herein or therein contain or will contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words or phrases such as "anticipate," "will likely result," "will continue," "intend," "may," "expect," "believe," "plan," "will," "estimate," "should," and variations of such words and similar expressions in this prospectus, any supplement hereto, and in the documents incorporated by reference herein or therein are used to identify such forward-looking statements. The matters discussed throughout this prospectus and any supplement hereto, including the documents incorporated by reference herein or therein, that are not historical facts are forward-looking and, accordingly, 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. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made.

Examples of factors that you should consider with respect to any forward-looking statements made include, but are not limited to, the following:

- the impact of fluid and complex government laws and regulations, including those relating to the environment and the recently enacted Energy Power Act of 2005;
- our ability to recover the costs associated with four hurricanes that impacted our service territory in 2004 or other future significant weather events through the regulatory process, and the timing of such recovery of such costs,
- the outcome of any future rate cases;
- deregulation or restructuring in the electric industry that may result in increased competition and unrecovered (stranded) costs;
- the uncertainty regarding the timing, creation and structure of GridFlorida or other regional transmission organizations;
- weather conditions that directly influence the demand for electricity;
- recurring seasonal fluctuations in demand for electricity;
- fluctuation in the price of energy commodities and purchased power;
- economic fluctuations and the corresponding impact on our commercial and industrial customers;
- the inherent risks associated with the operation of nuclear facilities, including environmental, health, regulatory and financial risks;
- the impact of any terrorist acts generally and on our generating facilities and other properties;
- the future need for additional baseload generation in our regulated service territories and the accompanying regulatory and financial risks;
- the ability to successfully access capital markets on favorable terms;
- our ability to maintain our current credit ratings and the impact on our financial condition and our ability to meet our cash and other financial obligations in the event our credit ratings are downgraded below investment grade;
- the impact that increases in leverage may have on us;
- the impact of derivative contracts we use in the normal course of business;
- investment performance of pension and benefit plans;

- our ability to control costs, including pension and benefit expense, and our ability to achieve our cost management targets;
- the outcome of any ongoing or future litigation or similar disputes and the impact of any such outcome or related settlements; and
- unanticipated changes in operating expenses and capital expenditures.

These and other factors are detailed from time to time in our SEC filings which are incorporated herein. Many, but not all of the factors that may impact actual results are discussed in the "Risk Factors" section of our 2004 Form 10-K, which is incorporated by reference into this prospectus. You should carefully read that "Risk Factors" section. 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 us to predict all such factors, nor can we assess the effect of each such factor on us.

RISK FACTORS

Investing in our securities involves risks that could affect us and our business, as well as the energy industry generally. Please see the risk factors described in our 2004 Form 10-K, which is incorporated into this prospectus. Much of the business information, as well as the financial and operational data contained in our risk factors, is updated in our periodic and current reports, which are also incorporated by reference into this prospectus and future supplements hereto. Although we have tried to discuss key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial condition or performance. Before purchasing our securities, you should carefully consider the risks discussed in our 2004 Form 10-K and the other information in this prospectus and any supplement hereto, as well as the documents incorporated by reference herein or therein. Each of the risks described could result in a decrease in the value of our securities and your investment therein.

DESCRIPTION OF FIRST MORTGAGE BONDS

General

We will issue First Mortgage Bonds in one or more series under an Indenture, dated as of January 1, 1944, with JPMorgan Chase Bank, N.A., as successor trustee (the "Mortgage Trustee"), as supplemented by supplemental indentures, including one or more supplemental indentures relating to the First Mortgage Bonds. In the following discussion, we will refer to the Indenture and all supplements to the Indenture together as the "Mortgage." We will refer to all of our First Mortgage Bonds, including those already issued and those to be issued in the future, as "First Mortgage Bonds." As of the date of this prospectus, we had approximately $1.9 billion aggregate principal amount of First Mortgage Bonds outstanding, including $240.9 million issued to secure our pollution control obligations.

The information we are providing you in this prospectus concerning the First Mortgage Bonds and the Mortgage is only a summary of the information provided in those documents and the information is qualified in its entirety by reference to the provisions of the Mortgage. You should consult the First Mortgage Bonds themselves, the Mortgage and other documents for more complete information on the First Mortgage Bonds or any particular series thereof. These documents appear as exhibits to the registration statement of which this prospectus is a part, or are incorporated by reference as exhibits to such registration statement, or will appear as exhibits to other documents that we will file with the SEC, which will be incorporated by reference into this prospectus. The Mortgage has been qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and you should refer to the Trust Indenture Act for the provisions that apply to the First Mortgage Bonds. In the summary below, we have included references to applicable section numbers of the Mortgage so that you can more easily locate the relevant provisions.

Provisions of a Particular Series

The First Mortgage Bonds may from time to time, be issued in one or more series. You should consult the prospectus supplement relating to any particular issue of the First Mortgage Bonds for the following information:

- the designation, series and aggregate principal amount of the First Mortgage Bonds;
- the percentage of the principal amount for which we will issue and sell the First Mortgage Bonds;
- the date of maturity for the First Mortgage Bonds;
- the rate at which the First Mortgage Bonds will bear interest or the method of determining that rate;
- the dates on which interest is payable;
- the denominations in which we will authorize the First Mortgage Bonds to be issued, if other than $1,000 or integral multiples of $1,000;
- whether we will offer the First Mortgage Bonds in the form of global bonds and, if so, the name of the depositary for any global bonds;
- the terms applicable to any rights to convert First Mortgage Bonds into or exchange them for other of our securities or those of any other entity;
- redemption terms and sinking fund provisions, if any; and
- any other specific terms that do not conflict with the Mortgage.

For more information, see Section 2.01 of the Mortgage.

No series of the First Mortgage Bonds will be limited in aggregate principal amount except as provided in the Mortgage. Unless the applicable prospectus supplement states otherwise, the covenants

contained in the Mortgage will not afford holders of the First Mortgage Bonds protection in the event of a change of control or highly leveraged transaction.

Form and Exchanges

Unless otherwise specified in the applicable prospectus supplement, we expect to issue the First Mortgage Bonds as fully registered bonds without coupons in denominations of $1,000 or any integral multiple of $1,000. Holders may exchange them, free of charge, for a like aggregate principal amount of other First Mortgage Bonds of different authorized denominations of the same series. Holders may also transfer the First Mortgage Bonds free of charge except for any stamp taxes or other governmental charges that may apply. The First Mortgage Bonds may be presented for transfer or exchange at the corporate trust office of the Trustee in New York, New York. For more information, see Sections 2.01 and 2.03 of the Mortgage.

Interest and Payment

The prospectus supplement for any First Mortgage Bonds will state the interest rate, the method of determination of the interest rate, and the date on which interest is payable. Unless the prospectus supplement states otherwise, principal and interest on First Mortgage Bonds held in (i) definitive or certificated form will be paid at the corporate trust office of the Mortgage Trustee in New York, New York, and (ii) global form will be paid as set forth herein under "Global Securities."

Pursuant to the Mortgage, we will pay interest, to the extent enforceable under law, on any overdue installment of interest on the First Mortgage Bonds at the highest rate of interest payable on any of the First Mortgage Bonds outstanding under the Mortgage. For more information, see Section 2.01 and Article X of the Mortgage.

Redemption and Purchase of First Mortgage Bonds

If the First Mortgage Bonds are redeemable, the redemption terms will appear in the prospectus supplement. We may declare redemptions on at least 30 days' notice to the holders of First Mortgage Bonds to be redeemed and to the Mortgage Trustee. We have agreed that before the redemption date we will deposit with the Mortgage Trustee a sum of money sufficient to redeem the subject First Mortgage Bonds. Our failure to make this required deposit will constitute a completed default under the Mortgage on the specified redemption date and the First Mortgage Bonds called for redemption shall immediately become due and payable. For more information, see Article VIII of the Mortgage.

First Mortgage Bonds are redeemable, in whole but not in part, on not more than 90 days' notice to holders, at a redemption price of 100% of the principal amount thereof, together with accrued interest to the date of redemption, in the event that:

- all of our outstanding common stock is acquired by some governmental body or instrumentality and we elect to redeem all First Mortgage Bonds; or

- all or substantially all the mortgaged and pledged property, constituting bondable property as defined in the Mortgage, that is then subject to the Mortgage as a first lien shall be released from the lien of the Mortgage under the provisions thereof, and available moneys held by the Mortgage Trustee, including any moneys deposited by us for the purpose, are sufficient to redeem all the First Mortgage Bonds at the redemption prices (together with accrued interest to the date of redemption) specified therein applicable to the redemption thereof upon the happening of such event.

For more information, see Section 8.08 of the Mortgage.

Maintenance Fund

The Mortgage provides that the amount expended for property additions (excluding several stated exceptions) will, at the end of each year, equal the minimum provision for depreciation, for each calendar year subsequent to December 31, 1943, and if at the end of any such year we have not expended such required amount, we will, on or before the next succeeding March 31, deposit with the Mortgage Trustee the difference in cash. Certain credits are allowed against cash so required to be deposited. During the three years immediately following a cash deposit with the Mortgage Trustee, we may at any time or from time to time withdraw cash in an amount equal to any available maintenance credit. Cash not so withdrawn shall be applied towards the payment due upon maturity or for the redemption of outstanding First Mortgage Bonds as provided in the Mortgage. For more information, see Sections 5.08 and 1.05 of the Mortgage.

We must provide the Mortgage Trustee with an annual maintenance certificate with respect to the bondable value of property additions.

The minimum provision for depreciation means an amount equal to:

- 15% of our gross operating revenues, net of the cost of electric energy purchased for resale; *less*
- an amount equal to the aggregate of the charges to operating expense for maintenance; *provided, however,*
- that the minimum provision for depreciation for any period shall not exceed the maximum provision for depreciation, as defined, for the period.

The maximum provision for depreciation shall mean as to each full calendar year, an amount equal to:

- $755,000, *plus*
- 2.25% of the sum of all property additions after January 1, 1944 up to the beginning of the subject calendar year, *less*
- 2.25% of the aggregate amount of all retirements of bondable property during the period after January 1, 1944 up to the beginning of the subject calendar year.

For periods other than a calendar year, the maximum provision for depreciation shall be based upon the maximum provision for depreciation for the calendar year ended during such period multiplied by the number of calendar months or fractions thereof included in such period and divided by 12.

As of December 31, 2004, we had a cumulative maintenance credit of approximately $6.9 billion.

Ranking and Security

The First Mortgage Bonds will be secured by the lien of the Mortgage and will rank equally with all bonds outstanding thereunder. In the opinion of our counsel, the Mortgage constitutes a first mortgage lien, subject only to permitted encumbrances and liens, on substantially all of the fixed properties owned by us except miscellaneous properties specifically excepted. In addition, after-acquired property is covered by the lien of the Mortgage, subject to existing liens at the time such property is acquired. For more information, see the Preambles and Section 2.01 of the Mortgage.

Issuance of Additional First Mortgage Bonds

First Mortgage Bonds may be issued under the Mortgage in a principal amount equal to:

- an amount not exceeding 60% of the bondable value of property additions, which term generally includes all of our tangible property that we are authorized to acquire, own and operate, that has become subject to the Mortgage and which is used in connection with the generation, purchase, transmission, distribution or sale of electricity for light, heat, power or other purposes;

- an additional aggregate principal amount not exceeding the aggregate principal amount of refundable prior lien bonds deposited with the Mortgage Trustee or judicially determined to be invalid;

- an additional aggregate principal amount not exceeding the aggregate principal amount of any outstanding First Mortgage Bonds that have been canceled or delivered for cancellation; and

- an additional aggregate principal amount equal to the amount of cash deposited with the Mortgage Trustee against the issuance of bonds.

For more information, see Sections 4.03 thorough 4.06 of the Mortgage.

As of September 30, 2005, the bondable value of property additions under the first bullet point above was approximately $4.0 billion permitting the issuance of approximately $2.1 billion of additional bonds. As of the date of this prospectus, the additional aggregate principal amount of First Mortgage Bonds that could be issued based upon the amount of previously issued First Mortgage Bonds that have been canceled or delivered for cancellation under the third bullet point above was approximately $175.5 million. Cash deposited with the Mortgage Trustee under the fourth bullet point above may be withdrawn in an amount equal to the principal amount of any First Mortgage Bonds we would otherwise be entitled to have authenticated under any of the provisions referred to in the first three bullet points above, and may also be used for the purchase or redemption of First Mortgage Bonds which, by their terms, are redeemable. For more information, see Section 4.06 of the Mortgage.

First Mortgage Bonds may be authenticated pursuant to the first and fourth bullet points above (and in certain cases pursuant to the second and third bullet points above) only if net earnings for 12 successive months in the 15 months immediately preceding the first day of the month in which application for additional First Mortgage Bonds is made shall be at least two times the annual interest charges on the First Mortgage Bonds and prior lien bonds outstanding and to be outstanding. For more information, see Sections 4.08 and 1.06 of the Mortgage.

Restriction on Dividends

Unless otherwise stated in the prospectus supplement, in the case of First Mortgage Bonds issued under this prospectus and any accompanying prospectus supplement, and so long as any First Mortgage Bonds are outstanding, we may only pay cash dividends on our common stock, and make any other distribution to Florida Progress, our common stockholder, out of our net income subsequent to December 31, 1943. For more information, see Section 5.24 of the Mortgage.

Release and Substitution of Property

Subject to various limitations, property may be released from the lien of the Mortgage when sold or exchanged, upon the basis of:

- cash deposited with the Mortgage Trustee;

- the principal amount of any purchase money obligations pledged with the Mortgage Trustee;

- the fair value of any property additions certified to the Mortgage Trustee and acquired by us in exchange for the property to be released; or

- if non-bondable property is to be released, the fair value of property and certain securities certified to the Mortgage Trustee and acquired by us in exchange for the property to be released, less the principal amount of certain outstanding prior lien bonds.

For more information, see Section 9.03 of the Mortgage.

If all or substantially all of the mortgaged and pledged property constituting bondable property which at the time shall be subject to the lien of the Mortgage as a first lien shall be released, whether pursuant to our request or by eminent domain, then we are required to redeem all the First Mortgage Bonds and

have agreed to deposit with the Mortgage Trustee sufficient cash for that purpose. Any new property acquired to take the place of any property released shall be subjected to the lien of the Mortgage. For more information, see Sections 8.08(b), 9.03, 9.05 and 9.11 of the Mortgage.

Modification of Mortgage

The Mortgage may generally be modified with the consent of the holders of not less than 75% in aggregate principal amount of First Mortgage Bonds outstanding which would be affected by the action proposed to be taken, except no such modifications shall:

- extend the maturity of any First Mortgage Bonds, or reduce the interest rate or extend the time of payment thereof, or reduce the principal amount thereof, without the express consent of the holder of each First Mortgage Bond affected;
- reduce the percentage of holders who must consent to the modifications referred to in this section without the consent of the holders of all First Mortgage Bonds outstanding;
- permit the creation of a prior or equal lien on the pledged property; or
- deprive any First Mortgage Bond of the lien of the Mortgage.

For more information, see Section 17.02 of the Mortgage.

Default

In the event of a completed default, the Mortgage Trustee or the holders of at least 25% of the outstanding First Mortgage Bonds may declare the principal of all outstanding First Mortgage Bonds immediately due and payable. The following are defined as completed defaults in the Mortgage:

- default in the payment of principal of, and premium, if any, on any of the First Mortgage Bonds when due and payable, whether at maturity or by declaration, or otherwise;
- default continued for 60 days in the payment of any interest on any of the First Mortgage Bonds;
- default in the payment of principal or interest upon any outstanding prior lien bonds continued beyond any applicable grace period;
- certain acts of bankruptcy, insolvency or reorganization; and
- default continued for 60 days after written notice to us by the Mortgage Trustee (or to us and the Mortgage Trustee by the holders of at least 25% in principal amount of the then outstanding First Mortgage Bonds) in the observance or performance of any other covenant, agreement or condition contained in the Mortgage or in any of the First Mortgage Bonds.

For more information, see Section 10.01 of the Mortgage.

If all defaults have been cured, however, the holders of not less than a majority in aggregate principal amount of the First Mortgage Bonds then outstanding may rescind and annul the declaration and its consequences. If the Mortgage Trustee in good faith determines it to be in the interest of the holders of the First Mortgage Bonds, it may withhold notice of default, except in payment of principal, premium, if any, interest or sinking fund payments, if any, for retirement of First Mortgage Bonds. We are required by the Mortgage to report annually to the Mortgage Trustee as to the absence of default and compliance with the provisions of the Mortgage. For more information, see Sections 10.01, 10.02 and 5.23 of the Mortgage.

The holders of not less than a majority in principal amount of the First Mortgage Bonds outstanding have the right to direct the time, method and place of conducting any proceedings for any remedy available to, or conferred by the Mortgage upon, the Mortgage Trustee; *provided, however*, that the Mortgage Trustee may, if it determines in good faith that such direction would involve the Mortgage Trustee in personal liability or be unjustly prejudicial to the rights of the non-assenting bondholders, decline to follow such direction. For more information, see Section 10.06 of the Mortgage.

Evidence to Be Furnished to the Mortgage Trustee Under the Mortgage

We may demonstrate compliance with Mortgage provisions regarding certificates and opinions by providing written statements to the Mortgage Trustee from our officers or experts we select. For instance, we may select an engineer or appraiser to provide a written statement regarding the value of property being certified or released, or an accountant regarding net earnings, or counsel regarding property titles and compliance with the Mortgage generally. In certain significant matters, applicable law requires that an accountant or engineer must be independent. For more information, see Section 314(d) of the Trust Indenture Act. We must file certificates and other papers each year and whenever certain events occur. Additionally, we must provide evidence from time to time demonstrating our compliance with the conditions and covenants under the Mortgage.

Relationship With the Mortgage Trustee

In the normal course of business, the Mortgage Trustee or its affiliates may, from time to time, provide certain commercial banking, investment banking, and securities underwriting services to us and our affiliates.

DESCRIPTION OF DEBT SECURITIES

General

The Debt Securities offered by this prospectus will be our direct unsecured general obligations. This prospectus describes certain general terms of the Debt Securities offered through this prospectus. When we offer to sell a particular series of Debt Securities, we will describe the specific terms of that series in a prospectus supplement. The Debt Securities will be issued under the Indenture (For Debt Securities), dated as of December 7, 2005, between us and J.P. Morgan Trust Company, National Association, as trustee, or one or more additional indentures for Debt Securities between us and a trustee elected by us. The Indenture (For Debt Securities) is incorporated by reference into the registration statement of which this prospectus is a part. The form of any additional indenture, between us and a trustee which we will name, under which we may issue Debt Securities is filed as an exhibit to the registration statement. In this prospectus we refer to each of the Indenture (For Debt Securities) and the form of indenture for Debt Securities, as applicable, as the "Debt Securities Indenture." We refer to the trustee under any Debt Securities Indenture as the "Debt Securities Trustee."

The prospectus supplement applicable to a particular series of Debt Securities may state that a particular series of Debt Securities will be our subordinated obligations. The form of Debt Securities Indenture referred to above includes optional provisions (designated by brackets ("[ ]")) that we would expect to appear in a separate indenture for subordinated debt securities in the event we issue subordinated debt securities. In the following discussion, we refer to any subordinated obligations as the "Subordinated Debt Securities." Unless the applicable prospectus supplement provides otherwise, we will use a separate Debt Securities Indenture for any Subordinated Debt Securities that we may issue. The Indenture (For Debt Securities) dated as of December 7, 2005 has been, and any future Debt Securities Indenture will be, qualified under the Trust Indenture Act and you should refer to the Trust Indenture Act for the provisions that apply to the Debt Securities.

We have summarized selected provisions of the Debt Securities Indenture below. Each Debt Securities Indenture will be independent of any other Debt Securities Indenture unless otherwise stated in a prospectus supplement. The summary that follows is not complete and the summary is qualified in its entirety by reference to the provisions of the applicable Debt Securities Indenture. You should consult the applicable Debt Securities, Debt Securities Indenture, any supplemental indentures, officers' certificates and other related documents for more complete information on the Debt Securities. These documents appear as exhibits to, or are incorporated by reference into, the registration statement of which this prospectus is a part, or will appear as exhibits to other documents that we will file with the SEC, which will be incorporated by reference into this prospectus. In the summary below, we have included references

to applicable section numbers of the Debt Securities Indenture so that you can easily locate these provisions.

Ranking

Our Debt Securities that are not designated Subordinated Debt Securities will be effectively subordinated to all of our currently outstanding and future First Mortgage Bonds to the extent of the value of the collateral securing such First Mortgage Bonds. The First Mortgage Bond holders have a first lien on substantially all of our assets. Our Debt Securities that are designated Subordinated Debt Securities will be subordinate to all of our currently outstanding and future First Mortgage Bonds and Debt Securities that are not designated Subordinated Debt Securities. As of the date of this prospectus, we had an aggregate principal amount of $1.9 billion First Mortgage Bonds outstanding and an aggregate principal amount of $739 million of unsecured indebtedness outstanding, none of which were Subordinated Debt Securities. The Indenture (For Debt Securities) does not limit the amount of First Mortgage Bonds that we may issue.

Provisions of a Particular Series

The Debt Securities may from time to time be issued in one or more series. You should consult the prospectus supplement relating to any particular series of Debt Securities for the following information:

- the title of the Debt Securities;
- any limit on aggregate principal amount of the Debt Securities or the series of which they are a part;
- the date(s), or method for determining the date(s), on which the principal of the Debt Securities will be payable;
- the rate, including the method of determination if applicable, at which the Debt Securities will bear interest, if any; and
  - — the date from which any interest will accrue;
  - — the dates on which we will pay interest; and
  - — the record date for any interest payable on any interest payment date;
- the place where,
  - — the principal of, premium, if any, and interest on the Debt Securities will be payable;
  - — you may register transfer of the Debt Securities;
  - — you may exchange the Debt Securities; and
  - — you may serve notices and demands upon us regarding the Debt Securities;
- the security registrar for the Debt Securities and whether the principal of the Debt Securities is payable without presentment or surrender of them;
- the terms and conditions upon which we may elect to redeem any Debt Securities;
- the denominations in which we may issue Debt Securities, if other than $1,000 and integral multiples of $1,000;
- the terms and conditions upon which the Debt Securities must be redeemed or purchased due to our obligations pursuant to any sinking fund or other mandatory redemption or tender provisions, or at the holder's option, including any applicable exceptions to notice requirements;

- the currency, if other than United States currency, in which payments on the Debt Securities will be payable;
- the terms according to which elections can be made by us or the holder regarding payments on the Debt Securities in currency other than the currency in which the Debt Securities are stated to be payable;
- if payments are to be made on the Debt Securities in securities or other property, the type and amount of the securities and other property or the method by which the amount shall be determined;
- the manner in which we will determine any amounts payable on the Debt Securities that are to be determined with reference to an index or other fact or event ascertainable outside the applicable indenture;
- if other than the entire principal amount, the portion of the principal amount of the Debt Securities payable upon declaration of acceleration of their maturity;
- any addition to the events of default applicable to any Debt Securities and any additions to our covenants for the benefit of the holders of the Debt Securities;
- the terms applicable to any rights to convert Debt Securities into or exchange them for other of our securities or those of any other entity;
- whether we are issuing Debt Securities as global securities, and if so,

  — any limitations on transfer or exchange rights or the right to obtain the registration of transfer;

  — any limitations on the right to obtain definitive certificates for the Debt Securities; and

  — any other matters incidental to the Debt Securities;

- whether we are issuing the Debt Securities as bearer securities;
- any limitations on transfer or exchange of Debt Securities or the right to obtain registration of their transfer, and the terms and amount of any service charge required for registration of transfer or exchange;
- any exceptions to the provisions governing payments due on legal holidays, or any variations in the definition of business day with respect to the Debt Securities;
- any collateral security, assurance, guarantee or other credit enhancement applicable to the Debt Securities; and
- any other terms of the Debt Securities not in conflict with the provisions of the applicable Debt Securities Indenture.

For more information, see Section 301 of the applicable Debt Securities Indenture.

Debt Securities may be sold at a substantial discount below their principal amount. You should consult the applicable prospectus supplement for a description of certain special United States federal income tax considerations that may apply to Debt Securities sold at an original issue discount or denominated in a currency other than dollars.

Unless the applicable prospectus supplement states otherwise, the covenants contained in the applicable indenture will not afford holders of Debt Securities protection in the event we have a change in control or are involved in a highly-leveraged transaction.

Subordination

The applicable prospectus supplement may provide that a series of Debt Securities will be Subordinated Debt Securities, subordinate and junior in right of payment to all of our Senior Indebtedness,

as defined below. If so, we will issue these securities under a separate Debt Securities Indenture for Subordinated Debt Securities. For more information, see Article XV of the applicable Debt Securities Indenture.

No payment of principal of, including redemption and sinking fund payments, or any premium or interest on, the Subordinated Debt Securities may be made if:

- there occur certain acts of bankruptcy, insolvency, liquidation, dissolution or other winding up of our company;
- any Senior Indebtedness is not paid when due;
- any applicable grace period with respect to other defaults with respect to any Senior Indebtedness has ended, the default has not been cured or waived, and the maturity of such Senior Indebtedness has been accelerated because of the default; or
- the maturity of the Subordinated Debt Securities of any series has been accelerated because of a default and Senior Indebtedness is then outstanding.

Upon any distribution of our assets to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal of, and any premium and interest due or to become due on, all outstanding Senior Indebtedness must be paid in full before the holders of the Subordinated Debt Securities are entitled to payment. For more information, see Section 1502 of the applicable Debt Securities Indenture. The rights of the holders of the Subordinated Debt Securities will be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions applicable to Senior Indebtedness until all amounts owing on the Subordinated Debt Securities are paid in full. For more information, see Section 1504 of the applicable Debt Securities Indenture.

As defined in the Subordinated Debt Securities Indenture, the term "Senior Indebtedness" means:

- all obligations (other than non-recourse obligations and the indebtedness issued under the Subordinated Debt Securities Indenture) of, or guaranteed or assumed by, us:
  - for borrowed money (including both senior and subordinated indebtedness for borrowed money, but excluding the Subordinated Debt Securities); or
  - for the payment of money relating to any lease that is capitalized on our consolidated balance sheet in accordance with generally accepted accounting principles; or
- indebtedness evidenced by bonds, debentures, notes or other similar instruments.

In the case of any such indebtedness or obligations, Senior Indebtedness includes amendments, renewals, extensions, modifications and refundings, whether existing as of the date of the Subordinated Debt Securities Indenture or subsequently incurred by us.

The Subordinated Debt Securities Indenture does not limit the aggregate amount of Senior Indebtedness that we may issue.

Form, Exchange and Transfer

Unless the applicable prospectus supplement states otherwise, we will issue Debt Securities only in fully registered form without coupons and in denominations of $1,000 and integral multiples of that amount. For more information, see Sections 201 and 302 of the applicable Debt Securities Indenture.

Holders may present Debt Securities for exchange or for registration of transfer, duly endorsed or accompanied by a duly executed instrument of transfer, at the office of the security registrar or at the office of any transfer agent we may designate. Exchanges and transfers are subject to the terms of the applicable indenture and applicable limitations for global securities. We may designate ourselves the security registrar. No charge will be made for any registration of transfer or exchange of Debt Securities,

but we may require payment of a sum sufficient to cover any tax or other governmental charge that the holder must pay in connection with the transaction. Any transfer or exchange will become effective upon the security registrar or transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. For more information, see Section 305 of the applicable Debt Securities Indenture.

The applicable prospectus supplement will state the name of any transfer agent, in addition to the security registrar initially designated by us, for any Debt Securities. We may at any time designate additional transfer agents or withdraw the designation of any transfer agent or make a change in the office through which any transfer agent acts. We must, however, maintain a transfer agent in each place of payment for the Debt Securities of each series. For more information, see Section 602 of the applicable Debt Securities Indenture.

We will not be required to:

- issue, register the transfer of, or exchange any Debt Securities or any tranche of any Debt Securities during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any Debt Securities called for redemption and ending at the close of business on the day of mailing; or

- register the transfer of, or exchange any Debt Securities selected for redemption except the unredeemed portion of any Debt Securities being partially redeemed.

For more information, see Section 305 of the applicable Debt Securities Indenture.

Payment and Paying Agents

Unless the applicable prospectus supplement states otherwise, we will pay interest on a Debt Security on any interest payment date to the person in whose name the Debt Security is registered at the close of business on the regular record date for the interest payment. For more information, see Section 307 of the applicable Debt Securities Indenture.

Unless the applicable prospectus supplement provides otherwise, we will pay principal and any premium and interest on Debt Securities at the office of the paying agent whom we will designate for this purpose. Unless the applicable prospectus supplement states otherwise, the corporate trust office of the Debt Securities Trustee in New York City will be designated as our sole paying agent for payments with respect to Debt Securities of each series. Any other paying agents initially designated by us for the Debt Securities of a particular series will be named in the applicable prospectus supplement. We may at any time add or delete paying agents or change the office through which any paying agent acts. We must, however, maintain a paying agent in each place of payment for the Debt Securities of a particular series. For more information, see Section 602 of the applicable Debt Securities Indenture.

All money we pay to a paying agent for the payment of the principal and any premium or interest on any Debt Security that remains unclaimed at the end of two years after payment is due will be repaid to us. After that date, the holder of that Debt Security shall be deemed an unsecured general creditor and may look only to us for these payments. For more information, see Section 603 of the applicable Debt Securities Indenture.

Redemption

You should consult the applicable prospectus supplement for any terms regarding optional or mandatory redemption of Debt Securities. Except for any provisions in the applicable prospectus supplement regarding Debt Securities redeemable at the holder's option, Debt Securities may be redeemed only upon notice by mail not less than 30 nor more than 60 days prior to the redemption date. Further, if less than all of the Debt Securities of a series, or any tranche of a series, are to be redeemed, the Debt Securities to be redeemed will be selected by the method provided for the particular series. In the absence

of a selection provision, the Debt Securities Trustee will select a fair and appropriate method of selection. For more information, see Sections 403 and 404 of the applicable Debt Securities Indenture.

A notice of redemption we provide may state:

- that redemption is conditioned upon receipt by the paying agent on or before the redemption date of money sufficient to pay the principal of and any premium and interest on the Debt Securities; and
- that if the money has not been received, the notice will be ineffective and we will not be required to redeem the Debt Securities.

For more information, see Section 404 of the applicable Debt Securities Indenture.

Consolidation, Merger and Sale of Assets

We may not consolidate with or merge into any other person, nor may we transfer or lease substantially all of our assets and property to any person, unless:

- the corporation formed by the consolidation or into which we are merged, or the person that acquires by conveyance or transfer, or that leases, substantially all of our property and assets:
  - is organized and validly existing under the laws of any domestic jurisdiction; and
  - expressly assumes by supplemental indenture our obligations on the Debt Securities and under the applicable indentures;
- immediately after giving effect to the transaction, no event of default, and no event that would become an event of default, has occurred and is continuing; and
- we have delivered to the Debt Securities Trustee an officer's certificate and opinion of counsel as provided in the applicable indentures.

For more information, see Section 1101 of the applicable Debt Securities Indenture.

Events of Default

"Event of default" under the applicable indenture with respect to Debt Securities of any series means any of the following:

- failure to pay any interest due on any Debt Security of that series within 30 days;
- failure to pay principal or premium, if any, when due on any Debt Security of that series;
- failure to make any required sinking fund payment on any Debt Securities of that series;
- breach of or failure to perform any other covenant or warranty in the applicable indenture with respect to Debt Securities of that series for 60 days (subject to extension under certain circumstances for another 120 days) after we receive notice from the Debt Securities Trustee, or we and the Debt Securities Trustee receive notice from the holders of at least 33% in principal amount of the Debt Securities of that series outstanding under the applicable indenture according to the provisions of the applicable indenture;
- certain events of bankruptcy, insolvency or reorganization; and
- any other event of default set forth in the applicable prospectus supplement.

For more information, see Section 801 of the applicable Debt Securities Indenture.

An event of default with respect to a particular series of Debt Securities does not necessarily constitute an event of default with respect to the Debt Securities of any other series issued under the applicable indenture.

If an event of default with respect to a particular series of Debt Securities occurs and is continuing, either the Debt Securities Trustee or the holders of at least 33% in principal amount of the outstanding Debt Securities of that series may declare the principal amount of all of the Debt Securities of that series to be due and payable immediately. If the Debt Securities of that series are discount securities or similar Debt Securities, only the portion of the principal amount as specified in the applicable prospectus supplement may be immediately due and payable. If an event of default occurs and is continuing with respect to all series of Debt Securities issued under a Debt Securities Indenture, including all events of default relating to bankruptcy, insolvency or reorganization, the Debt Securities Trustee or the holders of at least 33% in principal amount of the outstanding Debt Securities of all series issued under that Debt Securities Indenture, considered together, may declare an acceleration of the principal amount of all series of Debt Securities issued under that Debt Securities Indenture. There is no automatic acceleration, even in the event of our bankruptcy or insolvency.

The applicable prospectus supplement may provide, with respect to a series of Debt Securities to which a credit enhancement is applicable, that the provider of the credit enhancement may, if a default has occurred and is continuing with respect to the series, have all or any part of the rights with respect to remedies that would otherwise have been exercisable by the holder of that series.

At any time after a declaration of acceleration with respect to the Debt Securities of a particular series, and before a judgment or decree for payment of the money due has been obtained, the event of default giving rise to the declaration of acceleration will, without further action, be deemed to have been waived, and the declaration and its consequences will be deemed to have been rescinded and annulled, if:

- we have paid or deposited with the Debt Securities Trustee a sum sufficient to pay:

  — all overdue interest on all Debt Securities of the particular series;

  — the principal of and any premium on any Debt Securities of that series that have become due otherwise than by the declaration of acceleration and any interest at the rate prescribed in the Debt Securities;

  — interest upon overdue interest at the rate prescribed in the Debt Securities, to the extent payment is lawful; and

  — all amounts due to the Debt Securities Trustee under the applicable indenture; and

- any other event of default with respect to the Debt Securities of the particular series, other than the failure to pay the principal of the Debt Securities of that series that has become due solely by the declaration of acceleration, has been cured or waived as provided in the applicable indenture.

For more information, see Section 802 of the applicable Debt Securities Indenture.

The applicable Debt Securities Indenture includes provisions as to the duties of the Debt Securities Trustee in case an event of default occurs and is continuing. Consistent with these provisions, the Debt Securities Trustee will be under no obligation to exercise any of its rights or powers at the request or direction of any of the holders unless those holders have offered to the Debt Securities Trustee reasonable indemnity against the costs, expenses and liabilities that may be incurred by it in compliance with such request or direction. For more information, see Section 903 of the applicable Debt Securities Indenture. Subject to these provisions for indemnification, the holders of a majority in principal amount of the outstanding Debt Securities of any series may direct the time, method and place of conducting any proceeding for any remedy available to the Debt Securities Trustee, or exercising any trust or power conferred on the Debt Securities Trustee, with respect to the Debt Securities of that series. For more information, see Section 812 of the applicable Debt Securities Indenture.

No holder of Debt Securities may institute any proceeding regarding the applicable indenture, or for the appointment of a receiver or a trustee, or for any other remedy under the applicable indenture unless:

- the holder has previously given to the Debt Securities Trustee written notice of a continuing event of default of that particular series;

- the holders of a majority in principal amount of the outstanding Debt Securities of all series with respect to which an event of default is continuing have made a written request to the Debt Securities Trustee, and have offered reasonable indemnity to the Debt Securities Trustee, to institute the proceeding as trustee; and

- the Debt Securities Trustee has failed to institute the proceeding, and has not received from the holders of a majority in principal amount of the outstanding Debt Securities of that series a direction inconsistent with the request, within 60 days after notice, request and offer of reasonable indemnity.

For more information, see Section 807 of the applicable Debt Securities Indenture.

The preceding limitations do not apply, however, to a suit instituted by a holder of a Debt Security for the enforcement of payment of the principal of or any premium or interest on the Debt Securities on or after the applicable due date stated in the Debt Securities. For more information, see Section 808 of the applicable Debt Securities Indenture.

We must furnish annually to the Debt Securities Trustee a statement by an appropriate officer as to that officer's knowledge of our compliance with all conditions and covenants under each of the indentures for Debt Securities. Our compliance is to be determined without regard to any grace period or notice requirement under the respective indenture. For more information, see Section 606 of the applicable Debt Securities Indenture.

Modification and Waiver

We and the Debt Securities Trustee, without the consent of the holders of the Debt Securities, may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the applicable indenture and the Debt Securities;

- to add one or more covenants or other provisions for the benefit of the holders of outstanding Debt Securities or to surrender any right or power conferred upon us by the applicable indenture;

- to add any additional events of default;

- to change or eliminate any provision of the applicable indenture or add any new provision to it, but if this action would adversely affect the interests of the holders of any particular series of Debt Securities in any material respect, the action will not become effective with respect to that series while any Debt Securities of that series remain outstanding under the applicable indenture;

- to provide collateral security for the Debt Securities;

- to establish the form or terms of Debt Securities according to the provisions of the applicable indenture;

- to evidence the acceptance of appointment of a successor Debt Securities Trustee under the applicable indenture with respect to one or more series of the Debt Securities and to add to or change any of the provisions of the applicable indenture as necessary to provide for trust administration under the applicable indenture by more than one trustee;

- to provide for the procedures required to permit the use of a non-certificated system of registration for any series of Debt Securities;

- to change any place where:

  — the principal of and any premium and interest on any Debt Securities are payable;

  — any Debt Securities may be surrendered for registration of transfer or exchange; or

— notices and demands to or upon us regarding Debt Securities and the applicable indentures may be served; or

- to cure any ambiguity or inconsistency, but only by means of changes or additions that will not adversely affect the interests of the holders of Debt Securities of any series in any material respect.

For more information, see Section 1201 of the applicable Debt Securities Indenture.

The holders of at least a majority in aggregate principal amount of the outstanding Debt Securities of any series may waive:

- compliance by us with certain provisions of the applicable indenture (see Section 607 of the applicable Debt Securities Indenture); and
- any past default under the applicable indenture, except a default in the payment of principal, premium, or interest and certain covenants and provisions of the applicable indenture that cannot be modified or amended without consent of the holder of each outstanding Debt Security of the series affected (see Section 813 of the applicable Debt Securities Indenture).

The Trust Indenture Act of 1939 may be amended after the date of the applicable indenture to require changes to the indenture. In this event, the indenture will be deemed to have been amended so as to effect the changes, and we and the Debt Securities Trustee may, without the consent of any holders, enter into one or more supplemental indentures to evidence or effect the amendment. For more information, see Section 1201 of the applicable Debt Securities Indenture.

Except as provided in this section, the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities issued pursuant to a Debt Securities Indenture, considered as one class, is required to change in any manner the applicable indenture pursuant to one or more supplemental indentures. If less than all of the series of Debt Securities outstanding under a Debt Securities Indenture are directly affected by a proposed supplemental indenture, however, only the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities of all series directly affected, considered as one class, will be required. Furthermore, if the Debt Securities of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of one or more, but not all, tranches, only the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities of all tranches directly affected, considered as one class, will be required. In addition, an amendment or modification:

- may not, without the consent of the holder of each outstanding Debt Security affected
  - — change the maturity of the principal of, or any installment of principal of or interest on, any Debt Securities;
  - — reduce the principal amount or the rate of interest, or the amount of any installment of interest, or change the method of calculating the rate of interest;
  - — reduce any premium payable upon the redemption of the Debt Securities;
  - — reduce the amount of the principal of any Debt Security originally issued at a discount from the stated principal amount that would be due and payable upon a declaration of acceleration of maturity;
  - — change the currency or other property in which a Debt Security or premium or interest on a Debt Security is payable; or
  - — impair the right to institute suit for the enforcement of any payment on or after the stated maturity, or in the case of redemption, on or after the redemption date, of any Debt Securities;
- may not reduce the percentage of principal amount requirement for consent of the holders for any supplemental indenture, or for any waiver of compliance with any provision of or any default under

the applicable indenture, or reduce the requirements for quorum or voting, without the consent of the holder of each outstanding Debt Security of each series or tranche affected; and

- may not modify provisions of the applicable indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the Debt Securities of any series, or any tranche of a series, without the consent of the holder of each outstanding Debt Security affected.

A supplemental indenture will be deemed not to affect the rights under the applicable indenture of the holders of any series or tranche of the Debt Securities if the supplemental indenture:

- changes or eliminates any covenant or other provision of the applicable indenture expressly included solely for the benefit of one or more other particular series of Debt Securities or tranches thereof; or

- modifies the rights of the holders of Debt Securities of any other series or tranches with respect to any covenant or other provision.

For more information, see Section 1202 of the applicable Debt Securities Indenture.

If we solicit from holders of the Debt Securities any type of action, we may at our option by board resolution fix in advance a record date for the determination of the holders entitled to vote on the action. We shall have no obligation, however, to do so. If we fix a record date, the action may be taken before or after the record date, but only the holders of record at the close of business on the record date shall be deemed to be holders for the purposes of determining whether holders of the requisite proportion of the outstanding Debt Securities have authorized the action. For that purpose, the outstanding Debt Securities shall be computed as of the record date. Any holder action shall bind every future holder of the same security and the holder of every security issued upon the registration of transfer of or in exchange for or in lieu of the security in respect of anything done or permitted by the Debt Securities Trustee or us in reliance on that action, whether or not notation of the action is made upon the security. For more information, see Section 104 of the applicable Debt Securities Indenture.

Defeasance

Unless the applicable prospectus supplement provides otherwise, any Debt Security, or portion of the principal amount of a Debt Security, will be deemed to have been paid for purposes of the applicable indenture, and, at our election, our entire indebtedness in respect of the Debt Security, or portion thereof, will be deemed to have been satisfied and discharged, if we have irrevocably deposited with the Debt Securities Trustee or any paying agent other than us, in trust money, certain eligible obligations, as defined in the applicable indenture, or a combination of the two, sufficient to pay principal of and any premium and interest due and to become due on the Debt Security or portion thereof. For more information, see Section 701 of the applicable Debt Securities Indenture. For this purpose, unless the applicable prospectus supplement provides otherwise, eligible obligations include direct obligations of, or obligations unconditionally guaranteed by, the United States, entitled to the benefit of full faith and credit of the United States, and certificates, depositary receipts or other instruments that evidence a direct ownership interest in those obligations or in any specific interest or principal payments due in respect of those obligations.

Resignation, Removal of Debt Securities Trustee; Appointment of Successor

The Debt Securities Trustee may resign at any time by giving written notice to us or may be removed at any time by an action of the holders of a majority in principal amount of outstanding Debt Securities delivered to the Debt Securities Trustee and us. No resignation or removal of the Debt Securities Trustee and no appointment of a successor trustee will become effective until a successor trustee accepts appointment in accordance with the requirements of the applicable indenture. So long as no event of default or event that would become an event of default has occurred and is continuing, and except with respect to a Debt Securities Trustee appointed by an action of the holders, if we have delivered to the Debt Securities Trustee a resolution of our board of directors appointing a successor trustee and the

successor trustee has accepted the appointment in accordance with the terms of the applicable indenture, the Debt Securities Trustee will be deemed to have resigned and the successor trustee will be deemed to have been appointed as trustee in accordance with the applicable indenture. For more information, see Section 910 of the applicable Debt Securities Indenture.

Notices

We will give notices to holders of Debt Securities by mail to their addresses as they appear in the Debt Security Register. For more information, see Section 106 of the applicable Debt Securities Indenture.

Title

The Debt Securities Trustee and its agents, and we and our agents, may treat the person in whose name a Debt Security is registered as the absolute owner of that Debt Security, whether or not that Debt Security may be overdue, for the purpose of making payment and for all other purposes. For more information, see Section 308 of the applicable Debt Securities Indenture.

Governing Law

The Debt Securities Indentures and the Debt Securities, including any Subordinated Debt Securities Indentures and Subordinated Debt Securities, will be governed by, and construed in accordance with, the law of the State of New York. For more information, see Section 112 of the applicable Debt Securities Indenture.

Relationship With the Future Trustee

In the normal course of business, the Trustee under our Indenture (For Debt Securities), dated as of December 7, 2005, or its affiliates provides, and any future trustee or its affiliates may, from time to time, provide certain commercial banking, investment banking, and securities underwriting services to us and our affiliates.

DESCRIPTION OF PREFERRED STOCK

The following summary of the characteristics of our preferred stock is a summary and is qualified in all respects by reference to our amended articles of incorporation and bylaws, each as amended, copies of which are filed as exhibits to the registration statement of which this prospectus is a part. You should carefully read each of these documents in order to fully understand the terms and provisions of our preferred stock. Reference is also made to the laws of the State of Florida.

General

Our authorized preferred stock consists of the following classes with the following number of authorized shares per class:

- Cumulative Preferred Stock — 4,000,000 shares with a par value of $100 per share; and
- Cumulative Preferred Stock — 5,000,000 shares with no par value.

Our board of directors may authorize the preferred stock to be issued from time to time as one or more series of preferred stock. For each new series of preferred stock, the board of directors, within the limitations and restrictions stated in Article III(B) of our articles of incorporation, may establish the number of shares in each series and to fix the designation, powers, preferences and rights of each such series and the qualifications, limitations or restrictions thereof. Generally, each class of our preferred stock ranks equally with each other class and senior to our preference stock and our common stock.

$100 Cumulative Preferred Stock

Our articles of incorporation authorize 4,000,000 shares of Cumulative Preferred Stock with a par value of $100 per share ("$100 Cumulative Preferred Stock"). We currently have the following five designated series of $100 Cumulative Preferred Stock with the corresponding number of authorized and outstanding shares as of September 30, 2005: (i) 40,000 shares of 4.00% Series authorized, 39,980 shares outstanding; (ii) 40,000 shares of 4.60% Series authorized, 39,997 shares outstanding; (iii) 80,000 shares of 4.75% Series authorized and outstanding; (iv) 75,000 shares of 4.40% Series authorized and outstanding; and (v) 100,000 shares of 4.58% Series authorized, 99,990 shares outstanding. All of our other previously designated series of $100 Cumulative Preferred Stock have been redeemed or retired. The terms of the $100 Cumulative Preferred Stock generally include:

- cumulative quarterly dividends of a rate fixed by the board of directors at the time the series is issued. Currently, the five separate series of outstanding $100 Cumulative Preferred Stock have the following dividend rates:

  — $100 Cumulative Preferred Stock, 4.00% Series — 4.00% per annum;

  — $100 Cumulative Preferred Stock, 4.60% Series — 4.60% per annum;

  — $100 Cumulative Preferred Stock, 4.75% Series — 4.75% per annum;

  — $100 Cumulative Preferred Stock, 4.40% Series — 4.40% per annum; and

  — $100 Cumulative Preferred Stock, 4.58% Series — 4.58% per annum;

- a liquidation preference, which may vary depending on whether the liquidation is voluntary or involuntary. The holders of each series of $100 Cumulative Preferred Stock will be entitled to receive: (i) in the event of an involuntary liquidation, the par or stated value of the shares of the series, plus all accrued and unpaid dividends; or (ii) in the event of a voluntary liquidation, the redemption price fixed by the board of directors at the time the series was issued, or in the event the shares of a particular series are not then redeemable, the amount specified in the foregoing cause (i); and

- redemption rights at a price per share fixed by the board of directors at the time the series is issued. Currently, the five separate series of outstanding $100 Cumulative Preferred Stock have the following redemption prices:

  — $100 Cumulative Preferred Stock, 4.00% Series — $104.25 per share, plus accrued and unpaid dividends;

  — $100 Cumulative Preferred Stock, 4.60% Series — $103.25 per share, plus accrued and unpaid dividends;

  — $100 Cumulative Preferred Stock, 4.75% Series — $102.00 per share, plus accrued and unpaid dividends;

  — $100 Cumulative Preferred Stock, 4.40% Series — $102.00 per share, plus accrued and unpaid dividends; and

  — $100 Cumulative Preferred Stock, 4.58% Series — $101.00 per share, plus accrued and unpaid dividends.

No Par Cumulative Preferred Stock

Our articles of incorporation authorize 5,000,000 shares of Cumulative Preferred Stock with no par value ("No Par Cumulative Preferred Stock"), none of which are outstanding as of the date of this prospectus. The terms of the No Par Cumulative Preferred Stock generally include:

- cumulative quarterly dividends of a rate fixed by the board of directors at the time the series is issued; and

- a liquidation preference, which may vary depending on whether the liquidation is voluntary or involuntary. The holders of each series of No Par Cumulative Preferred Stock will be entitled to receive: (i) in the event of an involuntary liquidation, the par or stated value of the shares of the series, plus all accrued and unpaid dividends; or (ii) in the event of a voluntary liquidation, the redemption price fixed by the board of directors at the time the series was issued, or in the event the shares of a particular series are not then redeemable, the amount specified in the foregoing cause (i).

Prior to the issuance of any shares of No Par Cumulative Preferred Stock, the board of directors shall establish a stated value for the shares of each series. This stated value cannot exceed the lesser of $100 per share or the consideration to be received for each share.

Certain Voting Rights of Preferred Stock Holders

Holders of our preferred stock do not have a right to vote in elections of directors or on any other matter, except as required by law or as specifically required under our amended articles of incorporation. In the event that we have not made distributions with respect to any of our preferred stock for a period of at least four quarters, until all dividends accumulated through the current dividend period have been paid, our articles of incorporation permit the holders of our preferred stock to elect a majority of the directors to our board of directors. Additionally, our amended articles of incorporation permit the holders of our preferred stock to vote on certain amendments to our amended articles of incorporation that materially and adversely affect the rights, preferences, or privileges of the preferred stock. When entitled to vote, each share of our $100 Cumulative Preferred Stock and No Par Cumulative Preferred Stock having a stated value of $100 per share is generally entitled to one vote per share, while each share of No Par Cumulative Preferred Stock having a stated value less than $100 per share is generally entitled to that fraction of a vote per share equal to the quotient of a fraction, the numerator of which is the stated value of the share and the denominator of which is $100. In the event the holders of our preferred stock acquire the right to elect directors as set forth above, such holders are entitled to cumulate their votes in the election of the directors.

Dividend Restrictions and Certain Covenants

Unless dividends on all outstanding shares of each series of our preferred stock shall have been paid, or declared and set aside for payment, we cannot:

- pay or declare dividends (other than dividends payable in common stock or any other stock subordinate to our preferred stock) on, or make any other distribution on, our common stock or any other stock subordinate to our preferred stock; or

- purchase or otherwise acquire for value our common stock or any other stock subordinate to our preferred stock.

So long as any shares of our preferred stock are outstanding, we cannot pay any dividends on (other than dividends payable in common stock or any other stock subordinate to our preferred stock), make any distribution on, or purchase or otherwise acquire for value, any of our common stock or other stock subordinate to our preferred stock, if after giving effect to such dividend, distribution or purchase, the aggregate amount of such dividends, distributions or purchases paid or made since April 30, 1944 exceeds the sum of:

- all credits to earned surplus since April 30, 1944; and

- all amounts credited to capital surplus since April 30, 1944, arising from the donation of cash or securities (other than securities junior to our preferred stock as to assets and dividends) to us or transfers of amounts from earned surplus to capital surplus.

In addition, so long as any shares of our preferred stock are outstanding:

- if and so long as our common stock equity (as defined below) at the end of the calendar month immediately preceding the date on which a dividend on our common stock is declared is, or as a result of such dividend would become, less than 20% of our total capitalization (as defined below), we shall not declare dividends on our common stock in an amount which, together with all other dividends on our common stock declared within the year ending on the date of such dividend declaration, exceeds 50% of the net income of the corporation available for dividends on common stock (as defined below) for the 12 months immediately preceding the month in which such dividend is declared;

- if and so long as our common stock equity at the end of the calendar month immediately preceding the date on which a dividend on our common stock is declared is, or as a result of such dividend would become, less than 25%, but not less than 20%, of our total capitalization, we shall not declare dividends on our common stock in an amount which, together with all other dividends on our common stock declared within the year ending on the date of such dividend declaration, exceeds 75% of the net income of the corporation available for dividends on common stock for the 12 months immediately preceding the month in which such dividend is declared; and

- at any time when our common stock equity is 25% or more of total capitalization, we may not pay dividends on shares of our common stock which would reduce common stock equity below 25% of total capitalization; *provided, however,* that even though the payment of such dividends would reduce our common stock equity below 25% of total capitalization, we may declare such dividends to the extent that the same, together with all dividends on our common stock declared within the year ending on the date of such dividend declaration do not exceed 75% of our net income available for dividends on common stock for the 12 months immediately preceding the month in which such dividends are declared.

So long as any shares of our preferred stock are outstanding, we cannot, without the consent of the holders of the shares of our preferred stock entitled to cast at least two-thirds of the votes thereon:

- create or authorize any kind of stock ranking prior to or on a parity with any of our preferred stock as to assets or dividends, or create or authorize any security convertible into shares of such stock; or

- amend, alter, change or repeal any of the terms of any of our preferred stock then outstanding in a manner prejudicial to the holders thereof; *provided, however,* that if any such amendment, alteration, change or repeal would be prejudicial to the holders of shares of one or more, but not all, of the series of our preferred stock, such consent shall be required only from the holders of at least two-thirds of the series so affected.

So long as any shares of our preferred stock are outstanding, we cannot, without the consent of the holders of the shares of our preferred stock entitled to cast at least a majority of the votes thereon:

- increase the total authorized amount of our preferred stock;

- issue any shares of our preferred stock, unless for any period of 12 consecutive calendar months within the 15 calendar months immediately preceding the month of issuance:

  - our net earnings applicable to the payment of dividends on shares of our preferred stock is at least two times the annual dividend requirements on all shares of our preferred stock to be outstanding immediately after the proposed issuance (excluding from the foregoing calculation all stock to be retired in connection with the proposed issuance); and

  - our net earnings available for the payment of interest charges on our indebtedness is at least one and one-half times the sum of (i) the annual interest charges on our indebtedness and (ii) the annual dividend requirements on all shares of our preferred stock to be outstanding immediately after the proposed issuance (excluding from the foregoing calculation all indebtedness and stock to be retired in connection with the proposed issuance);

- issue or incur additional indebtedness maturing more than 12 months from the date of issue, or issue any additional shares of preferred stock, unless immediately after such issuance, the aggregate of the principal amount of indebtedness then maturing in more than 12 months and the par value or stated value of preferred stock then outstanding shall be less than 75% of our total capitalization;

- issue any shares of our preferred stock, unless the aggregate of our capital applicable to our common stock and our surplus is not less than the amount payable upon involuntary dissolution to the holders of our preferred stock to be outstanding immediately after the proposed issuance (excluding from the foregoing calculation stock to be retired in connection with the proposed issuance); *provided* that no portion of our surplus used to meet the requirements of the foregoing calculation shall be available for dividends or distributions upon our common stock after such issuance and until such shares or a like number of other shares of our preferred stock shall have been retired; or

- merge or consolidate with or into any other corporation; *provided* that this restriction shall not apply to a merger pursuant to any provision of law which authorizes us, without shareholder action, to be the surviving party if the terms of the merger do not alter the provisions of our amended articles of incorporation (except as to our corporate name) nor otherwise affect our outstanding shares.

As used herein under the caption "Description of Preferred Stock — Dividend Restrictions and Certain Covenants", the following terms shall have the meanings set forth below.

- The term "common stock equity" shall mean the sum of the amount of the par or stated value of the issued and outstanding shares of our common stock and the surplus (including capital or paid-in surplus) and premium on our common stock, less the amount known, or estimated if not known, to represent the excess, if any, of recorded value over original cost of used and useful utility plant and other property, and less any items set forth on the asset side of the balance sheet as a result of accounting convention such as unamortized debt discount and expense, capital stock discount and expense, and the aggregate, if any, of all accrued and unpaid dividends upon all outstanding shares of all series of our preferred stock, unless such amount or items to be deducted in the determination of common stock equity are provided for by reserves.

- The term "total capitalization" shall mean the aggregate of the par or stated value of the issued and outstanding shares of all classes of our stock and the surplus (including capital or paid-in surplus) and premium on our capital stock, plus the principal amount of all outstanding debt maturing more than 12 months from the date of the determination of total capitalization.

- The term "dividends on common stock" shall include dividends or other distributions on or the purchase or other acquisition for value of shares of our common stock, but shall not include dividends payable solely in shares of our common stock.

- The term "net income of the corporation available for dividends on capital stock" for any 12 month period shall mean an amount equal to the sum of the operating revenues and income from investments and other miscellaneous income for such period, less all accrued operating expenses for such period, including maintenance and provision for depreciation or retirements, income and excess profits and other taxes, interest charges, and amortization charges, all as shall be determined in accordance with generally accepted accounting principles, and less also current and accrued dividends on all outstanding shares of our stock ranking prior to our common stock as to dividends or assets.

Transfer Agent

The transfer agent and registrar for the 4.00% Series, 4.60% Series, 4.75% Series, 4.40% Series, and 4.58% Series of our $100 Cumulative Preferred Stock is Computershare (formerly EquiServe). The transfer agent and registrar for our other series of preferred stock will be set forth in the applicable prospectus supplement.

Future Series of Preferred Stock

Our board of directors may authorize the preferred stock to be issued from time to time as one or more series of preferred stock. All shares of preferred stock of all series shall be of equal rank and all shares of any particular series of preferred stock shall be identical, except as to the date or dates from which dividends thereon shall be cumulative. For each new series of preferred stock, the board of directors, within the limitations and restrictions stated in Article III(B) of our articles of incorporation, may establish:

- the number of shares in each series;
- the annual dividend rate;
- the date from which dividends shall be cumulative;
- the redemption price(s) (if any);
- the time(s) and the amount of shares and other terms with respect to the redemption of shares;
- any sinking fund provisions;
- the conversion, participating or other special rights; and
- the qualifications, limitations or restrictions thereof.

GLOBAL SECURITIES

We may issue some or all of our securities of any series as global securities. We will register each global security in the name of a depositary identified in the applicable prospectus supplement. The global securities will be deposited with a depositary or nominee or custodian for the depositary and will bear a legend regarding restrictions on exchanges and registration of transfer as discussed below and any other matters to be provided pursuant to the indenture.

As long as the depositary or its nominee is the registered holder of a global security, that person will be considered the sole owner and holder of the global security and the securities represented by it for all purposes under the securities and the indenture. Except in limited circumstances, owners of a beneficial interest in a global security:

- will not be entitled to have the global security or any securities represented by it registered in their names;
- will not receive or be entitled to receive physical delivery of certificated securities in exchange for the global security; and
- will not be considered to be the owners or holders of the global security or any securities represented by it for any purposes under the securities or the indenture.

We will make all payments of principal and any premium and interest on a global security to the depositary or its nominee as the holder of the global security. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions having accounts with the depositary or its nominee, called "participants" for purposes of this discussion, and to persons that hold beneficial interests through participants. When a global security is issued, the depositary will credit on its book entry, registration and transfer system the principal amounts of securities represented by the global security to the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by:

- the depositary, with respect to participants' interests; or

- any participant, with respect to interests of persons held by the participants on their behalf.

Payments by participants to owners of beneficial interests held through the participants will be the responsibility of the participants. The depositary may from time to time adopt various policies and procedures governing payments, transfers, exchanges and other matters relating to beneficial interests in a global security. None of the following will have any responsibility or liability for any aspect of the depositary's or any participant's records relating to, or for payments made on account of, beneficial interests in a global security, or for maintaining, supervising or reviewing any records relating to those beneficial interests:

- us or our affiliates;
- the trustee under any indenture; or
- any agent of any of the above.

PLAN OF DISTRIBUTION

Unless the applicable prospectus supplement provides otherwise, we expect to sell the securities in any of three ways:

- through underwriters or dealers;
- directly through a limited number of institutional purchasers or to a single purchaser; or
- through agents.

The applicable prospectus supplement will set forth the terms under which the securities are offered, including:

- the names of any underwriters, dealers or agents;
- the purchase price and the net proceeds to us from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any initial public offering price; and
- any discounts or concessions allowed, re-allowed or paid to dealers.

We or any underwriters or dealers may change from time to time any initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers.

If we use underwriters in the sale, the securities will be acquired by the underwriters for their own account and may be resold in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of the sale. Unless the applicable prospectus supplement states otherwise, the obligations of the underwriters to purchase the securities will be subject to certain conditions, and the underwriters will be severally obligated to purchase all of the securities, except that in certain cases involving a default by an underwriter, less than all of the securities may be purchased. If we sell securities through an agent, the applicable prospectus supplement will state the name and any commission payable by us to the agent. Unless the prospectus supplement provides otherwise, any agent acting for us will be acting on a best efforts basis for the period of its appointment.

The applicable prospectus supplement will state whether we will authorize agents, underwriters or dealers to solicit offers by certain specified institutions to purchase securities at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified future date. These contracts will be subject to the conditions set forth in the prospectus supplement. Additionally, the prospectus supplement will set forth the commission payable for solicitation of these contracts.

Agents and underwriters may be entitled, under agreements with us, to indemnification by us against certain civil liabilities, including liabilities under the Securities Act of 1933.

EXPERTS

The financial statements and the related financial statement schedule incorporated in this prospectus by reference from Florida Power Corporation d/b/a Progress Energy Florida, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated by reference herein (which report on the financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of a new accounting principle in 2003), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

Unless the applicable prospectus supplement provides otherwise, R. Alexander Glenn, Deputy General Counsel of Progress Energy Service Company, LLC, and Hunton & Williams LLP, our outside counsel, will issue opinions about the legality of the offered securities for us. Unless the applicable prospectus supplement provides otherwise, any underwriters or agents will be advised about issues relating to any offering by their legal counsel, Dewey Ballantine LLP of New York, New York. As of November 30, 2005, Mr. Glenn owned 614 shares of Progress Energy, Inc. common stock. Mr. Glenn is acquiring additional shares of Progress Energy, Inc. common stock at regular intervals as a participant in the Progress Energy 401(k) Savings & Stock Ownership Plan.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

Item		Estimated Total
Securities and Exchange Commission registration fee	$	117,700.00
Florida Documentary Stamp and Intangible Taxes	$	3,000,000.00
Rating agencies' fees	$	700,000.00
Trustees' fees	$	150,000.00
Counsels' fees	$	350,000.00
Accountants' fees	$	100,000.00
Printing and engraving	$	60,000.00
Blue Sky fees	$	25,000.00
Miscellaneous	$	25,000.00
Total	$	4,527,700.00

All amounts other than the registration fee are estimated. The amount set forth for the Florida Documentary Stamp and Intangible Taxes assumes that only First Mortgage Bonds are issued for the full amount set forth in the fee table on the cover page of this registration statement.

Item 15. Indemnification of Directors and Officers.

The Florida Business Corporation Act, as amended (the "Florida Act"), provides that, in general, a business corporation may indemnify any person who is or was a party to any proceeding (other than an action by, or in the right of, the corporation) by reason of the fact that he or she is or was a director or officer of the corporation, against liability incurred in connection with such proceeding, provided certain standards are met, including that such officer or director acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation, and provided further that, with respect to any criminal action or proceeding, the officer or director had no reasonable cause to believe his or her conduct was unlawful.

In the case of proceedings by or in the right of the corporation, the Florida Act provides that, in general, a corporation may indemnify any person who was or is a party to such proceeding by reason of the fact that he or she is or was a director or officer of the corporation against expenses and amounts paid in settlement actually and reasonably incurred in connection with the defense or settlement of such proceeding, including the appeal thereof, provided that such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the corporation, and provided further that no indemnification shall be made in respect of any claim as to which such person is adjudged liable unless, and only to the extent that, a court of competent jurisdiction determines upon application that, despite the adjudication of liability, such person is fairly and reasonably entitled to indemnity.

To the extent that any officers or directors are successful on the merits or otherwise in the defense of any of the proceedings described above, the Florida Act provides that the corporation is required to indemnify such officers or directors against expenses actually and reasonably incurred in connection therewith. However, the Florida Act further provides that, in general, indemnification or advancement of expenses shall not be made to or on behalf of any officer or director if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (i) a violation of the criminal law, unless the director or officer had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe it was unlawful; (ii) a transaction from which the director or officer derived an improper personal benefit; (iii) in the case of a director, a circumstance under which the director has voted for or assented to a distribution made in

violation of the Florida Act or the corporation's articles of incorporation; or (iv) willful misconduct or a conscious disregard for the best interest of the corporation in a proceeding by or in the right of the corporation to procure a judgment in its favor or in a proceeding by or in the right of a shareholder.

Article 10 of our By-laws provides that we shall indemnify any director, officer or employee or any former director, officer or employee to the full extent permitted by law.

Progress Energy, Inc, our parent, has purchased insurance with respect to, among other things, the liabilities that may arise under the statutory provisions referred to above. Our directors and officers are also insured against certain liabilities, including certain liabilities arising under the Securities Act of 1933, that might be incurred by them in such capacities and against which they are not indemnified by us.

Item 16. Exhibits

Exhibit Number		
1(a)	—	Form of Underwriting Agreement for First Mortgage Bonds.
1(b)	—	Form of Underwriting Agreement for Debt Securities.
1(c)	—	Form of Underwriting Agreement for Preferred Stock.
*3(a)	—	Amended Articles of Incorporation of Florida Power, as amended (filed as Exhibit 3(a) to Annual Report on Form 10-K for the year ended December 31, 1991 (No. 1-3274), as filed with the SEC on March 30, 1992).
*3(b)	—	Bylaws of Florida Power, as amended (filed as Exhibit 3(d) to Annual Report on Form 10-K for the year ended December 31, 2004 (No. 1-3274), as filed with the SEC on March 16, 2005).
*4(a)	—	Indenture (for First Mortgage Bonds), dated as of January 1, 1944 (the 'FMB Indenture"), between Florida Power and Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees. (filed as Exhibit B-18 to Florida Power's Registration Statement on Form A-2 (No. 2-5293), as filed with the SEC on January 24, 1944).
*4(b)	—	Seventh Supplemental Indenture, dated as of July 1, 1956, between Florida Power and Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees, with reference to the modification and amendment of the FMB Indenture (filed as Exhibit 4(b) to Florida Power's Registration Statement on Form S-3 (No. 33-16788), as filed with the SEC on September 27, 1991).
*4(c)	—	Eighth Supplemental Indenture, dated as of July 1, 1958, between Florida Power and Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees, with reference to the modification and amendment of the FMB Indenture. (filed as Exhibit 4(c) to Florida Power's Registration Statement on Form S-3 (No. 33-16788), as filed with the SEC on September 27, 1991).
*4(d)	—	Sixteenth Supplemental Indenture, dated as of February 1, 1970, between Florida Power and Morgan Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees, with reference to the modification and amendment of the FMB Indenture. (filed as Exhibit 4(d) to Florida Power's Registration Statement on Form S-3 (No. 33-16788), as filed with the SEC on September 27, 1991).
*4(e)	—	Twenty-Ninth Supplemental Indenture, dated as of September 1, 1982, between Florida Power and Morgan Guaranty Trust Company of New York and Florida National Bank, as Trustees, with reference to the modification and amendment of the FMB Indenture. (filed as Exhibit 4(c) to Florida Power's Registration Statement on Form S-3 (No. 2-79832), as filed with the SEC on September 17, 1982).

Exhibit Number		
*4(f)	—	Thirty-Eighth Supplemental Indenture, dated as of July 25, 1994, between Florida Power and First Chicago Trust Company of New York, as successor Trustee, Morgan Guaranty Trust Company of New York, as resigning Trustee, and First Union National Bank of Florida, as resigning Co-Trustee, with reference to confirmation of First Chicago Trust Company of New York as successor Trustee under the FMB Indenture (filed as Exhibit 4(f) to Florida Power's Registration Statement on Form S-3 (No. 33-55273), as filed with the SEC on August 29, 1994).
*4(g)	—	Fortieth Supplemental Indenture, dated as of July 1, 2002, between Florida Power and First Chicago Trust Company of New York, as Trustee, with reference to the reservation of the right to certain future amendments to the FMB Indenture (filed as Exhibit 4 to Florida Power's Form 8-K (No. 1-3274), as filed with the SEC on February 18, 2003).
*4(h)	—	Forty-Second Supplemental Indenture, dated as of April 1, 2003, from Progress Energy Florida, Inc. to First Chicago Trust Company of New York (Resigning Trustee) and Bank One, N.A. (Successor Trustee), with reference to confirmation of Bank One, N.A. as successor Trustee under the FMB Indenture (filed as Exhibit 4 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (No. 1-3274), as filed with the SEC on August 11, 2003).
*4(i)	—	Forty-Fourth Supplemental Indenture, dated as of August 1, 2004 from Progress Energy Florida, Inc. to JPMorgan Chase Bank, as Trustee, with reference to the modification and amendment of the FMB Indenture. (filed as Exhibit 4(m) to Annual Report on Form 10-K (No. 1-3274), as filed with the SEC on March 16, 2005).
*4(j)	—	Forty-Fifth Supplemental Indenture, dated as of May 1, 2005 from Progress Energy Florida, Inc. to JPMorgan Chase Bank, N.A., with reference to JPMorgan Chase Bank, NA becoming successor to JPMorgan Chase Bank and successor Trustee under the FMB Indenture (filed as Exhibit 4 to Current Report on Form 8-K (No. 1-3274), as filed with the SEC on May 16, 2005).
*4(k)	—	Form of Supplemental Indenture relating to First Mortgage Bonds (filed as Exhibit 4(g) to Florida Power's Registration Statement on Form S-3 (No. 333-63204), as filed with the SEC on June 15, 2001).
*4(l)	—	Indenture (For Debt Securities), dated as of December 7, 2005, between Florida Power and J.P. Morgan Trust Company, National Association, as Trustee (filed as Exhibit 4(a) to Florida Power's Form 8-K (No. 1-3274), as filed with the SEC on December 13, 2005).
*4(m)	—	Form of Indenture relating to Debt Securities (filed as Exhibit 4(h) to Florida Power's Registration Statement on Form S-3 (No. 333-63204), as filed with the SEC on June 15, 2001).
*4(n)	—	Description of Preferred Stock and the rights of the holders thereof (as set forth in Article III(B) of the Amended Articles of Incorporation of Florida Power, as amended, and Articles 2, 7, and 9 of the Bylaws of Florida Power, as amended, each incorporated by reference in Exhibits 3(a) and 3(b), respectively, hereto).
**5	—	Opinion of Hunton & Williams LLP.
12	—	Computation of Ratio of Earnings to Fixed Charges.
23(a)	—	Consent of Deloitte & Touche LLP.
**23(b)	—	The consent of Hunton & Williams LLP is contained in its opinion filed as Exhibit 5.
**24	—	The Power of Attorney is contained on the signature page of this Registration Statement.
**25(a)	—	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of JPMorgan Chase Bank, N.A., as successor Trustee under the FMB Indenture relating to First Mortgage Bonds.
*25(b)	—	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of J.P. Morgan Trust Company, National Association, as Trustee under the Indenture (For Debt Securities) (filed pursuant to section 305(b)(2) on December 8, 2005).
†25(c)	—	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of the Trustee under an additional indenture relating to Debt Securities.

* Incorporated herein by reference as indicated.

** Previously filed on July 28, 2005.

† To be filed on Form T-1 (or an appropriate successor form) subsequent to effectiveness of this Registration Statement and incorporated by reference.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b), if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the SEC by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

2. That, for the purpose of determining any liability under the Securities Act of 1933, each such post effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the

registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. *Provided, however,* that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

5. That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described under Item 15 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee under the Indenture to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Securities and Exchange Commission under Section 305(b)(2) of the Trust Indenture Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Florida Power Corporation d/b/a Progress Energy Florida, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Raleigh, State of North Carolina, on the 22nd day of December, 2005.

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.

By: /s/H. William Habermeyer, Jr.

H. William Habermeyer, Jr.
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ H. William Habermeyer, Jr. H. William Habermeyer, Jr.	President, Chief Executive Officer and Director	December 22, 2005
/s/ Peter M. Scott III Peter M. Scott III	Executive Vice President, Chief Financial Officer, and Director	December 22, 2005
/s/ Jeffrey M. Stone Jeffrey M. Stone	Chief Accounting Officer	December 22, 2005
/s/ Robert B. McGehee* Robert B. McGehee	Chairman of the Board	December 22, 2005
/s/ Fred N. Day IV* Fred N. Day IV	Executive Vice President and Director	December 22, 2005
/s/ William D. Johnson* William D. Johnson	Executive Vice President and Director	December 22, 2005

*By: /s/ Frank A. Schiller

Frank A. Schiller, as
Attorney-in-fact

INDEX TO EXHIBITS

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**5	—	Opinion of Hunton & Williams LLP.
12	—	Computation of Ratio of Earnings to Fixed Charges.
23(a)	—	Consent of Deloitte & Touche LLP.
**23(b)	—	The consent of Hunton & Williams LLP is contained in its opinion filed as Exhibit 5.
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†25(c)	—	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of the Trustee under an additional indenture relating to Debt Securities.

* Incorporated herein by reference as indicated.

** Previously filed on July 28, 2005.

† To be filed on Form T-1 (or an appropriate successor form) subsequent to effectiveness of this Registration Statement and incorporated by reference.

Exhibit 1(a)

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.
First Mortgage Bonds
UNDERWRITING AGREEMENT

_____, 20__

To the Representative named in Schedule I hereto
of the Underwriters named in Section 1 herein
Dear Ladies and Gentlemen:

The undersigned Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "Company") hereby confirms its agreement with each of the several Underwriters hereinafter named as follows:

1. Underwriters and Representative. The term "Underwriters" as used in this Underwriting Agreement (this "Agreement") shall be deemed to mean the following firms, and any underwriter substituted as provided in paragraph 7 hereof, and the term "Underwriter" shall be deemed to mean any one of such Underwriters:

[_____]
[_____]
[_____]

The term "Representative" as used herein shall be deemed to mean the firm or the firms named in Schedule I hereto, collectively. If any firm or firms named as Representative in Schedule I hereto are the only firm or firms serving as underwriters, then the terms "Underwriters" and "Representative," as used herein, shall each be deemed to refer to such firm or firms. If more than one firm is named in Schedule I hereto, such firms represent, jointly and severally, that they have been authorized by the Underwriters to execute this Agreement on their behalf and to act for them as Representative in the manner herein provided. All obligations of the Underwriters hereunder are several and not joint. If more than one firm is named as Representative in Schedule I hereto, any action under or in respect of this Agreement may be taken by such firms jointly as the Representative or by one of the firms acting on behalf of the Representative, and such action will be binding upon all the Underwriters.

2. Description of Securities. The Company proposes to issue and sell its First Mortgage Bonds of the designation, with the terms and in the amount specified in Schedule I hereto (the "Securities"), under its Indenture, dated as of January 1, 1944, with JPMorgan Chase Bank, N.A., as successor Trustee, as supplemented by the Seventh, Eighth, Sixteenth, Twenty-Ninth, Thirty-Eighth, Fortieth, Forty-First, Forty-Second, Forty-Third and Forty-Fourth supplemental indentures, and as it will be further supplemented by a supplemental indenture relating to the Securities (the "Supplemental Indenture"), in substantially the form heretofore delivered to the Representative, said Indenture as supplemented by the Seventh, Eighth,

Sixteenth, Twenty-Ninth, Thirty-Eighth, Fortieth, Forty-First, Forty-Second, Forty-Third and Forty-Fourth supplemental indentures, and to be supplemented by the Supplemental Indenture, being hereinafter referred to as the "Mortgage."

3. Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, as amended (No. 333-___) (the "New Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), for the registration of up to an aggregate of $_____ principal amount of First Mortgage Bonds, Debt Securities and Preferred Stock in unallocated amounts. The New Registration Statement also constituted post-effective amendment no. 1 to a registration statement on Form S-3 (No. 333-___) (the "Post-Effective Amendment" and together with the New Registration Statement, the "Registration Statement") under the Securities Act relating to an aggregate of $_____ principal amount of the Company's securities, which had been previously registered under the Securities Act but remained unsold at the time the Post-Effective Amendment became effective. The Registration Statement contained a combined prospectus for the sale of up to an aggregate of $_____ principal amount of the Company's First Mortgage Bonds, Debt Securities and Preferred Stock (the "Registered Securities") in unallocated amounts. The Registration Statement was declared effective by the Commission on_____, 20___. As of the date hereof, the Company has sold an aggregate of $_____ principal amount of the Registered Securities. The term "Registration Statement" shall be deemed to include all amendments to the date hereof and all documents incorporated by reference therein (the "Incorporated Documents"). The base prospectus filed as part of the Registration Statement, in the form in which it has most recently been filed with the Commission prior to the date of this Agreement, is hereinafter called the "Basic Prospectus." The Basic Prospectus included in the Registration Statement, as supplemented by a preliminary prospectus supplement, dated_____, 20___, relating to the Securities, and all prior amendments or supplements thereto (other than amendments or supplements relating to Registered Securities other than the Securities), including the Incorporated Documents, is hereinafter referred to as the "Preliminary Prospectus." The Preliminary Prospectus, as amended and supplemented, including the Incorporated Documents, at or immediately prior to the Applicable Time (as defined below) is hereinafter called the "Pricing Prospectus." The BasicProspectus included in the Registration Statement, as it is to be supplemented by a prospectus supplement, dated on the date hereof, substantially in the form delivered to the Representative prior to the execution hereof, relating to the Securities (the "Prospectus Supplement") and all prior amendments or supplements thereto (other than amendments or supplements relating to securities of the Company other than the Securities), including the Incorporated Documents, is hereinafter referred to as the "Prospectus." Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Securities Act and the filing of any document under the Securities Exchange Act of 1934, as amended

(the "Exchange Act"), deemed to be incorporated therein after the date hereof and prior to the termination of the offering of the Securities by the Underwriters; and any references herein to the terms "Registration Statement" or "Prospectus" at a date after the filing of the Prospectus Supplement shall be deemed to refer to the Registration Statement or the Prospectus, as the case may be, as each may be amended or supplemented prior to such date.

For purposes of this Agreement, the "Applicable Time" is_____ (New York City time) on the date of this Agreement; the documents listed in Schedule II, taken together, are collectively referred to as the "Pricing Disclosure Package."

(b) The Registration Statement, at the time and date it was declared effective by the Commission, complied, and the Registration Statement, the Prospectus and the Mortgage, as of the date hereof and at the Closing Date (as defined herein), will comply, in all material respects, with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement, at the time and date it was declared effective by the Commission and as of the date hereof, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; the Pricing Disclosure Package as of the Applicable Time did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Prospectus, as of its date and at the Closing Date, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the foregoing representations and warranties in this subparagraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished herein or in writing to the Company by the Representative or by or on behalf of any Underwriter through the Representative expressly for use in the Prospectus or to any statements in or omissions from the Statement of Eligibility (Form T-1) of the Trustee. The Incorporated Documents, at the time they were each filed with the Commission, complied in all material respects with the applicable requirements of the Exchange Act and the instructions, rules and regulations of the Commission thereunder; and any documents so filed and incorporated by reference subsequent to the date hereof and prior to the termination of the offering of the Securities by the Underwriters will, at the time they are each filed with the Commission, comply in all material respects with the requirements of the Exchange Act and the instructions, rules and regulations of the Commission thereunder; and, when read together with the RegistrationStatement, the Pricing Prospectus, the Permitted Free Writing Prospectuses (as defined in paragraph 5(a) hereof) and the Prospectus, none of such documents included or includes or will include any untrue statement of a material fact or omitted or omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each Permitted Free Writing Prospectus listed on Schedule II does not conflict in any material respect with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus.

(c) The Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida; has corporate power and authority to own, lease and operate its properties and to conduct its business as contemplated under this Agreement and the other material agreements to which it is a party; and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(d) The historical financial statements incorporated by reference in the Registration Statement, the Pricing Prospectus and the Prospectus present fairly the financial condition and operations of the Company at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except that the quarterly financial statements, if any, incorporated by reference from any Quarterly Reports on Form 10-Q contain condensed footnotes prepared in accordance with applicable Exchange Act rules and regulations; and Deloitte & Touche LLP, which has audited certain of the financial statements is an independent registered public accounting firm as required by the Securities Act or the Exchange Act and the rules and regulations of the Commission thereunder.

(e) Except as reflected in, or contemplated by, the Registration Statement and the Pricing Prospectus, since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, and prior to the Closing Date, (i) there has not been any material adverse change in the business, properties, results of operations or financial condition of the Company, (ii) there has not been any material transaction entered into by the Company other than transactions contemplated by the Registration Statement and the Pricing Prospectus or transactions arising in the ordinary course of business and (iii) the Company has no material contingent obligation that is not disclosed in the Registration Statement and the Pricing Prospectus that could likely result in a material adverse change in the business, properties, results of operations or financial condition of the Company.

(f) The Company has full power and authority to execute, deliver and perform its obligations under this Agreement. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of the terms hereof on the part of the Company to be fulfilled have been duly authorized by all necessary corporate action of the Company in accordance with the provisions of its articles of incorporation, as amended (the "Charter"), by-laws and applicable law; and the Securities, when issued and delivered as provided herein, will constitute legal, valid and binding obligations of the Company in accordance with their terms subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings.

(g) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, the Charter, the Company's by-laws, applicable law or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(h) The Securities conform in all material respects to the description contained in the Pricing Disclosure Package and the Prospectus.

(i) The Company has no subsidiaries that meet the definition of "significant subsidiary" as defined in Section 210.1-02(w) of Regulation S-X promulgated under the Securities Act.

(j) The Mortgage (A) has been duly authorized, executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Supplemental Indenture by the Trustee, constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity and except for the effect on enforceability of federal or state law limiting, delaying or prohibiting the making of payments outside the United States); *provided, however*, that certain remedies, waivers and other provisions of the Mortgage may not be enforceable, but such unenforceability will not render the Mortgage invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided in the Securities or (ii) the right of the Trustee to exercise its right to foreclose under the Mortgage; and (B) conforms in all material respects to the description thereof in the Prospectus. The Mortgage (including the Supplemental Indenture upon its due execution by the Company and the Trustee in accordance with the Indenture) has been qualified under the 1939 Act.

(k) The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(l) Except as described in or contemplated by the Pricing Prospectus, there are no pending or, to the knowledge of the Company, threatened actions, suits or proceedings (regulatory or otherwise) against or affecting the Company or its properties that are likely in the aggregate to result in any material adverse change in the business, properties, results of operations or financial condition of the Company, or that are likely in the aggregate to materially and adversely affect the Mortgage, the Securities or the consummation of this Agreement or the transactions contemplated herein or therein.

(m) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions herein contemplated or for the due execution, delivery or performance of the Mortgage by the Company, except such as have already been made or obtained or as may be required under the Securities Act or state securities laws and except for the qualification of the Supplemental Indenture under the 1939 Act.

4. Purchase and Sale. On the basis of the representations, warranties and covenants herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to each of the Underwriters, severally and not jointly, and each such Underwriter agrees, severally and not jointly, to purchase from the Company, the respective principal amount of Securities set forth opposite the name of such Underwriter below a purchase price of ___% of the principal amount thereof:

Underwriter	Principal Amount of Securities
[_____]	
[_____]	
[_____]	
Total	

5. Reoffering by Underwriters. The Underwriters agree to make promptly a bona fide public offering of the Securities to the public for sale as set forth in the Prospectus, subject, however, to the terms and conditions of this Agreement. The Underwriters agree that (i) no sales of the Securities will occur before investors are presented with the information that is contained in the Pricing Disclosure Package and (ii) such information that is presented to investors is consistent with the information that is contained in the Pricing Disclosure Package.

6. Free Writing Prospectuses.

(a) The Company represents and agrees that, without the prior consent of the Representative, it has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus" as defined in Rule 405 under the Act, other than a Permitted Free Writing Prospectus; each Underwriter represents and agrees that, without the prior consent of the Company and the Representative, it has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus," as defined in Rule 405 under the Act, other than a Permitted Free Writing Prospectus or a free writing prospectus that is not required to be filed by the Company pursuant to Rule 433 under the Securities Act (an "Underwriter Free Writing Prospectus"). Any such free writing prospectus the use of which is consented to by the Company and the Representative is referred to herein as a "Permitted Free Writing Prospectus". The only Permitted Free Writing Prospectus as of the time of this Agreement is the pricing term sheet referred to in paragraph 6(b) below.

(b) The Company agrees to file a pricing term sheet, in the form of Schedule I hereto and approved by the Representative pursuant to Rule 433(d) under the Securities Act within the time period prescribed by such Rule.

(c) The Company and the Underwriters have complied and will comply with the requirements of Rule 433 under the Securities Act applicable to any free writing prospectus, including timely Commission filing where required and legending.

(d) The Company agrees that if at any time following issuance of a Permitted Free Writing Prospectus any event occurred or occurs as a result of which such Permitted Free Writing Prospectus would conflict in any material respect with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representative and, if requested by the Representative, will prepare and furnish without charge to each Underwriter a Permitted Free Writing Prospectus or other document which will correct such conflict, statement or omission; provided, however, that this representation and warranty shall not apply to any statements or omissions in a Permitted Free Writing Prospectus made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representative, expressly for use therein.

7. Time and Place of Closing; Default of Underwriters.

(a) Payment for the Securities shall be made at the office of Hunton & Williams LLP, located at 421 Fayetteville Street Mall, Raleigh, North Carolina 27601 on the date specified in Schedule I hereto against delivery of the Securities at the office of JPMorgan Chase Bank, N.A., 4 New York Plaza New York, New York 10004, or such other place, time and date as the Representative and the Company may agree. The hour and date of such delivery and payment are herein called the "Closing Date." Payment for the Securities shall be by wire transfer of immediately available funds against delivery to The Depository Trust Company or to JPMorgan Chase Bank, N.A., as custodian for The Depository Trust Company, in fully registered global form registered in the name of CEDE & Co., as nominee for The Depository Trust Company, for the respective accounts specified by the Representative not later than the close of business on the business day prior to the Closing Date or such other date and time not later than the Closing Date as agreed by The Depository Trust Company or JPMorgan Chase Bank, N.A. For the purpose of expediting the checking of the certificates by the Representative, the Company agrees to make the Securities available to the Representative not later than 10:00 A.M. New York time, on the last full business day prior to the Closing Date at said office of JPMorgan Chase Bank, N.A.

(b) If one or more Underwriters shall, for any reason other than a reason permitted hereunder, fail to take up and pay for the principal amount of the Securities of any series to be purchased by such one or more Underwriters, the Company shall immediately notify the Representative, and the non-defaulting Underwriters shall be obligated to take up and pay for (in addition to the respective principal amount of the

Securities of such series set forth opposite their respective names in paragraph 4) the principal amount of such series of Securities that such defaulting Underwriter or Underwriters failed to take up and pay for, up to a principal amount thereof equal to 10% of the principal amount of such Securities. Each non-defaulting Underwriter shall do so on a pro rata basis according to the amounts set forth opposite the name of such non-defaulting Underwriter in paragraph 4, such non-defaulting Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another Underwriter or Underwriters, satisfactory to the Company, to take up and pay for the remaining principal amount of the Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Securities still remain, then the Company or the Representative shall be entitled to an additional period of 24 hours within which to procure another party or parties, members of the National Association of Securities Dealers, Inc. (or if not members of such Association, who are not eligible for membership in said Association and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with said Association's Conduct Rules) and satisfactory to the Company, to purchase or agree to purchase such unpurchased Securities on the terms herein set forth. In any such case, either the Representative or the Company shall have the right to postpone the Closing Date for a period not to exceed three full business days from the date agreed upon in accordance with this paragraph 7, in order that the necessary changes in the Registration Statement and Prospectus and any other documents and arrangements may be effected. If (i) neither the non-defaulting Underwriters nor the Company has arranged for the purchase of such unpurchased Securities by another party or parties as above provided and (ii) the Company and the non-defaulting Underwriters have not mutually agreed to offer and sell the Securities other than the unpurchased Securities, then this Agreement shall terminate without any liability on the part of the Company or any Underwriter (other than an Underwriter that shall have failed or refused, in accordance withthe terms hereof, to purchase and pay for the principal amount of the Securities that such Underwriter has agreed to purchase as provided in paragraph 4 hereof), except as otherwise provided in paragraph 8 and paragraph 9 hereof.

8. Covenants of the Company. The Company covenants with each Underwriter that:

(a) As soon as reasonably possible after the execution and delivery of this Agreement, the Company will file the Prospectus with the Commission pursuant to Rule 424 under the Securities Act ("Rule 424"), setting forth, among other things, the necessary information with respect to the terms of offering of the Securities and make any other required filings pursuant to Rule 433 under the Securities Act. Upon request, the Company will promptly deliver to the Representative and to counsel for the Underwriters, to the extent not previously delivered, one fully executed copy or one conformed copy, certified by an officer of the Company, of the Registration Statement, as originally filed, and of all amendments thereto, if any, heretofore or hereafter made (other than those relating solely to Registered Securities other than the Securities), including any post-effective amendment (in each case including all exhibits filed therewith and all documents incorporated therein not previously furnished to the Representative), including

signed copies of each consent and certificate included therein or filed as an exhibit thereto, and will deliver to the Representative for distribution to the Underwriters as many conformed copies of the foregoing (excluding the exhibits, but including all documents incorporated therein) as the Representative may reasonably request. The Company will also send to the Underwriters as soon as practicable after the date of this Agreement and thereafter from time to time as many copies of the Prospectus and the Preliminary Prospectus as the Representative may reasonably request for the purposes required by the Securities Act.

(b) During such period (not exceeding nine months) after the commencement of the offering of the Securities as the Underwriters may be required by law to deliver a Prospectus, if any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Representative shall occur, which in the Company's reasonable opinion (after consultation with counsel for the Representative) should be set forth in a supplement to or an amendment of the Prospectus in order to make the Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser, or if it is necessary to amend the Prospectus to comply with the Securities Act, the Company will forthwith at its expense prepare and furnish to the Underwriters and dealers named by the Representative a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus which will supplement or amend the Prospectus so that as supplemented or amended it will comply with the Securities Act and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading. In case any Underwriter is required to deliver a Prospectus after the expiration of nine months after the commencement of the offering of the Securities, the Company, upon the request of the Representative, will furnish to the Representative, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Prospectus, complying with Section 10(a) of the Securities Act.

(c) The Company will make generally available to its security holders, as soon as reasonably practicable, but in any event not later than 16 months after the end of the fiscal quarter in which the filing of the Prospectus pursuant to Rule 424 occurs, an earnings statement (in form complying with the provisions of Section 11(a) of the Securities Act, which need not be certified by independent public accountants) covering a period of twelve months beginning not later than the first day of the Company's fiscal quarter next following the filing of the Prospectus pursuant to Rule 424.

(d) The Company will use its best efforts promptly to do and perform all things to be done and performed by it hereunder prior to the Closing Date and to satisfy all conditions precedent to the delivery by it of the Securities.

(e) As soon as reasonably possible after the Closing Date, the Company will cause the Supplemental Indenture to be recorded in all recording offices in the State of Florida in which the property intended to be subject to the lien of the Mortgage is located.

(f) The Company will advise the Representative, or the Representative's counsel, promptly of the filing of the Prospectus pursuant to Rule 424 and of any amendment or supplement to the Prospectus or Registration Statement or of official notice of institution of proceedings for, or the entry of, a stop order suspending the effectiveness of the Registration Statement and, if such a stop order should be entered, use its best efforts to obtain the prompt removal thereof.

(g) The Company will use its best efforts to qualify the Securities, as may be required, for offer and sale under the Blue Sky or legal investment laws of such jurisdictions as the Representative may designate and will file and make in each year such statements or reports as are or may be reasonably required by the laws of such jurisdictions; *provided, however*, that the Company shall not be required to qualify as a foreign corporation or dealer in securities, or to file any general consents to service of process, under the laws of any jurisdiction.

(h) Prior to the termination of the offering of the Securities, the Company will not file any amendment to the Registration Statement or supplement to the Pricing Prospectus or the Prospectus (in each case other than amendments or supplements relating to Registered Securities other than the Securities) which shall not have previously been furnished to the Representative or of which the Representative shall not previously have been advised or to which the Representative shall reasonably object in writing and which has not been approved by the Representative or its counsel.

9. Payment of Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing and filing of the Registration Statement and the printing of this Agreement, (ii) the delivery of the Securities to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the expenses in connection with the qualification of the Securities under securities laws in accordance with the provisions of paragraph 8(g), including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith, such fees and disbursements not to exceed $7,500, (v) the printing and delivery to the Underwriters of copies of the Registration Statement and all amendments thereto, of the Preliminary Prospectus, any Permitted Free Writing Prospectus and the Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of the Blue Sky Survey and (vii) the preparation, execution, filing and recording by the Company of the Supplemental Indenture (such filing and recordation to be promptly made after execution and delivery of the Supplemental Indenture to the Trustee under the Mortgage in the counties in which the mortgaged property of the Company is located); and the Company will pay all taxes, if any (but not including any transfer taxes), on the issue of the Securities and the filing and recordation of the Supplemental Indenture. The fees and disbursements of Underwriters' counsel shall be paid by the Underwriters (subject, however, to the provisions of this paragraph 9 requiring payment by the Company of fees and disbursements not to exceed $7,500); provided, however, that if this Agreement is terminated in accordance with the provisions of paragraph 10, 11 or 13 hereof, the Company shall reimburse the Representative for the account of the Underwriters for the fees and disbursements of Underwriters' counsel. The Company shall not be required to pay any amount for any expenses of the Representative or of any other of the Underwriters except as provided in

paragraph 8 hereof and in this paragraph 9. The Company shall not in any event be liable to any of the Underwriters for damages on account of the loss of anticipated profit.

10. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase and pay for the Securities shall be subject to the accuracy of the representations and warranties on the part of the Company as of the date hereof and the Closing Date, to the performance by the Company of its obligations to be performed hereunder prior to the Closing Date, and to the following further conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be pending before, or, to the Company's knowledge, threatened by, the Commission on the Closing Date. The Representative shall have received, prior to payment for the Securities, a certificate dated the Closing Date and signed by the Chairman, President, Treasurer or a Vice President of the Company to the effect that no such stop order is in effect and that no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) At the time of execution of this Agreement, or such later date as shall have been consented to by the Representative, there shall have been issued, and on the Closing Date there shall be in full force and effect, an order of the Florida Public Service Commission authorizing the issuance and sale of the Securities, which shall not contain any provision unacceptable to the Representative by reason of its being materially adverse to the Company (it being understood that no such order in effect on the date of this Agreement and heretofore furnished to the Representative or counsel for the Underwriters contains any such unacceptable provision).

(c) At the Closing Date, the Representative shall receive favorable opinions from: (1) Hunton & Williams LLP, counsel to the Company, which opinion shall be satisfactory in form and substance to counsel for the Underwriters, and (2) Dewey Ballantine LLP, counsel for the Underwriters, in each of which opinions (except as to subdivision (vi) (as to documents incorporated by reference, at the time they were filed with the Commission) as to which Dewey Ballantine LLP need express no opinion) said counsel may rely as to all matters of Florida law upon the opinion of R. Alexander Glenn, Deputy General Counsel–Florida of Progress Energy Service Company LLC, acting as counsel to the Company, to the effect that:

(i) The Mortgage has been duly and validly authorized by all necessary corporate action (with this opinion required in the Hunton & Williams LLP and Dewey Ballantine LLP opinions only as to the original Indenture dated as of January 1, 1944 and the supplemental indentures subsequent to, but not including, the Thirty-Eighth Supplemental Indenture), has been duly and validly executed and delivered by the Company (with this opinion required in the Hunton & Williams LLP and Dewey Ballantine LLP opinions only as to the original Indenture dated as of January 1, 1944 and the supplemental indentures subsequent to, but not including, the Thirty-Eighth Supplemental Indenture), and is a valid and binding mortgage of the Company enforceable in accordance with

its terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealing (with this opinion required in the Hunton & Williams LLP and Dewey Ballantine LLP opinions only as to the original Indenture dated as of January 1, 1944 and the supplemental indentures subsequent to, but not including, the Thirty-Eighth Supplemental Indenture); *provided, however*, that certain remedies, waivers and other provisions of the Mortgage may not be enforceable, but such unenforceability will not render the Mortgage invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided in the Securities or (ii) the right of the Trustee to exercise its right to foreclose under the Mortgage;

(ii) The Mortgage has been duly qualified under the 1939 Act;

(iii) Assuming authentication of the Securities by the Trustee in accordance with the Mortgage and delivery of the Securities to and payment for the Securities by the Underwriters, as provided in this Agreement, the Securities have been duly and validly authorized, executed and delivered and are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings, and are entitled to the benefits of the security afforded by the Mortgage, and are secured equally and ratably with all other bonds outstanding under the Mortgage except insofar as any sinking or other fund may afford additional security for the bonds of any particular series;

(iv) The statements made in the Prospectus under the caption "Description of First Mortgage Bonds" and in the Prospectus Supplement under the captions "Certain Terms of the Bonds" and "Description of First Mortgage Bonds," insofar as they purport to constitute summaries of the documents referred to therein, are accurate summaries in all material respects;

(v) This Agreement has been duly and validly authorized, executed and delivered by the Company;

(vi) The Registration Statement, at the time and date it was declared effective by the Commission and as of the date hereof, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses and the Prospectus, at the time each was filed with, or transmitted for filing to, the Commission pursuant to Rule 424 (except as to the financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein, upon which such opinions need not pass), complied as to form in all material respects with the requirements of the Securities Act and the 1939 Act and the applicable instructions, rules and regulations of the Commission thereunder; the documents or portions thereof filed with the Commission pursuant to the Exchange Act and deemed to be incorporated by reference in the

Registration Statement, the Preliminary Prospectus, the Pricing Prospectus and the Prospectus pursuant to Item 12 of Form S-3 (except as to financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1, upon which such opinions need not pass), at the time they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement has become effective under the Securities Act and, to the best of the knowledge of said counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and not withdrawn, and no proceedings for a stop order with respect thereto are threatened or pending under Section 8 of the Securities Act; and

(vii) Nothing has come to the attention of said counsel that would lead them to believe that the Registration Statement, at the time and date it was declared effective by the Commission and as of the date hereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and nothing has come to the attention of said counsel that would lead them to believe that (x) the Pricing Disclosure Package as of the Applicable Time, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (y) the Prospectus, as of its date and, as amended or supplemented, at the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except as to financial statements and other financial and statistical data constituting a part of the Registration Statement, the Pricing Disclosure Package or the Prospectus or incorporated by reference therein and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1, upon which such opinions need not pass);

(d) At the Closing Date, the Representative shall receive from R. Alexander Glenn, Deputy General Counsel–Florida of Progress Energy Service Company, LLC, acting as counsel to the Company, a favorable opinion in form and substance satisfactory to counsel for the Underwriters, to the same effect with respect to the matters enumerated in subdivisions (i), (iii), (v) and (vii) of subparagraph (c) of this paragraph 10 as the opinions required by said subparagraph (c), and to the further effect that:

(i) The Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida;

(ii) The Company is duly authorized by its Charter to conduct the business that it is now conducting as set forth in the Prospectus;

(iii) The Company is an electrical utility engaged in the business of generating, transmitting, distributing and selling electric power to the general public in the State of Florida;

(iv) The Company has valid and subsisting franchises, licenses and permits adequate for the conduct of its business, except where the failure to hold such franchises, licenses and permits would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company;

(v) The Company has good and marketable title, with minor exceptions, restrictions and reservations in conveyances, and defects that are of the nature ordinarily found in properties of similar character and magnitude and that, in his opinion, will not in any substantial way impair the security afforded by the Mortgage, to all the properties described in the granting clauses of the Mortgage and upon which the Mortgage purports to create a lien. The description in the Mortgage of the above-mentioned properties is legally sufficient to constitute the Mortgage a lien upon said properties, including without limitation properties hereafter acquired by the Company (other than those expressly excepted and reserved therefrom). Said properties constitute substantially all the permanent physical properties and franchises (other than those expressly excepted and reserved therefrom) of the Company and are held by the Company free and clear of all liens and encumbrances except the lien of the Mortgage and excepted encumbrances, as defined in the Mortgage. The properties of the Company are subject to liens for current taxes, which it is the practice of the Company to pay regularly as and when due. The Company has easements for rights-of-way adequate for the operations and maintenance of its transmission and distribution lines that are not constructed upon public highways. The Company has followed the practice generally of acquiring (i) certain rights-of-way and easements and certain small parcels of fee property appurtenant thereto and for use in conjunction therewith and (ii) certain other properties of small or inconsequential value, without an examination of title and, as to the title to lands affected by said rights-of-way and easements, of not examining the title of the lessor or grantor whenever the lands affected by such rights-of-way and easements are not of such substantial value as in the opinion of the Company to justify the expense attendant upon examination of titles in connection therewith. In the opinion of said counsel, such practice of the Company is consistent with sound economic practice and with the method followed by other companies engaged in the same business and is reasonably adequate to assure the Company of good and marketable title to all such property acquired by it. It is the opinion of said counsel that any such conditions or defects as may be covered by the above recited exceptions are notsubstantial and would not materially interfere with the Company's use of such properties or with its business operations. The Company has the right of eminent domain in the State of Florida under which it may, if necessary, perfect or obtain title to privately owned land or acquire easements or rights-of-way required for use or used by the Company in its public utility operations;

(vi) The Mortgage has been recorded and filed in such manner and in such places as may be required by law in order fully to preserve and protect, in all material respects, the security of the bondholders and all rights of the Trustee thereunder; and the Supplemental Indenture relating to the Securities is in proper form for filing for record both as a real estate mortgage and as a security interest in all counties in the State of Florida in which any of the property (except as any therein or in the Mortgage are expressly excepted) described therein or in the Mortgage as subject to the lien of the Mortgage is located and, upon such recording, the Supplemental Indenture will constitute adequate record notice to perfect the lien of the Mortgage, and preserve and protect, in all material respects, the security of the bondholders and all rights of the Trustee, as to all mortgaged and pledged property acquired by the Company subsequent to the recording of the Forty-Fourth Supplemental Indenture and prior to the recording of the Supplemental Indenture;

(vii) The Mortgage constitutes a valid, direct and first mortgage lien of record upon all franchises and properties now owned by the Company (other than those expressly excepted therefrom and other than those franchises and properties which are not, individually or in the aggregate, material to the Company or the security afforded by the Mortgage) situated in the State of Florida, as described or referred to in the granting clauses of the Mortgage, subject to the exceptions as to bankruptcy, insolvency and other laws stated in subdivision (i) of subparagraph (c) above;

(viii) The issuance and sale of the Securities have been duly authorized by all necessary corporate action on the part of the Company;

(ix) An order has been entered by the Florida Public Service Commission authorizing the issuance and sale of the Securities, and to the best of the knowledge of said counsel, said order is still in force and effect; and no further filing with, approval, authorization, consent or other order of any public board or body (except such as have been obtained under the Securities Act and as may be required under the state securities or Blue Sky laws of any jurisdiction) is legally required for the consummation of the transactions contemplated in this Agreement;

(x) Except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against the Company or any properties that are likely, in the aggregate, to result in any material adverse change in the business, properties, results of operations or financial condition of the Company or that are likely, in the aggregate, to materially and adversely affect the Mortgage, the Securities or the consummation of this Agreement, or the transactions contemplated herein or therein; and

(xi) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not (i) result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or the Company's by-laws

or (ii) result in a material breach of any terms or provisions of, or constitute a default under, any applicable law, indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on business, properties, results of operations or financial condition of the Company.

(e) The Representative shall have received on the date hereof and shall receive on the Closing Date from Deloitte & Touche LLP, a letter addressed to the Representative containing statements and information of the type ordinarily included in accountants' SAS 72 "comfort letters" to underwriters with respect to the audit reports, financial statements and certain financial information contained in or incorporated by reference into the Prospectus.

(f) At the Closing Date, the Representative shall receive a certificate of the Chairman, President, Treasurer or a Vice President of the Company, dated the Closing Date, to the effect that the representations and warranties of the Company in this Agreement are true and correct as of the Closing Date.

(h) The Permitted Free Writing Prospectus, and any other material required pursuant to Rule 433(d) under the Securities Act, shall have been filed by the Company with the Commission within the applicable time periods prescribed by Rule 433.

(g) All legal proceedings taken in connection with the sale and delivery of the Securities shall have been satisfactory in form and substance to counsel for the Underwriters, and the Company, as of the Closing Date, shall be in compliance with any governing order of the Florida Public Service Commission, except where the failure to comply with such order would not be material to the offering or validity of the Securities.

In case any of the conditions specified above in this paragraph 10 shall not have been fulfilled or waived by 2:00 P.M. on the Closing Date, this Agreement may be terminated by the Representative by delivering written notice thereof to the Company. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 8 and 9 hereof.

11. Conditions of the Company's Obligations. The obligations of the Company to deliver the Securities shall be subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date, and no proceedings for that purpose shall be pending before or threatened by the Commission on the Closing Date.

(b) Prior to 12:00 Noon, New York time, on the day following the date of this Agreement, or such later date as shall have been consented to by the Company, there shall have been issued and on the Closing Date there shall be in full force and effect an order of the Florida Public Service Commission authorizing the issuance and sale by the

Company of the Securities, which shall not contain any provision unacceptable to the Company by reason of its being materially adverse to the Company (it being understood that no such order in effect as of the date of this Agreement contains any such unacceptable provision).

In case any of the conditions specified in this paragraph 11 shall not have been fulfilled at the Closing Date, this Agreement may be terminated by the Company by delivering written notice thereof to the Representative. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 8 and 9 hereof.

12. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Underwriter, each officer and director of each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each such Underwriter, each such officer and director, and each such controlling person for any legal or other expenses (including to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement, or alleged untrue statement, of a material fact contained in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses or the Prospectus, or in the Registration Statement or Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or in any free writing prospectus used by the Company other than a Permitted Free Writing Prospectus, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however,* that the indemnity agreement contained in this paragraph 12 shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of or based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by any Underwriter through the Representative expressly for use in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses or the Prospectus, or any amendment or supplement to any thereof, or arising out of, or based upon, statements in or omissions from that part of the Registration Statement that shall constitute the Statement of Eligibility under the 1939 Act (Form T-1) of the Trustee, and provided, further, that the indemnity agreement contained in this paragraph 12 shall not inure to the benefit of anyUnderwriter (or of any person controlling such Underwriter) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of the Securities to any person if a copy of the Permitted Free Writing Prospectus or Prospectus (excluding documents incorporated by reference therein) shall not have been given or sent to such person by or on behalf of such Underwriter at or prior to the entry into the contract of sale, unless such Prospectus or Permitted Free Writing Prospectus failed to correct the omission or misstatement. The

indemnity agreement of the Company contained in this paragraph 12 and the representations and warranties of the Company contained in paragraph 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter, and such officer or director or any such controlling person and shall survive the delivery of the Securities. The Underwriters agree to notify promptly the Company, and each other Underwriter, of the commencement of any litigation or proceedings against them or any of them, or any such officer or director or any such controlling person, in connection with the sale of the Securities.

(b) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless the Company, its officers who signed the Registration Statement and its directors, and each person who controls the Company within the meaning of Section 15 of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages, or liabilities, or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses, the Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or any Underwriter Free Writing Prospectus used by such Underwriter (but only to the extent that the content of such Underwriter Free Writing Prospectus that is subject to indemnification is materially inconsistent with the information contained in the Permitted Free Writing Prospectus or the Prospectus) or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by such Underwriter or through the Representative on behalf of such Underwriter expressly for use in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectus or the Prospectus or any amendment or supplement to any thereof. The indemnity agreement of all the respective Underwriters contained in this paragraph 12 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or any other Underwriter, or any such officer or director or any such controlling person, and shall survive the delivery of the Securities. The Company agrees promptly to notify the Representative of the commencement of any litigation orproceedings against the Company or any of its officers or directors, or any such controlling person, in connection with the sale of the Securities.

(c) The Company and each of the Underwriters agree that, upon the receipt of notice of the commencement of any action against it, its officers or directors, or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought hereunder. The Company and each of the Underwriters agree that the

notification required by the preceding sentence shall be a material term of this Agreement. The omission so to notify such indemnifying party or parties of any such action shall relieve such indemnifying party or parties from any liability that it or they may have to the indemnified party on account of any indemnity agreement contained herein if such indemnifying party was materially prejudiced by such omission, but shall not relieve such indemnifying party or parties from any liability that it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party (or parties) and satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying parties will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them, as such expenses are incurred; provided, however, if the defendants (including any impleaded parties) in any such action include both the indemnified party and the indemnifying party, and counsel for the indemnified party shall have concluded, in its reasonable judgment, that there may be a conflict of interest involved in the representation by such counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to one local counsel) representing the indemnified parties who are parties to such action). Each of the Company and the several Underwriters agrees that without the other party's prior written consent, which consent shall not be unreasonably withheld, it will not settle, compromise or consent tothe entry of any judgment in any claim in respect of which indemnification may be sought under the indemnification provisions of this Agreement, unless such settlement, compromise or consent includes an unconditional release of such other party from all liability arising out of such claim.

(d) If the indemnification provided for in subparagraphs (a) or (b) above is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and of the Underwriters, on the other hand, in connection with the statements or omissions that resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, in connection with

the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, bear to the aggregate initial public offering price of the Securities as set forth on such cover. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subparagraph (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this subparagraph (d). The rights of contribution contained in this paragraph 12 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter of the Company and shall survive delivery of the Securities. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subparagraph (d), each officer and director of each Underwriter and each person, if any, who controls an Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this subparagraph(d) are several in proportion to the number of Securities set forth opposite their respective names in paragraph 4 and not joint.

(e) For purposes of this paragraph 12, it is understood and agreed that the only information provided by the Underwriters expressly for use in the Registration Statement, the Pricing Prospectus, the Permitted Free Writing Prospectuses and Prospectus were the following parts of the section titled "Underwriting":____.

13. Termination Date of this Agreement. This Agreement may be terminated by the Representative at any time prior to the Closing Date by delivering written notice thereof to the Company, if on or after the date of this Agreement but prior to such time (a) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange, or there shall have been established by the New York Stock Exchange or by the Commission or by any federal or state agency or by the decision of any court, any limitation on prices for such trading or any restrictions on the distribution of securities or (b) there shall have occurred any new outbreak of hostilities including, but not limited to, significant escalation of hostilities that existed prior to the date of this Agreement, or any national or international calamity or crisis, or any material adverse change in the financial markets of the United States, the effect of which outbreak, escalation, calamity or crisis, or material adverse change on the financial markets of

the United States shall be such as to make it impracticable, in the reasonable judgment of the Representative, for the Underwriters to enforce contracts for the sale of the Securities, or (c) the Company shall have sustained a substantial loss by fire, flood, accident or other calamity that renders it impracticable, in the reasonable judgment of the Representative, to consummate the sale of the Securities and the delivery of the Securities by the several Underwriters at the initial public offering price, or (d) there shall have been any downgrading or any notice of any intended or potential downgrading in the rating accorded the Company's securities by any "nationally recognized statistical rating organization" as that term is defined by the Commission for the purposes of Securities Act Rule 436(g)(2), or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Securities, or any of the Company's other outstanding debt, the effect of which in the reasonable judgment of the Representative, makes it impracticable or inadvisable to consummate the sale of the Securities and the delivery of the Securities by the several Underwriters at the initial public offering price or (e) there shall have been declared, by either federal or New York authorities, a general banking moratorium. This Agreement may also be terminated at any time prior to the Closing Date if in the reasonable judgment of the Representative the subject matter of any amendment or supplement to the Registration Statement, the Pricing Prospectus or Prospectus (other than an amendment or supplement relating solely to the activity of any Underwriter or Underwriters) filed after the execution of this Agreement shall have materially impaired the marketability of the Securities. Any termination hereof pursuant to this paragraph 13 shall be without liability of any party to any other party except as otherwise provided in paragraphs 8 and 9.

14. Miscellaneous. The validity and interpretation of this Agreement shall be governed by the laws of the State of New York. Unless otherwise specified, time of day refers to New York City time. This Agreement shall inure to the benefit of, and be binding upon, the Company, the several Underwriters, and with respect to the provisions of paragraph 12 hereof, the officers and directors and each controlling person referred to in paragraph 12 hereof, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors" as used in this Agreement shall not include any purchaser, as such purchaser, of any of the Securities from any of the several Underwriters.

15. Nature of Relationship. The Company acknowledges and agrees that (i) in connection with all aspects of each transaction contemplated by this Agreement, the Company and the Underwriters have an arms length business relationship that creates no fiduciary duty on the part of any party and each expressly disclaims any fiduciary relationship, (ii) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, (iii) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate, and (iv) any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company.

16. Notices. All communications hereunder shall be in writing or by telefax and, if to the Underwriters, shall be mailed, transmitted by any standard form of telecommunication or delivered to the Representative at_____, and if to the Company, shall be mailed or delivered to it at 410 South Wilmington Street, Raleigh, North Carolina 27601, Attention: Thomas R. Sullivan, Treasurer.

17. Counterparts. This Agreement may be simultaneously executed in counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

18. Defined Terms. Unless otherwise defined herein, capitalized terms used in this Underwriting Agreement shall have the meanings assigned to them in the Registration Statement.

[The remainder of this page has been intentionally left blank]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed duplicate hereof whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.
By: _____
Authorized Representative

Accepted as of the date first
above written, as Underwriter
named in, and as the Representative
of the other Underwriters named in,
Section 1 of this Agreement.

[REPRESENTATIVE]

By: _____
Authorized Representative

[Signature Page of First Mortgage Bond Underwriting Agreement]

SCHEDULE I

PRICING TERM SHEET

Underwriting Agreement dated_____, 20_____

Representative(s):

Supplemental Indenture: _____, dated as of_____, 20_____

Designation: First Mortgage Bonds,_____% Series due_____

Principal Amount:_____,_____

Date of Maturity: $_____

Interest Rate:_____% per annum, payable_____ and _____ of each year, commencing_____,_____.

Purchase Price:_____% of the principal amount thereof, plus accrued interest, if any, from_____,_____, if settlement occurs after that date.

Public Offering Price:_____% of the principal amount thereof, plus accrued interest, if any, from_____,_____, if settlement occurs after that date.

Redemption Terms: _____.

Closing Date: _____,_____

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov (and more specifically, at the URL link http://sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000037637&owner=include**). Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling toll-free at 1-8[xx-xxx-xxxx].**

SCHEDULE II
PRICING DISCLOSURE PACKAGE

1) Prospectus dated_____, 20_____

2) Preliminary Prospectus Supplement dated_____, 20_____ (which shall be deemed to include the Incorporated Documents)

3) Permitted Free Writing Prospectuses

   a) Pricing Term Sheet attached as Schedule I hereto

Exhibit 1(b)

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.
[Title of Debt Security]
UNDERWRITING AGREEMENT

_____, 20__

To the Representative named in Schedule I hereto
of the Underwriters named in Section 1 herein
Dear Ladies and Gentlemen:

The undersigned Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "Company") hereby confirms its agreement with each of the several Underwriters hereinafter named as follows:

1. Underwriters and Representative. The term "Underwriters" as used in this Underwriting Agreement (this "Agreement") shall be deemed to mean the following firms, and any underwriter substituted as provided in paragraph 6 hereof, and the term "Underwriter" shall be deemed to mean any one of such Underwriters:

[_____]
[_____]
[_____]

The term "Representative" as used herein shall be deemed to mean the firm or the firms named in Schedule I hereto, collectively. If any firm or firms named as Representative in Schedule I hereto are the only firm or firms serving as underwriters, then the terms "Underwriters" and "Representative," as used herein, shall each be deemed to refer to such firm or firms. If more than one firm is named in Schedule I hereto, such firms represent, jointly and severally, that they have been authorized by the Underwriters to execute this Agreement on their behalf and to act for them as Representative in the manner herein provided. All obligations of the Underwriters hereunder are several and not joint. If more than one firm is named as Representative in Schedule I hereto, any action under or in respect of this Agreement may be taken by such firms jointly as the Representative or by one of the firms acting on behalf of the Representative, and such action will be binding upon all the Underwriters.

2. Description of Securities. The Company proposes to issue and sell its debt securities of the designation, with the terms and in the amount specified in Schedule I hereto (the "Securities") under a governing indenture dated as of December 7, 2005 (the "Base Indenture") between the Company and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), as supplemented and amended, and as further supplemented and amended by an officer's certificate dated as of _____, 20_____(the "Officer's Certificate"; and the Base Indenture as so supplemented, the "Indenture") in substantially the form heretofore delivered to the Representative.

3. Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, as amended (No. 333-_____) (the "New Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), for the registration of up to an aggregate of $_____principal amount of First Mortgage Bonds, Debt Securities and Preferred Stock in unallocated amounts. The New Registration Statement also constituted post-effective amendment no. 1 to a registration statement on Form S-3 (No. 333-_____) (the "Post-Effective Amendment" and together with the New Registration Statement, the "Registration Statement") under the Securities Act relating to an aggregate of $_____principal amount of the Company's securities, which had been previously registered under the Securities Act but remained unsold at the time the Post-Effective Amendment became effective. The Registration Statement contained a combined prospectus for the sale of up to an aggregate of $_____principal amount of the Company's First Mortgage Bonds, Debt Securities and Preferred Stock (the "Registered Securities") in unallocated amounts. The Registration Statement was declared effective by the Commission on _____, 20_____. As of the date hereof, the Company has sold an aggregate of $_____principal amount of the Registered Securities. The term "Registration Statement" shall be deemed to include all amendments to the date hereof and all documents incorporated by reference therein (the "Incorporated Documents"). The base prospectus filed as part of the Registration Statement, in the form in which it has most recently been filed with the Commission prior to the date of this Agreement, is hereinafter called the "Basic Prospectus." The Basic Prospectus included in the Registration Statement, as supplemented by a preliminary prospectus supplement, dated _____, 20_____, relating to the Securities, and all prior amendments or supplements thereto (other than amendments or supplements relating to Registered Securities other than the Securities), including the Incorporated Documents, is hereinafter referred to as the "Preliminary Prospectus." The Preliminary Prospectus, as amended and supplemented, including the Incorporated Documents, at or immediately prior to the Applicable Time (as defined below) is hereinafter called the "PricingProspectus." The Basic Prospectus included in the Registration Statement, as it is to be supplemented by a prospectus supplement, dated on the date hereof, substantially in the form delivered to the Representative prior to the execution hereof, relating to the Securities (the "Prospectus Supplement") and all prior amendments or supplements thereto (other than amendments or supplements relating to securities of the Company other than the Securities), including the Incorporated Documents, is hereinafter referred to as the "Prospectus." Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Securities Act and the filing of any document under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), deemed to be incorporated therein after the date hereof and prior to the termination of the offering of the Securities by the Underwriters; and any references herein to the terms "Registration Statement" or "Prospectus" at a date after the filing of the Prospectus Supplement shall be deemed to refer to the Registration

Statement or the Prospectus, as the case may be, as each may be amended or supplemented prior to such date.

For purposes of this Agreement, the "Applicable Time" is _____(New York City time) on the date of this Agreement; the documents listed in Schedule II, taken together, are collectively referred to as the "Pricing Disclosure Package."

(b) The Registration Statement, at the time and date it was declared effective by the Commission, complied, and the Registration Statement, the Prospectus and the Indenture, as of the date hereof and at the Closing Date (as defined herein), will comply, in all material respects, with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement, at the time and date it was declared effective by the Commission and as of the date hereof, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; the Pricing Disclosure Package as of the Applicable Time did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Prospectus, as of its date and at the Closing Date, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the foregoing representations and warranties in this subparagraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished herein or in writing to the Company by the Representative or by or on behalf of any Underwriter through the Representative expressly for use in the Prospectus or to any statements in or omissions from the Statement of Eligibility ("Form T-1") of the Trustee. The Incorporated Documents, at the time they were each filed with the Commission, complied in all material respects with the applicable requirements of the Exchange Act and the instructions, rules and regulations of the Commission thereunder; and any documents so filed and incorporated by reference subsequent to the date hereof and prior to the termination of the offering of the Securities by the Underwriters will, at the time they are each filed with the Commission, comply in all material respects with the requirements of the Exchange Act and the instructions, rules and regulations of the Commission thereunder; and, when read together with the RegistrationStatement, the Pricing Prospectus, the Permitted Free Writing Prospectuses (as defined in paragraph 5(a) hereof) and the Prospectus, none of such documents included or includes or will include any untrue statement of a material fact or omitted or omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each Permitted Free Writing Prospectus listed on Schedule II does not conflict in any material respect with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus.

(c) The Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida; has corporate power and authority to own, lease and operate its properties and to conduct its business as

contemplated under this Agreement and the other material agreements to which it is a party; and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(d) The historical financial statements incorporated by reference in the Registration Statement, the Pricing Prospectus and the Prospectus present fairly the financial condition and operations of the Company at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except that the quarterly financial statements, if any, incorporated by reference from any Quarterly Reports on Form 10-Q contain condensed footnotes prepared in accordance with applicable Exchange Act rules and regulations; and Deloitte & Touche LLP, which has audited certain of the financial statements is an independent registered public accounting firm as required by the Securities Act or the Exchange Act and the rules and regulations of the Commission thereunder.

(e) Except as reflected in, or contemplated by, the Registration Statement and the Pricing Prospectus, since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, and prior to the Closing Date, (i) there has not been any material adverse change in the business, properties, results of operations or financial condition of the Company, (ii) there has not been any material transaction entered into by the Company other than transactions contemplated by the Registration Statement and the Pricing Prospectus or transactions arising in the ordinary course of business and (iii) the Company has no material contingent obligation that is not disclosed in the Registration Statement and the Pricing Prospectus that could likely result in a material adverse change in the business, properties, results of operations or financial condition of the Company.

(f) The Company has full power and authority to execute, deliver and perform its obligations under this Agreement. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of the terms hereof on the part of the Company to be fulfilled have been duly authorized by all necessary corporate action of the Company in accordance with the provisions of its articles of incorporation, as amended (the "Charter"), by-laws and applicable law.

(g) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, the Charter, the Company's by-laws, applicable law or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would

have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(h) The Securities conform in all material respects to the description contained in the Pricing Disclosure Package and the Prospectus.

(i) The Company has no subsidiaries that meet the definition of "significant subsidiary" as defined in Section 210.1-02(w) of Regulation S-X promulgated under the Securities Act.

(j) The Indenture (i) has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (A) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting creditors' rights generally and (B) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity and except for the effect on enforceability of federal or state law limiting, delaying or prohibiting the making of payments outside the United States); and (ii) conforms in all material respects to the description thereof in the Pricing Disclosure Package and the Prospectus. The Indenture has been qualified under the 1939 Act.

(k) The Securities have been duly authorized by the Company and, when authenticated in the manner provided for in the Indenture and delivered against payment of the required consideration therefor, will constitute valid and legally binding obligations of the Company, entitled to the benefits of the Indenture enforceable against the Company in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity and except for the effect on enforceability of federal or state law limiting, delaying or prohibiting the making of payments outside the United States).

(l) The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(m) Except as described in or contemplated by the Pricing Prospectus, there are no pending or, to the knowledge of the Company, threatened actions, suits or proceedings (regulatory or otherwise) against or affecting the Company or its properties that are likely in the aggregate to result in any material adverse change in the business, properties, results of operations or financial condition of the Company, or that are likely in the aggregate to materially and adversely affect the Indenture, the Securities or the consummation of this Agreement or the transactions contemplated herein or therein.

(n) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder in

connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions herein contemplated or for the due execution, delivery or performance of the Indenture by the Company, except such as have already been made or obtained or as may be required under the Securities Act or state securities laws and except for the qualification of the Indenture under the 1939 Act.

4. Purchase and Sale. On the basis of the representations, warranties and covenants herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to each of the Underwriters, severally and not jointly, and each such Underwriter agrees, severally and not jointly, to purchase from the Company, the respective principal amount of Securities set forth opposite the name of such Underwriter below at a purchase price of _____% of the principal amount thereof:

Underwriter	Principal Amount of Securities
[_____]	
[_____]	
[_____]	
Total	

The Underwriters agree to make promptly a bona fide public offering of the Securities to the public for sale as set forth in the Prospectus, subject, however, to the terms and conditions of this Agreement. The Underwriters agree that (i) no sales of the Securities will occur before investors are presented with the information that is contained in the Pricing Disclosure Package and (ii) such information that is presented to investors is consistent with the information that is contained in the Pricing Disclosure Package.

5. Free Writing Prospectuses.

(a) The Company represents and agrees that, without the prior consent of the Representative, it has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus" as defined in Rule 405 under the Act, other than a Permitted Free Writing Prospectus; each Underwriter represents and agrees that, without the prior consent of the Company and the Representative, it has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus," as defined in Rule 405 under the Act, other than a Permitted Free Writing Prospectus or a free writing prospectus that is not required to be filed by the Company pursuant to Rule 433 under the Securities Act (an "Underwriter Free Writing Prospectus"). Any such free writing prospectus the use of which is consented to by the Company and the Representative is referred to herein as a "Permitted Free Writing Prospectus". The only Permitted Free Writing Prospectus as of the time of this Agreement is the pricing term sheet referred to in paragraph 5(b) below.

(b) The Company agrees to file a pricing term sheet, in the form of Schedule I hereto and approved by the Representative pursuant to Rule 433(d) under the Securities Act within the time period prescribed by such Rule.

(c) The Company and the Underwriters have complied and will comply with the requirements of Rule 433 under the Securities Act applicable to any free writing prospectus, including timely Commission filing where required and legending.

(d) The Company agrees that if at any time following issuance of a Permitted Free Writing Prospectus any event occurred or occurs as a result of which such Permitted Free Writing Prospectus would conflict in any material respect with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representative and, if requested by the Representative, will prepare and furnish without charge to each Underwriter a Permitted Free Writing Prospectus or other document which will correct such conflict, statement or omission; provided, however, that this representation and warranty shall not apply to any statements or omissions in a Permitted Free Writing Prospectus made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representative, expressly for use therein.

6. Time and Place of Closing; Default of Underwriters.

(a) Payment for the Securities shall be made at the office of Hunton & Williams LLP, located at 421 Fayetteville Street Mall, Raleigh, North Carolina 27601 on the date specified in Schedule I hereto against delivery of the Securities at the office of J.P. Morgan Trust Company, National Association, 4 New York Plaza New York, New York 10004, or such other place, time and date as the Representative and the Company may agree. The hour and date of such delivery and payment are herein called the "Closing Date." Payment for the Securities shall be by wire transfer of immediately available funds against delivery to The Depository Trust Company or to J.P. Morgan Trust Company, National Association, as custodian for The Depository Trust Company, in fully registered global form registered in the name of CEDE & Co., as nominee for The Depository Trust Company, for the respective accounts specified by the Representative not later than the close of business on the business day prior to the Closing Date or such other date and time not later than the Closing Date as agreed by The Depository Trust Company or J.P. Morgan Trust Company, National Association. For the purpose of expediting the checking of the certificates by the Representative, the Company agrees to make the Securities available to the Representative not later than 10:00 A.M. New York time, on the last full business day prior to the Closing Date at said office of J.P. Morgan Trust Company, National Association.

(b) If one or more Underwriters shall, for any reason other than a reason permitted hereunder, fail to take up and pay for the principal amount of the Securities to be purchased by such one or more Underwriters, the Company shall immediately notify the Representative, and the non-defaulting Underwriters shall be obligated to take up and pay for (in addition to the respective principal amount of the Securities set forth opposite their respective names in paragraph 4) the principal amount of such Securities that such defaulting Underwriter or Underwriters failed to take up and pay for, up to a principal amount thereof equal to 10% of the principal amount of such Securities. Each non-

defaulting Underwriter shall do so on a pro-rata basis according to the amounts set forth opposite the name of such non-defaulting Underwriter in paragraph 4, and such non-defaulting Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another Underwriter or Underwriters, satisfactory to the Company, to take up and pay for the remaining principal amount of the Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Securities still remain, then the Company or the Representative shall be entitled to an additional period of 24 hours within which to procure another party or parties, members of the National Association of Securities Dealers, Inc. (or if not members of such Association, who are not eligible for membership in said Association and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with said Association's Conduct Rules) and satisfactory to the Company, to purchase or agree to purchase such unpurchased Securities on the terms herein set forth. In any such case, either the Representative or the Company shall have the right to postpone the Closing Date for a period not to exceed three full business days from the date agreed upon in accordance with this paragraph 6, in order that the necessary changes in the Registration Statement and Prospectus and any other documents and arrangements may be effected. If (i) neither the non-defaulting Underwriters nor the Company has arranged for the purchase of such unpurchased Securities by another party or parties as above provided and (ii) the Company and the non-defaulting Underwriters have not mutually agreed to offer and sell the Securities other than the unpurchased Securities, then this Agreement shall terminate without any liability on the part of the Company or any Underwriter (other than an Underwriter that shall have failed or refused, in accordance with the terms hereof, to purchase and pay for the principal amount of the Securities that such Underwriter has agreed to purchase as provided in paragraph 4 hereof), except as otherwise provided in paragraph 7 and paragraph 8 hereof.

7. Covenants of the Company. The Company covenants with each Underwriter that:

(a) As soon as reasonably possible after the execution and delivery of this Agreement, the Company will file the Prospectus with the Commission pursuant to Rule 424 under the Securities Act ("Rule 424"), setting forth, among other things, the necessary information with respect to the terms of offering of the Securities and make any other required filings pursuant to Rule 433 under the Securities Act. Upon request, the Company will promptly deliver to the Representative and to counsel for the Underwriters, to the extent not previously delivered, one fully executed copy or one conformed copy, certified by an officer of the Company, of the Registration Statement, as originally filed, and of all amendments thereto, if any, heretofore or hereafter made (other than those relating solely to Registered Securities other than the Securities), including any post-effective amendment (in each case including all exhibits filed therewith and all documents incorporated therein not previously furnished to the Representative), including signed copies of each consent and certificate included therein or filed as an exhibit thereto, and will deliver to the Representative for distribution to the Underwriters as many conformed copies of the foregoing (excluding the exhibits, but including all documents incorporated therein) as the Representative may reasonably request. The

Company will also send to the Underwriters as soon as practicable after the date of this Agreement and thereafter from time to time as many copies of the Prospectus and the Preliminary Prospectus as the Representative may reasonably request for the purposes required by the Securities Act.

(b) During such period (not exceeding nine months) after the commencement of the offering of the Securities as the Underwriters may be required by law to deliver a Prospectus, if any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Representative shall occur, which in the Company's reasonable opinion (after consultation with counsel for the Representative) should be set forth in a supplement to or an amendment of the Prospectus in order to make the Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser, or if it is necessary to amend the Prospectus to comply with the Securities Act, the Company will forthwith at its expense prepare and furnish to the Underwriters and dealers named by the Representative a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus which will supplement or amend the Prospectus so that as supplemented or amended it will comply with the Securities Act and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading. In case any Underwriter is required to deliver a Prospectus after the expiration of nine months after the commencement of the offering of the Securities, the Company, upon the request of the Representative, will furnish to the Representative, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Prospectus, complying with Section 10(a) of the Securities Act.

(c) The Company will make generally available to its security holders, as soon as reasonably practicable, but in any event not later than 16 months after the end of the fiscal quarter in which the filing of the Prospectus pursuant to Rule 424 occurs, an earning statement (in form complying with the provisions of Section 11(a) of the Securities Act, which need not be certified by independent public accountants) covering a period of twelve months beginning not later than the first day of the Company's fiscal quarter next following the filing of the Prospectus pursuant to Rule 424.

(d) The Company will use its best efforts promptly to do and perform all things to be done and performed by it hereunder prior to the Closing Date and to satisfy all conditions precedent to the delivery by it of the Securities.

(e) The Company will advise the Representative, or the Representative's counsel, promptly of the filing of the Prospectus pursuant to Rule 424 and of any amendment or supplement to the Prospectus or Registration Statement or of official notice of institution of proceedings for, or the entry of, a stop order suspending the effectiveness of the Registration Statement and, if such a stop order should be entered, use its best efforts to obtain the prompt removal thereof.

(f) The Company will use its best efforts to qualify the Securities, as may be required, for offer and sale under the Blue Sky or legal investment laws of such jurisdictions as the Representative may designate, and will file and make in each year such statements or reports as are or may be reasonably required by the laws of such jurisdictions; provided, however, that the Company shall not be required to qualify as a foreign corporation or dealer in securities, or to file any general consents to service of process under the laws of any jurisdiction.

(g) Prior to the termination of the offering of the Securities, the Company will not file any amendment to the Registration Statement or supplement to the Pricing Prospectus or the Prospectus (in each case other than amendments or supplements relating to Registered Securities other than the Securities) which shall not have previously been furnished to the Representative or of which the Representative shall not previously have been advised or to which the Representative shall reasonably object in writing and which has not been approved by the Representative or its counsel.

8. Payment of Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing and filing of the Registration Statement and the printing of this Agreement, (ii) the delivery of the Securities to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the expenses in connection with the qualification of the Securities under securities laws in accordance with the provisions of paragraph 7(f) hereof, including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith, such fees and disbursements not to exceed $7,500, (v) the printing and delivery to the Underwriters of copies of the Registration Statement and all amendments thereto, of the Preliminary Prospectus, any Permitted Free Writing Prospectus and the Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of the Blue Sky Survey, and (vii) the preparation and execution by the Company of the Indenture; and the Company will pay all taxes, if any (but not including any transfer taxes), on the issue of the Securities. The fees and disbursements of Underwriters' counsel shall be paid by the Underwriters (subject, however, to the provisions of this paragraph 8 requiring payment by the Company of fees and disbursements not to exceed $7,500); provided, however, that if this Agreement is terminated in accordance with the provisions of paragraph 9, 10 or 12 hereof, the Company shall reimburse the Representative for the account of the Underwriters for the fees and disbursements of Underwriters' counsel. The Company shall not be required to pay any amount for any expenses of the Representative or of any other of the Underwriters except as provided in paragraph 7 hereof and in this paragraph 8. The Company shall not in any event be liable to any of the Underwriters for damages on account of the loss of anticipated profit.

9. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase and pay for the Securities shall be subject to the accuracy of the representations and warranties on the part of the Company as of the date hereof and the Closing Date, to the performance by the Company of its obligations to be performed hereunder prior to the Closing Date, and to the following further conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be

pending before, or, to the Company's knowledge, threatened by, the Commission on the Closing Date. The Representative shall have received, prior to payment for the Securities, a certificate dated the Closing Date and signed by the Chairman, President, Treasurer or a Vice President of the Company to the effect that no such stop order is in effect and that no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) At the time of execution of this Agreement, or such later date as shall have been consented to by the Representative, there shall have been issued, and on the Closing Date there shall be in full force and effect, an order of the Florida Public Service Commission authorizing the issuance and sale of the Securities, which shall not contain any provision unacceptable to the Representative by reason of its being materially adverse to the Company (it being understood that no such order in effect on the date of this Agreement and heretofore furnished to the Representative or counsel for the Underwriters contains any such unacceptable provision).

(c) At the Closing Date, the Representative shall receive favorable opinions from: (1) Hunton & Williams LLP, counsel to the Company, which opinion shall be satisfactory in form and substance to counsel for the Underwriters, and (2) Dewey Ballantine LLP, counsel for the Underwriters, in each of which opinions (except as to subdivision (vi) (as to documents incorporated by reference, at the time they were filed with the Commission) as to which Dewey Ballantine LLP need express no opinion) said counsel may rely as to all matters of Florida law upon the opinion of R. Alexander Glenn, Deputy General Counsel – Florida of Progress Energy Service Company LLC, acting as counsel to the Company, to the effect that:

(i) the Indenture has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered by the Company, and is a valid and binding obligation of the Company enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings;

(ii) the Indenture has been duly qualified under the 1939 Act;

(iii) assuming authentication of the Securities by the Trustee in accordance with the Indenture and delivery of the Securities to and payment for the Securities by the Underwriters, as provided in this Agreement, the Securities have been duly and validly authorized, executed and delivered and are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings, and are entitled to the benefits of the Indenture;

(iv) the statements made in the Prospectus under the caption "Description of Debt Securities," insofar as they purport to constitute summaries

of the documents referred to therein, are accurate summaries in all material respects;

(v) this Agreement has been duly and validly authorized, executed and delivered by the Company;

(vi) the Registration Statement, at the time and date it was declared effective by the Commission and as of the date hereof, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses and the Prospectus, at the time each was filed with, or transmitted for filing to, the Commission pursuant to Rule 424 (except as to the financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein, upon which such opinions need not pass), complied as to form in all material respects with the requirements of the Securities Act and the 1939 Act and the applicable instructions, rules and regulations of the Commission thereunder; the documents or portions thereof filed with the Commission pursuant to the Exchange Act and deemed to be incorporated by reference in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus and the Prospectus pursuant to Item 12 of Form S-3 (except as to financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1, upon which such opinions need not pass), at the time they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement has become effective under the Securities Act and, to the best of the knowledge of said counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and not withdrawn and no proceedings for a stop order with respect thereto are threatened or pending under Section 8 of the Securities Act; and

(vii) nothing has come to the attention of said counsel that would lead them to believe that the Registration Statement, at the time and date it was declared effective by the Commission and as of the date hereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and nothing has come to the attention of said counsel that would lead them to believe that (x) the Pricing Disclosure Package, as of the Applicable Time, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (y) the Prospectus, as of its date and, as amended or supplemented, at the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except as to financial statements and other financial and statistical data constituting a part of the Registration Statement, the Pricing Disclosure Package or the Prospectus or incorporated by reference therein

and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1, upon which such opinions need not pass).

(d) At the Closing Date, the Representative shall receive from R. Alexander Glenn, Deputy General Counsel – Florida of Progress Energy Service Company, LLC, acting as counsel to the Company, a favorable opinion in form and substance satisfactory to counsel for the Underwriters, to the same effect with respect to the matters enumerated in subdivisions (i), (iii), (v) and (vii) of subparagraph (c) of this paragraph 9 as the opinions required by said subparagraph (c), and to the further effect that:

(i) the Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida;

(ii) the Company is duly authorized by its Charter to conduct the business that it is now conducting as set forth in the Prospectus;

(iii) the Company is an electrical utility engaged in the business of generating, transmitting, distributing and selling electric power to the general public in the State of Florida;

(iv) the Company has valid and subsisting franchises, licenses and permits adequate for the conduct of its business, except where the failure to hold such franchises, licenses and permits would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company;

(v) the issuance and sale of the Securities have been duly authorized by all necessary corporate action on the part of the Company;

(vi) an order has been entered by the Florida Public Service Commission authorizing the issuance and sale of the Securities; and to the best of the knowledge of said counsel, said order is still in force and effect; and no further filing with, approval, authorization, consent or other order of, any public board or body (except such as have been obtained under the Securities Act and as may be required under the state securities or Blue Sky laws of any jurisdiction) is legally required for the consummation of the transactions contemplated in this Agreement;

(vii) except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against the Company or any properties that are likely, in the aggregate, to result in any material adverse change in the business, properties, results of operations or financial condition of the Company or that are likely, in the aggregate, to materially and adversely affect the Indenture, the Securities or the consummation of this Agreement, or the transactions contemplated herein or therein; and

(viii) the consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not (i) result in a breach of any of the terms or

provisions of, or constitute a default under, the Charter or the Company's by-laws or (ii) result in a material breach of any terms or provisions of, or constitute a default under, any applicable law, indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on business, properties, results of operations or financial condition of the Company.

(e) The Representative shall have received on the date hereof and shall receive on the Closing Date from Deloitte & Touche LLP, a letter addressed to the Representative containing statements and information of the type ordinarily included in accountants' SAS 72 "comfort letters" to underwriters with respect to the audit reports, financial statements and certain financial information contained in or incorporated by reference into the Prospectus.

(f) At the Closing Date, the Representative shall receive a certificate of the Chairman, President, Treasurer or a Vice President of the Company, dated the Closing Date, to the effect that the representations and warranties of the Company in this Agreement are true and correct as of the Closing Date.

(g) The Permitted Free Writing Prospectus, and any other material required pursuant to Rule 433(d) under the Securities Act, shall have been filed by the Company with the Commission within the applicable time periods prescribed by Rule 433.

(h) All legal proceedings taken in connection with the sale and delivery of the Securities shall have been satisfactory in form and substance to counsel for the Underwriters, and the Company, as of the Closing Date, shall be in compliance with any governing order of the Florida Public Service Commission, except where the failure to comply with such order would not be material to the offering or validity of the Securities.

In case any of the conditions specified above in this paragraph 9 shall not have been fulfilled or waived by 2:00 P.M. on the Closing Date, this Agreement may be terminated by the Representative by delivering written notice thereof to the Company. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8 hereof.

10. Conditions of the Company's Obligations. The obligations of the Company to deliver the Securities shall be subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date, and no proceedings for that purpose shall be pending before or threatened by the Commission on the Closing Date.

(b) Prior to 12:00 Noon, New York time, on the day following the date of this Agreement, or such later date as shall have been consented to by the Company, there shall have been issued and on the Closing Date there shall be in full force and effect an

order of the Florida Public Service Commission authorizing the issuance and sale by the Company of the Securities, which shall not contain any provision unacceptable to the Company by reason of its being materially adverse to the Company (it being understood that the order in effect as of the date of this Agreement contains any such unacceptable provision).

In case any of the conditions specified in this paragraph 10 shall not have been fulfilled at the Closing Date, this Agreement may be terminated by the Company by delivering written notice thereof to the Representative. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8 hereof.

11. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Underwriter, each officer and director of each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each such Underwriter, each such officer and director, and each such controlling person for any legal or other expenses (including to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement, or alleged untrue statement, of a material fact contained in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses or the Prospectus, or in the Registration Statement or Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or in any free writing prospectus used by the Company other than a Permitted Free Writing Prospectus, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the indemnity agreement contained in this paragraph 11 shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of or based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by any Underwriter through the Representative expressly for use in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses or the Prospectus, or any amendment or supplement to any thereof, or arising out of, or based upon, statements in or omissions from that part of the Registration Statement that shall constitute the Statement of Eligibility under the 1939 Act (Form T-1) of the Trustee, and provided, further, that the indemnity agreement contained in this paragraph 11 shall not inure to the benefit of anyUnderwriter (or of any person controlling such Underwriter) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of the Securities to any person if a copy of the Permitted Free Writing Prospectus or Prospectus (excluding documents incorporated by reference therein) shall not have been given or sent to such person by or on behalf of such Underwriter at or prior to the entry into the contract of sale, unless such Prospectus or

Permitted Free Writing Prospectus failed to correct the omission or misstatement. The indemnity agreement of the Company contained in this paragraph 11 and the representations and warranties of the Company contained in paragraph 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter, and such officer or director or any such controlling person and shall survive the delivery of the Securities. The Underwriters agree to notify promptly the Company, and each other Underwriter, of the commencement of any litigation or proceedings against them or any of them, or any such officer or director, or any such controlling person, in connection with the sale of the Securities.

(b) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless the Company, its officers who signed the Registration Statement and its directors, and each person who controls the Company within the meaning of Section 15 of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages, or liabilities, or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses, the Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or any Underwriter Free Writing Prospectus used by such Underwriter (but only to the extent that the content of such Underwriter Free Writing Prospectus that is subject to indemnification is materially inconsistent with the information contained in the Permitted Free Writing Prospectus or the Prospectus) or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by such Underwriter or through the Representative on behalf of such Underwriter expressly for use in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectus or the Prospectus or any amendment or supplement to any thereof. The indemnity agreement of all the respective Underwriters contained in this paragraph 11 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or any other Underwriter, or any such officer or director or any such controlling person, and shall survive the delivery of the Securities. The Company agrees promptly to notify the Representative of the commencement of any litigation orproceedings against the Company or any of its officers or directors, or any such controlling person, in connection with the sale of the Securities.

(c) The Company and each of the Underwriters agree that, upon the receipt of notice of the commencement of any action against it, its officers or directors, or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall

be sought hereunder. The Company and each of the Underwriters agree that the notification required by the preceding sentence shall be a material term of this Agreement. The omission so to notify such indemnifying party or parties of any such action shall relieve such indemnifying party or parties from any liability that it or they may have to the indemnified party on account of any indemnity agreement contained herein if such indemnifying party was materially prejudiced by such omission, but shall not relieve such indemnifying party or parties from any liability that it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party (or parties) and satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying parties will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them, as such expenses are incurred; provided, however, if the defendants (including any impleaded parties) in any such action include both the indemnified party and the indemnifying party, and counsel for the indemnified party shall have concluded, in its reasonable judgment, that there may be a conflict of interest involved in the representation by such counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to one local counsel) representing the indemnified parties who are parties to such action). Each of the Company and the several Underwriters agrees that without the other party's prior written consent, which consentshall not be unreasonably withheld, it will not settle, compromise or consent to the entry of any judgment in any claim in respect of which indemnification may be sought under the indemnification provisions of this Agreement, unless such settlement, compromise or consent includes an unconditional release of such other party from all liability arising out of such claim.

(d) If the indemnification provided for in subparagraphs (a) or (b) above is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and of the Underwriters, on the other hand, in connection with the statements or omissions that resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations. The relative benefits received by the

Company, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, bear to the aggregate initial public offering price of the Securities as set forth on such cover. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subparagraph (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this subparagraph (d). The rights of contribution contained in this paragraph 11 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter of the Company and shall survive delivery of the Securities. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subparagraph (d), each officer and director of each Underwriter and each person, if any, who controls an Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as theCompany. The Underwriters' respective obligations to contribute pursuant to this subparagraph (d) are several in proportion to the number of Securities set forth opposite their respective names in paragraph 4 and not joint.

(e) For purposes of this paragraph 11, it is understood and agreed that the only information provided by the Underwriters expressly for use in the Registration Statement, the Pricing Prospectus, the Permitted Free Writing Prospectuses and Prospectus were the following parts of the section titled "Underwriting":_____.

12. Termination Date of this Agreement. This Agreement may be terminated by the Representative at any time prior to the Closing Date by delivering written notice thereof to the Company, if on or after the date of this Agreement but prior to such time (a) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange, or there shall have been established by the New York Stock Exchange or by the Commission or by any federal or state agency or by the decision of any court, any limitation on prices for such trading or any restrictions on the distribution of securities or (b) there shall have occurred any new outbreak of hostilities including, but not limited to, significant escalation of hostilities that existed prior to the date of this Agreement or any national or international calamity or crisis, or any material adverse change in the financial markets of the United States, the effect of which

outbreak, escalation, calamity or crisis, or material adverse change on the financial markets of the United States shall be such as to make it impracticable, in the reasonable judgment of the Representative, for the Underwriters to enforce contracts for the sale of the Securities, or (c) the Company shall have sustained a substantial loss by fire, flood, accident or other calamity that renders it impracticable, in the reasonable judgment of the Representative, to consummate the sale of the Securities and the delivery of the Securities by the several Underwriters at the initial public offering price, or (d) there shall have been any downgrading or any notice of any intended or potential downgrading in the rating accorded the Company's securities by any "nationally recognized statistical rating organization" as that term is defined by the Commission for the purposes of Securities Act Rule 436(g)(2), or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Securities, or any of the Company's other outstanding debt, the effect of which in the reasonable judgment of the Representative, makes it impracticable or inadvisable to consummate the sale of the Securities and the delivery of the Securities by the several Underwriters at the initial public offering price or (e) there shall have been declared, by either federal or New York authorities, a general banking moratorium. This Agreement may also be terminated at any time prior to the Closing Date if in the reasonable judgment of the Representative the subject matter of any amendment or supplement to the Registration Statement, the Pricing Prospectus or Prospectus (other than an amendment or supplement relating solely to the activity of any Underwriter or Underwriters) filed after the execution of this Agreement shall have materially impaired the marketability of the Securities. Any termination hereof pursuant to this paragraph 12 shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8.

13. Miscellaneous. The validity and interpretation of this Agreement shall be governed by the laws of the State of New York. Unless otherwise specified, time of day refers to New York City time. This Agreement shall inure to the benefit of, and be binding upon, the Company, the several Underwriters, and with respect to the provisions of paragraph 11 hereof, the officers and directors and each controlling person referred to in paragraph 11 hereof, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors" as used in this Agreement shall not include any purchaser, as such purchaser, of any of the Securities from any of the several Underwriters.

14. Nature of Relationship. The Company acknowledges and agrees that (i) in connection with all aspects of each transaction contemplated by this Agreement, the Company and the Underwriters have an arms length business relationship that creates no fiduciary duty on the part of any party and each expressly disclaims any fiduciary relationship, (ii) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, (iii) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate, and (iv) any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company.

15. Notices. All communications hereunder shall be in writing or by telefax and, if to the Underwriters, shall be mailed, transmitted by any standard form of telecommunication or delivered to the Representative at _____, and if to the Company, shall be mailed or delivered to it at 410 S. Wilmington Street, Raleigh, North Carolina 27601-1748, attention of Thomas R. Sullivan, Treasurer.

16. Counterparts. This Agreement may be simultaneously executed in counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

17. Defined Terms. Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings assigned to them in the Registration Statement.

[The remainder of this page has been intentionally left blank.]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed duplicate hereof whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

FLORIDA POWER CORPORATION

d/b/a PROGRESS ENERGY FLORIDA, INC.

By: _____
Authorized Representative

Accepted as of the date first
above written, as Underwriter
named in, and as the Representative
of the other Underwriters named in,
Section 1 of this Agreement.
[REPRESENTATIVE]
By: _____
Authorized Representative

SCHEDULE I

PRICING TERM SHEET

Underwriting Agreement dated _____, 20__

Representative(s):

Designation:	[Title of debt securities]
Principal Amount:	$_____
Maturity:	_____, _____
Interest Rate:	_____.
Interest Payment Dates:	Payable _____on _____, commencing _____, _____.
Public Offering Price:	_____% of the principal amount thereof.
Redemption Terms:	_____.
Settlement:	_____, 20_____
CUSIP:	_____

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov (and more specifically, at the URL link http://sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000037637&owner=include**). Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling toll-free at 1-8[xx-xxx-xxxx].**

SCHEDULE II
PRICING DISCLOSURE PACKAGE

1) Prospectus dated _____, 20_____

2) Preliminary Prospectus Supplement dated _____, 20_____(which shall be deemed to include the Incorporated Documents)

3) Permitted Free Writing Prospectuses

   a) Pricing Term Sheet attached as Schedule I hereto

Exhibit 1(c)

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.
Preferred Stock[1]
UNDERWRITING AGREEMENT

_____, 20__

To the Representative named in Schedule I hereto
of the Underwriters named in Section 1 herein
Dear Ladies and Gentlemen:

The undersigned, Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "Company"), hereby confirms its agreement with each of the several Underwriters hereinafter named as follows:

1. Underwriters and Representative. The term "Underwriters" as used in this Underwriting Agreement (this "Agreement") shall be deemed to mean the following firms, and any underwriter substituted as provided in paragraph 7 hereof, and the term "Underwriter" shall be deemed to mean one of such Underwriters:

[_____]
[_____]
[_____]

The term "Representative" as used herein shall be deemed to mean the firm or the firms named in Schedule I hereto, collectively. If any firm or firms named as Representative in Schedule I hereto are the only firm or firms serving as underwriters, then the terms "Underwriters" and "Representative," as used herein, shall each be deemed to refer to such firm or firms. If more than one firm is named in Schedule I hereto, such firms represent, jointly and severally, that they have been authorized by the Underwriters to execute this Agreement on their behalf and to act for them as Representative in the manner herein provided. All obligations of the Underwriters hereunder are several and not joint. If more than one firm is named as Representative in Schedule I hereto, any action under or in respect of this Agreement may be taken by such firms jointly as the Representative or by one of the firms acting on behalf of the Representative, and such action will be binding upon all the Underwriters.

2. Description of Securities. The Company proposes to issue and sell to the several Underwriters_____shares of its preferred stock (___par value) in the amount specified in Schedule I hereto (the "Firm Shares"). The Company also proposes to issue and sell to the several Underwriters not more than an additional_____shares of its preferred stock

[1] Class of preferred stock (Cumulative Preferred Stock (par value $100 per share) or Cumulative Preferred Stock (no par value)) to be determined at time of offering.

(___ par value) (the "Option Shares") if and to the extent the Representative shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of preferred stock granted to the Underwriters in paragraph 4 hereof. The Firm Shares and the Option Shares are hereinafter collectively referred to as the "Shares." The shares of preferred stock (___par value) of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "Preferred Stock." The terms of the Shares will be set forth in an amendment to the Company's Articles of Incorporation, as amended relating to the preferred stock ("Articles of Amendment") to be filed by the Company with the Secretary of State of the State of Florida ("FSOS").

3. Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, as amended (No. 333-_____) (the "New Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), for the registration of up to an aggregate of $_____ principal amount of First Mortgage Bonds, Debt Securities and Preferred Stock in unallocated amounts. The New Registration Statement also constituted post-effective amendment no. 1 to a registration statement on Form S-3 (No. 333-_____) (the "Post-Effective Amendment" and together with the New Registration Statement, the "Registration Statement") under the Securities Act relating to an aggregate of $_____ principal amount of the Company's securities, which had been previously registered under the Securities Act but remained unsold at the time the Post-Effective Amendment became effective. The Registration Statement contained a combined prospectus for the sale of up to an aggregate of $_____ principal amount of the Company's First Mortgage Bonds, Debt Securities and Preferred Stock (the "Registered Securities") in unallocated amounts. The Registration Statement was declared effective by the Commission on _____, 20_. As of the date hereof, the Company has sold an aggregate of $_____ principal amount of the Registered Securities. The term "Registration Statement" shall be deemed to include all amendments to the date hereof and all documents incorporated by reference therein (the "Incorporated Documents"). The base prospectus filed as part of the Registration Statement, in the form in which it has most recently been filed with the Commission prior to the date of this Agreement, is hereinafter called the "Basic Prospectus." The Basic Prospectus included in the Registration Statement, as supplemented by a preliminary prospectus supplement, dated_____, 20___, relating to the Shares, and all prior amendments or supplements thereto (other than amendments or supplements relating to Registered Securities other than the Shares), including the Incorporated Documents, is hereinafter referred to as the "Preliminary Prospectus." The Preliminary Prospectus, as amended and supplemented, including the Incorporated Documents, at or immediately prior to the Applicable Time (as defined below) is hereinafter called the "Pricing Prospectus." The BasicProspectus included in the Registration Statement, as it is to be supplemented by a prospectus supplement, dated on the date hereof, substantially in the form delivered to the Representative prior to the execution hereof, relating to the Shares (the "Prospectus Supplement") and all prior amendments or supplements thereto (other than amendments or supplements relating to securities of the Company other than the Shares), including the

Incorporated Documents, is hereinafter referred to as the "Prospectus." Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Securities Act and the filing of any document under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), deemed to be incorporated therein after the date hereof and prior to the termination of the offering of the Shares by the Underwriters; and any references herein to the terms "Registration Statement" or "Prospectus" at a date after the filing of the Prospectus Supplement shall be deemed to refer to the Registration Statement or the Prospectus, as the case may be, as each may be amended or supplemented prior to such date.

For purposes of this Agreement, the "Applicable Time" is_____ (New York City time) on the date of this Agreement; the documents listed in Schedule II, taken together, are collectively referred to as the "Pricing Disclosure Package."

(b) The Registration Statement, at the time and date it was declared effective by the Commission, complied, and the Registration Statement and the Prospectus, as of the date hereof and at the Closing Date (as defined herein), will comply, in all material respects, with the applicable provisions of the Securities Act and the applicable rules and regulations of the Commission thereunder; the Registration Statement, at the time and date it was declared effective by the Commission and as of the date hereof, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; the Pricing Disclosure Package as of the Applicable Time did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Prospectus, as of its date and at the Closing Date, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the foregoing representations and warranties in this subparagraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with the Underwriter Information (as defined in paragraph 12(e)). The Incorporated Documents, at the time they were filed with the Commission, complied in all material respects with the applicable requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and any documents so filed and incorporated by reference subsequent to the date hereof and prior to the termination of the offering of the Shares by the Underwriters will, at the time they are filed with the Commission, comply in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and, when read together with the Registration Statement, the Pricing Prospectus, the Permitted Free Writing Prospectuses (as defined in paragraph 6(a) hereof) and the Prospectus, none of such documents included or includes or will include any untrue statement of a material fact or omitted or omits or will omit to state any material fact required to be stated therein or necessary to make the statementstherein, in the light of the circumstances under which they were made, not misleading. Each Permitted Free Writing Prospectus listed on

Schedule II does not conflict in any material respect with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus.

(c) The Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida; has corporate power and authority to own, lease and operate its properties and to conduct its business as contemplated under this Agreement and the other material agreements to which it is a party; and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(d) The historical financial statements incorporated by reference in the Registration Statement, the Pricing Prospectus and the Prospectus present fairly the financial condition and operations of the Company at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except that the quarterly financial statements, if any, incorporated by reference from any Quarterly Reports on Form 10-Q contain condensed footnotes prepared in accordance with applicable Exchange Act rules and regulations; and Deloitte & Touche LLP, which has audited certain of the financial statements is an independent registered public accounting firm as required by the Securities Act or the Exchange Act and the rules and regulations of the Commission thereunder.

(e) Except as reflected in, or contemplated by, the Registration Statement and the Pricing Prospectus, since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, and prior to the Closing Date, (i) there has not been any material adverse change in the business, properties, results of operations or financial condition of the Company, (ii) there has not been any material transaction entered into by the Company other than transactions contemplated by the Registration Statement and the Pricing Prospectus or transactions arising in the ordinary course of business and (iii) the Company has no material contingent obligation that is not disclosed in the Registration Statement and the Pricing Prospectus that could likely result in a material adverse change in the business, properties, results of operations or financial condition of the Company.

(f) The Company has full power and authority to execute, deliver and perform its obligations under this Agreement. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of the terms hereof on the part of the Company to be fulfilled have been duly authorized by all necessary corporate action of the Company in accordance with the provisions of its articles of incorporation as amended (the "Charter"), by-laws and applicable law.

(g) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions

of, or constitute a default under, the Charter, the Company's by-laws, applicable law or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(h) The Shares conform in all material respects to the description thereof contained in the Pricing Disclosure Package and the Prospectus.

(i) The Company has no subsidiaries that meet the definition of "significant subsidiary" as defined in Section 210.1-02(w) of Regulation S-X promulgated under the Securities Act.

(j) The authorized capital stock of the Company is 4,000,000 shares cumulative preferred stock, par value of $100 per share ("$100 Preferred Stock"), 5,000,000 shares of cumulative preferred stock, no par value ("No Par Preferred Stock"), 1,000,000 shares of preference stock, par value of $100 per share, and 60,000,000 shares of common stock, par value of $2.50 per share, of which (i) 40,000 shares of $100 Preferred Stock, 4.00% Series were authorized and 39,980 shares were issued and outstanding; (ii) 40,000 shares of $100 Preferred Stock, 4.60% Series were authorized and 39,997 shares were issued and outstanding; (iii) 80,000 shares of $100 Preferred Stock, 4.75% Series were authorized, issued and outstanding; (iv) 75,000 shares of $100 Preferred Stock, 4.40% Series were authorized, issued and outstanding; (v) 100,000 shares of $100 Preferred Stock, 4.58% Series authorized and 99,990 shares were issued and outstanding, (vi) no shares of No Par Preferred Stock were issued and outstanding, (vii) no shares of preference stock were issued and outstanding and (viii)_____shares of common stock were issued and outstanding (except for subsequent issuances, if any, pursuant to this Agreement, or pursuant to agreements or employee benefit plans referred to in the Pricing Prospectus). The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company were issued in violation of the preemptive or other similar rights, if any, of any securityholder of the Company.

(k) The issuance of the Shares has been duly authorized by the Company and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights. The Articles of Amendment have been duly authorized and adopted by the Company and will be effective upon filing with the FSOS.

(l) [The Shares will, upon issuance, be listed on the New York Stock Exchange.]

(m) The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(n) Except as described in or contemplated by the Pricing Prospectus, there are no pending or, to the knowledge of the Company, threatened actions, suits or proceedings against or affecting the Company or its properties that are likely, in the aggregate, to result in any material adverse change in the business, properties, results of operations or financial condition of the Company or that are likely, in the aggregate, to materially and adversely affect the consummation of this Agreement or the transactions contemplated herein or therein.

(o) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder in connection with the offering, issuance or sale of the Shares hereunder or the consummation of the transactions herein contemplated, except such as have already been made or obtained or as may be required under the Securities Act or state securities laws.

(p) The Company is not in violation of its Charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreements or instruments to which the Company is a party or by which it may be bound or to which any of the property or assets of the Company is subject except for such defaults that would not result in a material adverse change in the business, properties, results of operations or financial condition of the Company.

(q) Except as described in the Pricing Prospectus and except as would not, in the aggregate, result in a material adverse change in the business, properties, results of operations or financial condition of the Company, the Company is not in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof that individually or in the aggregate is expected by the Company to result in a material adverse effect in the business, properties, results of operations or financial condition of the Company or which individually or in the aggregate is expected by the Company to materially and adversely affect the consummation of this Agreement or the transactions contemplated herein or therein.

(r) There are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the Securities Act.

4. Purchase and Sale.

(a) On the basis of the representations, warranties and covenants herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to each of the Underwriters, severally and not jointly, and each such Underwriter agrees, severally and not jointly, to purchase from the Company, the respective number of Shares set forth opposite the name of such Underwriter below at a price of $ per share (the "Purchase Price").

Underwriter	Number of Shares
[_____]	
[_____]	
[_____]	
Total	

(b) On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Option Shares, and the Underwriters shall have a right to purchase, severally and not jointly, the Option Shares at the Purchase Price. Option Shares may be purchased as provided in this paragraph 4 in whole or in part from time to time, on the Closing Date and up to two times thereafter as provided herein, solely for the purpose of covering overallotments made in connection with the offering of the Firm Shares. If any Option Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Option Shares (subject to such adjustments to eliminate fractional shares as the Representative may determine) that bears approximately the same proportion to the total number of Option Shares to be purchased as the number of Firm Shares set forth in paragraph 4(a) opposite the name of such Underwriter bears to the total number of Firm Shares.

(c) The Company hereby agrees that, without the prior written consent of the Representative, it will not during the period ending ___days after the date of this Agreement (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise transfer or dispose of, directly or indirectly, or to register or announce the sale or offering of any shares of preferred stock of the Company or any securities convertible into or exercisable or exchangeable for such preferred stock or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of such preferred stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of such preferred stock or such other securities, in cash or otherwise.

(d) The foregoing subparagraph (c) shall not apply to (i) the Shares to be sold hereunder; (ii) the issuance by the Company of shares of preferred stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Underwriters have been advised in writing and to which the Representative has consented; and (iii) agreements or arrangements in connection with acquisition transactions involving the issuance or sale of shares of preferred stock or relating to options, rights, warrants or any securities convertible into or exercisable or exchangeable for shares of preferred stock, where the acquisition transactions are consummated more than ___days after the date of the Prospectus.

5. Reoffering by Underwriters. The Underwriters agree to make promptly a bona fide public offering of the Shares to the public for sale as set forth in the Prospectus, subject, however, to the terms and conditions of this Agreement. The Underwriters agree that (i) no sales of the Shares will occur before investors are presented with the information that is contained in

the Pricing Disclosure Package and (ii) such information that is presented to investors is consistent with the information that is contained in the Pricing Disclosure Package.

6. Free Writing Prospectuses.

(a) The Company represents and agrees that, without the prior consent of the Representative, it has not made and will not make any offer relating to the Shares that would constitute a "free writing prospectus" as defined in Rule 405 under the Act, other than a Permitted Free Writing Prospectus; each Underwriter represents and agrees that, without the prior consent of the Company and the Representative, it has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus," as defined in Rule 405 under the Act, other than a Permitted Free Writing Prospectus or a free writing prospectus that is not required to be filed by the Company pursuant to Rule 433 under the Securities Act (an "Underwriter Free Writing Prospectus"). Any such free writing prospectus the use of which is consented to by the Company and the Representative is referred to herein as a "Permitted Free Writing Prospectus". The only Permitted Free Writing Prospectus as of the time of this Agreement is the pricing term sheet referred to in paragraph 6(b) below.

(b) The Company agrees to file a pricing term sheet, in the form of Schedule I hereto and approved by the Representative pursuant to Rule 433(d) under the Securities Act within the time period prescribed by such Rule.

(c) The Company and the Underwriters have complied and will comply with the requirements of Rule 433 under the Securities Act applicable to any free writing prospectus, including timely Commission filing where required and legending.

(d) The Company agrees that if at any time following issuance of a Permitted Free Writing Prospectus any event occurred or occurs as a result of which such Permitted Free Writing Prospectus would conflict in any material respect with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representative and, if requested by the Representative, will prepare and furnish without charge to each Underwriter a Permitted Free Writing Prospectus or other document which will correct such conflict, statement or omission; provided, however, that this representation and warranty shall not apply to any statements or omissions in a Permitted Free Writing Prospectus made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representative, expressly for use therein.

7. Time and Place of Closing; Default of Underwriters.

(a) Payment for the Firm Shares shall be made at the office of Hunton & Williams LLP, located at 421 Fayetteville Street Mall, Raleigh, North Carolina 27601 on the date specified in Schedule I hereto against delivery of the Shares to the office of the Representative, or such other place and date as the Representative and the Company may

agree. Payment for the Firm Shares shall be by wire transfer of immediately available funds against delivery of the Firm Shares to the Representative or upon its order at the office of the Representative, at 10:00 A.M., New York City time, on the third business day (unless postponed in accordance with the provisions of this Agreement) following the date of this Agreement, or if pricing takes place after 4:30 P.M. New York City time, on the fourth business day following the date of this Agreement (unless postponed in accordance with the provisions of this Agreement), or at such other time on the same or such other earlier date, as shall be agreed upon by the Representative and the Company. The hour and date of such delivery and payment are herein referred to as the "Closing Date."

(b) Payment for all or any portion of the Option Shares shall be made from time to time by or on behalf of the several Underwriters by the wire transfer of immediately available funds to the Company's account. Such payment shall be made upon delivery of such Option Shares to the Representative or upon its order at the office of the Representative, at 10:00 A.M., New York City time, on the third business day (unless postponed in accordance with the provisions of this Agreement) following the giving of the notice described below, but in no event on more than two such dates in addition to the Closing Date, each as shall be designated in written notices from the Representative to the Company of the Representative's determination, on behalf of the Underwriters, to purchase a number, specified in said notices, of Option Shares, or on such other date as shall be agreed upon by the Representative and the Company. The time and date of any such payments are hereinafter referred to as an "Option Closing Date" (the Closing Date or any Option Closing Date, as applicable, is hereinafter referred to as the "Relevant Closing Date"). The notices of a determination to exercise the option to purchase all or any portion of the Option Shares and of an Option Closing Date may be given at any time within 30 days after the date of this Agreement.

(c) On the Relevant Closing Date, the Company shall deliver, or cause to be delivered a credit representing the Firm Shares or the Option Shares, as the case may be, to an account or accounts at The Depository Trust Company as designated by the Representative for the accounts of the Representative and the several Underwriters against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Underwriters.

(d) If one or more Underwriters shall, for any reason other than a reason permitted hereunder, fail to take up and pay for the number of Shares to be purchased by such one or more Underwriters, the Company shall immediately notify the Representative, and the non-defaulting Underwriters shall be obligated to take up and pay for (in addition to the respective number of Shares set forth opposite their respective names in paragraph 4 hereof) the number of Shares that such defaulting Underwriter or Underwriters failed to take up and pay for, up to 10% of the aggregate number of Shares to be purchased on the Relevant Closing Date, and each non-defaulting Underwriter shall do so on a pro rata basis according to the number of Shares set forth opposite the name of such non-defaulting Underwriter in paragraph 4 hereof, and such non-defaulting

Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another Underwriter or Underwriters, satisfactory to the Company, to take up and pay for the remaining number of Shares that the defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Shares still remain, then the Company or the Representative shall be entitled to an additional period of 24 hours within which to procure another party or parties, members of the National Association of Securities Dealers, Inc. (or if not members of such Association, who are not eligible for membership in said Association and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with said Association's Conduct Rules) and satisfactory to the Company, to purchase or agree to purchase such unpurchased Shares on the terms herein set forth. In any such case, either the Representative or the Company shall have the right to postpone the Relevant Closing Date for a period not to exceed three full business days from the date agreed upon in accordance with this paragraph 7, in order that the necessary changes in the Registration Statement and Prospectus and any other documents and arrangements may be effected. If (i) neither the non-defaulting Underwriters nor the Company has arranged for the purchase of such unpurchased Shares by another party or parties as above provided and (ii) the Company and the non-defaulting Underwriters have not mutually agreed to offer and sell the Shares other than the unpurchased Shares, then this Agreement, or the obligations of the several Underwriters to purchase Option Shares on a date which is after the Closing Date, as the case may be, shall terminate without any liability on the part of the Company or any Underwriter (other than an Underwriter that shall have failed or refused, for any reason not permitted hereunder, to purchase and pay for the number of Shares that such Underwriter has agreed to purchase as provided in paragraph 4 hereof), except as otherwise provided in paragraph 8 and paragraph 9 hereof.

8. Covenants of the Company. The Company covenants with each Underwriter that:

(a) As soon as reasonably possible after the execution and delivery of this Agreement, the Company will file the Prospectus with the Commission pursuant to Rule 424 under the Securities Act ("Rule 424"), setting forth, among other things, the necessary information with respect to the terms of offering of the Shares and make any other required filing pursuant to Rule 433 under the Securities Act. Upon request, the Company will promptly deliver to the Representative and to counsel for the Underwriters, to the extent not previously delivered, one fully executed copy or one conformed copy, certified by an officer of the Company, of the Registration Statement, as originally filed, and of all amendments thereto, if any, heretofore or hereafter made, (other than those relating solely to Registered Securities other than the Shares), including any post-effective amendment (in each case including all exhibits filed therewith and all documents incorporated therein not previously furnished to the Representative), including signed copies of each consent and certificate included therein or filed as an exhibit thereto, and will deliver to the Representative for distribution to the Underwriters as many conformed copies of the foregoing (excluding the exhibits, but including all documents incorporated therein) as the Representative may reasonably request. The Company will also send to the Underwriters as soon as practicable after the date of this

Agreement and thereafter from time to time as many copies of the Prospectus and the Preliminary Prospectus as the Representative may reasonably request for the purposes required by the Securities Act.

(b) During such period (not exceeding nine months) after the commencement of the offering of the Shares as the Underwriters may be required by law to deliver a Prospectus, if any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Representative shall occur, which in the Company's reasonable opinion, after consultation with counsel for the Underwriters, should be set forth in a supplement to or an amendment of the Prospectus in order to make the Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser, or if it is necessary to amend the Prospectus to comply with the Securities Act, the Company will forthwith at its expense prepare and furnish to the Underwriters and dealers named by the Representative a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus which will supplement or amend the Prospectus so that as supplemented or amended it will comply with the Securities Act and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading. In case any Underwriter is required to deliver a Prospectus after the expiration of nine months after the commencement of the offering of the Shares, the Company, upon the request of the Representative, will furnish to the Representative, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Prospectus, complying with Section 10(a) of the Securities Act.

(c) The Company will make generally available to its security holders, as soon as reasonably practicable, but in any event not later than 16 months after the end of the fiscal quarter in which the filing of the Prospectus pursuant to Rule 424 occurs, an earning statement (in form complying with the provisions of Section 11(a) of the Securities Act, which need not be certified by independent public accountants) covering a period of twelve months beginning not later than the first day of the Company's fiscal quarter next following the filing of the Prospectus pursuant to Rule 424.

(d) The Company will use its best efforts promptly to do and perform all things to be done and performed by it hereunder prior to the Relevant Closing Date and to satisfy all conditions precedent to the delivery by it of the Shares.

(e) The Company will advise the Representative, or its counsel, promptly of the filing of the Prospectus pursuant to Rule 424 and of any amendment or supplement to the Prospectus or Registration Statement or of official notice of institution of proceedings for, or the entry of, a stop order suspending the effectiveness of the Registration Statement and, if such a stop order should be entered, use its best efforts to obtain the prompt removal thereof.

(f) The Company will use its best efforts to qualify the Shares, as may be required, for offer and sale under the Blue Sky or legal investment laws of such jurisdictions as the Representative may designate, and will file and make in each year

such statements or reports as are or may be reasonably required by the laws of such jurisdictions; provided, however, that the Company shall not be required to qualify as a foreign corporation or dealer in securities, or to file any general consents to service of process under the laws of any jurisdiction.

(g) Prior to the termination of the offering of the Shares, the Company will not file any amendment to the Registration Statement or supplement to the Pricing Prospectus or the Prospectus (in each case other than amendments or supplements relating to Registered Securities other than the Shares) which shall not have previously been furnished to the Representative or of which the Representative shall not previously have been advised or to which the Representative shall reasonably object in writing and which has not been approved by the Representative or its counsel.

(h) The Company will file the Articles of Amendment with the FSOS on or prior to the Closing Date.

9. Payment of Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing and filing of the Registration Statement and the printing of this Agreement, (ii) the delivery of the Shares to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the expenses in connection with the qualification of the Shares under securities laws in accordance with the provisions of subparagraph (f) of paragraph 8 hereof, including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith, such fees and disbursements (excluding filing fees) not to exceed $7,500, (v) the printing and delivery to the Underwriters of copies of the Registration Statement and all amendments thereto, of the Preliminary Prospectus, any Permitted Free Writing Prospectus and of the Prospectus and any amendments or supplements thereto and (vi) the printing and delivery to the Underwriters of copies of the Blue Sky Survey, if any; and the Company will pay all taxes, if any (but not including any transfer taxes), on the issue of the Shares.

The fees and disbursements of Underwriters' counsel shall be paid by the Underwriters (subject, however, to the provisions of clause (iv) of the preceding paragraph requiring payment by the Company of certain fees and disbursements (excluding filing fees) not to exceed $7,500); provided, however, that if this Agreement is terminated in accordance with the provisions of paragraph 10, 11 or 13 hereof, the Company shall reimburse the Representative for the account of the Underwriters for the reasonable and documented fees and disbursements of Underwriters' counsel. The Company shall not be required to pay any amount for any expenses of the Representative or of any other of the Underwriters except as provided in paragraph 8 hereof and in this paragraph 9. The Company shall not in any event be liable to any of the Underwriters for damages on account of the loss of anticipated profit.

10. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase and pay for the Shares shall be subject to the accuracy of the representations and warranties on the part of the Company as of the date hereof and the Closing Date, to the performance by the Company of its obligations to be performed hereunder prior to the Closing Date, and to the following further conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date; and no proceedings for that purpose shall be pending before, or, to the Company's knowledge, threatened by, the Commission on the Closing Date. The Representative shall have received, prior to payment for the Shares, a certificate dated the Closing Date and signed by the Chairman, President, Treasurer or a Vice President of the Company to the effect that no such stop order is in effect and that no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) At the time of execution of this Agreement, or such later date as shall have been consented to by the Representative, there shall have been issued, and on the Closing Date there shall be in full force and effect, orders of the Florida Public Service Commission authorizing the issuance and sale of the Shares, which shall not contain any provision unacceptable to the Representative by reason of its being materially adverse to the Company (it being agreed that no such order in effect on the date of this Agreement and heretofore furnished to the Representative or counsel for the Underwriters contains any such unacceptable provision).

(c) At the Closing Date, the Representative shall receive favorable opinions from: (1) Hunton & Williams LLP, counsel to the Company, which opinion shall be satisfactory in form and substance to counsel for the Underwriters, and (2) Dewey Ballantine LLP, counsel for the Underwriters, in each of which opinions (except as to subdivision (vi) (as to documents incorporated by reference, at the time they were filed with the Commission) as to which Dewey Ballantine LLP need express no opinion) said counsel may rely as to all matters of Florida law upon the opinion of R. Alexander Glenn, Deputy General Counsel-Florida of Progress Energy Service Company LLC, acting as counsel to the Company, to the effect that:

(i) assuming delivery to and payment for the Shares by the Underwriters, as provided in this Agreement, the Shares will be validly issued, fully paid and non-assessable;

(ii) the shareholders of the Company are not entitled to statutory preemptive or, to such counsel's knowledge, other similar contractual rights to subscribe for the Shares, [and the Shares have been duly authorized for listing on the New York Stock Exchange];

(iii) the form of the certificates for the Shares conforms in all material respects to the requirements of the Florida Business Corporation Act [and the New York Stock Exchange];

(iv) the statements made in the Prospectus under the caption "Description of Preferred Stock," insofar as they purport to constitute summaries of the documents referred to therein, are accurate summaries in all material respects;

(v) this Agreement has been duly and validly authorized, executed and delivered by the Company;

(vi) the Registration Statement, at the time and date it was declared effective by the Commission and as of the date hereof, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses and the Prospectus, at the time each was filed with, or transmitted for filing to, the Commission pursuant to Rule 424 (except as to the financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein, upon which such opinions need not pass), complied as to form in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder; the documents or portions thereof filed with the Commission pursuant to the Exchange Act and deemed to be incorporated by reference in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus and the Prospectus pursuant to Item 12 of Form S-3 (except as to financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein and that part of the Registration Statement that constitutes Statements of Eligibility on Form T-1 and Form T-2, upon which such opinions need not pass), at the time they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder; the Registration Statement has become effective under the Securities Act and, to the best of the knowledge of said counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and not withdrawn and no proceedings for a stop order with respect thereto are threatened or pending under Section 8 of the Securities Act; and

(vii) nothing has come to the attention of said counsel that would lead them to believe that the Registration Statement, at the time and date it was declared effective by the Commission and as of the date hereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and nothing has come to the attention of said counsel that would lead them to believe that (x) the Pricing Disclosure Package, as of the Applicable Time, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (y) the Prospectus, as of its date and, as amended or supplemented, at the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except, in each case, as to financial statements and other financial and statistical data constituting a part of the Registration Statement, the Pricing Disclosure Package or the Prospectus or incorporated by reference therein and that part of the Registration Statement that constitutes the Statements of Eligibility on Form T-1 and Form T-2, upon which such opinions need not pass);

provided, however, that Dewey Ballantine LLP will not provide the opinion contained in subparagraphs (b)(ii) or (b)(iii) (as to the requirements of the Florida Business Corporation Act) of this paragraph 10.

(d) At the Closing Date, the Representative shall receive from R. Alexander Glenn, Deputy General Counsel — Florida of Progress Energy Service Company, LLC, acting as counsel for the Company, a favorable opinion in form and substance satisfactory to counsel for the Underwriters, to the same effect with respect to the matters enumerated in subdivisions (i) through (v) and subdivision (vii) of subparagraph (c) of this paragraph 10 as the opinions required by said subparagraph (c), and to the further effect that:

(i) the Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida;

(ii) the Company is duly authorized by its Charter to conduct the business that it is now conducting as set forth in the Prospectus;

(iii) the Company is an electrical utility engaged in the business of generating, transmitting, distributing and selling electric power to the general public in the State of Florida;

(iv) the Company has valid and subsisting franchises, licenses and permits adequate for the conduct of its business, except where the failure to hold such franchises, licenses and permits would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company;

(v) the issuance and sale of the Shares have been duly authorized by all necessary corporate action on the part of the Company; the Articles of Amendment have been duly authorized and adopted by the Company and will be effective upon filing with the FSOS.

(vi) the authorized capital stock of the Company is 4,000,000 shares cumulative preferred stock, par value of $100 per share ("$100 Preferred Stock"), 5,000,000 shares of cumulative preferred stock, no par value ("No Par Preferred Stock"), 1,000,000 shares of preference stock, par value $100 per share, and 60,000,000 shares of common stock, par value $2.50 per share, including (i) 40,000 shares of $100 Preferred Stock, 4.00% Series; (ii) 40,000 shares of $100 Preferred Stock, 4.60% Series; (iii) 80,000 shares of $100 Preferred Stock, 4.75% Series; (iv) 75,000 shares of $100 Preferred Stock, 4.40% Series; and (v) 100,000 shares of $100 Preferred Stock, 4.58% Series; the shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; and none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any securityholder of the Company to subscribe for such stock;

(vii) An order has been entered by the Florida Public Service Commission authorizing the issuance and sale of the Shares, and to the best of the knowledge of said counsel, said order is still in force and effect; and no further filing with, approval, authorization, consent or other order of any public board or body (except such as have been obtained under the Securities Act and as may be required under the state securities or Blue Sky laws of any jurisdiction) is legally required for the consummation of the transactions contemplated in this Agreement;

(viii) to the best of his knowledge, there are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the Securities Act;

(ix) except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against the Company or any of its properties which are likely in the aggregate to result in any material adverse change in the business, properties, results of operations or financial condition of the Company or which are likely in the aggregate, to materially and adversely affect the consummation of this Agreement or the transactions contemplated herein or therein;

(x) the consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not (i) result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or the Company's by-laws or (ii) result in a material breach of any terms or provisions of, or constitute a default under, any applicable law, indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on business, properties, results of operations or financial condition of the Company.

(e) The Representative shall have received on the date hereof and shall receive on the Closing Date from Deloitte & Touche LLP, a letter addressed to the Representative containing statements and information of the type ordinarily included in accountants' SAS 72 "comfort letters" to underwriters with respect to the audit reports, financial statements and certain financial information contained in or incorporated by reference into the Prospectus.

(f) At the Closing Date, the Representative shall receive a certificate of the Chairman, President, Treasurer or a Vice President of the Company, dated the Closing Date, to the effect that the representations and warranties of the Company in this Agreement are true and correct as of the Closing Date.

(g) The Permitted Free Writing Prospectus, and any other material required pursuant to Rule 433(d) under the Securities Act, shall have been filed by the Company with the Commission within the applicable time periods prescribed by Rule 433.

(h) All legal proceedings taken in connection with the sale and delivery of the Shares shall have been satisfactory in form and substance to counsel for the Underwriters and the Company, as of the Closing Date, shall be in compliance with any governing orders of the Florida Public Service Commission, except where the failure to comply with such orders would not be material to the offering or validity of the Shares.

(i) [At the Closing Date, the Shares shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.]

(j) At the date of this Agreement, the Representative shall have received an agreement substantially in the form of Exhibit A to Schedule III hereto signed by the persons listed on Schedule III hereto.

(k) If the Underwriters exercise their option provided in paragraph 4(b) hereof to purchase all or any portion of the Option Shares, the representations and warranties of the Company contained herein and the statements in any certificates furnished by the Company hereunder shall be true and correct as of each Option Closing Date and, at each Option Closing Date, the Representative shall have received:

(i) Officers' Certificate. A certificate, dated such Option Closing Date, of the Chairman, President, Treasurer or a Vice President of the Company confirming that the certificates delivered at the Closing Date pursuant to paragraphs 10(a) and 10(f) hereof remain true and correct as of such Option Closing Date.

(ii) Opinion of Counsel for the Company. The favorable opinion of Hunton & Williams LLP, of counsel to the Company, together with the favorable opinion of R. Alexander Glenn, Esq., each in form and substance satisfactory to counsel for the Underwriters, dated such Option Closing Date, relating to the Option Shares to be purchased on such Option Closing Date and otherwise to the same effect as the opinions required by paragraphs 10(c) and 10(d), respectively, hereof.

(iii) Opinion of Counsel for the Underwriters. The favorable opinion of Dewey Ballantine LLP, counsel for the Underwriters, dated such Option Closing Date, relating to the Option Shares to be purchased on such Option Closing Date and otherwise to the same effect as the opinion required by paragraph 10(c) hereof.

(iv) Bring-down Comfort Letter. A letter from Deloitte & Touche LLP, in form and substance satisfactory to the Representative and dated such Option Closing Date, substantially in the same form and substance as the letters furnished to the Representative pursuant to paragraph 10(e) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than three days prior to such Option Closing Date.

In case any of the conditions specified above in this paragraph 10 shall not have been fulfilled or waived by 2:00 P.M. on the Relevant Closing Date, this Agreement or, in the case of any condition to the purchase of Option Shares, on a date which is after the Closing Date, the obligations of the several Underwriters to purchase the relevant Option Shares, may be terminated by the Representative by delivering written notice thereof to the Company. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 8 and 9 hereof.

11. Conditions of the Company's Obligations. The obligations of the Company to deliver the Shares on the Relevant Closing Date shall be subject to the conditions set forth in the first sentence of subparagraph (a) of paragraph 10 hereof and in subparagraph (b) of paragraph 10 hereof. In case these conditions shall not have been fulfilled at the Relevant Closing Date, this Agreement may be terminated by the Company by mailing or delivering written notice thereof to the Representative. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 8 and 9 hereof.

12. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Underwriter, each officer and director of each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each such Underwriter, each such officer and director and each such controlling person for any legal or other expenses (including to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement, or alleged untrue statement, of a material fact contained in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses or the Prospectus, or in the Registration Statement or Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or in any free writing prospectus used by the Company other than a Permitted Free Writing Prospectus, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that the indemnity agreement contained in this paragraph 12 shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of, or based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with the Underwriter Information and provided, further, that the indemnity agreement contained in this paragraph 12 shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of the Shares to any person if a copy of the Permitted Free Writing Prospectus or Prospectus (excluding documents

incorporated by reference therein) shall not have been given or sent to such person by or on behalf of such Underwriter at or prior to entry into the contract of sale, unless such Prospectus or Permitted Free Writing Prospectus failed to correct the omission or misstatement. The indemnity agreement of the Company contained in this paragraph 12 and the representations and warranties of the Company contained in paragraph 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any such officer or director or any such controlling person and shall survive the delivery of the Shares. The Underwriters agree to notify promptly the Company, and each other Underwriter, of the commencement of any litigation or proceedings against them or any of them, or any such controlling person, in connection with the sale of the Shares.

(b) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless the Company, its officers who signed the Registration Statement and directors, and each person who controls the Company within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages, or liabilities, or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses or the Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or any Underwriter Free Writing Prospectus used by such Underwriter (but only to the extent that the content of such Underwriter Free Writing Prospectus that is subject to indemnification is materially inconsistent with the information contained in the Permitted Free Writing Prospectus or the Prospectus) or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with Underwriter Information. The indemnity agreement of all the respective Underwriters contained in this paragraph 12 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or any other Underwriter, or any such controlling person, and shall survive the delivery of the Shares. The Company agrees promptly to notify the Representative of the commencement of any litigation or proceedings against the Company or any of its officers or directors, or any such controlling person, in connection with the sale of the Shares.

(c) The Company and each of the Underwriters agree that, upon the receipt of notice of the commencement of any action against it, its officers and directors, or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought hereunder. The Company and each of the Underwriters agree that the notification required by the preceding sentence shall be a material term of this Agreement. The omission so to notify such indemnifying party or parties of any such

action shall relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party on account of any indemnity agreement contained herein if such indemnifying party was materially prejudiced by such omission, but shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party (or parties) and satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying parties will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them, as such expenses are incurred; provided, however, if the defendants (including any impleaded parties) in any such action include both the indemnified party and the indemnifying party, and counsel for the indemnified party shall have concluded, in its reasonable judgment, that there may be a conflict of interest involved in the representation by such counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to one local counsel) representing the indemnified parties who are parties to such action). Each of the Company and the several Underwriters agrees that without the other party's prior written consent, which consent shall not be unreasonably withheld, it will not settle, compromise or consent to the entry of any judgment in any claim in respect of which indemnification may be sought under the indemnification provisions of this Agreement, unless suchsettlement, compromise or consent (i) includes an unconditional release of such other party from all liability arising out of such claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of such other party.

(d) If the indemnification provided for in subparagraphs (a) or (b) above is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and of the Underwriters, on the other hand, in connection with the statements or omissions or alleged statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the

other hand, in connection with the offering of the Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Shares pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, bear to the aggregate initial public offering price of the Shares as set forth on such cover. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subparagraph (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subparagraph (d). The rights of contribution contained in this paragraph 12 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or the Company and shall survive delivery of the Shares. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subparagraph (d), each person, if any, who controls an Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this subparagraph (d) are several in proportionto the number of Shares set forth opposite their respective names in paragraph 4 hereof and not joint.

(e) For purposes of this paragraph 12, it is understood and agreed that the "Underwriter Information" is the information provided in the_____ paragraphs under "Underwriting" in the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectus or the Prospectus Supplement.

13. Termination Date of this Agreement. This Agreement, or the obligations of the several Underwriters to purchase Option Shares on a date which is after the Closing Date, may be terminated by the Representative at any time prior to the Relevant Closing Date by delivering written notice thereof to the Company, if on or after the date of this Agreement but prior to such time (a) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange, or there shall have been established by the New York Stock Exchange or by the Commission or by any federal or state agency or by the decision of any court any limitation on prices for such trading or any restrictions on the distribution of securities, or (b) there shall have occurred any new outbreak of hostilities, including, but not limited to, significant escalation of hostilities that existed prior to the date of this Agreement, or any national or international calamity or crisis, or any material adverse change in the financial

markets of the United States, the effect of which outbreak, escalation, calamity, crisis or material adverse change, shall be such as to make it impracticable, in the reasonable judgment of the Representative, for the Underwriters to enforce contracts for the sale of the Shares, or (c) the Company shall have sustained a substantial loss by fire, flood, accident or other calamity which renders it impracticable, in the reasonable judgment of the Representative, to consummate the sale of the Shares and the delivery of the Shares by the several Underwriters at the initial public offering price or (d) there shall have been any downgrading or any notice of any intended or potential downgrading in the rating accorded the Company's securities by any "nationally recognized statistical rating organization" as that term is defined by the Commission for the purposes of Securities Act Rule 436(g)(2), or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Shares or any of the Company's outstanding debt, the effect of which, in the reasonable judgment of the Representative, makes it impracticable or inadvisable to consummate the sale of the Shares and the delivery of the Shares by the several Underwriters at the initial public offering price or (e) there shall have been declared, by either federal or New York authorities, a general banking moratorium. This Agreement (or such obligation to purchase Option Shares) may also be terminated at any time prior to the Relevant Closing Date if, in the reasonable judgment of the Representative, the subject matter of any amendment or supplement to the Registration Statement, the Pricing Prospectus or Prospectus (other than an amendment or supplement relating solely to the activity of any Underwriter or Underwriters) filed after the execution of this Agreement but prior to such Relevant Closing Date shall have materially impaired the marketability of the Shares. Any termination hereof pursuant to this paragraph 13 shall be without liability of any party to any other party except as otherwise provided in paragraphs 8 and 9 hereof.

14. Miscellaneous. The validity and interpretation of this Agreement shall be governed by the laws of the State of New York. Unless otherwise specified, time of day refers to New York City time. This Agreement shall inure to the benefit of, and be binding upon, the Company, the several Underwriters, and with respect to the provisions of paragraph 12 hereof, the officers and directors and each controlling person referred to in paragraph 12 hereof, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors" as used in this Agreement shall not include any purchaser, as such purchaser, of any of the Shares from any of the several Underwriters.

15. Nature of Relationship. The Company acknowledges and agrees that (i) in connection with all aspects of each transaction contemplated by this Agreement, the Company and the Underwriters have an arms length business relationship that creates no fiduciary duty on the part of any party and each expressly disclaims any fiduciary relationship, (ii) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, (iii) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate, and (iv) any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company.

16. Notices. All communications hereunder shall be in writing or by telefax and, if to the Underwriters, shall be mailed, transmitted by any standard form of telecommunication or delivered to the Representative at_____, and if to the Company, shall be mailed or delivered to it at 410 S. Wilmington Street, Raleigh, North Carolina 27601-1748, attention of Thomas R. Sullivan, Treasurer.

17. Counterparts. This Agreement may be simultaneously executed in counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

18. Defined Terms. Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings assigned to them in the Registration Statement.

[Remainder of page intentionally left blank]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed duplicate hereof whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

By: _____
Authorized Representative

Accepted as of the date first
above written, as Underwriter
named in, and as the Representative
of the other Underwriters named in,
Section 1 of this Agreement.
[REPRESENTATIVE]

By: _____
Name:
Title:

[Signature Page for the Preferred Stock Underwriting Agreement]

SCHEDULE I

Pricing Term Sheet

Underwriting Agreement dated_____, 20___
Representative(s):
Designation: Preferred Stock
Listing:_____
Amount:_____shares
Purchase Price: $____per share
Public Offering Price: $____per share.
Redemption Terms:_____
Settlement Date:_____, 20___;

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov (and more specifically, at the URL link http://sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000037637&owner=include**). Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling toll-free at 1-8[xx-xxx-xxxx].**

SCHEDULE II

Pricing Disclosure Package

1) Prospectus dated_____ ___, 20___

2) Preliminary Prospectus Supplement dated_____ ___, 20___(which shall be deemed to include the Incorporated Documents)

3) Permitted Free Writing Prospectuses

   a) Pricing Term Sheet attached as Schedule I hereto

SCHEDULE III

Persons Executing Lock-Up Agreements

Exhibit A

[Form of Lock-Up Agreement]

Exhibit 12

PROGRESS ENERGY FLORIDA, INC.
EXHIBIT 12
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND
PREFERRED DIVIDENDS COMBINED AND RATIO OF EARNINGS TO FIXED CHARGES

(million of dollars) Twelve Months Ended September 30	2005	2004
Earnings, as defined:		
Net Income	$ 266	$ 322
Fixed charges, as below	124	116
Income taxes	125	166
Total earnings, as defined	$ 515	$ 604
Fixed Charges, as defined:		
Interest on long-term debt	$ 106	$ 101
Other interest	14	10
Imputed interest factor in rentals — charged principally to operating expenses	4	5
Total fixed charges, as defined	$ 124	$ 116
Preferred dividends, as defined	$ 2	$ 2
Total fixed charges and preferred dividends combined	$ 126	$ 118
Ratio of Earnings to Fixed Charges	4.15	5.21
Ratio of Earnings to Fixed Charges and Preferred Dividends Combined	4.08	5.12

(in millions) Years Ended December 31	2004	2003	2002	2001	2000
Earnings, as defined:					
Net income	$ 335	$ 296	$ 325	$ 311	$ 212
Fixed charges, as below	122	103	114	117	130
Income taxes	174	147	163	183	151
Total earnings, as defined	$ 631	$ 546	$ 602	$ 611	$ 493
Fixed Charges, as defined:					
Interest on long-term debt	$ 107	$ 103	$ 99	$ 100	$ 102
Other interest	10	(6)	10	14	26
Imputed interest factor in rentals-charged principally to operating expenses	5	6	5	3	2
Total fixed charges, as defined	$ 122	$ 103	$ 114	$ 117	$ 130
Preferred dividends, as defined	$ 2	$ 2	$ 3	$ 3	$ 3
Total fixed charges and preferred dividends combined	$ 124	$ 105	$ 117	$ 120	$ 133
Ratio of earnings to fixed charges	5.17	5.30	5.28	5.22	3.79
Ratio of earnings to fixed charges and preferred dividends combined	5.09	5.20	5.15	5.09	3.71

Exhibit 23(a)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Amendment No. 1 to Registration Statement No. 333-126967 on Form S-3 of our reports dated March 7, 2005, relating to the financial statements and financial statement schedule of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (PEF) (which report on the financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of a new accounting principle in 2003), appearing in the Annual Report on Form 10-K of PEF for the year ended December 31, 2004 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
December 22, 2005

Form 10-K

PROGRESS ENERGY INC - PGN

Filed: March 10, 2006 (period: December 31, 2005)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

(X) **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

( ) **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Progress Energy

Commission File Number	Exact name of registrants as specified in their charters, state of incorporation, address of principal executive offices, and telephone number	I.R.S. Employer Identification Number
1-15929	**Progress Energy, Inc.** 410 South Wilmington Street Raleigh, North Carolina 27601-1748 Telephone: (919) 546-6111 State of Incorporation: North Carolina	56-2155481
1-3382	**Carolina Power & Light Company** **d/b/a Progress Energy Carolinas, Inc.** 410 South Wilmington Street Raleigh, North Carolina 27601-1748 Telephone: (919) 546-6111 State of Incorporation: North Carolina	56-0165465
1-3274	**Florida Power Corporation** **d/b/a Progress Energy Florida, Inc.** 100 Central Avenue St. Petersburg, Florida 33701 Telephone: (727) 820-5151 State of Incorporation: Florida	59-0247770

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Progress Energy, Inc.:	
Common Stock (Without Par Value)	New York Stock Exchange
Carolina Power & Light Company:	None
Florida Power Corporation:	None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Progress Energy, Inc.:	None
Carolina Power & Light Company:	$5 Preferred Stock, No Par Value Serial Preferred Stock, No Par Value
Florida Power Corporation:	None

Indicate by check mark whether each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Act.

Progress Energy, Inc. (Progress Energy)	Yes(X)	No( )
Carolina Power & Light Company (PEC)	Yes(X)	No( )
Florida Power Corporation (PEF)	Yes( )	No(X)

Indicate by check mark whether each registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Progress Energy	Yes( )	No(X)
PEC	Yes( )	No(X)
PEF	Yes( )	No(X)

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes_X_ No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of each registrant's knowledge, in definitive proxy or information statements incorporated by reference in PART III of this Form 10-K or any amendment to this Form 10-K.

Progress Energy	( )
PEC	(X)
PEF	(X)

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.:

Progress Energy	Large accelerated filer (X)	Accelerated filer ( )	Non-accelerated filer ( )
PEC	Large accelerated filer ( )	Accelerated filer ( )	Non-accelerated filer (X)
PEF	Large accelerated filer ( )	Accelerated filer ( )	Non-accelerated filer (X)

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Act).

Progress Energy	Yes( )	No(X)
PEC	Yes( )	No(X)
PEF	Yes( )	No(X)

As of June 30, 2005, the aggregate market value of the voting and nonvoting common equity of Progress Energy held by nonaffiliates was $11,332,332,138. As of June 30, 2005, the aggregate market value of the common equity of PEC held by nonaffiliates was $0. All of the common stock of PEC is owned by Progress Energy. As of June 30, 2005, the aggregate market value of the common equity of PEF held by nonaffiliates was $0. All of the common stock of PEF is indirectly owned by Progress Energy.

As of February 28, 2006, each registrant had the following shares of common stock outstanding:

Registrant	Description	Shares
Progress Energy	Common Stock (Without Par Value)	252,289,683
PEC	Common Stock (Without Par Value)	159,608,055
PEF	Common Stock (Without Par Value)	100

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Progress Energy and PEC definitive proxy statements for the 2006 Annual Meeting of Shareholders are incorporated into PART III, ITEMS 10, 11, 12 , 13 and 14 hereof.

This combined Form 10-K is filed separately by three registrants: Progress Energy, PEC and PEF (collectively, the Progress Registrants). Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

PEF meets the conditions set forth in General Instruction I (1) (a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format permitted by General Instruction I (2) to such Form 10-K. PEF is not an asset-backed issuer, as defined in Item 11101 of Regulation AB.

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GLOSSARY OF TERMS

The following abbreviations or acronyms used in the text of this combined Form 10-K are defined below:

TERM	DEFINITION
401(k)	Progress Energy 401(k) Savings and Stock Ownership Plan
AFUDC	Allowance for funds used during construction
the Agreement	Stipulation and Settlement Agreement related to PEF retail rate matters
AHI	Affordable housing investment
APB No. 25	Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees"
ARO	Asset retirement obligation
Annual Average Price	Average wellhead price per barrel for unregulated domestic crude oil for the year
BART	Best Available Retrofit Technology
Base Rate Settlement	Settlement reached with the FPSC on September 7, 2005 on PEF's base rate proceeding
Bcf	Billion cubic feet
Broad River	Broad River LLC's Broad River Facility
Brunswick	Brunswick Nuclear Plant
Btu	British thermal unit
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CAVR	Clean Air Visibility Rule
CO_2	Carbon dioxide
Caronet	Caronet, Inc.
CCO	Competitive Commercial Operations business included within the Progress Ventures segment, previously reported as a separate business segment
CERCLA or Superfund	Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
Clean Smokestacks Act	North Carolina Clean Smokestacks Act enacted in June 2002
Coal and Synthetic Fuel	Business segment primarily comprised of synthetic fuel production and sales operations, the operation of synthetic fuel facilities for third-parties, coal terminal services, and fuel transportation and delivery operations
the Code	Internal Revenue Code
CO_2	Carbon dioxide
COL	Combined license
Colona	Colona Synfuel Limited Partnership, LLLP
Corporate	Collectively, the Parent, PESC and consolidation entities
Corporate and Other	Corporate and Other segment includes Corporate as well as other nonregulated business areas
CR3	Crystal River Unit No. 3 Nuclear Plant
CVO	Contingent value obligation
DIG Issue C20	FASB Derivatives Implementation Group Issue C20, "Interpretation of the meaning of Not Clearly and Closely Related in Paragraph 10(b) regarding Contracts with a Price Adjustment Feature"
DOE	United States Department of Energy
Earthco	Four wholly owned coal-based solid synthetic fuel limited liability companies
ECRC	Environmental Cost Recovery Clause
EIA	Energy Information Agency
EITF	Emerging Issues Task Force
EITF 03-1	Emerging Issues Task Force No. 03-1, "The Meaning of Other-Than-Temporary Impairments and Its Application to Certain Investments"
EITF 03-4	Emerging Issues Task Force No. 03-4, "Determining the Classification and Benefit Attribution Method for a 'Cash Balance' Pension Plan"

EMCs	Electric Membership Cooperatives
ENCNG	Eastern North Carolina Natural Gas Company, formerly referred to as EasternNC
Energy Delivery	Distribution operations of the Utilities
EPA	Environmental Protection Agency
EPACT	Energy Policy Act of 2005
EPIK	EPIK Communications, Inc.
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environment and Protection
FERC	Federal Energy Regulatory Commission
FGT	Florida Gas Transmission Company
FIN No. 45	FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"
FIN No. 46R	FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51"
FIN No. 47	FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations - an Interpretation of FASB Statement No. 143"
Florida Global Case	U.S. Global LLC v. Progress Energy, Inc. et al
Florida Progress or FPC	Florida Progress Corporation, one of our wholly owned subsidiaries
FPSC	Florida Public Service Commission
Fuels	Previously reported business segment that included natural gas, coal terminal and synthetic fuel operations
Funding Corp.	Florida Progress Funding Corporation, a wholly owned subsidiary of Florida Progress
GAAP	Accounting principles generally accepted in the United States of America
Gas	Natural gas drilling and production operations included within the Progress Ventures segment
Genco	Progress Genco Ventures LLC
Georgia Power	Georgia Power Company
Georgia Region	Reporting unit consisting of our Effingham, Monroe, Walton and Washington nonregulated generation plants in service
Global	U.S. Global LLC
Gulfstream	Gulfstream Gas System, L.L.C.
Harris	Shearon Harris Nuclear Plant
IBEW	International Brotherhood of Electrical Workers
IRS	Internal Revenue Service
Jackson	Jackson Electric Membership Corporation
kV	Kilovolt
kVA	Kilovolt-ampere
kW	Kilowatt
kWh	Kilowatt-hour
Level 3	Level 3 Communications, Inc.
LIBOR	London Inter Bank Offering Rate
MACT	Maximum Achievable Control Technology
MDC	Maximum Dependable Capability
Medicare Act	Medicare Prescription Drug, Improvement and Modernization Act of 2003
MGP	Manufactured Gas Plant
MW	Megawatt
MWh	Megawatt-hour
Moody's	Moody's Investors Service, Inc.
NAAQS	National Ambient Air Quality Standards
NCNG	North Carolina Natural Gas Corporation
NSR	New Source Review requirement by EPA
NCUC	North Carolina Utilities Commission
NEIL	Nuclear Electric Insurance Limited

the Notes Guarantee	Florida Progress' full and unconditional guarantee of the Subordinated Notes
Nox	Nitrogen Oxide
Nox SIP Call	EPA rule which requires 22 states including North and South Carolina (but excluding Florida) to further reduce nitrogen oxide emissions.
NRC	United States Nuclear Regulatory Commission
Nuclear Waste Act	Nuclear Waste Policy Act of 1982
NYMEX	New York Mercantile Exchange
OCI	Other comprehensive income as defined by GAAP
O&M	Operation and maintenance expense
Odyssey	Odyssey Telecorp, Inc.
OPEB	Postretirement benefits other than pensions
Order 2000	FERC order regarding RTOs which sets minimum characteristics and functions that RTOs must meet, including independent transmission service
P11	Intercession City Unit P11
the Parent	Progress Energy, Inc. holding company on an unconsolidated basis
PEC	Progress Energy Carolinas, Inc., formerly referred to as Carolina Power & Light Company
PEF	Progress Energy Florida, Inc., formerly referred to as Florida Power Corporation
PESC	Progress Energy Service Company, LLC
the Phase-out Price	Price per barrel of unregulated domestic crude oil at which Section 29/45K tax credits are fully eliminated
Power Agency	North Carolina Eastern Municipal Power Agency
Preferred Securities	7.10% Cumulative Quarterly Income Preferred Securities due 2039, Series A issued by the Trust
Preferred Securities Guarantee	Florida Progress' guarantee of all distributions related to the Preferred Securities
Progress Energy	Progress Energy, Inc. and subsidiaries on a consolidated basis
Progress Registrants	The individual reporting registrants within the Progress Energy consolidated group. Collectively, Progress Energy, Inc., PEC and PEF
Progress Fuels	Progress Fuels Corporation, formerly Electric Fuels Corporation
Progress Rail	Progress Rail Services Corporation
Progress Ventures	Business segment primarily comprised of nonregulated energy generation and marketing activities and natural gas operations
PRP	Potentially responsible party, as defined in CERCLA
PSSP	Performance Share Sub-Plan
PTC	Progress Telecommunications Corporation
PT LLC	Progress Telecom, LLC
PUHCA	Public Utility Holding Company Act of 1935, as amended
PURPA	Public Utilities Regulatory Policies Act of 1978
PVI	Progress Energy Ventures, Inc. (formerly referred to as Progress Ventures, Inc.)
PWC	Public Works Commission of the City of Fayetteville, North Carolina
PWR	Pressurized water reactor
QF	Qualifying facility
Rail Services	Previously reported business segment that included rail operations
RBCA or Global RBCA	Risk-based corrective action
RCA	Revolving credit agreement
Rockport	Indiana Michigan Power Company's Rockport Unit No. 2
Robinson	Robinson Nuclear Plant
ROE	Return on equity
RSA	Restricted stock awards program
RTO	Regional transmission organization
SCPSC	Public Service Commission of South Carolina
SEC	United States Securities and Exchange Commission
Section 29	Section 29 of the Internal Revenue Service Code
Section 29/45K	General business tax credits earned after December 31, 2005 for synthetic fuel production activities in accordance with Section 29

Section 45K	General business tax credit
(See Note/s "#")	For all sections, this is a reference to the Combined Notes to the Financial Statements contained in Part II, ITEM 8
S&P	Standard & Poor's Rating Services
SFAS	Statement of Financial Accounting Standards
SFAS No. 5	Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies"
SFAS No. 71	Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation"
SFAS No. 87	Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions"
SFAS No. 109	Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes"
SFAS No. 115	Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."
SFAS No. 123	Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation"
SFAS No. 123R	Statement of Financial Accounting Standards No. 123R, "Accounting for Stock-Based Compensation"
SFAS No. 131	Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information"
SFAS No. 133	Statement of Financial Accounting Standards No. 133, "Accounting for Derivative and Hedging Activities"
SFAS No. 138	Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - An Amendment of FASB Statement No. 133"
SFAS No. 142	Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets"
SFAS No. 143	Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations"
SFAS No. 144	Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"
SFAS No. 148	Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - An Amendment of FASB Statement No. 123"
SFAS No. 149	Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities"
SFAS No. 150	Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity"
SNG	Southern Natural Gas Company
SO_2	Sulfur dioxide
SRS	Strategic Resource Solutions Corp.
Subordinated Notes	7.10% Junior Subordinated Deferrable Interest Notes due 2039 issued by Funding Corp.
Tax Agreement	Intercompany Income Tax Allocation Agreement
the Threshold Price	Price per barrel of unregulated domestic crude oil at which Section 29/45K tax credits begin to be reduced
the Trust	FPC Capital I, a wholly owned subsidiary of Florida Progress
the Utilities	Collectively, PEC and PEF
Winchester Production	Winchester Production Company, Ltd., an indirectly owned subsidiary of Progress Fuels Corporation
Winter Park	City of Winter Park, Florida

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

In this combined report, each of the Progress Registrants makes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The matters discussed throughout this combined Form 10-K that are not historical facts are forward looking and, accordingly, 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.

In addition, examples of forward-looking statements discussed in this Form 10-K include, but are not limited to, 1) statements made in PART I, ITEM 1A, "Risk Factors" and 2) PART II, ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" including, but not limited to, statements under the following headings: a) "Results of Operations" about trends and uncertainties; b) "Liquidity and Capital Resources" about operating cash flows, estimated capital requirements through the year 2008 and future financing plans; c) "Strategy" about our future strategy and goals; and d) "Other Matters" about our synthetic fuel facilities, the effects of new environmental regulations, nuclear decommissioning costs and the effect of electric utility industry restructuring.

Any forward-looking statement is based on information current as of the date of this report and speaks only as of the date on which such statement is made, and the Progress Registrants 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.

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: the impact of fluid and complex laws and regulations, including those relating to the environment and the recently enacted Energy Policy Act of 2005; the financial resources needed to comply with environmental laws; deregulation or restructuring in the electric industry that may result in increased competition and unrecovered or stranded costs; weather conditions that directly influence the demand for electricity; the ability to recover through the regulatory process costs associated with future significant weather events; recurring seasonal fluctuations in demand for electricity; fluctuations in the price of energy commodities and purchased power; economic fluctuations and the corresponding impact on our commercial and industrial customers; the ability of our subsidiaries to pay upstream dividends or distributions to the Parent; the impact on our facilities and businesses from a terrorist attack; the inherent risks associated with the operation of nuclear facilities, including environmental, health, regulatory and financial risks; the anticipated future need for additional baseload generation in our regulated service territories and the accompanying regulatory and financial risks; the ability to successfully access capital markets on favorable terms; the Progress Registrants' ability to maintain their current credit ratings and the impact on the Progress Registrants' financial condition and ability to meet their cash and other financial obligations in the event their credit ratings are downgraded below investment grade; the impact that increases in leverage may have on each of the Progress Registrants; the impact of derivative contracts used in the normal course of business; the investment performance of our pension and benefit plans; the Progress Registrants' ability to control costs, including pension and benefit expense, and achieve our cost- management targets for 2007; the availability and use of Internal Revenue Code Section 29/45K (Section 29/45K) tax credits by synthetic fuel producers and our continued ability to use Section 29/45K tax credits related to our coal-based solid synthetic fuel businesses; the impact that future crude oil prices may have on the value of our Section 29/45K tax credits; our ability to manage the risks involved with the operation of nonregulatedplants, including dependence on third parties and related counter-party risks, and a lack of operating history of such plants; the ability to manage the risks associated with our energy marketing operations, including potential impairment charges caused by adverse changes in market or business conditions; the outcome of any ongoing or future litigation or similar disputes and the impact of any such outcome or related settlements; and unanticipated changes in operating expenses and capital expenditures. Many of these risks similarly impact our nonreporting subsidiaries.

These and other risk factors are detailed from time to time in the Progress Registrants' filings with the United States Securities and Exchange Commission (SEC). Many, but not all, of the factors that may impact actual results are discussed in ITEM 1A, "Risk Factors," which you should carefully read. 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 it assess the effect of each such factor on the Progress Registrants.

PART I

ITEM 1. BUSINESS

GENERAL

ORGANIZATION

Progress Energy, Inc., headquartered in Raleigh, N.C., with its regulated and nonregulated subsidiaries, is an integrated energy company serving the southeast region of the United States. In this report, Progress Energy (which includes Progress Energy, Inc.'s holding company operations (the Parent) and its subsidiaries on a consolidated basis), is at times referred to as "we," "our" or "us." When discussing Progress Energy's financial information, it necessarily includes the results of PEC and PEF (collectively, the Utilities). The term "Progress Registrants" refers to each of the three separate registrants: Progress Energy, PEC and PEF. However, neither of the Utilities makes any representation as to information related solely to Progress Energy or the subsidiaries of Progress Energy other than itself.

The Parent was initially incorporated on August 19, 1999 as CP&L Energy, Inc., which became the holding company for PEC on June 19, 2000. All shares of common stock of PEC were exchanged for an equal number of shares of CP&L Energy, Inc. common stock. On November 30, 2000, we completed our acquisition of Florida Progress Corporation (Florida Progress or FPC), a diversified, exempt electric utility holding company whose primary subsidiaries are PEF and Progress Fuels Corporation (Progress Fuels). In the $5.4 billion purchase transaction, we paid cash consideration of approximately $3.5 billion and issued 46.5 million shares of common stock valued at approximately $1.9 billion. In addition, we issued 98.6 million contingent value obligations (CVOs) valued at approximately $49 million. Prior to February 8, 2006, the Parent was a registered holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Effective February 8, 2006, the Parent is subject to additional regulation by the Federal Energy Regulatory Commission (FERC) as discussed below.

Our wholly owned regulated subsidiaries, PEC and PEF, each a business segment, are primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina, South Carolina and Florida. We have over 21,500 megawatts (MW) of regulated electric generation capacity and serve approximately 3 million retail electric customers in portions of North Carolina, South Carolina and Florida as well as other load-serving entities. The Utilities operate in retail service territories that are anticipated to have population growth higher than the U.S. average. In addition, PEC's greater proportion of commercial and industrial customers, combined with PEF's greater proportion of residential customers, creates a balanced customer base. We are dedicated to expanding our electric generation capacity and delivering reliable, competitively priced energy from a diverse portfolio of power plants. Prior to December 2005, our reportable business segments included the PEC Electric segment that was comprised of PEC's utility operations and excluded immaterial operations of PEC's nonregulated subsidiaries that were previously included in our Corporate and Other segment. Management has realigned the PEC segment based on the manner in which these operations are reviewed to include PEC's nonregulated subsidiaries. The results of operations and financial position of PEC Electric and PEC are not materially different. Prior year periods have been restated for the PEC segment realignment.

During 2005, we also realigned our nonregulated business segments due to changes in the operations of certain businesses as discussed below and the reclassification of our coal mining operations as discontinued operations. This realignment is consistent with the manner in which management currently reviews these operations. Our current nonregulated segments are: 1) Progress Ventures and 2) Coal and Synthetic Fuels.

Our Progress Ventures segment is involved in nonregulated electric generation operations and energy marketing activities through our Competitive Commercial Operations business (CCO) and natural gas drilling and production (Gas). The functional management and financial reporting structure of the Progress Ventures business unit is not currently aligned with its legal structure. Prior to December 2005, Gas was included within our previously reported Fuels segment. We have historically disclosed CCO as a reportable segment. In the past several years, we have increased our natural gas reserves and our gas drilling capital to act as a natural hedge for CCO's nonregulated

generation needs. Our CCO business underwent a significant change in 2005 with the expiration of its tolling agreements (which had little fuel price risk) at the end of 2004 and the increased load served under its fixed price full requirements contracts (which have substantial fuel price risk) effective in early 2005. Managing the operations of Gas and CCO on a combined basis allows us to more effectively manage our fuel price risk. Our Progress Ventures segment is involved in limited energy and commodity economic hedging activities and CCO will manage Gas' financial hedging operations. Prior year periods have been restated for the Progress Ventures segment realignment.

Our Coal and Synthetic Fuels segment is involved in the production and sale of coal-based solid synthetic fuel as defined under the Internal Revenue Code (the Code), the operation of synthetic fuel facilities for outside parties as well as coal terminal services and fuel transportation and delivery. Our Coal terminal operations support our Synthetic Fuel operations for the procuring and processing of coal and the transloading and marketing of synthetic fuel. Prior to 2005, all Coal operations (including mining), synthetic fuel activities and fuel transportation operations were included within our previously reported Fuels segment. Our coal mining business was reclassified as discontinued operations during 2005 as a result of our decision to divest of our coal mine assets. The remaining portions of the previously reported Fuels segment are included within Coal and Synthetic Fuels due to their operational relationship with the segment's activities and their relative immateriality. Prior year periods have been restated for the Coal and Synthetic Fuels segment realignment.

Prior to its divestiture in 2005, Rail Services was reported as a separate segment.

The Corporate and Other segment primarily includes the activities of the Parent, Progress Energy Service Company, LLC (PESC) and miscellaneous nonregulated businesses. PESC provides centralized administrative, management and support services to our subsidiaries. See Note 19 for additional information about PESC services provided and costs allocated to subsidiaries.

See Note 20 for information regarding the revenues, income and assets attributable to our business segments.

Our consolidated revenues for the year ended December 31, 2005, were $10.1 billion and our consolidated assets at year-end were $27.0 billion.

SIGNIFICANT DEVELOPMENTS

PROGRESS TELECOM DIVESTITURE

On January 25, 2006, we signed a definitive agreement to sell Progress Telecom, LLC (PT LLC) to Level 3 Communications, Inc. (Level 3) for a purchase price of approximately $137 million, with half the proceeds in cash and half in Level 3 common stock. We expect to use net cash proceeds of $70 million from the sale of our interest in PT LLC to reduce debt (See Note 25).

COAL MINE DIVESTITURE

On November 14, 2005, our board of directors approved a plan to divest of the five subsidiaries of Progress Fuels engaged in the coal mining business. The coal mining operations are expected to be sold by the end of 2006. As a result, we have classified the coal mining operations as discontinued operations in the accompanying consolidated financial statements for all periods presented (See Note 3A).

ACQUISITION BY WINCHESTER PRODUCTION COMPANY

In May 2005, Winchester Production Company, Ltd. (Winchester Production), an indirectly owned subsidiary of Progress Fuels, acquired a 50 percent interest in approximately 11 natural gas producing wells and proven reserves of approximately 25 billion cubic feet equivalent from a privately owned company headquartered in Texas. In addition to the natural gas reserves, the transaction also included a 50 percent interest in the gas gathering systems related to these reserves. The total cash purchase price for the transaction was $46 million (See Note 4A).

PROGRESS RAIL DIVESTITURE

In March 2005, we completed the sale of Progress Rail Services Corporation (Progress Rail). Gross cash proceeds from the sale were approximately $429 million, consisting of $405 million base proceeds plus a working capital adjustment. Proceeds from the sale were used to reduce debt (See Note 3B).

RAILCAR LTD., DIVESTITURE

In March 2003, we signed a letter of intent to sell the majority of Railcar Ltd. assets to The Andersons, Inc. The asset purchase agreement was signed in November 2003, and the transaction closed on February 12, 2004. Net proceeds of approximately $75 million were used to reduce debt (See Note 3B).

NCNG DIVESTITURE

In September 2003, we completed the sale of North Carolina Natural Gas Corporation (NCNG) and our equity investment in Eastern North Carolina Natural Gas Company (ENCNG) to Piedmont Natural Gas Company, Inc. As a result of this action, the operating results of NCNG were reclassified to discontinued operations for all reportable periods. Net proceeds from the sale of NCNG and ENCNG of approximately $443 million were used to reduce debt (See Note 3H).

See Notes 3 and 4 for additional information about our acquisitions and divestitures.

AVAILABLE INFORMATION

The Progress Registrants' annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through the Investors section of our internet site, http://www.progress-energy.com. These reports are available as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The public may read and copy any material we have filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information regarding the operations of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Alternatively, the SEC maintains an internet site, http://www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

The Investors section of our website also includes our corporate governance guidelines and code of ethics as well as the charters of the following committees of our board of directors: Audit and Corporate Performance; Corporate Governance; Finance; Operations, Environmental, Health and Safety Issues; and Organization and Compensation. This information is available in print to any shareholder who requests it. Requests should be directed to: Investor Relations, Progress Energy, Inc., 410 S. Wilmington Street, Raleigh, NC 27601.

Information on our website is not incorporated herein and should not be deemed part of this Report.

COMPETITION

GENERAL

Over the past several years, the electric utility industry has experienced a substantial increase in competition at the wholesale level, caused by changes in federal law and regulatory policy. Several states have also restructured aspects of retail electric service. The issue of retail restructuring and competition is being reviewed by a number of states, and bills have been introduced in past sessions of Congress that sought to introduce such restructuring in all states.

On August 8, 2005, the Energy Policy Act of 2005 (EPACT) was signed into law. This new federal law contains key provisions affecting the electric power industry. These provisions include tax changes for the utility industry; incentives for emissions reductions; federal insurance and incentives to build new nuclear power plants; repeal of PUHCA, effective February 8, 2006; and certain protection for native retail load customers of load-serving entities.

It gives the FERC "backstop" transmission siting authority as well as increased utility merger oversight. The law also provides incentives and funding for clean coal technologies and initiatives to voluntarily reduce greenhouse gases and redesignates the Code's Section 29 (Section 29) tax credit as a general business credit under the Code's Section 45K (Section 45K). See Note 23D for additional information on the redesignation of the Section 29 tax credits. In addition, the law requires both the FERC and the U.S. Department of Energy (DOE) to study how utilities dispatch their resources to meet the needs of their customers. The results of these studies or any related actions taken by DOE could impact the Utilities' system operations.

The law requires the FERC to issue certain regulations implementing EPACT within 120 days of enactment. The FERC has commenced the rulemaking process on 11 major issues and a number of secondary issues. We have reviewed the proposed rules and are participating in the public comment process. However, we cannot currently predict what impact the final rules will have on our financial condition and results of operations. The FERC has adopted final rules implementing its new authority under EPACT with regard to mergers, dispositions of utility assets, market manipulation, electric reliability organizations and PUHCA repeal. These new rules: require the FERC's approval prior to any merger involving a public utility; require the FERC's approval prior to the disposition of any utility asset with a market value in excess of $10 million; require utility holding companies to comply with the FERC's cost allocation, record retention and accounting rules; prohibit market participants from intentionally or recklessly making any fraudulent or misleading statements with regard to transactions subject to the FERC's jurisdiction; and establish the procedure and rules for the establishment of an electric reliability organization that will propose and enforce mandatory reliability standards for the bulk power electric system.

In November 2003, and as subsequently revised and supplemented, the FERC adopted standards of conduct that apply uniformly to interstate natural gas pipelines and public utilities and govern the relationship between transmission providers and their energy affiliates in a manner that prevents a transmission provider from unduly discriminating against nonaffiliates and from granting affiliates preferential treatment. Each utility was required to submit a plan and schedule for compliance with the new rules by February 2004. During 2005, following an audit by the FERC of the Utilities' compliance with the FERC's standards of conduct and the Utilities' codes of conduct, the Utilities reached a settlement with the FERC in regards to certain violations cited in the audit's results. Pursuant to the settlement, the Utilities agreed to make certain operational and organization changes and provided an immaterial monetary settlement in the form of a one-time credit to their retail and wholesale customers.

REGULATED UTILITIES

To date, many states have adopted legislation that would give retail customers the right to choose their electricity provider (retail choice), and most other states have, in some form, considered the issue. To our knowledge, there is currently no proposed legislation in North Carolina, South Carolina or Florida that would introduce retail choice.

ELECTRIC INDUSTRY RESTRUCTURING

The Utilities monitor developments impacting their competitive environments and actively participate in regulatory reform deliberations in their respective service territories. PEC expects that both the North Carolina and South Carolina General Assemblies will continue to monitor the experiences of states that have implemented electric restructuring legislation. PEF believes that the movement toward deregulation in Florida has been slowed by developments related to deregulation of the electric industry in other states.

REGIONAL TRANSMISSION ORGANIZATIONS

In October 2000, as a result of FERC Order 2000, PEC, along with Duke Energy Corporation and South Carolina Electric & Gas Company, filed an application with the FERC for approval of a regional transmission organization (RTO), GridSouth. In July 2001, the FERC issued an order provisionally approving GridSouth. However, in July 2001, the FERC issued orders recommending that companies in the southeast engage in mediation to develop a plan for a single RTO for the Southeast. PEC participated in the mediation. On August 11, 2005, the GridSouth participants notified the FERC that they had terminated the GridSouth project. By order issued October 20, 2005, the FERC terminated the GridSouth proceeding. PEC has $33 million invested in GridSouth related to startup costs at December 31, 2005. PEC expects to recover these startup costs.

Also as a result of FERC Order 2000, PEF, Florida Power & Light Company and Tampa Electric Company collectively filed with the FERC in October 2000 an application for approval of a GridFlorida RTO. The GridFlorida proposal is pending before both the FERC and the Florida Public Service Commission (FPSC). The FERC provisionally approved the structure and governance of GridFlorida. In December 2003, the FPSC ordered further state proceedings and established a collaborative workshop process to be conducted during 2004. In June 2004, the workshop process was abated pending completion of a cost-benefit study. On December 12, 2005, the final report of the cost-benefit study was issued. The study concluded that the GridFlorida RTO was not cost effective. The study further segregated the costs and benefits between FPSC jurisdictional and nonjurisdictional customers, concluding that the jurisdictional customers would incur even more costs and benefits would be shifted to nonjurisdictional customers. In light of the findings and conclusions of the cost-benefit study, on January 27, 2006, the GridFlorida applicants filed a motion with the FPSC to withdraw the compliance filing and filed a petition to close the docketed proceeding. The Florida Municipal Power Agency and Seminole Electric Power Cooperative have submitted a filing in opposition to this motion. The FPSC has released a schedule that indicates that they will issue an order on this motion by April 24, 2006. The GridFlorida applicants are currently in discussions to determine whether there are cost-effective alternatives to the GridFlorida proposal that could be implemented in peninsular Florida. It is unknown when the FERC or the FPSC will take final action with regard to the status of GridFlorida or what the impact of further proceedings will have on PEF's earnings, revenues or pricing. PEF has fully recovered its startup costs in GridFlorida.

See Note 7C for further discussion regarding RTOs.

FRANCHISE MATTERS

PEC has nonexclusive franchises with varying expiration dates in most of the municipalities in which it distributes electric energy in North Carolina and South Carolina. The general effect of these franchises is to provide for the manner in which PEC occupies rights-of-way in incorporated areas of municipalities for the purpose of constructing, operating and maintaining an energy transmission and distribution system. Of these 239 franchises, 194 have expiration dates ranging from 2008 to 2061 and 45 of these have no specific expiration dates. All but 13 of the 194 franchises with expiration dates have a term of 60 years. The exceptions have terms ranging from 10 to 50 years. PEC also provides service within a number of municipalities and in all of its unincorporated areas without franchise agreements.

PEF holds franchises with varying expiration dates in 109 of the municipalities in which it distributes electric energy. PEF also provides service to 12 other municipalities and in all its unincorporated areas without franchise agreements. The general effect of these franchises is to provide for the manner in which PEF occupies rights-of-way in incorporated areas of municipalities for the purpose of constructing, operating and maintaining an energy transmission and distribution system. One city which had an expiring franchise agreement with PEF elected in 2005 to purchase the electric distribution system that served that city after satisfying regulatory and operating requirements (See Note 7C). Other litigation regarding franchise matters with certain Florida municipalities were largely resolved during 2005 with renewals of franchise agreements. The franchise agreements cover periods ranging from 10 to 30 years with the majority covering 30-year periods from the date enacted. Of the 109 franchise agreements, 3 expire between January 1, 2006 and December 31, 2010, and 106 expire between January 1, 2011 and December 31, 2035.

WHOLESALE COMPETITION

As a result of various changes in federal law and regulations over the past 25 years, there is competition in the wholesale electricity market. In 1996, the FERC issued new rules on transmission service requiring all utility transmission providers to provide transmission access and service to all market participants pursuant to standardized tariffs. The rules give greater flexibility and more choices to wholesale power customers. EPACT clarified and expanded the FERC's authority to assure that markets operate fairly without imposing new, mandatory intrusion on state authorities.

The increased competition in the wholesale electric utility industry and the availability of transmission access could affect the Utilities' load forecasts, plans for power supply and wholesale energy sales and related revenues. The impact could vary depending on the extent to which additional generation is built to compete in the wholesale

market, new opportunities are created for the Utilities to expand their wholesale load, or current wholesale customers elect to purchase from other suppliers after existing contracts expire.

In April 2004, the FERC issued two orders concerning utilities' ability to sell wholesale electricity at market-based rates. In the first order, the FERC adopted two new interim screens for assessing potential generation market power of applicants for wholesale market-based rates, and described additional analyses and mitigation measures that could be presented if an applicant does not pass one of these interim screens. In July 2004, the FERC issued a second order that re-affirmed its April order and initiated a rulemaking to consider whether the FERC's current methodology for determining whether a public utility should be allowed to sell wholesale electricity at market-based rates should be modified in any way. The Utilities do not have market-based rate authority for wholesale sales in peninsular Florida. Given the difficulty PEC believed it would experience in passing one of the interim screens, on September 6, 2005, PEC filed revisions to its market-based rate tariffs restricting PEC to sales outside of PEC's control area and peninsular Florida, and filed a new cost-based tariff for sales within PEC's control area. The FERC has accepted these revised tariffs.

On June 6, 2005, the Utilities submitted market power studies to the FERC demonstrating that neither company possessed market power outside of peninsular Florida and PEC's control area. The FERC accepted the Utilities' respective market power studies and allowed PEC and PEF to continue selling power at market-based rates in areas outside of peninsular Florida and PEC's control area.

We do not anticipate that the current operations of the Utilities will be materially impacted by the market-based rates decision outlined above.

STRANDED COSTS

An issue encompassed by industry restructuring is the recovery of "stranded costs." Stranded costs primarily include the generation assets of utilities whose value in a competitive marketplace would be less than their current book value, as well as above-market purchased power commitments to qualifying facilities (QFs). Thus far, all states that have passed restructuring legislation have provided for the opportunity to recover a substantial portion of stranded costs. Assessing the amount of stranded costs for a utility requires various assumptions about future market conditions, including the future price of electricity.

The largest stranded cost exposure for PEF is its commitment to QFs. However, the FPSC allows for full recovery of the retail portion of QFs costs from customers. PEF continues to seek ways to address the impact of escalating payments from contracts it was obligated to sign under provisions of the Public Utilities Regulatory Policies Act of 1978 (PURPA).

EPACT repeals the mandatory purchase and sales requirements of PURPA in competitive markets as determined by the FERC. The law also requires the FERC to revise the criteria for new QFs and removes the ownership limitations on QFs.

NONREGULATED BUSINESSES

Progress Ventures' CCO operations are in the nonregulated wholesale market, which means competition is its primary driver. CCO competes in the eastern United States utility markets. Factors contributing to success in these markets include a competitive cost structure and strategic locations.

Progress Ventures' Gas operations develop and produce from wells located in Texas and Louisiana and sell at competitive prices throughout the region. Factors contributing to success include a competitive cost structure, the ability to execute the drilling plan and increase proven reserves.

Coal and Synthetic Fuel operations compete in the eastern United States steam and industrial coal markets. Factors contributing to success in these markets include a competitive cost structure and strategic locations. There are, however, numerous competitors in each of these markets, although no one competitor is dominant in any industry.

REGULATORY MATTERS

PUHCA

As a result of the acquisition of Florida Progress, Progress Energy was a registered holding company subject to regulation by the SEC under PUHCA. Therefore, Progress Energy and its subsidiaries were subject to the regulatory provisions of PUHCA, including provisions relating to the issuance of securities, sales, acquisitions of securities and utility assets, and services performed by PESC.

As discussed under "COMPETITION - General", federal legislation was enacted during 2005 to repeal PUHCA effective February 8, 2006. Subsequent to that date, the Parent is no longer subject to regulation by the SEC as a public utility holding company. EPACT grants the FERC certain new powers including approval authority of mergers affecting utilities, disposition of utility assets with a value in excess of $10 million and accounting, record retention and cost allocation authority.

UTILITY REGULATION

PEC is subject to regulation in North Carolina by the North Carolina Utilities Commission (NCUC), and in South Carolina by the Public Service Commission of South Carolina (SCPSC) and PEF is subject to regulation in Florida by the FPSC with respect to, among other things, rates and service for electric energy sold at retail, retail service territory cost recovery of unusual or unexpected expense, such as severe storm costs, and issuances of securities. The Utilities are also subject to regulation by the United States Nuclear Regulatory Commission (NRC). In addition, the Utilities are subject to regulation by the FERC with respect to transmission and sales of wholesale power, accounting and certain other matters. The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect revenues equal to its cost of providing service, plus a reasonable rate of return on its invested capital, including equity. Increased competition as a result of industry restructuring may affect the ratemaking process.

On February 7, 2006, the FPSC approved a utility pole inspection policy that requires extensive testing of wooden utility poles every eight years in an effort to reduce outages during severe storms. PEF does not anticipate a significant impact on its operations from complying with the new regulation as it already had a policy of inspecting its poles every 10 years, and some more often.

RETAIL RATE MATTERS

The NCUC, SCPSC and FPSC authorize retail "base rates" that are designed to provide the respective utility with the opportunity to earn a specific rate of return on its "rate base," or investment in utility plant. These rates are intended to cover all reasonable and prudent expenses of utility operations except those covered by specific cost recovery clauses and to provide investors with a fair rate of return.

In PEC's most recent rate cases in 1988, the NCUC and the SCPSC each authorized a return on equity of 12.75% for PEC. The Clean Smokestacks Act enacted in North Carolina in 2002 (Clean Smokestacks Act) froze PEC's base retail rates in North Carolina through December 31, 2007, unless there are extraordinary events beyond the control of PEC, in which case PEC can petition for a rate increase.

During 2005, the FPSC approved a four-year base rate agreement with PEF (Base Rate Settlement). The new base rates took effect the first billing cycle of January 2006 and will remain in effect through the last billing cycle of December 2009 with PEF having sole option to extend through the last billing cycle of June 2010. Base rates will be adjusted in late 2007 depending on the in-service date of specified generation facilities. The Base Rate Settlement also provides for revenue sharing between PEF and its customers. In 2006, PEF will refund two-thirds of retail, base revenues between the $1.499 billion threshold and the $1.549 billion cap and 100 percent of revenues above the $1.549 billion cap. Both the threshold and cap will be adjusted annually for rolling average 10-year retail kilowatt-hour (kWh) sales growth.

RETAIL COST RECOVERY CLAUSES

Each state utility commission allows recovery of certain costs through various cost recovery clauses, to the extent the respective commission determines in an annual hearing that such costs are prudent. Each state utility commission's determination results in the addition of a rider to a utility's base rates to reflect the approval of these costs and to reflect any past over- or under-recovery. The Utilities do not make any profit on the recovery of such costs. Certain fuel costs are eligible for recovery by the Utilities. The Utilities use coal, oil, hydroelectric (PEC only), natural gas and nuclear power to generate electricity thereby maintaining a diverse fuel mix which helps mitigate the impact of cost increases in any one fuel. The Utilities make every effort to minimize these costs. Unless a commission finds a portion of such costs to have been imprudently incurred, due to the regulatory treatment of these costs and the method allowed for recovery, changes from year to year have no material impact on operating results of the Utilities. However, delays between the expenditure for fuel costs and recovery from ratepayers can adversely impact the cash flow of the Utilities.

Costs recovered by the Utilities through cost recovery clauses, by retail jurisdiction, are as follows:

- *North Carolina Retail* - fuel costs and the fuel portion of purchased power

- *South Carolina Retail* - fuel costs, certain purchased power costs, and sulfur dioxide (SO_2) emission allowance expense

- *Florida Retail* - fuel costs, purchased power costs, capacity costs, energy conservation expense and specified environmental costs, including SO_2 emission allowance expense.

WHOLESALE RATE MATTERS

PEC and PEF are subject to regulation by the FERC with respect to rates for transmission and sale of electric energy at wholesale, the interconnection of facilities in interstate commerce (other than interconnections for use in the event of certain emergency situations), the licensing and operation of hydroelectric projects (PEC only) and, to the extent the FERC determines, accounting policies and practices. PEC and its wholesale customers last agreed to a general increase in wholesale rates in 1988 and PEF and its wholesale customers last agreed to a general increase in wholesale rates in 1995. However, wholesale rates for both of the Utilities have been adjusted since that time through contractual negotiations.

STORM RECOVERY

In accordance with a regulatory order, PEF accrues $6 million annually in base rates to a storm damage reserve and is allowed to defer losses in excess of the accumulated reserve for major storms. Under the order, the storm reserve is charged with operation and maintenance expenses related to storm restoration and with capital expenditures related to storm restoration that are in excess of expenditures assuming normal operating conditions.

On July 14, 2005, the FPSC issued an order authorizing PEF to recover $232 million over a two-year period, including interest, of the costs it incurred and previously deferred related to PEF's restoration of power to customers associated with the four hurricanes that impacted PEF's service territory in 2004. The initial impact was included in customer bills beginning August 1, 2005. The amount approved for recovery was based on PEF's estimate of costs. On September 12, 2005, PEF filed a true-up of an additional $19 million in costs. The increase was partially offset by $6 million of adjustments. The FPSC administratively approved the true-up amount, subject to audit by the FPSC staff. The net true-up effect was included in customer bills beginning January 1, 2006.

On June 1, 2005, the governor of Florida signed into law a bill that allows utilities to petition the FPSC to use securitized bonds to recover storm-related costs. PEF is reviewing whether it will seek FPSC approval to issue securitized debt to recover any outstanding balance of its 2004 storm costs and to replenish its storm reserve fund, or to continue the current replenishment of its storm reserve fund through base rates and a surcharge mechanism. If PEF seeks recovery through securitization and assuming FPSC approval, PEF expects the process to take six to nine months to complete.

PEC does not maintain a storm damage reserve account and does not have an on-going regulatory mechanism to recover storm costs. In the past, PEC has sought and received permission from the SCPSC and NCUC to defer and amortize certain storm recovery costs.

See Note 7 for further discussion of regulatory matters.

NUCLEAR MATTERS

GENERAL

The nuclear power industry faces uncertainties with respect to the cost and long-term availability of sites for disposal of spent nuclear fuel and other radioactive waste, compliance with changing regulatory requirements, nuclear plant operations, increased capital outlays for modifications, the technological and financial aspects of decommissioning plants at the end of their licensed lives and requirements relating to nuclear insurance.

PEC owns and operates four nuclear generating units, Brunswick Nuclear Plant (Brunswick) Unit No. 1 and Unit No. 2, Shearon Harris Nuclear Plant (Harris), and Robinson Nuclear Plant (Robinson). NRC operating licenses for Brunswick No. 1 and No. 2, Harris, and Robinson currently expire in September 2016, December 2014, October 2026, and July 2030, respectively. An application to extend the Brunswick licenses 20 years was submitted in October 2004. An application to extend the Harris license 20 years is expected to be submitted in the fourth quarter of 2006.

PEF owns and operates one nuclear generating unit, Crystal River Unit No. 3 (CR3). The NRC operating license for CR3 currently expires in December 2016. An application to extend this license 20 years is expected to be submitted in the first quarter of 2009.

Since 2001, PEC and PEF have made various modifications to increase the output of their nuclear facilities. The cumulative increase is approximately 315 MW, of which 311 MW is at PEC and 4 MW is at PEF.

We currently estimate that we will need to increase our baseload capacity in Florida and North and South Carolina by the middle of the next decade and are evaluating our options for future baseload generation needs. Both nuclear and coal technologies are being explored in parallel paths. We have announced that we are pursuing development of Combined License (COL) applications. Our announcement is not a commitment to build a nuclear plant. It is a necessary step to keep open the option of building a potential plant or plants. On January 23, 2006, we announced that PEC has selected the Harris site to evaluate for possible future nuclear expansion and we announced the selection of the Westinghouse Electric AP-1000 reactor design as the technology upon which to base the potential application submission. We currently expect to file the application for the COL for PEC's Harris site in late September or early October 2007. We expect to file the application for the COL for an as-yet unspecified site in Florida in late 2007 or first quarter 2008. We plan to announce the selection of the Florida site in spring 2006. If we receive approval from the NRC, and if the decision to build is made, construction could begin as early as 2010, and a new plant could be online around 2016. We estimate that it will take approximately 36 months for the NRC to review the COL applications and grant approval. See ITEM 1A, "Risk Factors" for additional information.

Our nuclear generating units are regulated by the NRC under the Atomic Energy Act of 1954 and the Energy Reorganization Act of 1974. In the event of noncompliance, the NRC has the authority to impose fines, set license conditions, shut down a nuclear unit, or some combination of these, depending upon its assessment of the severity of the situation, until compliance is achieved. Nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, repairs and certain other modifications.

The NRC periodically issues bulletins and orders addressing industry issues of interest or concern that necessitate a response from the industry. It is our intent to comply with and to complete required responses in a timely and accurate manner. Any potential impact to company operations will vary and will be dependent upon the nature of the requirement(s).

Since 2002, the NRC has issued various bulletins and orders addressing inspection activities associated with

Pressurized Water Reactor (PWR) vessels. We have complied with all requests. Additionally, we replaced the reactor vessel head at CR3 in 2003 and at Robinson in 2005.

SECURITY

The NRC has issued various orders since September 2001 with regard to security at nuclear plants. These orders include additional restrictions on access, increased security measures at nuclear facilities and closer coordination with our partners in intelligence, military, law enforcement and emergency response at the federal, state and local levels. We completed the requirements as outlined in the orders by the committed dates. As the NRC, other governmental entities and the industry continue to consider security issues, it is possible that more extensive security plans could be required.

SPENT FUEL AND OTHER HIGH-LEVEL RADIOACTIVE WASTE

The Nuclear Waste Policy Act of 1982 (Nuclear Waste Act) provides the framework for development by the federal government of interim storage and permanent disposal facilities for high-level radioactive waste materials. The Nuclear Waste Act promotes increased usage of interim storage of spent nuclear fuel at existing nuclear plants. We will continue to maximize the use of spent fuel storage capability within our own facilities for as long as feasible.

With certain modifications and additional approval by the NRC, including the installation of onsite dry storage facilities at Robinson, Brunswick and CR3, the Utilities' spent nuclear fuel storage facilities will be sufficient to provide storage space for spent fuel generated on their respective systems through the expiration of the operating licenses, including any license extensions, for all of their nuclear generating units. On March 30, 2005, the NRC issued a 40-year renewal for Robinson's Independent Spent Fuel Storage Installation license, which was due to expire in August 2006.

See Note 23D for a discussion of the Utilities' contracts with the DOE for spent nuclear waste.

DECOMMISSIONING AND DECONTAMINATION

In the Utilities' retail jurisdictions, provisions for nuclear decommissioning costs are approved by the NCUC, the SCPSC and the FPSC and are based on site-specific estimates that include the costs for removal of all radioactive and other structures at the site. In the wholesale jurisdiction, the provisions for nuclear decommissioning costs are approved by the FERC. A condition of the operating license for each unit requires an approved plan for decontamination and decommissioning. See Note 5D for a discussion of the Utilities' nuclear decommissioning costs.

ENVIRONMENTAL

In the areas of air quality, water quality, control of toxic substances and hazardous and solid wastes and other environmental matters, we are subject to regulation by various federal, state and local authorities. We believe that we are in substantial compliance with those environmental regulations currently applicable to our business and operations and believe we have all necessary permits to conduct such operations. Environmental laws and regulations constantly change and the ultimate costs of compliance cannot always be accurately estimated. The current estimated capital costs associated with compliance with pollution control laws and regulations that we expect to incur are included in the "Capital Expenditures" discussion for Progress Energy under PART II, ITEM 7, "Liquidity and Capital Resources."

The provisions of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), authorize the Environmental Protection Agency (EPA) to require the cleanup of hazardous waste sites. This statute imposes retroactive joint and several liabilities. Some states, including North Carolina, South Carolina and Florida, have similar types of legislation. We are periodically notified by regulators, including the EPA and various state agencies, of our involvement or potential involvement in sites that may require investigation and/or remediation.

There are presently several sites, including 11 manufactured gas plant (MGP) sites, with respect to which we have been notified by the EPA, the State of North Carolina or the State of Florida of our potential liability, as a potentially responsible party (PRP). We have accrued costs for the sites to the extent our liability is probable and the costs can be reasonably estimated. Although we may incur additional costs at the sites about which we have been notified, based upon the current status of these sites, the total costs that may be incurred in connection with all sites cannot be determined at this time. It is probable that additional losses, which could be material, may be incurred in the future.

See Note 22 for additional discussion of our environmental matters, which identifies specific environmental issues, the status of the issues, accruals associated with issue resolutions and our associated exposures.

EMPLOYEES

As of February 15, 2006, we employed approximately 11,600 full-time employees. Of this total, approximately 2,000 employees at PEF are represented by the International Brotherhood of Electrical Workers (IBEW). The three-year labor contract with the IBEW expired in November 2005. In January 2006, we reached an agreement on a new three-year contract, which has been ratified by union members and is retroactive to November 2005.

We have a noncontributory defined benefit retirement (pension) plan for substantially all full-time employees and an employee stock purchase plan among other employee benefits. We also provide contributory postretirement benefits, including certain health care and life insurance benefits, for substantially all retired employees.

As of February 15, 2006, PEC and PEF employed approximately 5,000 and 3,700 full-time employees, respectively.

ELECTRIC - PEC

GENERAL

PEC is a public service corporation formed under the laws of North Carolina in 1926 and is primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North and South Carolina. At December 31, 2005, PEC had a total summer generating capacity (including jointly owned capacity) of approximately 12,519 MW. For additional information about PEC's generating plants, see ELECTRIC - PEC in ITEM 2. PROPERTIES. PEC's system normally experiences its highest peak demands during the summer, and the all-time system peak of 12,577 megawatt-hour (MWh) was set on July 27, 2005.

PEC distributes and sells electricity in North Carolina and northeastern South Carolina. The service territory covers approximately 34,000 square miles, including a substantial portion of the coastal plain of North Carolina extending from the Piedmont to the Atlantic coast between the Pamlico River and the South Carolina border, the lower Piedmont section of North Carolina, an area in western North Carolina in and around the city of Asheville and an area in the northeastern portion of South Carolina. At December 31, 2005, PEC was providing electric services, retail and wholesale, to approximately 1.4 million customers. Major wholesale power sales customers include North Carolina Eastern Municipal Power Agency (Power Agency), North Carolina Electric Membership Corporation and Public Works Commission of the City of Fayetteville, North Carolina (PWC). PEC is subject to the rules and regulations of the FERC, the NCUC, the SCPSC and the NRC. No single customer accounts for more than 10% of PEC's revenues.

BILLED ELECTRIC REVENUES

PEC's electric revenues billed by customer class, for the last three years, are shown as a percentage of total PEC electric revenues in the table below:

BILLED ELECTRIC REVENUE PERCENTAGES

	2005	2004	2003
Residential	37%	38%	36%
Commercial	24%	25%	24%
Industrial	18%	19%	18%
Wholesale	19%	16%	20%
Other retail	2%	2%	2%

Major industries in PEC's service area include textiles, chemicals, metals, paper, food, rubber and plastics, wood products and electronic machinery and equipment.

FUEL AND PURCHASED POWER

SOURCES OF GENERATION

PEC's consumption of various types of fuel depends on several factors, the most important of which are the demand for electricity by PEC's customers, the availability of various generating units, the availability and cost of fuel and the requirements of federal and state regulatory agencies. PEC's total system generation (including jointly owned capacity) by primary energy source, along with purchased power for the last three years is presented in the following table:

ENERGY MIX PERCENTAGES

	2005	2004	2003
Coal	47%	47%	46%
Nuclear	42%	43%	44%
Purchased power	6%	6%	7%
Oil/Gas	4%	3%	2%
Hydro	1%	1%	1%

PEC is generally permitted to pass the cost of fuel and certain purchased power costs to its customers through fuel adjustment clauses. The future prices for and availability of various fuels discussed in this report cannot be predicted with complete certainty. See "Commodity Price Risk" under ITEM 7A, "Quantitative And Qualitative Disclosures About Market Risk" and ITEM 1A, "Risk Factors." However, PEC believes that its fuel supply contracts, as described below, will be adequate to meet its fuel supply needs.

PEC's average fuel costs per million British thermal units (Btu) for the last three years were as follows:

AVERAGE FUEL COST

(per million Btu)	2005	2004	2003
Coal	$ 2.72	$ 2.17	$ 2.00
Nuclear	0.42	0.42	0.43
Oil	8.60	6.78	6.69
Gas	10.90	8.29	8.32
Weighted-average	2.03	1.57	1.43

Changes in the unit price for coal, oil and gas are due to market conditions. Since these costs are primarily recovered through recovery clauses established by regulators, fluctuations do not materially affect net income.

Coal

PEC anticipates a requirement of approximately 12.8 million to 13.4 million tons of coal in 2006. Almost all of the coal will be supplied from Appalachian coal sources in the United States and is primarily delivered by rail.

For 2006, PEC has short-term, intermediate and long-term agreements from various sources for approximately 107% of its estimated burn requirements of its coal units. Amounts in excess of PEC's estimated burn requirements will be used to build up inventory levels or be consumed if the burn requirements increased above forecast. All of these contracts are at fixed prices adjusted annually. The contracts have expiration dates ranging from 2006 to 2010. PEC will continue to sign contracts of various lengths, terms and quality to meet its expected burn requirements. All the coal to be purchased for PEC is considered to be low-sulfur coal by industry standards.

Nuclear

Nuclear fuel is processed through four distinct stages. Stages I and II involve the mining and milling of the natural uranium ore to produce a uranium oxide concentrate and the conversion of this concentrate into uranium hexafluoride. Stages III and IV entail the enrichment of the uranium hexafluoride and the fabrication of the enriched uranium hexafluoride into usable fuel assemblies.

PEC has sufficient uranium, conversion, enrichment and fabrication contracts to meet its near-term nuclear fuel requirement needs. PEC's nuclear fuel contracts typically have terms ranging from five to ten years. For a discussion of PEC's plans with respect to spent fuel storage, see PART I, ITEM 1, "Nuclear Matters."

Oil and Gas

Oil and natural gas supply for PEC's generation fleet is purchased under term and spot contracts from several suppliers. PEC has dual-fuel generating facilities that can operate with both oil and gas. The cost of PEC's oil and gas is determined by market prices as reported in certain industry publications. PEC believes that it has access to an adequate supply of oil and gas for the reasonably foreseeable future. PEC's natural gas transportation for its baseload gas generation is purchased under term firm transportation contracts with interstate pipelines. PEC also purchases capacity on a seasonal basis from numerous shippers for its peaking load requirements. PEC believes that existing contracts for oil are sufficient to cover its requirements if natural gas is unavailable during a normal winter period for PEC's combustion turbine and combined cycle fleet.

Hydroelectric

PEC has three hydroelectric generating plants licensed by the FERC: Walters, Tillery and Blewett. PEC also owns the Marshall Plant, which has a license exemption. The total maximum dependable capacity for all four units is 218 MW. PEC is seeking to relicense its Tillery and Blewett Plants. The license for these plants currently expires in April 2008. The Walters Plant license will expire in 2034.

Purchased Power

PEC purchased approximately 4.7 million MWh, 4.0 million MWh and 4.5 million MWh of its system energy requirements during 2005, 2004 and 2003 and had 1,518 MW of firm purchased capacity under contract during 2005. PEC may acquire additional purchased power capacity in the future to accommodate a portion of its system load needs and PEC believes that it can obtain enough purchased power to meet these needs. However, during periods of high demand, the price and availability of purchased power may be significantly affected.

ELECTRIC - PEF

GENERAL

PEF, incorporated in Florida in 1899, is an operating public utility engaged in the generation, transmission, distribution and sale of electricity. At December 31, 2005, PEF had a total summer generating capacity (including jointly owned capacity) of approximately 9,045 MW. For additional information about PEF's generating plants, see ELECTRIC - PEF in ITEM 2. PROPERTIES. PEF's system normally experiences its highest peak demands during the winter, and the all-time system peak of 10,131 MWh was set on January 24, 2003. PEF's system set a new summer peak demand of 9,406 MWh on August 16, 2005.

PEF distributes and sells electricity in Florida. The service territory covers approximately 20,000 square miles and includes the densely populated areas around Orlando, as well as the cities of St. Petersburg and Clearwater. PEF is interconnected with 22 municipal and 9 rural electric cooperative systems. At December 31, 2005, PEF was providing electric services, retail and wholesale, to approximately 1.6 million customers. Major wholesale power sales customers include Seminole Electric Cooperative, Inc., Florida Power & Light Company, Tampa Electric Company, and the cities of Bartow, Winter Park (Winter Park) and Tallahassee. PEF is subject to the rules and regulations of the FERC, the FPSC and the NRC. No single customer accounts for more than 10% of PEF's revenues.

BILLED ELECTRIC REVENUES

PEF's electric revenues, billed by customer class for the last three years, are shown as a percentage of total PEF electric revenues in the table below:

BILLED ELECTRIC REVENUE PERCENTAGES

	2005	2004	2003
Residential	**52%**	53%	55%
Commercial	**25%**	25%	24%
Industrial	**8%**	8%	7%
Wholesale	**9%**	8%	8%
Other retail	**6%**	6%	6%

Important industries in PEF's territory include phosphate rock mining and processing, electronics design and manufacturing, and citrus and other food processing. Other important commercial activities are tourism, health care, construction and agriculture.

FUEL AND PURCHASED POWER

SOURCES OF GENERATION

PEF's consumption of various types of fuel depends on several factors, the most important of which are the demand for electricity by PEF's customers, the availability of various generating units, the availability and cost of fuel and the requirements of federal and state regulatory agencies. PEF's total system generation (including jointly owned capacity) by primary energy source, along with purchased power for the last three years is presented in the following table:

ENERGY MIX PERCENTAGES

	2005	2004	2003
Coal (a)	33%	32%	36%
Oil/Gas	33%	32%	29%
Nuclear	13%	16%	14%
Purchased Power	21%	20%	21%

(a) Amounts include synthetic fuel from unrelated third parties.

PEF is generally permitted to pass the cost of fuel and purchased power to its customers through fuel adjustment clauses. The future prices for and availability of various fuels discussed in this report cannot be predicted with complete certainty. See "Commodity Price Risk" under ITEM 7A, "Quantitative And Qualitative Disclosures About Market Risk" and ITEM 1A, "Risk Factors." However, PEF believes that its fuel supply contracts, as described below, will be adequate to meet its fuel supply needs.

PEF's average fuel costs per million Btu for the last three years were as follows:

AVERAGE FUEL COST

(per million Btu)	**2005**	2004	2003
Coal (a)	**$ 2.70**	$ 2.30	$ 2.42
Oil	**5.90**	4.67	4.38
Nuclear	**0.51**	0.49	0.50
Gas	**8.53**	6.41	5.98
Weighted-average	**4.15**	3.21	3.07

(a) Amounts include synthetic fuel from unrelated third parties.

Changes in the unit price for coal, oil and gas are due to market conditions. Since these costs are primarily recovered through recovery clauses established by regulators, fluctuations do not materially affect net income.

Coal

PEF anticipates a combined requirement of approximately 6 million tons of coal in 2006. Approximately 70% of the coal is expected to be supplied from Appalachian coal sources in the United States and 30% supplied from coal sources in South America. Approximately 67% of the fuel is expected to be delivered by rail and the remainder by water. All of this fuel has historically been supplied by Progress Fuels, a subsidiary of Progress Energy, pursuant to contracts between PEF and Progress Fuels. Beginning in 2006, PEF will enter into coal contracts on its own behalf.

For 2006, Progress Fuels has medium-term and long-term contracts with various sources for approximately 115% of the estimated burn requirements of PEF's coal units. Amounts in excess of PEF's estimated burn requirements will be used to build up inventory levels or be consumed if the burn requirements increased above forecast. These contracts have price adjustment provisions and have expiration dates ranging from 2006 to 2010. All the coal to be purchased for PEF is considered to be low-sulfur coal by industry standards.

Oil and Gas

Oil and natural gas supply for PEF's generation fleet is purchased under term and spot contracts from several suppliers. PEF has dual-fuel generating facilities that can operate with both oil and gas. The majority of the cost of PEF's oil and gas is either hedged at a fixed price or determined by market prices as reported in certain industry publications. PEF believes that it has access to an adequate supply of oil and gas for the reasonably foreseeable future. PEF's natural gas transportation for its gas generation is purchased under term firm transportation contracts with interstate pipelines. PEF purchases capacity on a seasonal basis from numerous shippers and interstate pipelines to serve its peaking load requirements. PEF also uses interruptible transportation contracts on certain occasions when available. PEF believes that existing contracts for oil are sufficient to cover its requirements if natural gas is unavailable during certain time periods.

Nuclear

Nuclear fuel is processed through four distinct stages. Stages I and II involve the mining and milling of the natural uranium ore to produce a uranium oxide concentrate and the conversion of this concentrate into uranium hexafluoride. Stages III and IV entail the enrichment of the uranium hexafluoride and the fabrication of the enriched uranium hexafluoride into usable fuel assemblies.

PEF has sufficient uranium, conversion, enrichment and fabrication contracts to meet its near-term nuclear fuel requirements. PEF's nuclear fuel contracts typically have terms ranging from five to ten years. For a discussion of PEF's plans with respect to spent fuel storage, see PART I, ITEM I, "Nuclear Matters."

Purchased Power

PEF purchased approximately 9.9 million MWh, 9.4 million MWh and 9.4 million MWh of its system energy requirements during 2005, 2004 and 2003 and had 1,631 MW of firm purchased capacity under contract during 2005. These agreements include approximately 812 MW of capacity under contract with certain QFs. PEF may acquire additional purchased power capacity in the future to accommodate a portion of its system load needs and PEF believes that it can obtain enough purchased power to meet these needs. However, during periods of high demand, the price and availability of purchased power may be significantly affected.

PROGRESS VENTURES

The Progress Ventures business segment is responsible for electric generation operations and energy marketing activities in the nonregulated wholesale market and natural gas drilling and production. CCO currently owns six electricity generation facilities with approximately 3,100 MW of generation capacity, and it has contractual rights to an additional 2,500 MW of generation capacity from mixed fuel generation facilities through its agreements with 16 Georgia electric membership cooperatives (EMCs). CCO has contracts for its combined production capacity of approximately 86% for 2006, approximately 81% for 2007, and approximately 84% for 2008. The Progress Ventures segment also includes natural gas properties in Texas and Louisiana producing approximately 24 billions of cubic feet (Bcf) equivalent per year.

The energy that CCO markets is sold under both term contracts and in the spot market. CCO purchases fuel, such as oil and natural gas, for use in the generation of electricity. We believe that there are adequate sources of fuel for CCO's expected fuel requirements. CCO also uses financial instruments to manage the risks associated with fluctuating commodity prices to hedge the economic value of its portfolio of assets. We strive to mitigate the risks associated with CCO's full-requirements supply contracts though various strategies including, but not limited to: having access to fixed price callable resources; having contractual caps on cooperative load growth; using selected power hedges over the terms of these agreements; using our generating assets to serve this load; and using our gas reserves in Texas and Louisiana as an economic hedge. However, we cannot provide certainty that these risk management techniques will be effective.

In May 2003, Progress Energy Ventures, Inc. (PVI) acquired from Williams Energy Marketing and Trading, a subsidiary of the Williams Companies, Inc., a long-term full-requirements power supply agreement at fixed prices with Jackson Electric Membership Corporation (Jackson), for $188 million. In 2004, PVI executed wholesale power-supply agreements with 15 Georgia EMCs to serve their electricity needs through 2010.

During 2005, we acquired approximately a 50 percent ownership interest in 11 natural gas producing wells and proven reserves of approximately 25 billion cubic feet equivalent from a privately owned company headquartered in Texas. In addition to the natural gas reserves, the transaction also included a 50 percent ownership interest in the gas gathering systems related to these reserves. The total cash purchase price for the transactions was $46 million (See Note 4A).

In December 2004, we sold certain gas-producing properties and related assets owned by Winchester Production, a wholly owned subsidiary of Progress Fuels for net proceeds of approximately $251 million (See Note 3E).

During 2003, Progress Fuels acquired approximately 200 natural gas-producing wells with proven reserves of approximately 190 Bcf from Republic Energy, Inc. and three other privately owned companies, all headquartered in Texas. The total cash purchase price for the transactions was approximately $168 million (See Note 4C).

COAL AND SYNTHETIC FUEL

We have substantial operations associated with the production of coal-based solid synthetic fuels including five majority owned synthetic fuel entities and one minority interest in a synthetic fuel entity, capable of producing up to 16 million tons per year. The production and sale of these products qualifies for federal income tax credits within the meaning of Section 29/45K so long as certain requirements are satisfied. These operations are subject to numerous risks. We also have five terminals on the Ohio River and its tributaries which blend and transload coal and are part of the trucking, rail and barge network for coal delivery.

Through tax years 2005, our ability to utilize tax credits was dependent on having a sufficient tax liability. In 2005, the tax law was changed and this constraint no longer applies beginning in tax year 2006. Synthetic fuel is generally not economical to produce absent the credits. The tax credits associated with synthetic fuels may be phased out if market prices for crude oil exceed certain prices.

Our synthetic fuel operations and related risks are described in more detail in Note 23D and in ITEM 1A, "Risk Factors."

On November 14, 2005, our board of directors approved a plan to divest of the five subsidiaries of Progress Fuels engaged in the coal mining business. The coal mining operations are expected to be sold by the end of 2006. As a result, we have classified the coal mining operations as discontinued operations in the accompanying consolidated financial statements for all periods presented (See Note 3A).

CORPORATE AND OTHER

GENERAL

The Corporate and Other business segment includes the operations of PT LLC, Strategic Resource Solutions Corp. (SRS) and the Parent as well as other nonregulated operations.

PT LLC

In December 2003, Progress Telecommunications Corporation (PTC) and Caronet, Inc. (Caronet), both wholly owned subsidiaries of Progress Energy, and EPIK Communications, Inc. (EPIK), a wholly owned subsidiary of Odyssey Telecorp, Inc. (Odyssey), contributed substantially all of their assets and transferred certain liabilities to PT LLC, a subsidiary of PTC. Subsequently, the stock of Caronet was sold to an affiliate of Odyssey for $2 million in cash and Caronet became a wholly owned subsidiary of Odyssey. Following consummation of all the transactions described above, PTC held a 55% ownership interest in, and was the parent of, PT LLC; Odyssey held a combined 45% ownership interest in PT LLC through EPIK and Caronet. The accounts of PT LLC have been included in the Consolidated Financial Statements since the transaction date.

PT LLC has data fiber network transport capabilities that stretch from New York to Miami with gateways to Latin America, and conducts primarily a carrier's carrier business. PT LLC markets wholesale fiber-optic-based capacity service in the Eastern United States to long-distance carriers, Internet service providers and other telecommunications companies. PT LLC also markets wireless structure attachments to wireless communication companies and governmental entities. At December 31, 2005, PT LLC owned and managed more than 8,524 route miles of fiber and 29 metro networks.

PT LLC competes with other providers of fiber-optic telecommunications services, including local exchange carriers and competitive access providers, in the Eastern United States.

On January 25, 2006, we signed a definitive agreement to sell PT LLC to Level 3 for a purchase price of approximately $137 million. We expect to use net cash proceeds of approximately $70 million from the sale of our interest in PT LLC to reduce debt (See Note 25).

ELECTRIC UTILITY REGULATED OPERATING STATISTICS - PROGRESS ENERGY

	Years Ended December 31				
	2005	2004	2003	2002	2001
Energy supply (millions of kilowatt-hours)					
Generated					
Steam	**52,306**	50,782	51,501	49,734	48,732
Nuclear	**30,120**	30,445	30,576	30,126	27,301
Combustion Turbines/Combined Cycle	**11,349**	9,695	7,819	8,522	6,644
Hydro	**749**	802	955	491	245
Purchased	**14,566**	13,466	13,848	14,305	14,469
Total energy supply (Company share)	**109,090**	105,190	104,699	103,178	97,391
Jointly owned share (a)	**5,388**	5,395	5,213	5,258	4,886
Total system energy supply	**114,478**	110,585	109,912	108,436	102,277
Average fuel cost (per million Btu)					
Fossil	**$ 4.05**	$ 3.17	$ 2.94	$ 2.62	$ 2.46
Nuclear fuel	**$ 0.44**	$ 0.44	$ 0.44	$ 0.44	$ 0.45
All fuels	**$ 2.83**	$ 2.21	$ 2.05	$ 1.84	$ 1.77
Energy sales (millions of kilowatt-hours)					
Retail					
Residential	**36,558**	35,350	34,712	33,993	31,976
Commercial	**25,258**	24,753	24,110	23,888	23,033
Industrial	**16,856**	17,105	16,749	16,924	17,204
Other Retail	**4,608**	4,475	4,382	4,287	4,149
Wholesale	**21,137**	18,323	19,841	19,204	17,715
Unbilled	**(440)**	449	189	275	(1,045)
Total energy sales	**103,977**	100,455	99,983	98,571	93,032
Company uses and losses	**5,113**	4,735	4,716	4,607	4,359
Total energy requirements	**109,090**	105,190	104,699	103,178	97,391

Electric revenues (in millions)					
	$	$	$	$	$
Retail	**6,607**	6,066	5,620	5,515	5,462
Wholesale	**1,103**	843	914	881	923
Miscellaneous revenue	**235**	244	207	205	172
	$	$	$	$	$
Total electric revenues	**7,945**	7,153	6,741	6,601	6,557

(a) Amounts represent co-owners' share of the energy supplied from the six generating facilities that are jointly owned.

REGULATED OPERATING STATISTICS - PEC

	Years Ended December 31				
	2005	2004	2003	2003	2001
Energy supply (millions of kilowatt-hours)					
Generated					
Steam	**29,780**	28,632	28,522	28,547	27,913
Nuclear	**24,291**	23,742	24,537	23,425	21,321
Combustion Turbines/Combined Cycle	**2,475**	1,926	1,344	1,934	802
Hydro	**749**	802	955	491	245
Purchased	**4,656**	4,023	4,467	5,213	5,296
Total energy supply (Company share)	**61,951**	59,125	59,825	59,610	55,577
Power Agency share (a)	**4,857**	4,794	4,670	4,659	4,348
Total system energy supply	**66,808**	63,919	64,495	64,269	59,925
Average fuel cost (per million Btu)					
Fossil	**$ 3.30**	$ 2.52	$ 2.29	$ 2,16	$ 1.91
Nuclear fuel	**$ 0.42**	$ 0.42	$ 0.43	$ 0.43	$ 0.44
All fuels	**$ 2.03**	$ 1.57	$ 1.43	$ 1.38	$ 1.26
Energy sales (millions of kilowatt-hours)					
Retail					
Residential	**16,664**	16,003	15,283	15,239	14,372
Commercial	**13,313**	13,019	12,557	12,468	11,972
Industrial	**12,716**	13,036	12,749	13,089	13,332
Other Retail	**1,410**	1,431	1,408	1,437	1,423
Wholesale	**15,673**	13,222	15,518	15,024	12,996
Unbilled	(235)	91	(44)	270	(534)
Total energy sales	**59,541**	56,802	57,471	57,527	53,561
Company uses and losses	**2,410**	2,323	2,354	2,083	2,016
Total energy requirements	**61,951**	59,125	59,825	59,610	55,577
Electric revenues (in millions)					
Retail	**$ 3,133**	$ 2,953	$ 2,824	$ 2,796	$ 2,666
Wholesale	**759**	575	687	651	634
Miscellaneous revenue	**98**	100	78	92	44
Total electric revenues	**$ 3,990**	$ 3,628	$ 3,589	$ 3,539	$ 3,344

(a) Amounts represent Power Agency's share of the energy supplied from the four generating facilities that are jointly owned.

REGULATED OPERATING STATISTICS - PEF

	Years Ended December 31				
	2005	2004	2003	2002	2001
Energy supply (millions of kilowatt-hours)					
Generated					
Steam	**22,526**	22,150	22,979	21,187	20,819
Nuclear	**5,829**	6,703	6,039	6,701	5,980
Combustion Turbines/Combined Cycle	**8,874**	7,769	6,475	6,588	5,842
Purchased	**9,910**	9,443	9,381	9,092	9,173
Total energy supply (Company share)	**47,139**	46,065	44,874	43,568	41,814
Jointly owned share (a)	**531**	601	543	599	538
Total system energy supply	**47,670**	46,666	45,417	44,167	42,352
Average fuel cost (per million Btu)					
Fossil	**$ 4.88**	$ 3.86	$ 3.63	$ 3.15	$ 3.09
Nuclear fuel	**$ 0.51**	$ 0.49	$ 0.50	$ 0.46	$ 0.47
All fuels	**$ 4.15**	$ 3.21	$ 3.07	$ 2.60	$ 2.59
Energy sales (millions of kilowatt-hours)					
Retail					
Residential	**19,894**	19,347	19,429	18,754	17,604
Commercial	**11,945**	11,734	11,553	11,420	11,061
Industrial	**4,140**	4,069	4,000	3,835	3,872
Other Retail	**3,198**	3,044	2,974	2,850	2,726
Wholesale	**5,464**	5,101	4,323	4,180	4,719
Unbilled	**(205)**	358	233	5	(511)
Total energy sales	**44,436**	43,653	42,512	41,044	39,471
Company uses and losses	**2,703**	2,412	2,362	2,524	2,343
Total energy requirements	**47,139**	46,065	44,874	43,568	41,814
Electric revenues (in millions)					
Retail	**$ 3,474**	$ 3,113	$ 2,796	$ 2,719	$ 2,796
Wholesale	**344**	268	227	230	289
Miscellaneous revenue	**137**	144	129	113	128
Total electric revenues	**$ 3,955**	$ 3,525	$ 3,152	$ 3,062	$ 3,213

(a) Amounts represent co-owners' share of the energy supplied from the two generating facilities that are jointly owned.

ITEM 1A. RISK FACTORS

Investing in the securities of the Progress Registrants involves risks, including the risks described below, that could affect the Progress Registrants and their businesses, as well as the energy industry generally. Most of the business information as well as the financial and operational data contained in our risk factors are updated periodically in the reports the Progress Registrants file with the SEC. Although the Progress Registrants have tried to discuss key risk factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and the Progress Registrants cannot predict such risks or estimate the extent to which they may affect their financial performance. Before purchasing securities of the Progress Registrants, you should carefully consider the following risks and the other information in this combined Annual Report, as well as the documents the Progress Registrants file with the SEC from time to time. Each of the risks described below could result in a decrease in the value of the securities of the Progress Registrants and your investment therein.

Solely with respect to this ITEM 1A, "Risk Factors" unless the context otherwise requires or the disclosure otherwise indicates, references to "we," "us" or "our" are to each of the individual Progress Registrants and the matters discussed are generally applicable to each Progress Registrant.

We are subject to fluid and complex government regulations that may have a negative impact on our business, financial condition and results of operations.

We are subject to comprehensive regulation by several federal, state and local regulatory agencies, which significantly influence our operating environment and may affect our ability to recover costs from utility customers. We are subject to regulatory oversight with respect to, among other things, rates and service for electric energy sold at retail, retail service territory and issuances of securities. In addition, the Utilities are subject to federal regulation with respect to transmission and sales of wholesale power, accounting and certain other matters. We are also required to have numerous permits, approvals and certificates from the agencies that regulate our business. We believe the necessary permits, approvals and certificates have been obtained for our existing operations and that our business is conducted in accordance with applicable laws; however, we are unable to predict the impact on our operating results from the future regulatory activities of any of these agencies. Changes in regulations or the imposition of additional regulations could have an adverse impact on our results of operations.

On August 8, 2005, the EPACT was signed into law. This new federal law contains key provisions affecting the electric power industry. These provisions include tax changes for the utility industry, incentives for emissions reductions, federal insurance and incentives to build new nuclear power plants, repeal of PUHCA effective February 8, 2006, and certain protections for native retail load customers of utilities with an obligation to serve. It gives the FERC "backstop" transmission siting authority as well as increased utility merger oversight. The law also provides incentives and funding for clean coal technologies and initiatives to voluntarily reduce greenhouse gases and redesignates the Section 29 tax credit as a Section 45K general business credit. See Note 23D for additional information on the redesignation of the Section 29 tax credits. In addition, the law requires both the FERC and the DOE to study how utilities dispatch their resources to meet the needs of their customers. The results of these studies or any related actions taken by DOE could impact the Utilities' system operations.

The law requires the FERC to issue certain regulations implementing EPACT within 120 days of enactment. The FERC has commenced the rulemaking process and it is ongoing. We have reviewed the proposed rules and are participating in the public comment process. The FERC has issued a final rule regarding mergers and disposition of utility assets which requires FERC approval of: the sale or disposition of wholesale power contracts, or transmission or existing generation facilities with a value in excess of $10 million; the merger or consolidation of any or all of a public utility's facilities with any other person; and the purchase or acquisition of any securities with a value in excess of $10 million of any other public utility. The FERC's new rule implementing its new responsibilities resulting from the repeal of PUHCA provides that going forward, holding companies with an interest in a public utility must comply with the FERC's document retention and accounting rules, maintain and make available to the FERC their books and records that are relevant to the public utility's costs, and account for costs incurred by a public utility as a result of an affiliate transaction pursuant to the FERC's policies. We cannot currently predict what impact issuance of the remaining final rules, or the interpretation and implementation of any new rules, will have on our business operations, financial condition and results of operations.

In response to rising fuel costs and the extensive hurricane-related power outages and costs experienced in the past two years in Florida, there is currently considerable discussion about energy issues at both the FPSC and Florida legislature. However, the outcome of these matters on PEF cannot be predicted.

The FERC, the NRC, the EPA, the NCUC, the FPSC, and the SCPSC regulate many aspects of our utility operations, including siting and construction of facilities, customer service and the rates that we can charge customers. We are unable to predict the impact on our business and operating results from future regulatory activities of these federal, state and local agencies. Changes in regulations or the imposition of additional regulations could have a negative impact on our business, financial condition and results of operations.

We are subject to numerous environmental laws and regulations that require significant capital expenditures, increase our cost of operations, and which may impact or limit our business plans, or expose us to environmental liabilities.

We are subject to numerous environmental regulations affecting many aspects of our present and future operations, including air emissions, water quality, wastewater discharges, solid waste and hazardous waste production, handling and disposal. These laws and regulations can result in increased capital, operating, and other costs, particularly with regard to enforcement efforts focused on power plant operations. These laws and regulations generally require us to obtain and comply with a wide variety of environmental licenses, permits, authorizations and other approvals. Both public officials and private individuals may seek to enforce applicable environmental laws and regulations. We cannot predict the outcome (financial or operational) of any related adjudication or litigation that may arise.

In addition, we may be deemed a responsible party for environmental clean up at sites identified by a regulatory body. We cannot predict with certainty the amount or timing of future expenditures related to environmental matters because of the difficulty of estimating clean up costs. There is also uncertainty in quantifying liabilities under environmental laws that impose joint and several liability on all PRPs.

There are proposals to address global climate change that would regulate carbon dioxide (CO_2) and other greenhouse gases. Any future regulatory actions taken to address global climate change represent a business risk to our operations. In 2005, we initiated a study to assess the impact of constraints on CO_2 and other air emissions. We plan to issue this report by March 31, 2006.

We have articulated principles that we believe should be incorporated into any global climate change policy. While we participate in the development of a national climate change policy framework, we will continue to actively engage others in our region to develop consensus-based solutions, as we did with the 2002 North Carolina Clean Smokestacks Act.

Our compliance with environmental regulations requires significant capital expenditures that impact our financial condition. Under Florida law, these expenditures are eligible for recovery outside of base rates under an environmental cost recovery clause. There is no comparable treatment of these types of expenditures under North Carolina or South Carolina law. Clean air regulations require reduction of emissions of nitrogen oxide (NOx), SO_2 and mercury from coal-fired power plants. We expect the future capital expenditures required to meet the emission limits, a portion of which are eligible for regulatory recovery, will be in excess of $1.0 billion each at PEC and PEF, respectively, through 2018, which corresponds to the latest emission reduction deadline. However, these costs could be higher than currently expected and have an adverse impact on our results of operations and financial condition.

The operation of emission control equipment to meet the emission limits will increase our operating costs and could reduce the generating capacity of our coal-fired plants. Operation and maintenance costs will significantly increase due to the additional personnel, materials and general maintenance associated with the equipment. The emission control equipment will require the procurement of significant quantities of limestone and ammonia. Future increases in demand for these items from other utility companies operating the same equipment could increase the costs associated with operating the equipment.

For additional discussion of environmental matters, see Note 22.

We cannot provide assurance that existing environmental regulations will not be revised or that new regulations seeking to protect the environment will not be adopted or become applicable to us. Revised or additional regulations, which result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from our customers, could have a material adverse effect on our results of operations.

Because weather conditions directly influence the demand for and cost of providing electricity, our results of operations, financial condition, cash flows and ability to pay dividends on our common stock can fluctuate on a seasonal or quarterly basis and can be negatively affected by changes in weather conditions and severe weather.

Our results of operations, financial condition, cash flows and ability to pay dividends on our common stock may be affected by changing weather conditions. Weather conditions in our service territories, primarily North Carolina, South Carolina, Georgia, and Florida, directly influence the demand for electricity and affect the price of energy commodities necessary to provide electricity to our customers and energy commodities that our nonregulated businesses sell.

Electric power demand is generally a seasonal business. In many parts of the country, demand for power and market prices peak during the summer months. In other areas, power demand peaks during the winter months. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis. The pattern of this fluctuation may change depending on the nature and location of facilities we acquire and the terms of power sale contracts into which we enter. In addition, we have historically sold less power, and consequently earned less income, when weather conditions are mild. While we believe that our North Carolina, South Carolina, Georgia, and Florida markets complement each other during normal seasonal fluctuations, unusually mild weather could diminish our results of operations and harm our financial condition.

Furthermore, severe weather in these states, such as hurricanes, tornadoes, severe thunderstorms, snow and ice storms, can be destructive causing outages resulting in lost operating revenues, incurring property damage, downing power lines and requiring us to incur additional and unexpected expenses.

Our ability to recover significant costs resulting from severe weather events is subject to regulatory oversight and the timing and amount of any such recovery is uncertain and may impact our financial conditions.

We are subject to incurring significant costs resulting from severe weather. While PEF was granted regulatory approval in 2005 to recover significant storm costs incurred in 2004 for the four hurricanes that impacted our service territory, PEC's and PEF's storm cost recovery petitions may not always be granted.

Under a regulatory order, PEF maintains a storm damage reserve account for major storms. Due to the significant costs incurred to recover from the 2004 hurricanes, PEF's storm damage reserve accounts were largely depleted at December 31, 2005. PEF is currently considering alternatives for replenishing its storm damage reserve account such as issuing securitized bonds or otherwise seeking replenishment from retail ratepayers. Storm reserve costs attributable to wholesale customers may be amortized consistent with recovery of such amounts in wholesale rates, albeit at a specified amount per year resulting in an extended recovery period.

PEC does not maintain a storm damage reserve account and does not have an on-going regulatory mechanism to recover storm costs. PEC has previously sought and received permission from the NCUC and the SCPSC to defer storm expenses and amortize them over five-year periods. PEC did not seek deferral of storm costs from the NCUC or SCPSC during 2005.

If we cannot recover costs associated with future significant weather events in a timely manner, or in an amount sufficient to cover our actual costs, or if our storm reserve is inadequate, our financial conditions and results of operations could be materially and adversely impacted.

Our revenues, operating results and financial condition may fluctuate with the economy and its corresponding impact on our commercial and industrial customers as well as the demand and competitive state of the wholesale market.

Our business is impacted by fluctuations in the macroeconomy. For the year ended December 31, 2005, commercial and industrial customers represented approximately 42% and 33% of PEC's and PEF's billed electric revenues, respectively. As a result, changes in the macroeconomy can have negative impacts on our revenues. As our commercial and industrial customers experience economic hardships, our revenues can be negatively impacted. In recent years, in North and South Carolina, sales to industrial customers have been affected by downturns in the textile and chemical industries.

For the year ended December 31, 2005, 19% and 9% of PEC's and PEF's billed electric revenues, respectively, were from wholesale sales. Wholesale revenues fluctuate with regional demand, fuel prices, and contracted capacity. Our wholesale profitability is dependent upon our ability to renew or replace expiring wholesale contracts on favorable terms and market conditions.

In April 2004, the FERC issued two orders concerning utilities' ability to sell wholesale electricity at market-based rates. In the first order, the FERC adopted two new interim screens for assessing potential generation market power of applicants for wholesale market-based rates, and described additional analyses and mitigation measures that could be presented if an applicant does not pass one of these interim screens. In July 2004, the FERC issued a second order that affirmed its April order and initiated a rulemaking to consider whether the FERC's current methodology for determining whether a public utility should be allowed to sell wholesale electricity at market-based rates should be modified in any way. PEC and PEF do not have market-based rate authority for wholesale sales in peninsular Florida. Given the difficulty PEC believed it would experience in passing one of the interim screens, on September 6, 2005, PEC filed revisions to its market-based rate tariffs restricting PEC's authority to sell power in the wholesale market at market-based rates to areas outside of PEC's control area and peninsular Florida, and a new cost-based tariff for sales within PEC's control area consistent with the FERC's default cost-based rate methodologies for sales of one year or less. The FERC has accepted these revisions. Although we cannot predict the ultimate outcome of these changes, we do not anticipate that the current operations of the Utilities will be materially impacted by their inability to sell power at market-based rates in their respective control areas.

Deregulation or restructuring in the electric industry may result in increased competition and unrecovered costs. Increased competition may also result from power industry consolidation. Increased competition could adversely affect the financial condition, results of operations or cash flows of us and our utilities' businesses.

Increased competition resulting from deregulation or restructuring efforts or from industry consolidation could have a significant adverse financial impact on us and consequently, on our results of operations and cash flows. Increased competition could result in increased pressure to lower costs, including the cost of electricity. Retail competition and the unbundling of regulated energy and gas service could have a significant adverse financial impact on us and our subsidiaries due to an impairment of assets, a loss of retail customers, lower profit margins or increased costs of capital. Several significant mergers and acquisitions in the power industry were announced during 2005. We may experience increased competition in our nonregulated businesses as we compete with larger entities that may have more capital and financial resources and are able to leverage their economies of scale. Furthermore, if we decide to expand operations, we may encounter significant competition for future acquisition opportunities.

Because we have not previously operated in a competitive retail environment, we cannot predict the extent and timing of entry by additional competitors into the electric markets. Due to several factors, however, there currently is little discussion of any movement toward deregulation in North Carolina, South Carolina and Florida. We cannot predict when we will be subject to changes in legislation or regulation nor can we predict the impact of these changes on our financial condition, results of operations or cash flows.

Increased commodity prices may adversely affect our financial condition, results of operations or cash flows.

We are exposed to the effects of market fluctuations in the price of natural gas, coal, fuel oil, electricity and other energy-related products marketed and purchased as a result of our ownership of energy-related assets. Energy commodity price fluctuations impact PEC and PEF as well as our nonregulated businesses. While each state commission allows electric utilities to recover certain of these costs through various cost recovery clauses, there is the potential that a portion of these future costs could be deemed imprudent by the respective commissions. There is also a delay between the timing of when these costs are incurred and when these costs are recovered from the

ratepayers, which can adversely impact the cash flow of the Utilities. In addition, the under-recovery of fuel costs can also negatively impact our interest expense and leverage and rising fuel costs can also lead to higher electric utility rates which can negatively impact customer satisfaction.

Our nonregulated energy businesses also purchase fuel commodities to fulfill their operating needs. Some of their wholesale power supply contracts are at fixed prices; consequently, higher commodity prices could result in decreased margins.

Volatility in market prices for fuel and power may result from:

- weather conditions;
- seasonality;
- power usage;
- illiquid markets;
- transmission or transportation constraints or inefficiencies;
- availability of competitively priced alternative energy sources;
- demand for energy commodities;
- natural gas, crude oil and refined products, and coal production levels;
- natural disasters, wars, terrorism, embargoes and other catastrophic events; and
- federal, state and foreign energy and environmental regulation and legislation.

Prices for SO_2 emission allowance credits under the EPA's emission trading program increased significantly during 2005. While SO_2 allowances are eligible for annual recovery in PEF's jurisdictions in Florida and PEC's in South Carolina, no such annual recovery exists in North Carolina for PEC. Future increases in the price of SO_2 allowances could have a significant adverse financial impact on us and PEC and consequently, on our results of operations and cash flows.

As a holding company with no operations, the Parent is dependent on upstream cash flows from its subsidiaries, primarily our regulated utilities. As a result, our ability to meet our ongoing and future debt service and other financial obligations and to pay dividends on our common stock is primarily dependent on the earnings and cash flows of our operating subsidiaries and their ability to pay upstream dividends or to repay funds to us.

The Parent is a holding company and as such, has no operations of its own. The Parent's ability to meet its financial obligations associated with the debt service obligations on $4.3 billion of holding company debt and to pay dividends on its common stock is primarily dependent on the earnings and cash flows of its operating subsidiaries, primarily its regulated utilities, and the ability of its subsidiaries to pay upstream dividends or to repay funds to the Parent. Prior to funding the Parent, its subsidiaries have financial obligations that must be satisfied, including among others, their respective debt service, preferred dividends and obligations to trade creditors. For the year ending December 31, 2005, the Utilities generated approximately 100 percent of consolidated cash from operations. Other sources of cash include the issuance of equity, short-term and long-term debt, asset sales and intercompany charges for capital costs.

The rates that PEC and PEF may charge retail customers for electric power are subject to the authority of state regulators. Accordingly, our profit margins could be adversely affected if we do not control operating and capital investment costs.

The NCUC, the SCPSC and the FPSC each exercises regulatory authority for review and approval of the retail electric power rates charged within its respective state. State regulators may not allow PEC and PEF to increase retail rates in the manner or to the extent requested by those subsidiaries. State regulators may also seek to reduce or freeze retail rates.

Both PEC and PEF currently operate under rate freezes, in which rates can only be changed under certain circumstances. The costs incurred by PEC and PEF are generally not subject to being fixed or reduced by state regulators. There is a risk that the Utilities' results of operations could be negatively impacted if the Utilities do not

manage their costs effectively. Our ability to maintain our profit margins depends upon stable demand for electricity and our efforts to manage our costs.

There are inherent potential risks in the operation of nuclear facilities, including environmental, health, regulatory, terrorism, and financial risks that could result in fines or the shutdown of our nuclear units, which may present potential exposures in excess of our insurance coverage.

PEC (four units; 3,485 MW) and PEF (one unit; 838 MW) own and operate five nuclear units that collectively represent approximately 4,323 MW, or 20%, of our regulated generation capacity for the year ended December 31, 2005. Our nuclear facilities are subject to environmental, health and financial risks such as the ability to dispose of spent nuclear fuel, the ability to maintain adequate capital reserves for decommissioning, potential liabilities arising out of the operation of these facilities, and the costs of securing the facilities against possible terrorist attacks. We maintain decommissioning trusts and external insurance coverage to minimize the financial exposure to these risks. However, it is possible that damages from an accident or business interruption at our nuclear units could exceed the amount of our insurance coverage.

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of noncompliance, the NRC has the authority to impose fines or to shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Revised safety requirements promulgated by the NRC could require us to make substantial capital expenditures at our nuclear plants. In addition, although we have no reason to anticipate a serious nuclear incident at our plants, if an incident did occur, it could materially and adversely affect our results of operations or financial condition. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit.

From time to time, our facilities require licenses that need to be renewed or extended in order to continue operating. We do not anticipate any problems renewing these licenses as required. However, as a result of potential terrorist threats and increased public scrutiny of utilities, the licensing process could result in increased licensing or compliance costs that are difficult or impossible to predict.

Meeting the anticipated growth in our service territories requires a balanced solution that includes energy conservation and efficiency programs, development and deployment of new technologies and the potential need to increase our baseload generation within the next decade. Increasing our generation capacity could involve the construction of new generation facilities, including nuclear, for which we would have to comply with a significant number of federal and state regulations. There are uncertainties that we will be able to obtain needed licenses for construction of new generation facilities or successfully and timely complete their construction. In addition, there are uncertainties that the cost of new generation facilities and new programs will be recoverable through our base rates.

We are currently evaluating our options for future baseload generation needs. Both nuclear and coal technologies are being explored in parallel paths. At this time, no definitive decision has been made regarding the construction of either nuclear or coal plants, or both. Additional capacity needs may be displaced by purchased power agreements, cogeneration contract extensions or other sources based on on-going economic and non-economic evaluations.

If we decide to construct new generation facilities or expand existing facilities, there is no assurance that we will be able to successfully and timely complete the projects. Should any such efforts be unsuccessful, we could be subject to additional costs and/or the write-off of our investment in the project or improvement. Furthermore, we have no assurance that costs incurred to construct or expand generation facilities will be recoverable through our base rates.

The decision to build a baseload power plant will be based on several factors including power market conditions, competing fuel prices, the regulatory environment, the status of permanent used nuclear fuel storage and the ability to obtain financing. The construction of a new baseload plant will require a significant amount of capital expenditures. We cannot provide certainty that adequate external financing will be available to support the construction. Additionally, any borrowings incurred to finance the construction expenditures may adversely impact our leverage and our results of operations.

The construction of a new nuclear power plant requires a number of conditions to be successful. The conditions include, but are not limited to: the continued operation of the industries' existing nuclear fleet in a safe, reliable, and cost-effective manner; the use of standardized plants and an efficient licensing process; the ability to raise capital on reasonable terms; a viable program for managing spent nuclear fuel; and both public and policymaker support. We cannot provide certainty that these conditions will exist.

We have announced that we are pursuing development of COL applications. Our announcement is not a commitment to build a nuclear plant. It is a necessary step to keep open the option of building a potential plant or plants. On January 23, 2006, we announced that PEC has selected the Harris site to evaluate for possible future nuclear expansion and we announced the selection of the Westinghouse Electric AP-1000 reactor design as the technology upon which to base the potential application submission. We currently expect to file the application for the COL for PEC's Harris site in late September or early October 2007. We expect to file the application for the COL for an as-yet unspecified site in Florida in late 2007 or first quarter 2008. We plan to announce the selection of the Florida site in spring 2006. If we receive approval from the NRC, and if the decision to build is made, construction could begin as early as 2010, and a new plant could be online around 2016. We estimate that it will take approximately 36 months for the NRC to review the COL applications and grant approval.

One consideration that would improve the economics of the nuclear option is whether the plant will be eligible for the federal production tax credits and risk insurance provided for by EPACT. EPACT provides for an annual tax credit of 1.8 cents/kilowatt hour (kWh) for nuclear facilities for the first eight years of operation. However, the credit is limited to the first 6,000 MW of new nuclear generation in the United States and has an annual cap of $125 million per unit. The credit allocation process among new nuclear plants has not been determined. There are other utilities that have announced plans to pursue new nuclear plants. There is no guarantee that any nuclear plant constructed by us would qualify for these additional incentives. Failure to qualify for these incentives could significantly impact the economics of building a nuclear facility.

While we currently estimate that we will need to increase our baseload capacity, our assumptions regarding future growth and resulting power demand in our service territories may not be realized. If anticipated growth levels are not realized, we may increase our baseload capacity and have excess capacity. This excess capacity may exceed reserve margins established by the NCUC, SCPSC and FPSC to meet our obligation to serve retail customers and as a result, may not be recoverable in base rates.

Our financial performance depends on the successful operation of electric generating facilities by our subsidiaries and our ability to deliver electricity to our customers.

Operating electric generating facilities and delivery systems involves many risks, including:

- operator error and breakdown or failure of equipment or processes;
- operating limitations that may be imposed by environmental or other regulatory requirements;
- labor disputes;
- fuel supply interruptions; and
- catastrophic events such as hurricanes, fires, earthquakes, explosions, floods, terrorist attacks, pandemic health events such as avian influenza or other similar occurrences.

A decrease or elimination of revenues generated from our subsidiaries' electric generating facilities and electricity delivery systems or an increase in the cost of operating the facilities could have an adverse effect on our business and results of operations.

Our business is dependent on our ability to successfully access capital markets. Our inability to access capital may limit our ability to execute our business plan, or pursue improvements and make acquisitions that we may otherwise rely on for future growth.

We rely on access to both short-term and long-term capital markets, and lines of credit with commercial banks as a significant source of liquidity for capital requirements not satisfied by the cash flow from our operations. If we are

not able to access these sources of liquidity, our ability to implement our strategy will be adversely affected. We believe that we will maintain sufficient access to these financial markets based upon current credit ratings. However, certain market disruptions or a downgrade of our credit rating to below investment grade would increase our cost of borrowing and may adversely affect our ability to access one or more financial markets. Market disruptions create a unique uncertainty as they typically result from factors beyond our control. Such market disruptions could include:

- an economic downturn;
- the bankruptcy of an unrelated energy company;
- capital market conditions generally;
- allegations of corporate scandal at unrelated companies;
- market prices for electricity and gas;
- terrorist attacks or threatened attacks on our facilities or unrelated energy companies; or
- the overall health of the utility industry.

In addition, we believe that these market disruptions, unrelated to our business, could result in a ratings downgrade and, correspondingly, increase our cost of capital. Additional risks regarding the impact of a ratings downgrade are discussed below. Restrictions on our ability to access financial markets may affect our ability to execute our business plan as scheduled. An inability to access capital may limit our ability to pursue improvements or acquisitions that we may otherwise rely on for future growth.

Increases in our leverage could adversely affect our competitive position, business planning and flexibility, financial condition, ability to service our debt obligations and to pay dividends on our common stock, and ability to access capital on favorable terms.

Our cash requirements arise primarily from the capital-intensive nature of our electric utilities. In addition to operating cash flows, we rely heavily on our commercial paper and long-term debt. At December 31, 2005, commercial paper and bank borrowings and long-term debt balances were as follows (in millions):

Company	Outstanding Commercial Paper	Total Long-Term Debt, Net
Progress Energy, unconsolidated (a)	$ -	$ 3,874
PEC	73	3,667
PEF	102	2,554
Other subsidiaries (b)	-	351
Progress Energy, consolidated (c)	$ 175	$ 10,446

(a) Represents solely the outstanding indebtedness of the Parent.

(b) Includes the following subsidiaries: Florida Progress Funding Corporation ($270 million) and Progress Capital Holdings, Inc. ($81 million).

(c) Net of current portion, which at December 31, 2005, was $513 million on a consolidated basis.

At December 31, 2005, we classified $397 million, related to the retirement of $800 million of Progress Energy, Inc. 6.75% Senior Notes on March 1, 2006, as long-term debt. Settlement of this obligation is not expected to require the use of working capital in 2006 as we have the intent and ability to refinance this debt on a long-term basis. On January 13, 2006, Progress Energy, Inc. issued $300 million of 5.625% Senior Notes due 2016 and $100 million of Series A Floating Rate Senior Notes due 2010, receiving net proceeds of $397 million. These senior notes are unsecured.

At December 31, 2005, we had an aggregate of three committed revolving credit agreements (RCAs) that supported our commercial paper programs totaling $2.030 billion. While our internal financial policy precludes us from issuing commercial paper in excess of our revolving credit lines, at December 31, 2005, we had $175 million reserved for outstanding commercial paper balance and a total of $150 million reserved for backing of letters of credit, leaving an additional $1.705 billion available for future borrowing under our revolving credit lines. At December 31, 2005, the actual amount of letters of credit issued was $33 million.

Our revolving credit lines impose various limitations that could impact our liquidity, such as defined maximum total debt to total capital (leverage) ratios and minimum coverage ratios. Under these revolving credit facilities, indebtedness includes certain letters of credit and guarantees which are not recorded on our consolidated Balance Sheets. At December 31, 2005, the required and actual ratios, pursuant to the terms of the credit agreements were as follows:

	Leverage Ratios		Coverage Ratios	
Company	Maximum Ratio	Actual Ratio (a)	Minimum Ratio	Actual Ratio
Progress Energy, Inc.	68%	60.7%	2.5:1	3.9:1
PEC	65%	55.2%	n/a	n/a
PEF	65%	50.9%	n/a	n/a

(a) Indebtedness as defined by the bank agreements includes certain letters of credit and guarantees that are not recorded on the Consolidated Balance Sheets.

In the event our capital structure changes such that we approach the permitted ratios, our access to capital and additional liquidity could decrease. Furthermore, Progress Energy, Inc.'s RCA includes a provision under which lenders could refuse to advance funds to us in the event of a material adverse change in our financial condition. Loan draws for the payment of maturing commercial paper are excluded from this provision. A limitation in our liquidity could have a material adverse impact on our business strategy and our ongoing financing needs.

Each of these credit agreements contains cross-default provisions for defaults of indebtedness in excess of the following thresholds: $50 million for Progress Energy, Inc. and $35 million each for PEC and PEF. Under these provisions, if the applicable borrower or certain subsidiaries of the borrower fail to pay various debt obligations in excess of their respective cross-default threshold, the lenders could accelerate payment of any outstanding borrowing and terminate their commitments to the credit facility. Progress Energy, Inc.'s cross-default provision applies only to Progress Energy, Inc. and its significant subsidiaries, as defined in the credit agreement (i.e., PEC, Florida Progress, PEF, Progress Capital Holdings, Inc. and PVI). PEC's and PEF's cross-default provisions only apply to defaults of indebtedness by PEC and its subsidiaries and PEF, respectively, not other affiliates of PEC and PEF.

Additionally, certain of Progress Energy, Inc.'s long-term debt indentures contain cross-default provisions for defaults of indebtedness in excess of amounts ranging from $25 million to $50 million; these provisions only apply to other obligations of Progress Energy Inc., primarily commercial paper issued by the Parent, not its subsidiaries. In the event that these cross-default provisions are triggered, the debt holders could accelerate payment of approximately $4.3 billion in long-term debt. Any such acceleration would cause a material adverse change in the respective company's financial condition. Certain agreements underlying our indebtedness also limit our ability to incur additional liens or engage in certain types of sale and leaseback transactions.

Changes in economic conditions could result in higher interest rates, which would increase our interest expense on our floating rate debt and reduce funds available to us for our current plans. Additionally, an increase in our leverage could adversely affect us by:

- increasing the cost of future debt financing;
- impacting our ability to pay dividends on our common stock at the current rate;
- making it more difficult for us to satisfy our existing financial obligations;
- limiting our ability to obtain additional financing, if we need it, for working capital, acquisitions, debt service requirements or other purposes;
- increasing our vulnerability to adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which would reduce funds available to us for operations, future business opportunities or other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete;
- placing us at a competitive disadvantage compared to our competitors who have less debt; and

- causing a downgrade in our credit ratings.

On February 11, 2005, Moody's Investors Service, Inc. (Moody's) announced that it lowered the ratings of PEF, Progress Capital Holdings, Inc. and FPC Capital Trust I and changed their rating outlooks to stable from negative. Moody's affirmed the ratings of Progress Energy and PEC. The rating outlooks continue to be stable at PEC and negative at Progress Energy. Moody's stated that it took this action primarily due to declining cash flow coverages and rising leverage, higher operation and maintenance (O&M) costs, uncertainty regarding the timing of hurricane cost recovery, regulatory risks associated with the upcoming rate case in Florida and ongoing capital requirements to meet Florida's growing demand.

On November 22, 2005, Standard & Poor's Rating Services (S&P) announced that it revised its ratings outlook on Progress Energy from negative to stable, affirming the BBB corporate credit rating, and revising the short-term rating from A-3 to A-2. As a result of this revision, PEC and PEF's outlooks and short-term ratings were also revised from negative to stable and A-3 to A-2, respectively. S&P stated that it took these actions primarily due to the resolution of several regulatory issues in Florida and expectations of increased likelihood that our financial performance will improve over the next two years. S&P also indicated that it has improved its business position for PEF to a `4' (strong). The business position for PEC remains a `5' (satisfactory) and the overall business position for Progress Energy remains at a `6' (satisfactory). S&P ranks business position on a scale of `1' (excellent) to `10' (vulnerable).

On December 6, 2005, S&P lowered the BBB rating on PEC and PEF's senior unsecured notes to BBB-. The revision reflects the recognition that a significant amount of the Utilities' assets (more than 30% of PEC's assets and 35% of PEF's assets) collateralize first-priority debt.

The changes by S&P and Moody's did not trigger any debt or guarantee collateral requirements, nor did they have any material impact on the overall liquidity of Progress Energy or any of its affiliates. Fitch Ratings took no actions on Progress Energy's, PEC's or PEF's ratings in 2005. To date, Progress Energy's, PEC's and PEF's access to the commercial paper markets has not been materially impacted by the rating agencies' actions.

Our debt indentures and credit agreements do not contain any "ratings triggers," which would cause the acceleration of interest and principal payments in the event of a ratings downgrade. If S&P lowers Progress Energy's senior unsecured rating one ratings category to BB+ from its current rating, it would be a non-investment grade rating. The effect of a non-investment grade rating would primarily be increased borrowing costs.

While our long-term target credit ratings for each entity are above the minimum investment grade ranking, we cannot provide certainty that any of Progress Energy's current ratings, or those of PEC and PEF, will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. Any downgrade could increase our borrowing costs and may adversely affect our access to capital, which could negatively impact our financial results. We note that the ratings from credit agencies are not recommendations to buy, sell or hold our securities or those of PEC or PEF and that each rating should be evaluated independently of any other rating.

As a part of normal business, we enter into various agreements providing future financial or performance assurances to third parties. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to Progress Energy or our subsidiaries on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. Our guarantees include performance obligations under power supply agreements, tolling agreements, transmission agreements, gas agreements, fuel procurement agreements and trading operations. Our guarantees also include standby letters of credit, surety bonds and guarantees in support of nuclear decommissioning. At December 31, 2005, we have issued $1.78 billion of guarantees for future financial or performance assurance. We do not believe conditions are likely for significant performance under the guarantees of performance issued by or on behalf of affiliates.

The majority of contracts supported by the guarantees contain provisions that trigger guarantee obligations based on downgrade events to below investment grade (below BBB- or Baa3) by S&P or Moody's, ratings triggers, monthly netting of exposure and/or payments and offset provisions in the event of a default. At December 31, 2005, no guarantee obligations had been triggered. If the guarantee obligations were triggered, the maximum amount of liquidity requirements to support ongoing operations within a 90-day period, associated with guarantees for Progress Energy's nonregulated portfolio and power supply agreements was approximately $540 million. While we believe that we would be able to meet this obligation with cash or letters of credit, if we cannot, our financial condition, liquidity and results of operations will be materially and adversely impacted.

The use of derivative contracts in the normal course of our business could result in financial losses that negatively impact our results of operations.

We use derivatives, including futures, forwards and swaps, to manage our commodity and financial market risks. In the future, we could recognize financial losses on these contracts as a result of volatility in the market values of the underlying commodities.

Additionally, we are exposed to risk that our counterparties will not be able to perform their obligations. Should our counterparties fail to perform, we might be forced to replace the underlying commitment at then-current market prices. In such event, we might incur losses in addition to the amounts, if any, already paid to the counterparties.

Our results of operations may be materially affected if the value of the Section 29/45K tax credits is reduced due to the high price of oil. This risk is not applicable to PEC and PEF.

Recent unprecedented and unanticipated increases in the price of oil could limit the amount of Section 29/45K tax credits or eliminate them altogether. Section 29 provides that if the average wellhead price per barrel for unregulated domestic crude oil for the year (the Annual Average Price) exceeds a certain threshold value (the Threshold Price), the amount of Section 29/45K tax credits are reduced for that year. Also, if the Annual Average Price increases high enough (the Phase-out Price), the Section 29/45K tax credits are eliminated for that year. The Threshold Price and the Phase-out Price are adjusted annually for inflation. Although data for 2005 is not yet available, we do not expect the amount of our 2005 Section 29 tax credits to be adversely affected by crude oil prices. We cannot predict with any certainty the Annual Average Price for 2006 or beyond. Therefore, we cannot predict whether the price of oil will have a material effect on our synthetic fuel business after 2005. However, if during 2006 or 2007, oil prices remain at historically high levels or increase, our synthetic fuel business may be adversely affected for those years and, depending on the magnitude of such increases in oil prices, the adverse affect for those years could be material and could have an impact on our synthetic fuel production plans which, in turn, may have a material impact on our results of operations and financial condition. See Note 23D for additional information on the potential impact of crude oil prices on our synthetic fuel production.

In addition, there is proposed federal legislation that would establish both the 2006 Annual Average Price and 2006 Phase-out Price based on the previous calendar year. If the proposed legislation becomes law, we do not anticipate that we will reach the minimum phase-out levels in 2006. However, we cannot predict what impact, if any, this proposed legislation would have on the value of the tax credits in 2007. We cannot provide any certainty that the proposed federal legislation will be enacted into law. We are currently producing synthetic fuel at a reduced level pending resolution of the proposed legislation. If the legislation is not enacted into law as currently written or oil prices remain at levels high enough to cause a phase-out of 2006 Section 29/45K tax credits or eliminate the tax credits completely, there could be a negative impact on our results of operations and financial condition associated with the operating losses incurred from the amount of synthetic fuel produced during 2006.

A decrease in future synthetic fuel production and cash flows could trigger impairment evaluations of our synthetic fuel and other related operating long-lived assets. Such evaluations could result in an impairment charge for these assets which have total carrying values of approximately $111 million at December 31, 2005. The majority of these assets will be fully depreciated by the end of 2007, the scheduled end of the Section 29/45K tax credit program.

There are risks involved with the operation of our nonregulated plants, including dependence on third parties and related counterparty risks, and a lack of operating history, all of which may make our nonregulated generation and overall operations less profitable and more unstable.

At December 31, 2005, we had approximately 3,100 MW of nonregulated generation in commercial operation.

The operation of nonregulated generation facilities is subject to many risks, including those listed below. During the execution of our nonregulated generation strategy, these risks may intensify. These risks include:

- We may enter into or otherwise acquire long-term contracts that take effect at a future date based upon our future expected nonregulated generation capacity. If our generating facilities do not operate as expected, we may not be able to meet our obligations under any such long-term contracts and may have to purchase power in the spot market at then-prevailing prices. If we are unable to secure favorable pricing in the spot market, our results of operations could be negatively impacted. We may also become liable under any related performance guarantees then in existence.

- Our nonregulated generation facilities depend on third parties through power purchase agreements, fuel supply and transportation agreements and transmission grid connection agreements. If such third parties breach their obligations to us, our revenues, financial condition, cash flow and ability to make payments of interest and principal on our outstanding debts may be impaired. Any material breach by any of these parties of their obligations under the project contracts could adversely affect our cash flows.

- We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity and natural gas that we sell to the wholesale market. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver products and satisfy our contractual obligations may be hindered. Although the FERC has issued regulations designed to encourage competition in wholesale market transactions for electricity, there is the potential that fair and equal access to transmission systems will not be available or that sufficient transmission capacity will not be available to transmit electric power as we desire. We cannot predict the timing of industry changes as a result of these initiatives or the adequacy of transmission facilities in specific markets.

- Agreements with our counterparties frequently will include the right to terminate and/or withhold payments or performance under the contracts if specific events occur. If a project contract were to be terminated due to nonperformance by us or by the other party to the contract, our ability to enter into a substitute agreement having substantially equivalent terms and conditions is uncertain.

- Operation of our facilities could be affected by many factors, including start-up problems, the breakdown or failure of equipment or processes, performance below expected levels of output or efficiency, failure to operate at design specifications, labor disputes, changes in law, failure to obtain necessary permits or to meet permit conditions, government exercise of eminent domain power or similar events and catastrophic events including fires, explosions, earthquakes and droughts.

- Our nonregulated generation facilities seek to enter into long-term power purchase agreements to sell all or a portion of their generating capacity. CCO currently owns six electricity generation facilities with approximately 3,100 MW of generation capacity, and it has contractual rights to an additional 2,500 MW of generation capacity from mixed fuel generation facilities through its agreements with 16 Georgia EMCs. CCO has contracts for its combined production capacity of approximately 86% for 2006, 81% for 2007 and 84% for 2008. The increased cooperative load in Georgia significantly increased CCO's revenue and cost of sales from 2004 to 2005 at lower margins, as more fully discussed below. Following the expiration or early termination of our power purchase agreements, or to the extent we cannot otherwise secure contracts for our current and future generation capacity, our facilities will generally become merchant facilities. Our merchant facilities may not be able to find adequate purchasers, attain favorable pricing, or otherwise compete effectively in the wholesale market. Additionally, numerous legal and regulatory limitations restrict our ability to operate a facility on a wholesale basis.

Our energy marketing and trading operations are subject to risks that could reduce our revenues and adversely impact our results of operations and financial condition; some of these risks, such as weather-related risks, are beyond our control. Volatile commodity prices could reduce our margins. Significant revenue reductions or cost increases could trigger future impairment evaluations and potential impairment charges.

We actively seek to manage the market risk inherent in our energy marketing operations. We employ best practices risk management monitoring and control techniques to manage the risks inherent in the business. Nonetheless, adverse changes in energy and fuel prices may result in losses in our earnings or cash flows and adversely affect our financial position. Our marketing and risk management procedures do not completely eliminate risk. As a result, our operating results and financial position are sensitive to the market risk factors discussed below.

Our fleet of nonregulated power plants sells energy into the spot market, other competitive power markets or on a longer-term contractual basis. We may also enter into contracts to purchase and sell electricity, natural gas and coal as part of our power marketing and energy trading operations. Our business may also include entering into tolling contracts, long-term contracts that supply customers' full electric requirements or other contractual structures. Over the past two years, we have entered into full requirements power contracts to supply the total power requirement of several electric cooperatives. These contracts do not provide a guaranteed rate of return on our capital investments through mandated rates. While these contracts are partially hedged through fixed price power and gas purchases, our revenues and results of operations from these contracts still depend to some degree upon prevailing market prices for power in our regional markets and surrounding competitive markets. These market prices can fluctuate substantially over relatively short periods of time. Future adverse changes in market conditions or changes in business conditions could trigger future impairment evaluations of goodwill, long-lived assets or other assets, which could result in impairment charges.

In particular, we believe that over the past few years, the wholesale energy market in the southeastern United States, particularly Georgia, has been overbuilt and, accordingly, believe that the supply of peaking and mid-market generation exceeds demand. While recent market activity indicates that supply and demand are slowly coming closer to equilibrium, we believe that spot prices as well as contractual pricing will provide us with a reduced rate of return on our capital investment in our nonregulated plants and our revenues and results of operations from this market will be lower than originally expected until demand catches up with supply. We have no assurance that the current over-supply of wholesale power will be available to meet the Utilities' anticipated future need for additional baseload generation.

We have entered into wholesale power agreements with electric cooperatives in Georgia. Under these full-requirements supply contracts, we receive a fixed price for the power supplied to the cooperatives. The cooperative load is dependent on the weather and economy of its service area. We use a combination of callable resources from the cooperatives, open market purchases and our own generating assets to serve this load. The risks in serving full-requirements supply contracts at a fixed price include both the variability in commodity prices and the volatility of the cooperative energy demand. While we strive to mitigate the risks associated with these contracts though various strategies, we cannot provide certainty that our risk management techniques will be effective.

Furthermore, the FERC, which has jurisdiction over wholesale power rates, as well as independent system operators that oversee some of these markets, may impose price limitations, bidding rules and other mechanisms to address some of the volatility in these markets. As discussed previously, fuel prices also may be volatile, and the price we can obtain for power sales may not change at the same rate as our fuel costs changes. These factors could reduce our margins and therefore diminish our revenues and results of operations.

We actively manage the market risk inherent in our energy marketing operations. Nonetheless, adverse changes in energy and fuel prices may result in losses in our earnings or cash flows and adversely affect our balance sheet. Our marketing and risk management procedures may not work as planned. As a result, we cannot predict with precision the impact that our marketing, trading and risk management decisions may have on our business, operating results or financial position. In addition, to the extent that we do not cover the entire exposure of our assets or our positions to market price volatility, or our hedging procedures do not work as planned, fluctuating commodity prices could cause our sales and net income to be volatile.

In accordance with accounting standards for goodwill and long-lived assets, we have continued to monitor the carrying value of our goodwill and long-lived assets of our CCO operations. Our analyses have continued to support the carrying value of the $64 million of goodwill and the $1.4 billion of long-lived and intangible assets at December 31, 2005. However, as part of our evaluation of certain business opportunities in the first quarter of 2006, we performed an interim impairment test for the $64 million of goodwill, which indicated the fair value of our reporting unit consisting of our Effingham, Monroe, Walton and Washington nonregulated generation plants (Georgia Region) was less than its carrying value. As required by Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), we are currently performing the second step of the impairment test, which compares the implied fair value of the goodwill with the recorded goodwill. While the results of the second step of the impairment test are currently unknown, the effects could range from no change to the recorded goodwill value to a potential write-off of $64 million. Future adverse changes in market conditions or changes in business conditions, including the manner in which the long-lived assets are deployed, could require future impairment evaluations of these or other assets, which could result in an impairment charge.

Our nonregulated businesses are involved in operations that are subject to significant operational and financial risks that may reduce our revenues and adversely impact our results of operations and financial condition.

We are exposed to operational risk resulting from our natural gas drilling, coal mining, terminal and barge and fuel delivery operations. Our coal mining and natural gas drilling operations are subject to conditions beyond our control that can delay deliveries or increase the cost of mining or drilling at particular locations for varying lengths of time. Such conditions include unexpected maintenance problems, key equipment failures and variations in geologic conditions. The states in which we operate coal mines have state programs for mine safety and health regulation and enforcement. Financial risks include our exposure to commodity prices, primarily fuel prices. We actively manage the operational and financial risks associated with these businesses. Nonetheless, adverse changes in fuel prices and operational issues beyond our control may result in losses in our earnings or cash flows and adversely affect our balance sheet.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We believe that our physical properties and those of our subsidiaries are adequate to carry on our and their businesses as currently conducted. We maintain property insurance against loss or damage by fire or other perils to the extent that such property is usually insured.

ELECTRIC - PEC

PEC's 18 generating plants represent a flexible mix of fossil, nuclear, hydroelectric, combustion turbines and combined cycle resources, with a total summer generating capacity of approximately 12,519 MW. Of this total, Power Agency owns approximately 700 MW. On December 31, 2005, PEC had the following generating facilities:

Facility	Location	No. of Units	In-Service Date	Fuel	PEC Ownership (in %)	Summer Net Capability (a) (in MW)
STEAM TURBINES						
Asheville	Skyland, N.C.	2	1964-1971	Coal	100	392
Cape Fear	Moncure, N.C.	2	1956-1958	Coal	100	316
Lee	Goldsboro, N.C.	3	1952-1962	Coal	100	407
Mayo	Roxboro, N.C.	1	1983	Coal	83.83	745 (b)
Robinson	Hartsville, S.C.	1	1960	Coal	100	174
Roxboro	Roxboro, N.C.	4	1966-1980	Coal	96.32 (c)	2,462 (b)
Sutton	Wilmington, N.C.	3	1954-1972	Coal	100	613
Weatherspoon	Lumberton, N.C.	3	1949-1952	Coal	100	176
	Total	19				5,285
COMBINED CYCLE						
Cape Fear	Moncure, N.C.	2	1969	Oil	100	84
Richmond	Hamlet, N.C.	1	2002	Gas/Oil	100	472
	Total	3				556
COMBUSTION TURBINES						
Asheville	Skyland, N.C.	2	1999-2000	Gas/Oil	100	330
Blewett	Lilesville, N.C.	4	1971	Oil	100	52
Darlington	Hartsville, S.C.	13	1974-1997	Gas/Oil	100	812
Lee	Goldsboro, N.C.	4	1968-1971	Oil	100	91
Morehead City	Morehead City, N.C.	1	1968	Oil	100	15
Richmond	Hamlet, N.C.	5	2001-2002	Gas/Oil	100	775
Robinson	Hartsville, S.C.	1	1968	Gas/Oil	100	15
Roxboro	Roxboro, N.C.	1	1968	Oil	100	15
Sutton	Wilmington, N.C.	3	1968-1969	Gas/Oil	100	64
Wayne County	Goldsboro, N.C.	4	2000	Gas/Oil	100	668
Weatherspoon	Lumberton, N.C.	4	1970-1971	Gas/Oil	100	138
	Total	42				2,975
NUCLEAR						
Brunswick	Southport, N.C.	2	1975-1977	Uranium	81.67	1,875 (b)(d)
Harris	New Hill, N.C.	1	1987	Uranium	83.83	900 (b)
Robinson	Hartsville, S.C.	1	1971	Uranium	100	710
	Total	4				3,485
HYDRO						
Blewett	Lilesville, N.C.	6	1912	Water	100	22
Marshall	Marshall, N.C.	2	1910	Water	100	5
Tillery	Mount Gilead, N.C.	4	1928-1960	Water	100	86
Walters	Waterville, N.C.	3	1930	Water	100	105
	Total	15				218
TOTAL		83				12,519

(a) Amounts represent PEC's net summer peak rating, gross of co-ownership interest in plant capacity.

(b) Facilities are jointly owned by PEC and Power Agency. The capacities shown include Power Agency's share.

(c) PEC and Power Agency are co-owners of Unit 4 at the Roxboro Plant. PEC's ownership interest in this 700 MW unit is 87.06%.

(d) During 2005, a power uprate increased the net summer capability of Unit 2 to 937 MW. The Maximum Dependable Capability (MDC) was restated in January 2006.

At December 31, 2005, including both the total generating capacity of 12,519 MW and the total firm contracts for purchased power of approximately 1,518 MW, PEC had total capacity resources of approximately 14,037 MW.

The Power Agency has undivided ownership interests of 18.33% in Brunswick Unit Nos. 1 and 2, 12.94% in Roxboro Unit No. 4 and 16.17% in Harris and Mayo Unit No. 1. Otherwise, PEC has good and marketable title to its principal plants and important units, subject to the lien of its mortgage and deed of trust, with minor exceptions, restrictions, and reservations in conveyances, as well as minor defects of the nature ordinarily found in properties of similar character and magnitude. PEC also owns certain easements over private property on which transmission and distribution lines are located.

At December 31, 2005, PEC had approximately 6,000 circuit miles of transmission lines including 300 miles of 500 kilovolt (kV) lines and 3,000 miles of 230 kV lines. PEC also had approximately 45,000 circuit miles of overhead distribution conductor and 19,000 circuit miles of underground distribution cable. Distribution and transmission substations in service had a transformer capacity of approximately 12,500,000 kilovolt-ampere (kVA) in 2,406 transformers. Distribution line transformers numbered approximately 517,000 with an aggregate capacity of approximately 21,800,000 kVA.

ELECTRIC - PEF

PEF's 14 generating plants represent a flexible mix of fossil, nuclear, combustion turbine and combined cycle resources with a total summer generating capacity of approximately 9,045 MW. Of this total, joint owners own approximately 117 MW. At December 31, 2005, PEF had the following generating facilities:

Facility	Location	No. of Units	In-Service Date	Fuel	PEF Ownership (in %)	Summer Net Capability (a) (in MW)
STEAM TURBINES						
Anclote	Holiday, Fla.	2	1974-1978	Gas/Oil	100	993
Bartow	St. Petersburg, Fla.	3	1958-1963	Gas/Oil	100	444
Crystal River	Crystal River, Fla.	4	1966-1984	Coal	100	2,302
Suwannee River	Live Oak, Fla.	3	1953-1956	Gas/Oil	100	143
	Total	12				3,882
COMBINED CYCLE						
Hines	Bartow, Fla.	3	1999-2005	Gas/Oil	100	1,499
Tiger Bay	Fort Meade, Fla.	1	1997	Gas	100	207
	Total	4				1,706
COMBUSTION TURBINES						
Avon Park	Avon Park, Fla.	2	1968	Gas/Oil	100	52
Bartow	St. Petersburg, Fla.	4	1972	Gas/Oil	100	187
Bayboro	St. Petersburg, Fla.	4	1973	Oil	100	184
DeBary	DeBary, Fla.	10	1975-1992	Gas/Oil	100	667
Higgins	Oldsmar, Fla.	4	1969-1970	Gas/Oil	100	122
Intercession City	Intercession City, Fla.	14	1974-2000	Gas/Oil	100 (b)	1,041 (c)
Rio Pinar	Rio Pinar, Fla.	1	1970	Oil	100	13
Suwannee River	Live Oak, Fla.	3	1980	Gas/Oil	100	164
Turner	Enterprise, Fla.	4	1970-1974	Oil	100	154
University of Florida Cogeneration	Gainesville, Fla.	1	1994	Gas	100	35
	Total	47				2,619
NUCLEAR						
Crystal River	Crystal River, Fla.	1	1977	Uranium	91.78	838 (c)
	Total	1				838
TOTAL		64				9,045

(a) Amounts represent PEF's net summer peak rating, gross of co-ownership interest in plant capacity.

(b) PEF and Georgia Power Company (Georgia Power) are co-owners of a 143 MW advanced combustion turbine located at PEF's Intercession City site. Georgia Power has the exclusive right to the output of this unit during the months of June through September. PEF has that right for the remainder of the year.

(c) Facilities are jointly owned. The capacities shown include joint owners' share.

During 2005, PEF had total capacity resources of approximately 10,676 MW, including both the total generating capacity of 9,045 MW and the total firm contracts for purchased power of 1,631MW.

Several entities have acquired undivided ownership interests in CR3 in the aggregate amount of 8.22%. The joint ownership participants are: City of Alachua - 0.08%, City of Bushnell - 0.04%, City of Gainesville - 1.41%,

Kissimmee Utility Authority - 0.68%, City of Leesburg - 0.82%, Utilities Commission of the City of New Smyrna Beach - 0.56%, City of Ocala - 1.33%, Orlando Utilities Commission - 1.60% and Seminole Electric Cooperative, Inc. - 1.70%. PEF and Georgia Power are co-owners of a 143 MW advance combustion turbine located at PEF's Intercession City Unit P11 (P11). Georgia Power has the exclusive right to the output of this unit during the months of June through September. PEF has that right for the remainder of the year. Otherwise, PEF has good and marketable title to its principal plants and important units, subject to the lien of its mortgage and deed of trust, with minor exceptions, restrictions and reservations in conveyances, as well as minor defects of the nature ordinarily found in properties of similar character and magnitude. PEF also owns certain easements over private property on which transmission and distribution lines are located.

At December 31, 2005, PEF had approximately 5,000 circuit miles of transmission lines including 200 miles of 500 kV lines and about 1,500 miles of 230 kV lines. PEF also had approximately, 22,000 circuit miles of overhead distribution conductor and 13,000 circuit miles of underground distribution cable. Distribution and transmission substations in service had a transformer capacity of approximately 16,000,000 kVA in 682 transformers. Distribution line transformers numbered approximately 374,000 with an aggregate capacity of approximately 19,000,000 kVA.

COAL AND SYNTHETIC FUELS

The Coal and Synthetic Fuels business segment has an interest in six synthetic fuel entities. Five of the entities are majority owned and one is minority owned. These facilities are in six different locations in West Virginia and Kentucky.

Through our subsidiaries, we own and operate a river terminal facility in eastern Kentucky, a railcar-to-barge loading facility in West Virginia, two bulk commodity terminals on the Kanawha River near Charleston, West Virginia, and a bulk commodity terminal on the Ohio River near Huntington, West Virginia.

In connection with our coal operations, we own and operate surface and underground mines, coal processing and loadout facilities in southeastern Kentucky and southwestern Virginia. We control either directly or through our subsidiaries, demonstrated coal reserves located in eastern Kentucky and southwestern Virginia of approximately 47 million tons and control, through mineral leases, additional estimated coal reserves of approximately 58 million tons. The reserves controlled include substantial quantities of high quality, low-sulfur coal. Our total production of coal during 2005 was approximately 3.4 million tons. We employ both our own miners as well as contract miners in our mining activities.

On November 14, 2005, our board of directors approved a plan to divest of five subsidiaries of Progress Fuels engaged in the coal mining business. The coal mining operations are expected to be sold by the end of 2006. As a result, we have classified the coal mining operations as discontinued operations in the accompanying consolidated financial statements for all periods presented (See Note 3A).

PROGRESS VENTURES

At December 31, 2005, CCO had the following nonregulated generation plants in service.

Project	Location	Commercial Operation Date	Configuration/ Number of Units	MW (a)
Monroe Units 1 and 2	Monroe, Ga.	1999-2001	Simple Cycle, 2	315
Rowan Phase I	Salisbury, N.C.	2001	Simple Cycle, 3	459
Walton	Monroe, Ga.	2001	Simple Cycle, 3	460
DeSoto Units	Arcadia, Fla.	2002	Simple Cycle, 2	320
Effingham	Rincon, Ga.	2003	Combined Cycle, 1	480
Rowan Phase II	Salisbury, N.C.	2003	Combined Cycle, 1	466
Washington	Sandersville, Ga.	2003	Simple Cycle, 4	600
Total				3,100

(a) Amounts represent CCO's summer rating.

Our oil and gas production in 2005 was 24 Bcf equivalent. We have oil and gas leases in East Texas and Louisiana with total proven oil and gas reserves of approximately 325 Bcf equivalent.

CORPORATE AND OTHER

PT LLC provides wholesale telecommunications services throughout the Eastern United States. PT LLC incorporates more than 8,524 route miles of fiber and 29 metro networks, including more than 200 points-of-presence, or physical locations where a presence for network access exists.

On January 25, 2006, we signed a definitive agreement to sell PT LLC to Level 3 for a purchase price of approximately $137 million (See Note 25).

ITEM 3. LEGAL PROCEEDINGS

Legal proceedings are included in the discussion of our business in PART I, ITEM 1 under "Environmental," and are incorporated by reference herein. For a discussion of certain other legal matters, see Note 23D.

During 2005, we did not have any "reportable transactions" as defined under Section 6011 of the Code nor did we incur any penalties related to failing to report such information on our tax returns.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

The information called for by ITEM 4 is omitted for PEF pursuant to Instruction I(2)(c) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

EXECUTIVE OFFICERS OF THE REGISTRANTS

Name	Age	Recent Business Experience
*Robert B. McGehee	62	**Chairman and Chief Executive Officer,** Progress Energy, May 2004 and March 2004, respectively, to present. Mr. McGehee joined Progress Energy (formerly Carolina Power & Light Company "CP&L") in 1997 as Senior Vice President and General Counsel. Since that time, he has held several senior management positions of increasing responsibility. Most recently, Mr. McGehee served as President and Chief Operating Officer, having responsibility for the day-to-day operations of our regulated and nonregulated businesses. Prior to that, Mr. McGehee served as President and Chief Executive Officer of Progress Energy Service Company, LLC. Before joining Progress Energy, Mr. McGehee chaired the board of Wise Carter Child & Caraway, a law firm headquartered in Jackson, Miss. He primarily handled corporate, contract, nuclear regulatory and employment matters. During the 1990s, he also provided significant counsel to U.S. companies on reorganizations, business growth initiatives and preparing for deregulation and other industry changes.
William D. Johnson	52	**President and Chief Operating Officer,** Progress Energy, January 2005 to present; Group President, PEC, January 2004 to present; Executive Vice President and Corporate Secretary, PEC, PEF, Progress Energy Service Company, LLC and Florida Progress November 2000 to December 2003. Mr. Johnson has been with Progress Energy (formerly CP&L) since 1992 and served as Group President, Energy Delivery, Progress Energy, January 2004 to December 2004. Prior to that, he was President, CEO and Corporate Secretary, Progress Energy Service Company, LLC, October 2002 to December 2003. He also served as Executive Vice President - Corporate Relations & Administrative Services, General Counsel and Secretary of Progress Energy. Mr. Johnson served as Vice President - Legal Department and Corporate Secretary, CP&L from 1997 to 1999. Before joining Progress Energy, Johnson was a partner with the Raleigh office of Hunton & Williams, where he specialized in the representation of utilities.
Peter M. Scott III	56	**Executive Vice President and Chief Financial Officer,** Progress Energy, May 2000 to present; and May 2000 to December 2003 and November 2005 to present; **President and Chief Executive Officer,** Progress Energy Service Company, LLC, January 2004 to present; Executive Vice President, PEC and PEF, May 2000 to present and CFO of PEC, PEF, FPC and Progress Energy Service Company, LLC, 200 to 2003, and November 2005 to present. Mr. Scott has been with Progress Energy since May 2000. Before joining Progress Energy, Mr. Scott was the president of Scott, Madden & Associates, Inc., a general management consulting firm headquartered in Raleigh that he founded in 1983. The firm served clients in a number of industries, including energy and telecommunications. Particular practice area specialties for Mr. Scott included strategic planning and operations management.

Jeffrey M. Stone	45	**Chief Accounting Officer and Controller,** Progress Energy and FPC, June 2005 to present; Chief Accounting Officer PEC and PEF, June 2005 to present; Vice President and Controller, Progress Energy Service Company, LLC, January 2005 and June 2005, respectively to present. Since 1999, Mr. Stone has served Progress Energy in a number of roles in corporate support including Vice President - Capital Planning and Control; Executive Director - Financial Planning & Regulatory Services, as well as in various management positions with Energy Supply and Audit Services. Prior to joining Progress Energy, Mr. Stone worked as an auditor with Deloitte & Touche in Charlotte, N.C.
Donald K. Davis	60	**Executive Vice President,** PEC, May 2000 to present; President, Progress Fuels Corporation, March 2005 to present. Mr. Davis is also President and Chief Executive Officer, SRS, June 2000 to present and was President and Chief Executive Officer, NCNG, July 2000 to September 2003. Mr. Davis joined Progress Energy in May 2000 as Executive Vice President, Gas and Energy Services. Before joining Progress Energy, Mr. Davis was Chairman, President and Chief Executive Officer of Yankee Atomic Electric Company, and served as Chairman, President and Chief Executive Officer of Connecticut Atomic Power Company from 1997 to May 2000 where he was responsible for two electric wholesale generating companies.
Fred N. Day IV	62	**President and Chief Executive Officer,** PEC, November 2003 to present; Executive Vice President, PEF, November 2000 to present. Mr. Day oversees all aspects of Carolinas Delivery operations, including distribution and customer service, transmission, and products and services. He previously served as Executive Vice President, PEC and PEF. During his more than 30 years with Progress Energy (formerly CP&L), Mr. Day has held several management positions of increasing responsibility. He was promoted to Vice President - Western Region in 1995.
*H. William Habermeyer, Jr.	63	**President and Chief Executive Officer,** PEF, November 2000 to present. Mr. Habermeyer joined Progress Energy (formerly PEC) in 1993 after a career in the U.S. Navy. During his tenure with Progress Energy, Mr. Habermeyer has served as Vice President - Nuclear Services and Environmental Support; Vice President - Nuclear Engineering; and Vice President - Western Region. While overseeing Western Region operations, Mr. Habermeyer was responsible for regional distribution management, customer support and community relations. In February 2006, Mr. Habermeyer announced that he will retire in May 2006.
C. S. Hinnant	61	**Senior Vice President and Chief Nuclear Officer**, PEC, June 1998 to present. Mr. Hinnant is also Senior Vice President and Chief Nuclear Officer, PEF, November 2000 and November 2005, respectively to present. Mr. Hinnant joined Progress Energy (formerly CP&L) in 1972 at the Brunswick Nuclear Plant near Southport, N.C., where he held several positions in the startup testing and operating organizations. He left Progress Energy in 1976 to work for Babcock and Wilcox in the Commercial Nuclear Power Division, returning to Progress Energy in 1977. Since that time, he has served in various management positions at three of Progress Energy's nuclear plant sites.

*Jeffrey J. Lyash	44	**Senior Vice President,** PEF, November 2003 to present. Mr. Lyash oversees all aspects of energy delivery operations for PEF. Prior to coming to PEF, Mr. Lyash was Vice President - Transmission in Energy Delivery in the Carolinas since January 2002. Mr. Lyash joined Progress Energy in 1993 and spent his first eight years at the Brunswick Nuclear Plant in Southport, N.C. His last position at Brunswick was as Director of site operations.
John R. McArthur	50	**Senior Vice President, General Counsel and Secretary** of Progress Energy, January 2004 to present. Mr. McArthur oversees the Audit Services, Corporate Communications, Legal, Regulatory and Corporate Relations - Florida, and State Public Affairs departments, and the Environmental and Health and Safety sections. Mr. McArthur is also Senior Vice President and Corporate Secretary, FPC and PEC, and Senior Vice President, PEF and Progress Energy Service Company, LLC, January 1 2004 and December 2002, respectively to present. Previously, he served as Senior Vice President - Corporate Relations (December 2002 to December 2003) and as Vice President - Public Affairs (December 2001 to December 2002). Before joining Progress Energy in December 2001, Mr. McArthur was a member of North Carolina Governor Mike Easley's senior management team, handling major policy initiatives as well as media and legal affairs. He also directed Governor Easley's transition team after the election of 2000. From November of 1997 until November of 2000, Mr. McArthur handled state government affairs in 10 southeastern states for General Electric Co. Prior to joining General Electric Co., Mr. McArthur served as chief counsel in the North Carolina Attorney General's office, where he supervised utility, consumer, health care, and environmental protection issues. Before that, he was a partner at Hunton & Williams.
E. Michael Williams	57	**Senior Vice President,** PEC and PEF, June 2000 and November 2000, respectively, to present. Before joining Progress Energy in 2000, Mr. Williams was with Central and Southwest Corp., Inc. and subsidiaries for 28 years and served in various positions prior to becoming Vice President - Fossil Generation in Dallas.
Lloyd M. Yates	45	**Senior Vice President,** PEC, January 2005 to present. Mr. Yates is responsible for managing the four regional vice presidents in the PEC organization. He served PEC as Vice President - Transmission from November 2003 to December 2004. Mr. Yates served as Vice President - Fossil Generation for PEC from 1998 to 2003. Before joining Progress Energy in 1998, Mr. Yates was with PECO Energy, where he had served in a number of engineering and management roles over 16 years. His last position with PECO was as general manager - Operations in the power operations group.

*Mark F. Mulhern	46	**President,** Progress Energy Ventures, Inc., March 2005 to present. Mr. Mulhern is responsible for managing the Competitive Commercial Operations and Gas Operations groups of Progress Energy Ventures, Inc. He previously served Progress Energy Ventures, Inc. as Senior Vice President - Competitive Commercial Operations from January 2003 to March 2005. He served Progress Energy as Vice President - Strategic Planning from November 2000 to March 2003. He also served as Vice President and Treasurer of PEC from June 1997 to November 2000.

*Indicates individual is an executive officer of Progress Energy, Inc., but not PEC.

PART II

ITEM 5. MARKET FOR THE REGISTRANTS' COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Progress Energy

Progress Energy's Common Stock is listed on the New York Stock Exchange under the symbol PGN. The high and low intra-day stock sales prices for each quarter for the past two years, and the dividends declared per share are as follows:

	High	Low	Dividends Declared
2005			
First Quarter	**$ 45.33**	**$ 40.63**	**$ 0.590**
Second Quarter	**45.83**	**40.61**	**0.590**
Third Quarter	**46.00**	**41.90**	**0.590**
Fourth Quarter	**45.50**	**40.19**	**0.605**
2004			
First Quarter	$ 47.95	$ 43.02	$ 0.575
Second Quarter	47.50	40.09	0.575
Third Quarter	44.32	40.76	0.575
Fourth Quarter	46.10	40.47	0.590

The December 31 closing price of our Common Stock was $43.92 for 2005 and $45.24 for 2004. As of February 28, 2006, we had 64,404 holders of record of Common Stock.

Neither Progress Energy's Articles of Incorporation nor any of its debt obligations contain any restrictions on the payment of dividends. Our subsidiaries have provisions restricting dividends in certain limited circumstances (See Notes 10A and 12B).

Issuer purchases of equity securities for fourth quarter of 2005 are as follows:

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
October 1 - October 31	367,475 (2)	$ 42.45	N/A	N/A
November 1 - November 30	--	--	N/A	N/A
December 1 - December 31	--	--	N/A	N/A
Total	367,475	$ 42.45	N/A	N/A

(1) At December 31, 2005, Progress Energy did not have any publicly announced plans or programs to purchase shares of its common stock.

(2) All shares were purchased in open-market transactions by the plan administrator to satisfy share delivery requirements under the Progress Energy 401(k) Savings and Stock Ownership Plan (See Note 10B).

PEC

Since 2000, the Parent has owned all of PEC's common stock, and as a result there is no established public trading market for the stock. PEC has not issued or repurchased any equity securities since becoming a wholly owned subsidiary of the Parent. For the past three years, PEC has paid quarterly dividends to the Parent totaling the

amounts shown in PEC's Statements of Common Equity included in the financial statements in PART II, ITEM 8. PEC has provisions restricting dividends in certain circumstances (See Notes 10A and 12B). PEC does not have any equity compensation plans under which its equity securities are issued.

PEF

All shares of PEF's common stock are owned by Florida Progress, and as a result there is no established public trading market for the stock. PEF did not issue or repurchase any equity securities during 2005. During 2005, PEF paid no dividends to Florida Progress. During 2004 and 2003, PEF paid quarterly dividends to Florida Progress totaling the amounts shown in PEF's Statements of Common Equity included in the financial statements in PART II, ITEM 8. PEF has provisions restricting dividends in certain circumstances (See Note 12). PEF does not have any equity compensation plans under which its equity securities are issued.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data should be read in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this report.

Progress Energy

	Years ended December 31				
(in millions, except per share data)	**2005**	2004 (a)	2003 (a)	2002 (a)	2001 (a)
Operating results					
Operating revenues	$ **10,108**	$ 8,525	$ 7,799	$ 7,258	$ 7,209
Income from continuing operations before cumulative effect of changes in accounting principles, net of tax	$ **727**	$ 729	$ 811	$ 584	$ 728
Net income	$ **697**	$ 759	$ 782	$ 528	$ 542
Per share data					
Basic earnings					
Income from continuing operations	$ **2.95**	$ 3.01	$ 3.42	$ 2.69	$ 3.56
Net income	$ **2.82**	$ 3.13	$ 3.30	$ 2.43	$ 2.65
Diluted earnings					
Income from continuing operations	$ **2.94**	$ 3.00	$ 3.40	$ 2.68	$ 3.55
Net income	$ **2.82**	$ 3.12	$ 3.28	$ 2.42	$ 2.64
Assets	$ **27,023**	$ 26,044	$ 26,147	$ 24,378	$ 23,815
Capitalization					
Common stock equity	$ **8,038**	$ 7,633	$ 7,444	$ 6,677	$ 6,004
Preferred stock of subsidiaries - not subject to mandatory redemption	**93**	93	93	93	93
Minority interest	**43**	36	30	18	12
Long-term debt, net (b)	**10,446**	9,521	9,934	9,747	8,619
Current portion of long-term debt	**513**	349	868	275	688
Short-term obligations	**175**	684	4	695	942
Total capitalization and total debt	$ **19,308**	$ 18,316	$ 18,373	$ 17,505	$ 16,358
Dividends declared per common share	$ **2.38**	$ 2.32	$ 2.26	$ 2.20	$ 2.14

(a) Operating results and balance sheet data have been restated for discontinued operations.

(b) Includes long-term debt to affiliated trust of $270 million at December 31, 2005, 2004 and 2003 (See Note 24).

PEC

	Years Ended December 31				
(in millions)	**2005**	2004	2003	2002	2001
Operating results					
Operating revenues	**$ 3,991**	$ 3,629	$ 3,600	$ 3,554	$ 3,360
Net income	**$ 493**	$ 461	$ 482	$ 431	$ 364
Earnings for common stock	**$ 490**	$ 458	$ 479	$ 428	$ 361
Assets	**$ 11,502**	$ 10,787	$ 10,938	$ 10,442	$ 10,640
Capitalization					
Common stock equity	**$ 3,118**	$ 3,072	$ 3,237	$ 3,089	$ 3,095
Preferred stock - not subject to mandatory redemption	**59**	59	59	59	59
Long-term debt, net	**3,667**	2,750	3,086	3,048	2,698
Current portion of long-term debt	**-**	300	300	-	600
Short-term obligations (a)	**84**	337	29	438	309
Total capitalization and total debt	**$ 6,928**	$ 6,518	$ 6,711	$ 6,634	$ 6,761

(a) Includes notes payable to affiliated companies, related to the money pool program, of $11 million, $116 million, $25 million and $48 million at December 31, 2005, 2004, 2003 and 2001, respectively.

PEF

The information called for by ITEM 6 is omitted for PEF pursuant to Instruction I(2)(a) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following combined Management's Discussion and Analysis is separately filed by Progress Energy, Inc. (Progress Energy), Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (PEC) and Florida Power Corporation d/b/a Progress Energy Florida, Inc. (PEF). Information contained herein relating to PEC and PEF individually is filed by such company on its own behalf. As used in this report, Progress Energy [which includes Progress Energy, Inc. holding company (the Parent) and its regulated and nonregulated subsidiaries on a consolidated basis] is at times referred to as "we," "our" or "us." When discussing Progress Energy's financial information, it necessarily includes the results of PEC and PEF (collectively, the Utilities). The term "Progress Registrants" refers to each of the three separate registrants: Progress Energy, PEC and PEF.

The following Management's Discussion and Analysis contains forward-looking statements that 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. Please review ITEM 1A, "Risk Factors" and "SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS" for a discussion of the factors that may impact any such forward-looking statements made herein.

Management's Discussion and Analysis should be read in conjunction with the Progress Energy Consolidated Financial Statements.

PROGRESS ENERGY

INTRODUCTION

Our reportable business segments and their primary operations include:

- Progress Energy Carolinas (PEC) - primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina;

- Progress Energy Florida (PEF) - primarily engaged in the generation, transmission, distribution and sale of electricity in a portion of Florida;

- Progress Ventures - engaged in the Competitive Commercial Operations (CCO) business that includes nonregulated electric generation operations and energy marketing activities primarily in Georgia, North Carolina and Florida, as well as in natural gas production (Gas) in Texas and Louisiana; and

- Coal and Synthetic Fuels - primarily engaged in coal terminal services, fuel transportation and delivery, the production and sale of coal-based solid synthetic fuels and the operation of synthetic fuel facilities for third parties in Kentucky and West Virginia.

The Corporate and Other segment includes businesses that do not meet the requirements for separate segment reporting disclosure. These businesses are engaged in other nonregulated business areas, including telecommunications, primarily in the eastern United States, energy services operations, holding company operations and Progress Energy Service Company, LLC (PESC) operations.

In 2005, our presentation of reportable segments changed due to changes in the operations of certain businesses and the reclassification of our coal mining business as discontinued operations. These changes are consistent with the manner in which management currently reviews these operations. A summary of changes to our segment presentation is as follows: 1) report PEC's immaterial nonregulated subsidiaries that were previously included in the Corporate and Other category in the PEC segment; 2) report CCO and Gas operations together in the Progress Ventures segment; and 3) report the Synthetic Fuels operations together with the coal terminals businesses in the Coal and Synthetic Fuels segment. The Gas operations, coal terminals and synthetic fuels operations were previously reported in the Fuels segment. In addition, prior to its divestiture in 2005, Rail Services was reported as a separate segment. For comparative purposes, 2004 and 2003 segment information has been restated to align with the 2005 reporting structure.

STRATEGY

We are an integrated energy company, with our primary focus on the end-use and wholesale electricity markets. We operate in retail utility markets in the southeastern United States and in competitive electricity, gas and other fuels markets in the eastern United States. We are focused on the following key priorities: excelling in the daily fundamentals of our business, strengthening our financial flexibility and growth, preparing for future baseload capacity in our regulated service territories and improving the return on Progress Ventures. A summary of the significant financial objectives or issues impacting us, the Utilities and our nonregulated operations is addressed more fully in the following discussion.

We have several key financial objectives, the first of which is to achieve sustainable earnings growth in our three core energy businesses, which include PEC, PEF and Progress Ventures (CCO and Gas). In addition, we seek to continue our track record of dividend growth, as we have increased our dividend for 18 consecutive years, and 30 of the last 31. We also seek to continue our efforts to enhance balance sheet strength and flexibility by reducing holding company debt through selected asset sales, operating cash flow, cash flow benefit from deferred synthetic fuel tax credits, and limited equity issuances under our Investor Plus and employee benefit plans.

In the short term, our ability to achieve these objectives will be impacted by, among other things, cash flow available to reduce debt after funding capital expenditures and common dividends, commodity price risk, and increased environmental spending requirements. Our long-term challenges include escalating nonfuel and fuel operating costs, the need for sufficient earnings growth to sustain our track record of dividend growth, the potential for future regulation to address global climate change, the need for future baseload capacity in our regulated service territories and the scheduled expiration of Internal Revenue Code (the Code) Section 29/45K (Section 29/45K) tax credit program for our synthetic fuels business at the end of 2007.

Our ability to meet these financial objectives is largely dependent on the earnings and cash flows of the Utilities. The Utilities contributed $748 million of our segment profit and generated approximately 100 percent of our consolidated cash flow from operations in 2005. In addition, our Progress Ventures and Coal and Synthetic Fuels operations contributed $190 million of segment profit, of which $155 million represented synthetic fuel earnings. Partially offsetting the net income contribution provided by these businesses was a loss of $211 million recorded at Corporate and Other, primarily related to interest expense on holding company debt.

While our synthetic fuel operations currently provide significant net earnings that are scheduled to expire at the end of 2007 and are subject to various risks as described under the "Synthetic Fuel Tax Credits" section of OTHER MATTERS below, the associated cash flow benefits from synthetic fuels are expected to come in the future when deferred tax credits are ultimately utilized. The Code's Section 29 (Section 29) credits that have been generated through December 31, 2005, but not yet utilized are currently carried forward indefinitely as alternative minimum tax credits and will provide positive cash flow when utilized. At December 31, 2005, the amount of these deferred tax credits was $922 million. See Note 23D and ITEM 1A "Risk Factors" for additional information on our synthetic fuel operations.

Our total debt to total capitalization ratio from the Consolidated Balance Sheet is 57.7 percent at the end of 2005, which represents a slight increase over 2004, primarily due to the under-recovery of fuel costs at the Utilities during 2005 driven by rising commodity costs. We seek to improve this ratio through a reduction in total debt with proceeds from asset sales, recovery of storm costs incurred in Florida during 2004, fuel cost recovery, operating cash flow and growth in equity from retained earnings and limited ongoing equity issuances. We expect total capital expenditures to be approximately $1.8 billion in 2006 and $1.7 billion in 2007, primarily related to the Utilities' operations.

The Parent's ratings outlook was changed to "stable" from "negative" in November 2005 by Standard & Poor's (S&P). S&P cited the resolution of several regulatory issues in Florida and the expectation of increased likelihood that our financial performance will improve over the next two years in its ratings action. Moody's Investors Service, Inc. (Moody's) has had a "negative" outlook for the Parent since October 2004 and Fitch Rating's outlook for the Parent has been "stable" since February 2003. See "Credit Rating Matters" and "Guarantees" Section under FUTURE LIQUIDITY AND CAPITAL RESOURCES below and ITEM 1A, "Risk Factors" for more information

regarding the potential impact on our financial condition and results of operations resulting from a ratings downgrade.

REGULATED UTILITIES

The Utilities' earnings and operating cash flows are heavily influenced by weather, the economy, demand for electricity related to customer growth, actions of regulatory agencies, cost controls, the timing of recovery of fuel costs, and storm damage.

The Utilities operate in the Southeast, one of the fastest growing regions of the country, and had a net increase of approximately 60,000 customers over the past year. The Utilities' customers set several peak demand records during the summer of 2005. In recent years, lower industrial sales mainly related to weakness in the textile sector at PEC have reduced the rate of revenue growth. We do not expect any significant improvement or further degradation in industrial sales in the near term. These combined factors under normal weather conditions are expected to contribute approximately 2 percent annual retail kilowatt-hour (kWh) sales growth at PEC and approximately 2.5 percent to 3 percent annual retail kWh sales growth at PEF through at least 2008. The Utilities must continue to invest significant capital in additional energy conservation and efficiency programs, development and deployment of new energy technologies, and new generation, transmission and distribution facilities to support this load growth. Subject to regulatory approval, these investments are expected to increase the Utilities' rate base, upon which additional return can be realized that creates the basis for long-term earnings growth in the Utilities. We will meet this load growth through the previously planned approximately 500 MW combined cycle unit at PEF's Hines Energy Complex in 2007 and an approximately 150 MW dual-fuel combustion turbine plant at PEC in 2008. The Utilities also seek to grow their regulated wholesale business through targeted contract renewals and origination opportunities.

Meeting the anticipated growth within the Utilities' service territories will require a balanced solution. We are advocating energy conservation and efficiency and pursuing new energy technologies to help meet the expected growth in demand. We estimate that we will require new baseload generation facilities in both Florida and the Carolinas by the middle of the next decade and are evaluating all of the best available options for this generation, including advanced design nuclear and clean coal technologies. The considerations that will factor into this decision include construction costs, fuel diversity, transmission and site availability, environmental compliance, and our ability to obtain financing. See "Nuclear Matters" Section under OTHER MATTERS for additional information.

The EPA issued two significant air quality regulations in March 2005 that affect our fossil fuel-fired generating facilities, the Clean Air Interstate Rule (CAIR) and Clean Air Mercury Rule (CAMR). Including estimated costs for CAIR and CAMR, we currently estimate total future capital expenditures for the Utilities to comply with current environmental laws and regulations addressing air and water quality, a portion of which are eligible for regulatory recovery, to be in excess of $1.0 billion each at PEC and PEF, respectively, through 2018, which is the latest emission reduction deadline.

The Utilities are allowed to recover prudently incurred fuel costs through the fuel portion of our rates, which are adjusted annually in each state. We are focused on mitigating the impact of rising fuel prices since the under-recovery of fuel costs impacts our cash flows, interest and leverage, and rising fuel costs and higher rates also impact customer satisfaction. Our efforts to mitigate these high fuel costs include our diverse generation mix, staggered fuel contracts and hedging, and supplier and transportation diversity.

While the Utilities expect retail sales growth in the future, they are facing rising costs. We implemented a cost-management initiative in 2005, which we expect to permanently reduce by $75 million to $100 million the projected growth in our annual nonfuel operation and maintenance (O&M) costs by the end of 2007. See "Cost-Management Initiative" under RESULTS OF OPERATIONS for more information. The Utilities expect total capital expenditures for maintenance and growth requirements to be approximately $1.6 billion in 2006 and $1.5 billion in 2007. Operating cash flows from the Utilities are expected to be sufficient to fund their maintenance capital spending and dividends to the Parent in 2006 and 2007.

The Utilities successfully resolved major state regulatory issues in 2005, including an agreement on base rates in Florida, storm cost recovery in Florida and fuel recovery filings in South Carolina, North Carolina and Florida. The

Utilities continue to monitor progress toward a more competitive environment. No retail electric restructuring legislation has been introduced in the jurisdictions in which PEC and PEF operate. As part of the Clean Smokestacks Act in North Carolina (Clean Smokestacks Act), PEC is operating under a base rate freeze in North Carolina through 2007. The PEF base rate settlement extends through 2009. See Note 7 for further discussion of the Utilities' retail rates.

NONREGULATED BUSINESSES

Our primary nonregulated businesses are Progress Ventures and Coal and Synthetic Fuels.

Cash flows and earnings of Progress Ventures are impacted largely by the ability to obtain additional term contracts or sell energy on the spot market at favorable terms, the cost of fuel and purchased power, and the volumes and prices of natural gas sales. Earnings of Coal and Synthetic Fuels are impacted largely by the volume of synthetic fuel produced and tax credits generated, and volumes and prices of coal terminal sales.

We expect an excess of peaking and mid-market generation supply in the Georgia wholesale electric energy market in which we compete for the next several years. During 2005, CCO began serving additional full-requirements wholesale power contracts at fixed prices with cooperatives in Georgia and currently serves approximately one-third of the Georgia cooperative market. CCO experienced a decrease in margins in 2005 due to expiration of above-market tolling agreements at the end of 2004 and higher fuel and purchased power costs in 2005. Continued volatility in both the commodity prices used to serve the customer load and the cooperative energy demand could further decrease the margins on these contracts and negatively impact our future results of operations. CCO has contracts for its planned production capacity, which includes callable resources from the cooperatives, of approximately 86 percent for 2006, 81 percent for 2007 and 84 percent for 2008. CCO will continue to seek opportunities to optimize our nonregulated generation portfolio.

We plan to continue to develop our natural gas production asset base as a long-term economic hedge for our nonregulated generation fuel needs. During 2006, CCO and Gas have entered into an intercompany hedge to formalize this economic relationship. While high fuel prices increase both peak and off-peak power prices and have a negative impact on our full-requirements contracts with the Georgia cooperatives, our natural gas production business benefits from these higher gas prices. We seek to continue our strategy of investing and growing our proven natural gas reserves to optimize the value of this business.

We have committed to a plan of disposal of our coal mining business and have classified these operations as discontinued operations in the accompanying financial statements. As of December 31, 2005, the carrying value of long-lived assets of the coal mining business was $73 million.

Through our subsidiaries, we are a majority owner in five entities and a minority owner in one entity that own facilities that produce coal-based solid synthetic fuel as defined under the Internal Revenue Code. The production and sale of the synthetic fuel from these facilities qualify for tax credits under Section 29/45K if certain requirements are satisfied, including a requirement that the synthetic fuel differs significantly in chemical composition from the coal used to produce such synthetic fuel and that the fuel was produced from a facility that was placed in service before July 1, 1998. The tax credits associated with future synthetic fuel production may be phased out if market prices for crude oil exceed certain prices. See additional discussion of synthetic fuel tax credits in Note 23D and in ITEM 1A, "Risk Factors."

The Progress Registrants are subject to various risks. For a complete discussion of these risks, see the ITEM 1A, "Risk Factors."

RESULTS OF OPERATIONS

In this section, earnings and the factors affecting earnings are discussed. The discussion begins with a summarized overview of our consolidated earnings, which is followed by a more detailed discussion and analysis by business segment.

OVERVIEW

FOR 2005 AS COMPARED TO 2004 AND 2004 AS COMPARED TO 2003

For the year ended December 31, 2005, our net income was $697 million or $2.82 per share compared to $759 million or $3.13 per share for the same period in 2004. The decrease in net income as compared to prior year was due primarily to:

- Postretirement and severance charges related to the cost-management initiative.
- Discontinued operations and loss on disposal of Progress Rail Services Corporation (Progress Rail).
- The change in accounting estimates for certain capital costs in our distribution operations (Energy Delivery).
- Decreased nonregulated generation earnings.
- Gain on the disposition of certain Winchester Production Company, Ltd. (Winchester Production) assets in 2004.
- The write-off of unrecoverable storm costs at PEF.

Partially offsetting these items were:

- Increased synthetic fuel earnings.
- Customer growth at the Utilities.
- Favorable weather at the Utilities.
- Increased wholesale sales at the Utilities.
- Gain recorded on the sale of distribution assets at PEF.

For the year ended December 31, 2004, our net income was $759 million or $3.13 per share compared to $782 million or $3.30 per share for the same period in 2003. The decrease in net income as compared to prior year was due primarily to:

- Reduction in synthetic fuel earnings due to lower synthetic fuel sales as a result of hurricanes during 2004.
- Decreased excess generation wholesale sales, primarily at PEC.
- Increased O&M expenses at PEC.
- Recording of litigation settlement reached in the civil suit by Strategic Resource Solutions (SRS).
- Decreased nonregulated generation earnings.
- Reduction in revenues due to customer outages at PEF associated with the hurricanes.
- Increased interest charges due to the reversal of interest expense for resolved tax matters in 2003.

Partially offsetting these items were:

- Favorable weather in the Carolinas.
- Reduction in revenue sharing provisions at PEF.

- Favorable customer growth at the Utilities.

- Increased margins as a result of the allowed return on the Hines Unit 2 at PEF.

- Increased earnings for natural gas operations, which include the gain recorded on the disposition of certain Winchester Production assets.

- Increased earnings recorded for discontinued operations.

- Unrealized gains recorded on contingent value obligations (CVOs).

- Reduction in impairments recorded for an investment portfolio and long-lived assets.

- Reduction in losses recorded for changes in accounting principles.

Basic earnings per share decreased in both 2005 and 2004 due in part to the factors outlined above. Dilution related to issuances under our Investor Plus and employee benefit programs in 2005 also reduced basic earnings per share by $0.05 in 2005. Dilution related to issuances under our Investor Plus and employee benefit programs in 2004 also reduced basic earnings per share by $0.06 in 2004 as compared to 2003.

Our segments contributed the following profit or loss from continuing operations:

(in millions)	2005	Change	2004	Change	2003
PEC	$ 490	$ 32	$ 458	$ (44)	$ 502
PEF	258	(75)	333	38	295
Progress Ventures	21	(60)	81	27	54
Coal and synthetic fuels	169	81	88	(102)	190
Total segment profit (loss)	938	(22)	960	(81)	1,041
Corporate and other	(211)	20	(231)	(1)	(230)
Total income from continuing operations	727	(2)	729	(82)	811
Discontinued operations, net of tax	(31)	(61)	30	35	(5)
Cumulative effect of changes in accounting principles	1	1	-	24	(24)
Net income	$ 697	$ (62)	$ 759	$ (23)	$ 782

Cost-Management Initiative

On February 28, 2005, we approved a workforce restructuring that resulted in a reduction of approximately 450 positions. The cost-management initiative is designed to permanently reduce by $75 million to $100 million our projected growth in annual O&M expenses by the end of 2007. Although we still expect nonfuel O&M expenses to grow, the cost-management initiative will lower that rate of growth and we remain on track to meet the annual target of $75 million to $100 million by the end of 2007. In addition to the workforce restructuring, the cost-management initiative included a voluntary enhanced retirement program. In connection with this initiative, we incurred approximately $164 million of pre-tax charges for severance and postretirement benefits during the year ended December 31, 2005. We do not expect to incur any similar charges during 2006. The severance and postretirement charges are primarily included in O&M expense on the Consolidated Statements of Income and will be paid over time. See Note 17 for additional information on the cost-management initiative.

PROGRESS ENERGY CAROLINAS

PEC contributed segment profits of $490 million, $458 million and $502 million in 2005, 2004 and 2003, respectively. The increase in profits for 2005 as compared to 2004 is primarily due to increased revenue from customer growth, the favorable impact of weather, increased wholesale margins primarily due to an increase in excess generation revenues and lower depreciation and amortization expense. These were partially offset by higher O&M charges primarily due to postretirement and severance charges related to the cost-management initiative and an increase in expenses charged to other, net.

The decrease in profits for 2004 as compared to 2003 was primarily due to higher O&M charges and lower wholesale revenues partially offset by the favorable impact of weather, increased revenues from customer growth and a reduction in investment losses and impairment charges compared to the prior year.

REVENUES

PEC's electric revenues and the percentage change by year and by customer class were as follows:

(in millions) Customer Class	2005	% Change	2004	% Change	2003
Residential	$ 1,422	7.4	$ 1,324	5.2	$ 1,259
Commercial	940	5.9	888	4.5	850
Industrial	684	3.8	659	3.6	636
Governmental	87	6.1	82	3.8	79
Total retail revenues	3,133	6.1	2,953	4.6	2,824
Wholesale	759	32.0	575	(16.3)	687
Unbilled	4	-	10	-	(6)
Miscellaneous	94	4.4	90	7.1	84
Total electric revenues	3,990	10.0	3,628	1.1	3,589
Less: Pass-through fuel revenues	(1,186)	-	(929)	-	(894)
Revenues excluding fuel	$ 2,804	3.9	$ 2,699	-	$ 2,695

PEC's electric energy sales and the percentage change by year and by customer class were as follows:

(in thousands of MWh) Customer Class	2005	% Change	2004	% Change	2003
Residential	16,664	4.1	16,003	4.7	15,283
Commercial	13,313	2.3	13,019	3.7	12,557
Industrial	12,716	(2.5)	13,036	2.3	12,749
Governmental	1,410	(1.5)	1,431	1.6	1,408
Total retail energy sales	44,103	1.4	43,489	3.6	41,997
Wholesale	15,673	18.5	13,222	(14.8)	15,518
Unbilled	(235)	-	91	-	(44)
Total MWh sales	59,541	4.8	56,802	(1.2)	57,471

PEC's revenues, less recoverable fuel costs of $1.186 billion and $929 million for 2005 and 2004, respectively, increased $105 million. The increase in revenues was due primarily to increased retail revenues of $22 million as a result of favorable weather, with cooling degree days 6 percent above prior year. Retail customer growth contributed an additional $46 million in revenues in 2005. PEC's retail customer base increased as approximately 30,000 net new customers were added in 2005. Wholesale revenues, excluding fuel revenues, increased $37 million when compared to $311 million in 2004. The increase in PEC's wholesale revenues in 2005 from 2004 is primarily the result of increased excess generation sales. Revenues for 2005 included strong sales to the mid-Atlantic United States as a result of favorable market conditions. In addition, higher contracted capacity compared to 2004 further increased wholesale revenues.

PEC's revenues, less recoverable fuel costs of $929 million and $894 million for 2004 and 2003, respectively, increased $4 million. The increase in revenues was due primarily to increased retail revenues of $35 million as a result of favorable weather, with cooling degree days 16 percent above prior year. Retail customer growth contributed an additional $55 million in revenues in 2004. PEC's retail customer base increased as approximately 26,000 net new customers were added in 2004. The increase in retail revenues was offset partially by lower wholesale revenues. Wholesale revenues, excluding recoverable fuel revenues, decreased $82 million when compared to $393 million in 2003. The decrease in PEC's wholesale revenues in 2004 from 2003 is primarily the result of reduced excess generation sales. Revenues for 2003 included strong sales to the northeastern United States as a result of favorable market conditions. In addition, lower contracted capacity compared to 2003 further reduced wholesale revenues. The remaining reduction in wholesale revenues was attributable to an inelastic power market. While the cost of fuel continued to rise, the power market prices did not respond as quickly to the fuel increases. The

differential between fuel cost and market price limited opportunities to enter the market. Also, during 2003 and 2004, several contracts expired or were renegotiated at lower prices.

Fuel-adjusted industrial revenues decreased in 2005 when compared to 2004 primarily due to the reduction in textile manufacturing in the Carolinas and lower demand for both pulp and paper products. Fuel-adjusted industrial revenues increased in 2004 when compared to 2003 due to a general industrial slowdown in 2003. Decreases in the textile industry and the chemical industry were among the most significant. This declining trend leveled out in 2004 as industrial sales increased in the primary and fabricated metal, chemicals, lumber and food industries.

EXPENSES

Fuel and Purchased Power

Fuel and purchased power costs represent the costs of generation, which include fuel purchases for generation, as well as energy purchased in the market to meet customer load. Fuel and purchased power expenses are recovered primarily through cost recovery clauses, and, as such, changes in these expenses do not have a material impact on earnings. The difference between fuel and purchased power costs incurred and associated fuel revenues that are subject to recovery is deferred for future collection or refund to customers.

Fuel and purchased power expenses were $1.390 billion for 2005, which represents a $253 million increase compared to the same period in the prior year. Fuel used in electric generation increased $200 million to $1.036 billion compared to the prior year. This increase is due to a $308 million increase in fuel used in generation due to higher fuel costs, a change in generation mix and increased volume. Higher fuel costs are being driven primarily by an increase in coal and natural gas prices. Outages at several facilities during the year resulted in increased combustion turbine generation, which has a higher average fuel cost. See ITEM 1, "Fuel and Purchased Power" of ELECTRIC-PEC for a summary of average fuel costs. The increase in fuel used in generation is offset by a reduction in deferred fuel expense as a result of the under-recovery of current period fuel costs. Purchased power expenses increased $53 million to $354 million compared to prior year. The increase in purchased power is due primarily to a change in volume partially offset by a decrease in price.

Fuel and purchased power expenses were $1.137 billion for 2004, which represents a $16 million increase compared to the same period in 2003. Fuel used in electric generation increased $11 million to $836 million compared to the same period in 2003. This increase was due to a $78 million increase in fuel used in generation due to higher fuel costs and a change in generation mix. Higher fuel costs were driven primarily by an increase in coal prices. Outages at several facilities during the year resulted in increased combustion turbine generation, which has a higher average fuel cost. See Part I, ITEM 1, "Fuel and Purchased Power" of ELECTRIC-PEC for a summary of average fuel costs. The increase in fuel used in generation is offset by a reduction in deferred fuel expense as a result of the under-recovery of fuel costs during 2004. Purchased power expenses increased $5 million to $301 million compared to prior year. The increase in purchased power is due primarily to an increase in price.

Operation and Maintenance

O&M expenses were $941 million for 2005, which represents a $70 million increase compared to 2004. This increase is driven primarily by current year postretirement and severance expenses related to the cost-management initiative. Postretirement and severance expenses related to the cost-management initiative increased O&M expenses by $53 million during 2005. This increase included $55 million of current year charges compared to prior year expenses, which included $2 million related to a separate initiative. In addition, O&M expenses increased $26 million related to the change in accounting estimates for certain Energy Delivery capital costs (See Note 7F), $25 million for higher emission allowance expenses, $16 million related to pension expenses and $6 million related to Hurricane Ophelia storm restoration costs in 2005. These unfavorable items were partially offset by decreased plant outage costs of $12 million compared to 2004, which included an additional nuclear plant outage, $8 million of lower health and life benefit expenses and a $6 million reduction of surplus inventory expense. In addition, results for 2004 included $19 million of costs associated with an ice storm that impacted the Carolinas service territory in the first quarter of 2004 and Hurricanes Charley and Ivan that impacted the Carolinas service territory in the third quarter of 2004.

O&M expenses were $871 million for 2004, which represented an $89 million increase compared to 2003. This increase was driven primarily by higher outage costs and storm costs in 2004 than in 2003. Outages increased O&M costs by $29 million primarily due to an increase in the number and scope of nuclear plant outages in 2004. In addition, costs associated with restoration efforts after severe storms increased O&M expense $19 million. Storm costs for 2004 included costs related to an ice storm and Hurricanes Charley and Ivan in the North Carolina service territory. PEC also incurred storm costs in 2003; however, PEC requested and the North Carolina Utilities Commission (NCUC) approved deferral of these costs. PEC did not seek to defer costs associated with any storms in its North Carolina service territory for 2004. O&M expenses also increased $9 million due to higher salary- and benefit-related expenditures. In addition, O&M charges in 2003 were favorably impacted by $16 million related to the retroactive reallocation of PESC costs.

Depreciation and Amortization

Depreciation and amortization expense was $561 million for 2005, which represents a $9 million decrease compared to 2004. This decrease is attributable primarily to the Clean Smokestacks Act amortization decrease of $27 million to $147 million in 2005 compared to amortization of $174 million in 2004. This was partially offset by higher depreciation expense of $17 million for assets placed in service.

Depreciation and amortization expense was $570 million for 2004, which represents an $8 million increase compared to 2003. This increase was attributable primarily to the impact of the Clean Smokestacks Act. Clean Smokestacks Act amortization increased $100 million to $174 million in 2004 compared to amortization of $74 million in 2003. Depreciation expense also increased $9 million for assets placed in service. These increases were partially offset by a reduction in depreciation expense related to depreciation studies filed during 2004. During 2004, PEC met the requirements of both the NCUC and the Public Service Commission of South Carolina (SCPSC) for the implementation of a depreciation study that allowed the utility to reduce the rates used to calculate depreciation expense. The annual reduction in depreciation expense is approximately $82 million compared to 2003. The reduction is due primarily to extended lives at each of PEC's nuclear units. The new rates became effective January 2004.

Taxes Other than on Income

Taxes other than on income were $178 million for 2005, which represents a $5 million increase compared to the prior year. This increase is due primarily to higher payroll taxes of $5 million and an increase in gross receipts taxes of $2 million related to an increase in revenues partially offset by a 2004 adjustment related to the prior year. These were partially offset by a $2 million reduction in property taxes due to the settlement of a South Carolina property tax issue in 2004.

Taxes other than on income were $173 million for 2004, which represents an $11 million increase compared to 2003. This increase is due primarily to an increase in gross receipts taxes of $8 million related to an increase in revenues and a 2004 adjustment related to the prior year. The remaining variance in other taxes is due to an increase in property taxes of $7 million due to higher property appraisals partially offset by a reduction in payroll taxes of $4 million.

Impairment of Investments

Impairment of investments was a loss of $1 million in 2005, zero in 2004 and a loss of $21 million in 2003. The loss in 2003 is due to impairments and an estimated loss on sale related to the Affordable Housing portfolio held by the nonutility subsidiaries of PEC (See Note 9).

Other, Net

Other, net was $14 million, $1 million and $19 million of expense for 2005, 2004 and 2003, respectively. The $13 million increase in expense for 2005 was primarily due to a $16 million indemnification liability recorded for estimated capital costs expected to be incurred in excess of the maximum billable costs to the joint owner associated

with the Clean Smokestacks Act (See Note 22B) and $4 million related to an audit settlement with the Federal Energy Regulatory Commission (FERC). These were partially offset by a $7 million write-off of nontrade receivables in 2004.

Income Tax Expense

Income tax expense was $239 million, $239 million and $241 million in 2005, 2004 and 2003, respectively. Fluctuations in income taxes are primarily due to changes in pre-tax income.

Cumulative Effect of Changes in Accounting Principles

In 2003, PEC recorded cumulative effect of changes in accounting principles due to the adoption of a new accounting pronouncement. This adjustment totaled to a $23 million after-tax loss due primarily to the new Financial Accounting Standards Board (FASB) guidance related to the accounting for the purchase power contract with Broad River LLC (See Note 18A). This amount is not included in PEC's segment profit for 2003.

PROGRESS ENERGY FLORIDA

PEF contributed segment profits of $258 million, $333 million and $295 million in 2005, 2004 and 2003, respectively. The decrease in 2005 profits is primarily due to higher O&M expenses (as a result of postretirement and severance costs, the change in accounting estimates for certain Energy Delivery capital costs, the write-off of unrecovered storm costs and costs associated with outages) and lower average usage per retail customer partially offset by the favorable impact of weather, higher wholesale sales, the gain on the sale of the distribution system serving Winter Park, Fla. (Winter Park), and favorable retail customer growth.

Profits for 2004 increased due to favorable customer growth, a reduction in the provision for revenue sharing, favorable wholesale revenues, the additional return on investment on the Hines Unit 2 and reduced O&M expenses. These items were partially offset by unfavorable weather, a reduction in revenues related to the hurricanes, increased interest expense and increased depreciation expense from assets placed in service.

REVENUES

PEF's electric revenues and the percentage change by year and by customer class were as follows:

(in millions)					
Customer Class	**2005**	% Change	2004	% Change	2003
Residential	**$ 2,001**	10.8	$ 1,806	6.8	$ 1,691
Commercial	**948**	11.1	853	15.3	740
Industrial	**284**	11.8	254	16.0	219
Governmental	**242**	14.7	211	16.6	181
Revenue sharing refund	**(1)**	-	(11)	-	(35)
Total retail revenues	**3,474**	11.6	3,113	11.3	2,796
Wholesale	**344**	28.4	268	18.1	227
Unbilled	**(6)**	-	7	-	(2)
Miscellaneous	**143**	4.4	137	4.6	131
Total electric revenues	**3,955**	12.2	3,525	11.8	3,152
Less: Fuel and other pass-through revenues	**(2,385)**	-	(2,007)	-	(1,692)
Revenues excluding fuel	**$ 1,570**	3.4	$ 1,518	4.0	$ 1,460

PEF's electric energy sales and the percentage change by year and by customer class were as follows:

(in thousands of MWh)					
Customer Class	**2005**	% Change	2004	% Change	2003
Residential	**19,894**	2.8	19,347	(0.4)	19,429
Commercial	**11,945**	1.8	11,734	1.6	11,553
Industrial	**4,140**	1.7	4,069	1.7	4,000
Governmental	**3,198**	5.1	3,044	2.4	2,974
Total retail energy sales	**39,177**	2.6	38,194	0.6	37,956
Wholesale	**5,464**	7.1	5,101	18.0	4,323
Unbilled	**(205)**	-	358	-	233
Total MWh sales	**44,436**	1.8	43,653	2.7	42,512

PEF's revenues, excluding recoverable fuel and other pass-through revenues of $2.385 billion and $2.007 billion for 2005 and 2004, respectively, increased $52 million. The increase in revenues is due in part to favorable current year weather of $16 million with cooling degree days 11 percent higher than the prior year. Retail customer growth contributed an additional $21 million as approximately 30,000 net new customers (on average) were added as of December 31, 2005, compared to the prior year, and there was a significant reduction in hurricane-related customer outages compared to 2004. This growth in retail revenues was offset by lower retail revenues of $10 million in the Winter Park area due to the sale of the related distribution system in 2005 and an $8 million decline in average use per customer. Wholesale revenues net of fuel increased $18 million attributed to new contracts, including the service to Winter Park resulting from the switching of the sales to these customers from retail to wholesale. Revenues were also favorably impacted by a reduction in the provision for revenue sharing of $10 million and higher miscellaneous revenues of $6 million.

PEF's revenues, excluding recoverable fuel and other pass-through revenues of $2.007 billion and $1.692 billion for 2004 and 2003, respectively, increased $58 million. This increase was due primarily to favorable customer growth, which increased revenues $34 million. PEF had a net average increase of 37,000 retail customers compared to prior year. Revenues were also favorably impacted by a $24 million reduction in the provision for revenue sharing. Results for 2003 included an additional refund of $18 million related to the 2002 revenue sharing provision as ordered by the Florida Public Service Commission (FPSC) in July 2003. In addition, improved wholesale sales, net of fuel, increased revenues by $11 million. These increases were partially offset by the approximately $12 million reduction in revenues related to customer outages for Hurricanes Charley, Frances and Jeanne and the $10 million impact of milder weather in the current year. Included in fuel revenues is the recovery of depreciation and capital costs associated with the Hines Unit 2, which was placed into service in December 2003 and contributed $36 million in additional revenues in 2004. The recovery of the Hines Unit 2 costs through the fuel clause is in accordance with the 2002 rate stipulation (See Note 7C).

EXPENSES

Fuel and Purchased Power

Fuel and purchased power costs represent the costs of generation, which include fuel purchased for generation, as well as energy purchased in the market to meet customer load. Fuel and purchased power expenses are recovered primarily through cost recovery clauses, and, as such, changes in these expenses do not have a material impact on earnings. The difference between fuel and purchased power costs incurred and associated fuel revenues that are subject to recovery is deferred for future collection or refund to customers.

Fuel and purchased power expenses were $2.017 billion in 2005, which represents a $275 million increase compared to 2004. This increase is due to increases in fuel used in electric generation and purchased power expenses of $148 million and $127 million, respectively. Higher system requirements and increased fuel costs in the current year account for $342 million of the increase in fuel used in electric generation. See ITEM 1, "Fuel and Purchased Power" of ELECTRIC-PEF for a summary of average fuel costs. The increase in fuel used in generation is offset by

a reduction in deferred fuel expense as a result of the under-recovery of current period fuel costs. Purchased power increased primarily due to higher prices of purchases in the current year as a result of increased fuel costs.

Fuel and purchased power expenses were $1.742 billion in 2004, which represents a $306 million increase compared to 2003. This increase is due to increases in fuel used in electric generation and purchased power expenses of $305 million and $1 million, respectively. Higher system requirements and increased fuel costs in the current year account for $87 million of the increase in fuel used in electric generation. See Part I, ITEM 1, "Fuel and Purchased Power" of ELECTRIC-PEF for a summary of average fuel costs. The remaining increase is due to the recovery of fuel expenses that were deferred in the prior year, partially offset by the deferral of current year under-recovered fuel expenses.

Operation and Maintenance

O&M expenses were $852 million in 2005, which represents a $222 million increase when compared to the prior year. Postretirement and severance costs associated with the cost-management initiative increased O&M costs by $102 million during 2005. In addition, PEF wrote off $17 million of unrecoverable storm costs associated with the 2004 hurricanes (See Note 7C). O&M expense also increased $37 million primarily related to the change in accounting estimates for certain Energy Delivery capital costs (See Note 7F) and increased $26 million due to higher environmental cost recovery expenses (primarily emission allowances). The environmental cost recovery expenses are pass-through expenses and have no material impact on earnings. The remaining increase in O&M expense is attributable to $9 million of expenses related to outages in the current year, an $8 million workers compensation benefit adjustment recorded in 2005, $6 million related to regional transmission organization (RTO) liability and offsetting expense associated with prior recoveries of revenues for GridFlorida RTO startup costs that were previously deferred, and $5 million of additional bad debt expense.

O&M expenses were $630 million in 2004, which represents a $10 million decrease when compared to the prior year. This decrease is primarily related to favorable benefit-related costs of $16 million, primarily due to lower pension costs, which resulted from improved pension asset performance.

Depreciation and Amortization

Depreciation and amortization expense was $334 million for 2005, which represents an increase of $53 million when compared to the prior year, primarily due to the amortization of $50 million in storm costs that began in August 2005 (See Note 7C). Storm cost amortization is a pass-through expense and has no impact on earnings.

Depreciation and amortization expense was $281 million for 2004, which represents a decrease of $26 million when compared to the prior year, primarily due to the amortization of the Tiger Bay regulatory asset in the prior year. The Tiger Bay regulatory asset, for contract termination costs, was recovered pursuant to an agreement between PEF and the FPSC approved in 1997. The amortization of the regulatory asset was calculated using revenues collected under the fuel adjustment clause; as such, fluctuations in this expense did not have an impact on earnings. During 2003, Tiger Bay amortization was $47 million. The Tiger Bay asset was fully amortized in September 2003. The decrease in Tiger Bay amortization was partially offset by additional depreciation for assets placed in service, including depreciation for Hines Unit 2, of approximately $9 million. This depreciation expense is being recovered through the fuel cost recovery clause as allowed by the FPSC. See discussion of the return on Hines Unit 2 in the revenues analysis above.

Taxes Other than on Income

Taxes other than on income were $279 million in 2005, which represents an increase of $25 million compared to the prior year. This increase is due to increases in gross receipts and franchise taxes of $8 million each, related to an increase in revenues, a $5 million increase in payroll taxes and an increase in property taxes of $3 million. Gross receipts and franchise taxes are pass-through expenses and have no impact on earnings.

Taxes other than on income were $254 million in 2004, which represents an increase of $13 million compared to 2003. This increase is due to increases in gross receipts and franchise taxes of $8 million and $7 million,

respectively, related to an increase in revenues and an increase in property taxes of $5 million due to increases in property placed in service and tax rates. These increases were partially offset by a reduction in payroll taxes of $7 million.

Interest Expense

Interest charges, net were $126 million in 2005, which represents an increase of $12 million compared to the prior year. The increase in interest expense is primarily due to increased commercial paper borrowings and increased interest expense on long-term debt.

Interest charges, net were $114 million in 2004, which represents a $23 million increase compared to 2003. The fluctuation was primarily due to interest costs in 2003 being favorably impacted by the reversal of interest expense due to the resolution of certain tax matters.

Income Tax Expense

Income tax expense was $121 million, $174 million and $147 million in 2005, 2004 and 2003, respectively. Fluctuations in income taxes are primarily due to changes in pre-tax income.

PROGRESS VENTURES

The Progress Ventures segment includes the operations of CCO and Gas. These operations are involved in the generation and sale of electricity to the wholesale market and natural gas drilling and production.

The following summarizes segment profits of Progress Ventures:

(in millions)	**2005**	2004	2003
Competitive Commercial Operations	**$(35)**	$ (4)	$ 20
Natural gas operations	**56**	85	34
Segment profits	**$ 21**	$ 81	$ 54

COMPETITIVE COMMERCIAL OPERATIONS

CCO generates and sells electricity to the wholesale market from nonregulated plants. These operations also include marketing activities. The following summarizes the annual revenues, gross margin and segment profits from the CCO plants:

(in millions)	**2005**	2004	2003
Total revenues	**$ 694**	$ 240	$ 170
Gross margin			
In millions of $	**$ 79**	$ 158	$ 141
As a % of revenues	**11%**	66%	83%
Profits (losses)	**$ (35)**	$ (4)	$ 20

CCO's operations generated losses of $35 million in 2005 compared to losses of $4 million in 2004. The decrease in earnings compared to prior year is due primarily to a reduction in gross margin of $79 million pre-tax ($47 million after-tax) partially offset by favorable amortization expense and interest expense. Contract margins are unfavorable compared to prior year due to the expiration of certain above-market tolling agreements and decreased earnings from new and existing full-requirements contracts due to higher fuel and purchased power costs partially offset by net realized and unrealized mark-to-market gains. Depreciation and amortization expenses decreased $6 million pre-tax ($4 million after-tax) as a result of the expiration of certain acquired contracts that were subject to amortization. Interest expense decreased $15 million pre-tax ($9 million after-tax) due to the termination of the Progress Genco Ventures LLC (Genco) financing arrangement in December 2004.

CCO's operations generated losses of $4 million in 2004 compared to profits of $20 million in 2003. Results for 2004 were favorably impacted by increased gross margin, which was more than offset by higher fixed costs and costs associated with the extinguishment of debt. Revenues increased for 2004 due to increased revenues from marketing and tolling contracts offset by a termination payment received on a marketing contract in 2003. Expenses for the cost of fuel and purchased power to supply marketing contracts partially offset the increased revenues netting to an increase in gross margin for 2004 as compared to 2003. Fixed costs increased $16 million pre-tax from additional depreciation and amortization on plants placed into service in 2003 and from an increase in interest expense of $13 million pre-tax due primarily to interest no longer being capitalized due to the completion of construction in the prior year. In addition, plant operating expenses increased $12 million pre-tax primarily due to higher gas transportation service charges, which increased over prior year due to a full period of expenses being reflected in current year results. CCO results for 2004 also include losses of $15 million pre-tax associated with the extinguishment of a debt obligation. CCO terminated the Genco financing arrangement in December 2004. The $15 million pre-tax loss is comprised of a $9 million write-off of remaining unamortized debt issuance costs and a $6 million realized loss on exiting the related interest rate hedge. Results for 2003 were negatively impacted by the retroactive reallocation of PESC costs of $3 million ($2 million after-tax).

We have contracts for CCO's planned production capacity, which includes callable resources from the cooperatives, of approximately 86 percent for 2006, approximately 81 percent for 2007 and approximately 84 percent for 2008. We continue to seek opportunities to optimize our nonregulated generation portfolio.

In accordance with accounting standards for goodwill and long-lived assets, we have continued to monitor the carrying value of our goodwill and long-lived assets of our CCO operations. Our analyses have continued to support the carrying value of the $64 million of goodwill and the $1.4 billion of long-lived and intangible assets at December 31, 2005. However, as part of our evaluation of certain business opportunities in the first quarter of 2006, we performed an interim impairment test for the $64 million of goodwill, which indicated the fair value of our Georgia Region reporting unit was less than its carrying value. As required by Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), we are currently performing the second step of the impairment test, which compares the implied fair value of the goodwill with the recorded goodwill. While the results of the second step of the impairment test are currently unknown, the effects could range from no change to the recorded goodwill value to a potential write-off of $64 million. Future adverse changes in market conditions or changes in business conditions, including the manner in which the long-lived assets are deployed, could require future impairment evaluations of these or other assets, which could result in an impairment charge.

NATURAL GAS OPERATIONS

Gas operations generated profits of $56 million, $85 million and $34 million for the years ended December 31, 2005, 2004 and 2003, respectively. Natural gas profits decreased $29 million in 2005 compared to 2004. This decrease is attributable primarily to the gain recognized on the sale of gas assets during the prior year. In December 2004, we sold certain gas-producing properties and related assets owned by Winchester Production (North Texas gas operations). Because the sale significantly altered the ongoing relationship between capitalized costs and remaining proved reserves, under the full-cost method of accounting the pre-tax gain of $56 million ($31 million net of taxes) was recognized in earnings rather than as a reduction of the basis of our remaining oil and gas properties. In addition, lower sales and general and administrative expenses and interest expenses partially offset by lower revenues reduced the overall earnings decline from 2004 to 2005. Revenues were lower due to the sale of the North Texas gas operations; however, the Texas/Louisiana gas operations were able to offset a majority of the lost revenue due to higher natural gas prices and increased production.

During 2005, we increased our proven gas reserves from 247 billion cubic feet (Bcf) equivalent at December 31, 2004 to 325 Bcf at December 31, 2005, as estimated by our independent engineering firm. The increase in reserves in 2005 is primarily from additional drilling and limited acquisitions of additional gas reserves.

Natural gas profits increased $51 million in 2004 compared to 2003. This increase is attributable primarily to the gain recognized on the sale of the North Texas gas operations assets during the year. In addition, an increase in production, coupled with higher gas prices in 2004, contributed to the increased earnings in 2004 as compared to

2003. Production levels increased resulting from the acquisition of North Texas Gas in late February 2003 and increased drilling in 2004. Volumes and prices increased 21 percent and 16 percent, respectively, for 2004 compared to 2003.

The following table summarizes the production in Bcf and revenues of the natural gas operations by location:

	2005	2004	2003
Production in Bcf equivalent			
Texas/Louisiana gas operations	**24**	20	13
North Texas gas operations	**-**	10	7
Mesa	**-**	-	5
Total production	**24**	30	25
Revenues in millions			
Texas/Louisiana gas operations	**$ 159**	$ 110	$ 65
North Texas gas operations	**-**	52	38
Mesa	**-**	-	13
Total revenues	**$ 159**	$ 162	$ 116
Gross margin			
In millions of $	**$ 124**	$ 126	$ 91
As a % of revenues	**78%**	78%	78%
Profits	**$ 56**	$ 85	$ 54

COAL AND SYNTHETIC FUELS

The operations of Coal and Synthetic Fuels' segment include synthetic fuels production and coal terminal operations. The following summarizes Coal and Synthetic Fuels' segment profits:

(in millions)	**2005**	2004	2003
Synthetic fuel operations	**$ 155**	$ 91	$ 205
Coal terminals and marketing	**41**	30	7
Corporate overhead and other operations	**(27)**	(33)	(22)
Segment profits	**$ 169**	$ 88	$ 190

SYNTHETIC FUEL OPERATIONS

The production and sale of synthetic fuel generate operating losses, but qualify for tax credits under Section 29/45K, which more than offset the effect of such losses (See Note 23D).

Results from the synthetic fuel operations are summarized below:

(in millions)	**2005**	2004	2003
Tons sold	**10.1**	8.3	12.4
After-tax losses (excluding tax credits)	**$ (127)**	$ (124)	$ (141)
Tax credits	**282**	215	346
Net profit	**$ 155**	$ 91	$ 205

Through December 31, 2005, our synthetic fuel production levels and the amount of tax credits we could claim each year were a function of our projected consolidated regular federal income tax liability. See Note 23D for information on the redesignation of the Section 29 tax credit as a Section 45K general business credit (Section 45K) effective January 1, 2006. Synthetic fuel operations' net profits increased in 2005 as compared to 2004 due primarily to an increase in synthetic fuel production and an additional $23 million gain recognized on the monetization of the Colona facility compared to 2004 (See Note 3F) partially offset by an increase in operating expenses. In addition, earnings in 2005 include $10 million favorable tax credit true-up related to 2004. Our total synthetic fuel production of approximately 10 million tons in 2005 is greater than 2004 production levels of approximately 8 million tons as a

result of hurricane costs in 2004, which reduced our projected 2004 regular tax liability and our corresponding ability to record tax credits from its synthetic fuel production.

Synthetic fuel operations' net profits decreased in 2004 as compared to 2003 due primarily to a decrease in synthetic fuel production and an increase in operating expenses in 2004. Our total synthetic fuel production of approximately 8 million tons in 2004 is lower than 2003 production levels of approximately 12 million tons due to the impact of hurricane costs as described above. In addition, earnings in 2003 include a $13 million favorable tax credit true-up related to 2002.

Our future synthetic fuel production levels for 2006 and 2007 remain uncertain due to the recent volatility of oil prices. See Note 23D for additional information on the potential impact of crude oil prices on our synthetic fuel production. In addition, proposed federal legislation would establish both the 2006 Annual Average Price and 2006 Phase-out Price based on the previous calendar year. If the proposed legislation becomes law, we do not anticipate that we will reach the minimum phase-out levels in 2006. However, we cannot predict what impact, if any, this proposed legislation would have on the value of the tax credits in 2007. We cannot provide any certainty that the proposed federal legislation will be enacted into law. We are currently producing synthetic fuel at a reduced level pending resolution of the proposed legislation. If the legislation is not enacted into law as currently written or oil prices remain at levels high enough to cause a phase-out of 2006 Section 29/45K tax credits or eliminate the tax credits completely, there could be a negative impact on our results of operations and financial condition associated with operating losses incurred from the amount of synthetic fuel produced during 2006.

COAL TERMINALS AND MARKETING

Coal terminals and marketing (Coal) operations blend and transload coal as part of the trucking, rail and barge network for coal delivery. This business also has an operating fee agreement with our synthetic fuel operations for procuring and processing of coal and the transloading and marketing of synthetic fuels. Coal operations contributed earnings of $41 million, $30 million and $7 million in 2005, 2004 and 2003, respectively. As a result of the relationship with the synthetic fuels operations, fluctuations in Coal's annual earnings are primarily related to production volumes at our synthetic fuel plants. The increase in earnings for 2005 compared to 2004 is primarily due to additional revenues at the coal terminals related to increased prices and volumes and additional intersegment fees for both the coal terminals and marketing operations due to increased synthetic fuel production. These were partially offset by an increase in the cost of coal purchased by the coal terminals operations due to increased prices and larger volumes and lower third-party sales by the marketing operations. The $23 million increase in segment earnings for 2004 compared to 2003 was primarily due to increased volumes and prices.

CORPORATE OVERHEAD AND OTHER OPERATIONS

Corporate overhead and other operations incurred losses of $27 million, $33 million and $22 million for the years ended December 31, 2005, 2004 and 2003, respectively. The decrease in losses for 2005 is primarily due to lower interest expenses due to paying down debt with the proceeds from the sale of Progress Rail. The increase in 2004 losses compared to 2003 was due to the impact of $10 million of higher corporate costs in 2004. Corporate costs in 2003 included $4 million of favorability related to the reduction of an environmental reserve (See Note 22A). The remaining unfavorability in corporate costs is attributable to increased interest expense related to unresolved tax matters and higher professional fees.

CORPORATE AND OTHER

The Corporate and Other segment consists of the operations of the Parent, PESC and other consolidating and nonoperating entities. Corporate and Other also includes other nonregulated business areas, including the operations of SRS and the telecommunications operations.

OTHER NONREGULATED BUSINESS AREAS

Other nonregulated business areas include the operations of SRS and the telecommunications operations. SRS was engaged in providing energy services to industrial, commercial and institutional customers to help manage energy costs primarily in the southeastern United States. During 2004, SRS sold its subsidiary, Progress Energy Solutions (PES). With the disposition of PES, we exited this business area. Telecommunication operations provide broadband capacity services, dark fiber and wireless services in Florida and the eastern United States. In December 2003, our wholly owned telecommunication subsidiaries, Progress Telecommunications Corporation (PTC) and Caronet, Inc. (Caronet), and EPIK Communications, Inc. (EPIK), a wholly owned subsidiary of Odyssey Telecorp, Inc. (Odyssey), contributed substantially all of their assets and transferred certain liabilities to Progress Telecom, LLC (PT LLC), a subsidiary of PTC. The accounts of PT LLC have been included in the Consolidated Financial Statements since the transaction date. See additional discussion on the telecommunication business combination in Note 4B.

Other nonregulated business areas contributed segment earnings of $4 million compared to losses of $32 million for the years ended December 31, 2005, and 2004, respectively. SRS recorded earnings of $2 million for 2005 compared to a net loss of $27 million for 2004. The net earnings for SRS were due to the recording of insurance proceeds associated with the San Francisco United School District (the District) matter, described below, partially offset by the recording of a settlement related to a military contract. The prior year loss was due primarily to the recording of the litigation settlement reached with the District related to civil proceedings. In June 2004, SRS reached a settlement with the District that settled all outstanding claims for approximately $43 million pre-tax ($29 million after-tax). The reduction in earnings due to the settlement was offset partially by a gain recognized on the sale of PES. Telecommunication operations recorded earnings of $2 million in 2005 compared to a net loss of $5 million in 2004. The change from a net loss in 2004 to net profit in 2005 is due to increased revenues from new customers, the settlement of contract disputes and a reduction in professional fees related to the merger of PTC with EPIK.

Other nonregulated business areas contributed segment losses of $32 million compared to losses of $4 million for the years ended December 31, 2004, and 2003, respectively. SRS recorded a net loss of $27 million for 2004 compared to a net loss of $6 million for 2003. The increased loss compared to the prior year is due primarily to the recording of the litigation settlement reached with the District related to civil proceedings. Telecommunication operations recorded a net loss of $5 million in 2004 compared to a net profit of $2 million in 2003. The increase in losses compared to 2003 was due to an increase in fixed costs, mainly depreciation expense, and professional fees related to the merger of PTC with EPIK.

On January 25, 2006, we signed a definitive agreement to sell PT LLC to Level 3 Communications, Inc. (Level 3) for a purchase price of approximately $137 million. We expect to use net cash proceeds of approximately $70 million from the sale of our interest in PT LLC to reduce debt (See Note 25).

CORPORATE SERVICES

Corporate Services (Corporate) includes the operations of the Parent, PESC and other consolidating and nonoperating entities. Corporate Services income (expense) is summarized below:

(in millions)	2005	Chang e	2004	Change	2003
Other interest expense	$ (283)	$ (8)	$ (275)	$ 10	$ (285)
Contingent value obligations	6	(3)	9	18	(9)
Tax reallocation	(38)	(1)	(37)	1	(38)
Other income taxes	105	1	104	(20)	124
Other income (expense)	(5)	(5)	-	18	(18)
Corporate Services expense	$ (215)	$ (16)	$ (199)	$ 27	$ (226)

The increase in other interest expense for 2005 compared to 2004 is primarily due to a decrease in interest rate swap activity that benefited from lower variable rates during 2004. The other interest expense decrease for 2004 compared to 2003 is partially due to the repayment of a $500 million unsecured note by the Parent on March 1, 2004, which

reduced interest expense by $27 million pre-tax for 2004. This reduction was offset by interest no longer being capitalized due to the completion of construction in the CCO segment in 2003. Approximately $10 million ($6 million after-tax) was capitalized in 2003. No interest expense was capitalized during 2004.

Progress Energy issued 98.6 million CVOs in connection with the acquisition of FPC in 2000. Each CVO represents the right of the holder to receive contingent payments based on the performance of four synthetic fuel facilities owned by Progress Energy. The payments, if any, are based on the net after-tax cash flows the facilities generate. At December 31, 2005, 2004 and 2003, the CVOs had a fair market value of approximately $7 million, $13 million and $23 million, respectively. Progress Energy recorded an unrealized gain of $6 million and $9 million for 2005 and 2004, respectively, and an unrealized loss of $9 million for 2003 to record the changes in fair value of CVOs, which had average unit prices of $0.07, $0.14 and $0.23 at December 31, 2005, 2004 and 2003, respectively.

Progress Energy and its affiliates file a consolidated federal income tax return. The consolidated income tax of Progress Energy is allocated to subsidiaries in accordance with the Intercompany Income Tax Allocation Agreement (Tax Agreement). The Tax Agreement provided an allocation that recognizes positive and negative corporate taxable income. The Tax Agreement provides for an equitable method of apportioning the carry over of uncompensated tax benefits. Since 2002, Parent tax benefits not related to acquisition interest expense were allocated to profitable subsidiaries in accordance with a Public Utility Holding Company Act of 1935, as amended (PUHCA) order. Due to the repeal of PUHCA, we will no longer allocate these tax benefits to subsidiaries beginning in 2006.

Other income taxes benefit decreased for 2004 compared to 2003 due primarily to increased taxes recorded at the Parent of $20 million. Income taxes increased an additional $9 million at the Parent as a result of a reserve recorded related to identified state tax deficiencies. Other fluctuations in income taxes are primarily due to changes in pre-tax income.

DISCONTINUED OPERATIONS

On March 24, 2005, we completed the sale of Progress Rail to One Equity Partners LLC, a private equity firm unit of J.P. Morgan Chase & Co. Gross cash proceeds from the sale were $429 million, consisting of $405 million base proceeds plus a working capital adjustment. Proceeds from the sale were used to reduce debt. The accompanying consolidated financial statements have been restated for all periods presented for the discontinued operations of Progress Rail (See Note 3B).

Progress Rail discontinued operations resulted in losses of $20 million for 2005 compared to profits of $29 million for 2004. Earnings for 2005 include an estimated after-tax loss on the sale of $25 million. Results for 2004 included 12 months of earnings activity compared to only three months in 2005. Rail discontinued operations contributed $29 million of profits in 2004 compared to $14 million in 2003. The 2004 profits were impacted by a strong scrap metal market in 2004. This resulted in increased volumes and higher prices in recycling operations, which increased annualized tonnage for recycling operations 35 percent and significantly increased revenues compared to 2003. This was partially offset by increased cost of goods sold due to the increased volume in the recycling operations.

On November 14, 2005, our board of directors approved a plan to divest of five subsidiaries of Progress Fuels Corporation (Progress Fuels) engaged in the coal mining business. The coal mining operations are expected to be sold by the end of 2006. As a result, we have classified the coal mining operations as discontinued operations in the accompanying consolidated financial statements for all periods presented (See Note 3A). The coal mining discontinued operations resulted in losses of $11 million, $5 million and $11 million for 2005, 2004 and 2003, respectively. The increased losses in 2005 as compared to 2004 are primarily due to higher coal mining costs resulting from increased production volumes, less productive mining conditions and mining startup costs. The reduction of losses in 2004 compared to 2003 is primarily due to higher volumes and margins for coal production. In addition, 2003 results included the recording of an impairment of certain assets at the Kentucky May coal mine totaling $11 million after-tax.

North Carolina Natural Gas Corporation (NCNG) discontinued operations contributed $6 million of net income for 2004. The sale of NCNG to Piedmont Natural Gas Company closed in 2003; however, during 2004, we recorded an

additional gain of $6 million after-tax related to deferred taxes on the loss from the sale. In 2003, NCNG discontinued operations incurred an $8 million loss primarily due to the after-tax loss on the sale of $12 million (See Note 3H).

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepared our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States. In doing so, we made certain estimates that were critical in nature to the results of operations. The following discusses those significant estimates that may have a material impact on our financial results and are subject to the greatest amount of subjectivity. We have discussed the development and selection of these critical accounting policies with the Audit Committee of our board of directors.

UTILITY REGULATION

As discussed in Note 7, our regulated utilities segments are subject to regulation that sets the prices (rates) we are permitted to charge customers based on the costs that regulatory agencies determine we are permitted to recover. At times, regulators permit the future recovery through rates of costs that would be currently charged to expense by a nonregulated company. This ratemaking process results in deferral of expense recognition and the recording of regulatory assets based on anticipated future cash inflows. As a result of the different ratemaking processes in each state in which we operate, a significant amount of regulatory assets has been recorded. We continually review these assets to assess their ultimate recoverability within the approved regulatory guidelines. Impairment risk associated with these assets relates to potentially adverse legislative, judicial or regulatory actions in the future. Additionally, the state regulatory agencies often provide flexibility in the manner and timing of the depreciation of property, nuclear decommissioning costs and amortization of the regulatory assets. See Note 7 for additional information related to the impact of utility regulation on our operations.

ASSET IMPAIRMENTS

As discussed in Note 9, we evaluate the carrying value of long-lived assets and intangible assets with definite lives for impairment whenever indicators exist. Examples of these indicators include current period losses combined with a history of losses, a projection of continuing losses, or a significant decrease in the market price of a long-lived asset group. If an indicator exists, the asset group held and used is tested for recoverability by comparing the carrying value to the sum of undiscounted expected future cash flows directly attributable to the asset group. If the asset group is not recoverable through undiscounted cash flows or if the asset group is to be disposed of, an impairment loss is recognized for the difference between the carrying value and the fair value of the asset group. Performing an impairment test on long-lived assets involves management's judgment in areas such as identifying circumstances indicating an impairment may exist, identifying and grouping affected assets at the appropriate level, and developing the undiscounted cash flows associated with the asset group. Estimates of future cash flows contemplate factors such as expected use of the assets, future production and sales levels and expected fluctuations of prices of commodities sold and consumed. Therefore, estimates of future cash flows are, by nature, highly uncertain and may vary significantly from actual results.

The carrying value of our total utility plant, net is $14.442 billion at December 31, 2005. The carrying value of our total diversified business property, net and total intangible assets, net is $1.880 billion and $302 million, respectively, at December 31, 2005. Our exposure to potential impairment losses for utility plant, net is mitigated by the fact that our regulated ratemaking process generally allows for recovery of our investment in utility plant plus an allowed return on the investment, as long as the costs are prudently incurred.

Due to the significant uncertainty surrounding our synthetic fuel production in 2006 and beyond based on the current level of oil prices, we evaluated our synthetic fuel and other related operating long-lived assets for impairment during the third and fourth quarters of 2005. We determined that no impairment of these assets was required. However, as discussed in the Synthetic Fuel Tax Credit section below, certain increases in oil prices could cause a reduction in or complete phase-out of the synthetic fuel tax credits. If this were to occur, it could no longer be economically beneficial to continue producing synthetic fuel, which could result in a future impairment charge for these assets. The synthetic fuel and other related assets have total carrying values of approximately $111 million as

of December 31, 2005. The majority of these assets will be fully depreciated by the end of 2007, the scheduled end of the Section 29 tax credit program. The outcome of this matter cannot be determined.

Due to the reduction in coal production at the Kentucky May coal mine, we evaluated its long-lived assets in 2003 and recorded an impairment of $17 million pre-tax ($11 million after-tax). Fair value was determined based on discounted cash flows. The fair value of these assets was determined considering various factors, including a valuation study heavily weighted on a discounted cash flow methodology and using market approaches as supporting information.

We continually review PEC's affordable housing investment (AHI) portfolio for impairment. In 2005 and 2003, we recorded impairments of $1 million and $18 million pre-tax, respectively, related to PEC's AHI portfolio. The AHI portfolio was deemed to be impaired based on various factors, including continued operating losses of the AHI portfolio and management performance issues arising at certain properties within the AHI portfolio. PEC also recorded an impairment of $3 million for a cost investment in 2003. The carrying value of the AHI portfolio is $3 million and $4 million as of December 31, 2005 and 2004, respectively.

Under the full-cost method of accounting for oil and gas properties, total capitalized costs are limited to a ceiling based on the present value of discounted (at 10%) future net revenues using current prices, plus the lower of cost or fair market value of unproved properties. The ceiling test takes into consideration the prices of qualifying cash flow hedges as of the balance sheet date. If the ceiling (discounted revenues) does not exceed total capitalized costs, we are required to write-down capitalized costs to the ceiling. We perform this ceiling test calculation every quarter. No write-downs were required in 2005, 2004 or 2003. At December 31, 2005, our ceiling was calculated at approximately $1.1 billion and our net capitalized costs were approximately $400 million.

GOODWILL

As discussed in Note 8, we account for goodwill in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), which requires that goodwill be tested for impairment at least annually and more frequently when indicators of impairment exist. For our utility segments, the goodwill impairment tests are performed at the utility operating segment level. We performed the annual goodwill impairment test for both the PEC and PEF segments in the second quarters of 2005 and 2004, each of which indicated no impairment. If the fair values for the utility segments were lower by approximately 10 percent, there still would be no impact on the reported value of their goodwill.

For our Progress Ventures segment, the goodwill impairment tests are performed at our Georgia Region reporting unit level, which is one level below the Progress Ventures segment. We performed the annual goodwill impairment test for our Georgia Region reporting unit in the first quarters of 2005 and 2004, each of which indicated no impairment. In response to changing gas and electricity prices that have a significant impact on the future cash flows of our Georgia Region operations, we also performed an interim goodwill impairment test for the Progress Ventures goodwill in the third and fourth quarters of 2005, each of which indicated no impairment. If the fair value of our Georgia Region was lower by 10 percent, then the fair value would have been less than our carrying value and we would have been required to perform additional procedures under SFAS No. 142 to determine if the goodwill was impaired.

We calculated the fair value of our segments and reporting units by considering various factors, including valuation studies based primarily on a discounted cash flow methodology and published industry valuations and market data as supporting information. These calculations are dependent on subjective factors such as management's estimate of future cash flows, the selection of appropriate discount and growth rates, and assumptions about the timing of when unregulated energy supply and demand would reach market equilibrium. These underlying assumptions and estimates are made as of a point in time; subsequent changes, particularly changes in the discount rates, growth rates or the timing of market equilibrium, could result in a future impairment charge to goodwill.

The carrying amounts of goodwill at December 31, 2005 and 2004, for reportable segments PEC, PEF and Progress Ventures, were $1.922 billion, $1.733 billion and $64 million, respectively.

SYNTHETIC FUELS TAX CREDITS

As discussed in Note 23D, our Coal and Synthetic Fuels business unit owns facilities that produce coal-based solid synthetic fuel as defined under the Internal Revenue Code. The production and sale of the synthetic fuels from these facilities qualifies for tax credits under Section 29/45K if certain requirements are satisfied, including a requirement that the synthetic fuels differ significantly in chemical composition from the coal used to produce such synthetic fuels and that the synthetic fuels were produced from a facility placed in service before July 1, 1998. For 2005 and prior years, the amount of Section 29 credits that we were allowed to generate in any calendar year was limited by the amount of our regular federal income tax liability. Section 29 tax credit amounts allowed but not utilized through December 31, 2005, are carried forward indefinitely as deferred alternative minimum tax credits on the Consolidated Balance Sheets. For 2006 and forward, the Section 29 tax credits have been redesignated as a Section 45K general business credit, which removes the regular federal income tax liability limit on synthetic fuel production and subjects the credits to a 20-year carry forward period. This provision would allow us to produce synthetic fuel to a higher level than we have historically produced should we choose to do so. The current Section 29/45K tax credit program expires at the end of 2007.

In addition, Section 29 provides that if the average wellhead price per barrel for unregulated domestic crude oil for the year (the Annual Average Price) exceeds a certain threshold value (the Threshold Price), the amount of the Section 29 tax credits are reduced for that year. Also, if the Annual Average Price increases high enough (the Phase-out Price), the Section 29/45K tax credits are eliminated for that year. The Threshold Price and the Phase-out Price are adjusted annually for inflation. We do not currently believe that the 2005 Annual Average Price will cause a phase-out of the synthetic fuel tax credits related to synthetic fuel production in 2005. For 2006 synthetic fuel production, the 2006 Annual Average Price is not known until after the end of the year; we will record the 2006 tax credits based on our estimates of what we believe the Annual Average Price will be for 2006. These estimates are based on oil prices in the futures market. Any portion of the tax credits that would be phased out based on the projected 2006 Annual Average Price exceeding the Threshold Price are not recorded. We estimate that the 2006 Threshold Price will be approximately $52 per barrel and the Phase-out Price will be approximately $66 per barrel, based on estimated inflation adjustments for 2005 and 2006. The monthly Domestic Crude Oil First Purchases Price published by the Energy Information Agency (EIA) has recently averaged approximately $5 lower than the corresponding monthly New York Mercantile Exchange (NYMEX) settlement price for light sweet crude oil. As of January 31, 2006, the average NYMEX futures price for light sweet crude oil for calendar year 2006 was $69 per barrel. Based upon the estimated 2006 Threshold Price and Phase-out Price, if oil prices for 2006 remained at the January 31, 2006 average futures price level of $69 per barrel for the entire year in 2006, we currently estimate that the synthetic fuel tax credit amount for 2006 would be reduced by approximately 75 percent to 85 percent. See further discussion in "OTHER MATTERS" below, Note 23D and ITEM 1A, "Risk Factors."

PENSION COSTS

As discussed in Note 16A, Progress Energy maintains qualified noncontributory defined benefit retirement (pension) plans. Our reported costs are dependent on numerous factors resulting from actual plan experience and assumptions of future experience. For example, such costs are impacted by employee demographics, changes made to plan provisions, actual plan asset returns and key actuarial assumptions, such as expected long-term rates of return on plan assets and discount rates used in determining benefit obligations and annual costs.

Due to a slight decline in the market interest rates for high-quality (AAA/AA) debt securities, which are used as the benchmark for setting the discount rate used to present value future benefit payments, we lowered the discount rate to approximately 5.7% at December 31, 2005, which will increase the 2006 benefit costs recognized, all other factors remaining constant. Our discount rates are selected based on a plan-by-plan study by our actuary, which matches our projected benefit payments to a high-quality corporate yield curve. Plan assets performed well in 2005, with returns of approximately 11%. That positive asset performance will result in decreased pension costs in 2006, all other factors remaining constant. Due to our early retirement program, larger-than-normal lump-sum pension benefit payments were made from pension plan assets in 2005, which will increase 2006 benefit costs recognized, all other factors remaining constant. Evaluations of the effects of these and other factors have not been completed, but we estimate that the total cost recognized for pensions in 2006 will be $33 million to $43 million, compared with

$38 million recognized in 2005, excluding the effect of special termination benefits that were recorded in 2005 due to our early retirement program. A $123 million charge was recorded in 2005 for those special termination benefits.

We have pension plan assets with a fair value of approximately $1.8 billion at December 31, 2005. Our expected rate of return on pension plan assets is 9.0%. We review this rate on a regular basis. Under SFAS No. 87, "Employer's Accounting for Pensions" (SFAS No. 87), the expected rate of return used in pension cost recognition is a long-term rate of return; therefore, we do not adjust that rate of return frequently. In 2005, we elected to lower our expected rate of return from 9.25% to 9.0%. The 9.0% rate of return represents the lower end of our future expected return range given our asset allocation policy. A 0.25 percent change in the expected rate of return for 2005 would have changed 2005 pension costs by approximately $4 million.

Another factor affecting our pension costs, and sensitivity of the costs to plan asset performance, is its selection of a method to determine the market-related value of assets, i.e., the asset value to which the 9.0% expected long-term rate of return is applied. SFAS No. 87 specifies that entities may use either fair value or an averaging method that recognizes changes in fair value over a period not to exceed five years, with the method selected applied on a consistent basis from year to year. We have historically used a five-year averaging method. When we acquired Florida Progress Corporation (Florida Progress) in 2000, we retained the Florida Progress historical use of fair value to determine market-related value for Florida Progress pension assets. Changes in plan asset performance are reflected in pension costs sooner under the fair value method than the five-year averaging method, and, therefore, pension costs tend to be more volatile using the fair value method. Approximately 50 percent of our pension plan assets are subject to each of the two methods.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

Progress Energy, Inc. is a registered holding company and, as such, has no operations of its own. Our primary cash needs at the Parent level are our common stock dividend and interest and principal payments on our $4.3 billion of senior unsecured debt. Our ability to meet these needs is dependent on the earnings and cash flows of the Utilities and our nonregulated subsidiaries, and the ability of our subsidiaries to pay dividends or repay funds to us.

Our other significant cash requirements arise primarily from the capital-intensive nature of the Utilities' operations and expenditures for our diversified businesses, primarily those of the Progress Ventures segment.

We rely upon our operating cash flow, primarily generated by the Utilities, commercial paper and bank facilities, and our ability to access long-term debt and equity capital markets for sources of liquidity.

The majority of our operating costs are related to the Utilities. A significant portion of the Utilities' costs, including the cost of fuel and purchased power, is recovered from customers in accordance with rate plans. We are allowed to recover certain fuel costs incurred by PEC and PEF through their respective fuel cost recovery clauses. Fuel price volatility can lead to over- or under-recovery of fuel costs, as changes in fuel prices are not immediately reflected in fuel surcharges due to regulatory lag in setting the surcharges. As a result, fuel price volatility can be both a source of and a use of liquidity resources, depending on what phase of the cycle of price volatility we are experiencing. Changes in the Utilities' fuel and purchased power costs may affect the timing of cash flows but not net income.

Prior to February 8, 2006, we were a registered holding company under PUHCA and therefore we obtained approval from the SEC for the issuance and sale of securities as well as the establishment of intercompany extensions of credit (utility and nonutility money pools). PEC and PEF participate in the utility money pool, which allows the two utilities to lend to and borrow from each other. A nonutility money pool allows our nonregulated operations to lend to and borrow from each other. The Parent can lend money to the utility and nonutility money pools but cannot borrow funds. The Energy Policy Act of 2005 repealed PUHCA effective February 8, 2006, and transferred to the FERC certain new responsibilities with respect to the regulation of utility holding companies. Pursuant to a recent rule adopted by the FERC, utility holding companies are allowed to continue to engage in financings authorized by the SEC provided the authorization orders have been filed with the FERC and the holding company continues to comply with such orders, terms and conditions. We have filed all such SEC orders with the FERC; therefore, we are

permitted to continue all such financing transactions. The FERC has determined that it will not extend its cash management rules to holding companies.

Cash from operations, asset sales and limited ongoing equity sales from our Investor Plus Stock Purchase Plan and employee benefit and stock option plans are expected to fund capital expenditures and common stock dividends for 2006. Any excess cash proceeds would be used to reduce debt. To the extent necessary, short-term and long-term debt may also be used as a source of liquidity.

We believe our internal and external liquidity resources will be sufficient to fund our current business plans. Risk factors associated with credit facilities and credit ratings are discussed below and in ITEM 1A, "Risk Factors."

The following discussion of our liquidity and capital resources is on a consolidated basis.

HISTORICAL FOR 2005 AS COMPARED TO 2004 AND 2004 AS COMPARED TO 2003

CASH FLOWS FROM OPERATIONS

Cash from operations is the primary source used to meet operating requirements and capital expenditures. Net cash provided by operating activities from continuing operations for the three years ending December 31, 2005, 2004 and 2003, was $1.474 billion, $1.565 billion and $1.588 billion, respectively.

Cash from operating activities for 2005 decreased when compared with 2004. The $91 million decrease in operating cash flow was primarily due to a $298 million increase in the under-recovery of fuel costs at the Utilities driven by rising fuel costs and increased working capital needs, partially offset by a $193 million reduction in storm cost spending at PEF in 2005 compared to 2004. Cash from operating activities for 2005 also includes a $141 million prepayment received from a wholesale customer. In November 2005, PEC entered into a contract with the Public Works Commission of the City of Fayetteville, North Carolina (PWC) in which the PWC prepaid $141 million in exchange for future capacity and energy power sales. The prepayment is expected to cover approximately two years of electricity service and includes a prepayment discount of approximately $16 million. In 2005, the Utilities filed requests with their respective state commissions seeking rate increases for fuel cost recovery, including amounts for previous under-recoveries. PEF also received approval from the FPSC authorizing PEF to recover $245 million over a two-year period, including interest, of the costs it incurred and previously deferred related to PEF's restoration of power to customers associated with the four hurricanes in 2004. See "Future Liquidity and Capital Resources" below and Note 7 for additional information.

The increase in working capital needs for 2005 compared to 2004 was mainly driven by a $183 million increase in the change in receivables and a $53 million increase in inventory purchases, primarily coal at PEC. These impacts were partially offset by a $166 million increase in the change in accounts payable and the current portion of the prepayment received from the PWC as discussed above. The increase in the change in receivables is primarily due to increased sales at the Utilities driven by weather, rising fuel costs and timing of receipts, and increased sales at our nonregulated subsidiaries, mainly driven by rising gas prices and changes in the production level of our synthetic fuel plants over the prior year. The change in accounts payable is primarily due to higher fuel prices and increased quantities of fuel purchases at our nonregulated subsidiaries.

Cash from operating activities decreased $23 million for 2004 when compared with 2003 as the net result of the impact of hurricane costs in 2004, partially offset by the impact of an under-recovery of fuel costs in 2003. In 2004, the FPSC agreed with PEF to defer under-recovered fuel costs over a two-year period.

INVESTING ACTIVITIES

Net cash used in investing activities for the three years ending December 31, 2005, 2004 and 2003, was $1.117 billion, $0.811 billion and $1.416 billion, respectively.

Utility property additions for our regulated electric operations were $1.080 billion or approximately 76 percent of consolidated capital expenditures in 2005 and $0.998 billion or approximately 78 percent of consolidated capital

expenditures in 2004. Capital expenditures for our regulated electric operations are primarily for normal construction activity and ongoing capital expenditures related to environmental compliance programs. Capital expenditures for our nonregulated operations are primarily for natural gas development activities and normal construction activity.

Excluding proceeds from sales of subsidiaries and other investments, cash used in investing activities increased approximately $408 million in 2005 when compared with 2004. The increase is due primarily to a $254 million decrease in net proceeds from available-for-sale securities and other long-term investments and $144 million in additional capital expenditures for property and nuclear fuel additions. Available-for-sale securities and other long-term investments include marketable debt securities and investments held in nuclear decommissioning and benefit investment trusts. The increase in diversified business property additions is primarily due to the acquisition of additional natural gas wells (See Note 4A).

During 2005, sales of subsidiaries and other investments primarily included $405 million in base proceeds from the sale of Progress Rail in March 2005 and $42 million in proceeds from the sale of Winter Park distribution assets in June 2005 (See Notes 3B and 3D).

Excluding proceeds from sales of subsidiaries and other investments, cash used in investing activities decreased approximately $811 million in 2004 when compared with 2003. The decrease is due primarily to the acquisition of a nonregulated generation contract and acquisition of gas assets in 2003 and net proceeds from available for sale securities and other long-term investments in 2004, compared to net purchases in 2003.

During 2004, sales of subsidiaries and other investments primarily included proceeds from the sale of Railcar Ltd. assets of approximately $75 million and proceeds of approximately $251 million related to the sale of natural gas assets in the Forth Worth basin of Texas. We used the proceeds from these sales to reduce indebtedness, including $241 million to pay off the Genco bank facility.

During 2003, we realized approximately $450 million of net cash proceeds from the sale of NCNG and ENCNG. We also received net proceeds of approximately $97 million in October 2003 for the sale of our Mesa gas properties in Colorado (See Note 3G). The proceeds from these sales were used to reduce indebtedness, primarily commercial paper.

During 2003, we acquired approximately 200 natural gas-producing wells for a cash purchase price of $168 million. We also acquired a long-term full-requirements power supply agreement with Jackson Electric Membership Corporation (Jackson) for a cash payment of $188 million (See Notes 3C and 3D).

FINANCING ACTIVITIES

Net cash provided by (used in) financing activities for the three years ending December 31, 2005, 2004 and 2003, was $227 million, $(731) million and $(188) million, respectively. See Note 12 for details of debt and credit facilities.

For 2005, cash provided by financing activities increased primarily due to additional issuances of long-term debt at the Utilities in 2005 and an increase in common stock issuances.

For 2004 and 2003, cash from operations exceeded net cash used in investing activities by $754 million and $172 million, respectively, due primarily to asset sales, which allowed for a net decrease in cash requirements provided by financing activities.

In addition to the financing activities discussed under "Overview," our financing activities included:

2006

□•□ On January 13, 2006, Progress Energy issued $300 million of 5.625% Senior Notes due 2016 and $100 million of Series A □□□Floating Rate Senior Notes due 2010. These senior notes
□ are unsecured. Interest on the Floating

□□□□Rate Senior Notes will be based on three-month London Inter Bank Offering Rate (LIBOR) plus 45 basis points and will be □□□□reset quarterly. We used the net proceeds from the sale of these senior notes and a combination of available cash and □□ □commercial paper proceeds to retire the $800 million aggregate principal amount of our 6.75% Senior Notes on March 1, 2006. □Pending the application of proceeds as described above, we invested the net proceeds in short-term, interest-bearing, investment-grade securities.

2005

The following table summarizes our revolving credit agreements (RCAs) and available capacity at December 31, 2005:

(in millions)	Description	Total	Outstanding	Reserved (a)	Available
Progress Energy, Inc.	Five-year (expiring 8/5/09)	$ 1,130	$ -	$ (150)	$ 980
PEC	Five-year (expiring 6/28/10)	450	-	(73)	377
PEF	Five-year (expiring 3/28/10)	450	-	(102)	348
Total credit facilities		$ 2,030	$ -	$ (325)	$ 1,705

(a)To the extent amounts are reserved for commercial paper outstanding, they are not available for additional borrowings. In addition, at December 31, 2005 and 2004, Progress Energy, Inc. had a total amount of $150 million reserved for backing of letters of credit. At December 31, 2005, the actual amount of letters of credit issued was $33 million.

• □In January 2005, Progress Energy used proceeds from the issuance of commercial paper to pay off $260 million of RCA loans at □□the Utilities, which included $90 million at PEC and $170 million at PEF. PEF subsequently used money pool borrowings to □ □reduce its outstanding commercial paper balance.

•□On January 31, 2005, Progress Energy entered into a new $600 million RCA, which was scheduled to expire on December 30, □□ 2005. This facility was added to provide additional liquidity, to the extent necessary, during 2005 due in part to the uncertainty of □ □the timing of storm restoration cost recovery from the hurricanes in Florida during 2004. On February 4, 2005, $300 million was □drawn under the Progress Energy $600 million RCA to reduce commercial paper and pay off the remaining amount of loans outstanding under other RCA facilities, which consisted of $160 million at Progress Energy and, through the money pool, $55 million at PEF. As discussed below, the maximum size of the Progress Energy RCA was reduced to $300 million on March 22, 2005, and subsequently terminated on May 16, 2005.

□•□On March 22, 2005, PEC issued $300 million of First Mortgage Bonds, 5.15% Series due 2015, and $200 million of First □□□Mortgage Bonds, 5.70% Series due 2035. The net proceeds from the sale of the bonds were used to pay at maturity $300 million □ □□of PEC's 7.50% Senior Notes on April 1, 2005, and reduce the outstanding balance of PEC's commercial paper. Pursuant to the □ □terms of Progress Energy's $600 million RCA, commitments were reduced to $300 million, effective March 22, 2005.

•□□In March 2005, Progress Energy's $1.1 billion five-year credit facility was amended to increase the maximum total debt to total □□□capital ratio from 65 percent to 68 percent due to the potential impacts of a proposed interpretation of SFAS No. 109 regarding □□ accounting rules for uncertain tax positions (See Note 2).

□

•□□On March 28, 2005, PEC entered into a new $450 million five-year RCA with a syndication of financial institutions. The PEC □□ RCA will be used to provide liquidity support for PEC's issuances of commercial paper and other short-term obligations. The PEC □ □RCA is scheduled to expire on June 28, 2010. The new $450 million PEC RCA replaced PEC's $285 million three-year RCA and □□$165 million 364-day RCA, which were each terminated effective March 28, 2005. Fees and interest rates under the new PEC □□RCA are to be determined based upon the credit rating of PEC's long-term unsecured senior noncredit enhanced debt, currently □ □rated as Baa1 by Moody's and BBB- by S&P. The PEC RCA includes a defined maximum total debt to capital ratio of 65 percent. □□The PEC RCA also contains various cross-default and other acceleration provisions, including a cross-default provision for defaults of indebtedness in excess of $35 million. The PEC RCA does not include a no material adverse change representation for borrowings or a financial covenant for interest coverage.

- On January 13, 2006, Progress Energy issued $300 million of 5.625% Senior Notes due 2016 and $100 million of Series A Floating Rate Senior Notes due 2010. These senior notes are unsecured. Interest on the Floating Rate Senior Notes will be based on three-month London Inter Bank Offering Rate (LIBOR) plus 45 basis points and will be reset quarterly. We used the net proceeds from the sale of these senior notes and a combination of available cash and commercial paper proceeds to retire the $800 million aggregate principal amount of our 6.75% Senior Notes on March 1, 2006. Pending the application of proceeds as described above, we invested the net proceeds in short-term, interest-bearing, investment-grade securities.

- On March 28, 2005, PEF entered into a new $450 million five-year RCA with a syndication of financial institutions. The PEF RCA will be used to provide liquidity support for PEF's issuances of commercial paper and other short-term obligations. The PEF RCA is scheduled to expire on March 28, 2010. The new $450 million PEF RCA replaced PEF's $200 million three-year RCA and $200 million 364-day RCA, which were each terminated effective March 28, 2005. Fees and interest rates under the new PEF RCA are to be determined based upon the credit rating of PEF's long-term unsecured senior noncredit enhanced debt, currently rated as A3 by Moody's and BBB- by S&P. The PEF RCA includes a defined maximum total debt to capital ratio of 65%. The PEF RCA also contains various cross-default and other acceleration provisions, including a cross-default provision for defaults of indebtedness in excess of $35 million. The PEF RCA does not include a no material adverse change representation for borrowings or a financial covenant for interest coverage.

- In May 2005, Progress Energy used proceeds from the issuance of commercial paper to pay off $300 million of its $600 million RCA.

- On May 16, 2005, PEF issued $300 million of First Mortgage Bonds, 4.50% Series due 2010. The net proceeds from the sale of the bonds were used to reduce the outstanding balance of commercial paper. Pursuant to the terms of the Progress Energy $600 million RCA, commitments were completely reduced and the Progress Energy $600 million RCA was terminated, effective May 16, 2005.

- On July 1, 2005, PEF paid at maturity $45 million of its 6.72% Medium-Term Notes, Series B with commercial paper proceeds.

- On July 28, 2005, PEC filed a shelf registration statement with the SEC to provide $1.0 billion of capacity. The registration statement was declared effective on December 23, 2005, and will allow PEC to issue various securities, including First Mortgage Bonds, Senior Notes, Debt Securities and Preferred Stock.

- On July 28, 2005, PEF filed a shelf registration statement with the SEC to provide $1.0 billion of capacity. The registration statement was declared effective on December 23, 2005, and will allow PEF to issue various securities, including First Mortgage Bonds, Debt Securities and Preferred Stock.

- In addition to the ongoing RCAs, Progress Energy entered into a new $800 million 364-day credit agreement on November 21, 2005, which was restricted for the retirement of $800 million of 6.75% Senior Notes due March 1, 2006. On March 1, 2006, we retired $800 million of our 6.75% Senior Notes, thus effectively terminating the 364-day credit agreement.

- On November 30, 2005, PEC issued $400 million of First Mortgage Bonds, 5.25% Series due 2015. The net proceeds from the sale of the bonds were used to reduce the outstanding balance of short-term debt, including commercial paper borrowings and borrowings under our internal money pool, and for general corporate purposes.

- On December 13, 2005, PEF issued $450 million of Series A Floating Rate Senior Notes due 2008. These senior notes are unsecured. Interest on the Floating Rate Senior Notes will be based on three-month LIBOR plus 40 basis points and will be reset quarterly. The net proceeds from the sale of the bonds were used to reduce the outstanding balance of short-term debt, including commercial paper borrowings and borrowings under our internal money pool, and for general corporate purposes.

- Progress Energy issued approximately 4.8 million shares of our common stock for approximately $208 million in net proceeds from its Investor Plus Stock Purchase Plan and its employee benefit and stock option plans, net of purchases of restricted shares. For 2005, the dividends paid on common stock were approximately $582 million.

2004

- Progress Energy paid at maturity $500 million in senior unsecured notes and entered into a new $1.1 billion five-year line of credit, expiring August 5, 2009. This facility replaced Progress Energy's $250 million 364-day line of credit and its three-year $450 million line of credit, which were both scheduled to expire in November 2004. Proceeds from the sale of natural gas assets were used to extinguish Progress Genco Ventures, LLC's (Genco) $241 million bank facility, and Progress Capital Holdings, Inc., paid at maturity $25 million of Medium-Term Notes.

- PEC redeemed $39 million of Pollution Control Obligations and paid at maturity $300 million in First Mortgage Bonds. PEC extended to July 27, 2005, its $165 million 364-day line of credit, which was scheduled to expire on July 29, 2004.

- PEF paid at maturity $40 million in Medium-Term Notes.

- Progress Energy issued approximately 1.7 million shares of our common stock for approximately $73 million in net proceeds from our Investor Plus Stock Purchase Plan and our employee benefit and stock option plans, net of purchases of restricted shares. For 2004, the dividends paid on common stock were approximately $558 million.

2003

- Progress Energy obtained a three-year financing order, allowing it to issue up to $2.8 billion of long-term securities, $1.5 billion of short-term debt, and $3 billion in parent guarantees. Progress Capital Holdings, Inc., paid at maturity $58 million in Medium-Term Notes. Genco terminated its $50 million working capital credit facility. Under its related construction facility, Genco had drawn $241 million at December 31, 2003.

- PEC redeemed $250 million and issued $600 million in First Mortgage Bonds.

- PEF redeemed $250 million, issued $950 million and paid at maturity $180 million in First Mortgage Bonds. PEF also paid at maturity $35 million in Medium-Term Notes.

- Progress Energy issued approximately 7.6 million shares of common stock for approximately $304 million in net proceeds from its Investor Plus Stock Purchase Plan and its employee benefit plans, net of purchases of restricted shares. For 2003, the dividends paid on common stock were approximately $541 million.

FUTURE LIQUIDITY AND CAPITAL RESOURCES

Please review ITEM 1A, "Risk Factors" and "SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS" for a discussion of the factors that may impact any such forward-looking statements made herein.

The Utilities produced approximately 100 percent of consolidated cash from operations in 2005 and over 100 percent of consolidated cash from operations in 2004. It is expected that the Utilities will continue to produce a majority of the consolidated cash flows from operations over the next several years as our nonregulated investments, primarily generation assets, improve asset utilization and increase their operating cash flows. Cash from operations plus availability under current debt agreements is expected to be sufficient to meet our requirements in the near term. To the extent necessary we may also access the capital markets or use limited ongoing equity sales from our Investor Plus Stock Purchase Plan and employee benefit and stock option plans to meet our liquidity requirements.

The amount and timing of future sales of company securities will depend on market conditions, operating cash flow, asset sales and our specific needs. We may from time to time sell securities beyond the amount needed to meet capital requirements in order to allow for the early redemption of long-term debt, the redemption of preferred stock, the reduction of short-term debt or for other general corporate purposes.

At December 31, 2005, the current portion of our long-term debt was $513 million. We classified $397 million related to the retirement of $800 million of Progress Energy, Inc. 6.75% Senior Notes on March 1, 2006, as long-term debt. Settlement of this obligation is not expected to require the use of working capital in 2006 as we have the intent and ability to refinance this debt on a long-term basis. We used the net proceeds of $397 million from the aforementioned issuance of $300 million of 5.625% Senior Notes due 2016 and $100 million of Series A Floating Rate Senior Notes due 2010, and a combination of available cash and commercial paper proceeds to retire the $800 million aggregate principal amount of our 6.75% Senior Notes on March 1, 2006.

The following regulatory matters may impact our future liquidity and financing activities. See Note 7 for further discussion of these regulatory matters.

On April 27, 2005, PEC filed for an increase in the fuel rate charged to its South Carolina retail customers with the SCPSC. PEC requested the $99 million increase for under-recovered fuel costs for the previous 15 months and to meet future expected fuel costs. On June 23, 2005, the SCPSC approved a settlement agreement filed jointly by PEC and all other parties to the proceeding. The settlement agreement levelizes the collection of under-recovered fuel costs over a three-year period ending June 30, 2008, and allows PEC to charge and recover carrying costs on the monthly unpaid balance, beginning July 1, 2006, at an interest rate of 6% compounded annually. An annual increase in PEC's rates of $55 million, or 12 percent, was effective July 1, 2005.

On June 3, 2005, PEC filed for an increase in the fuel rate charged to its North Carolina retail customers with the NCUC. PEC requested that the NCUC approve an annual increase of $276 million, or 11 percent. PEC requested the increase for under-recovered fuel costs for the previous 12 months and to meet future expected fuel costs. On September 26, 2005, the NCUC approved a settlement agreement proposed by PEC and other parties to the proceeding. In the settlement, PEC will collect all of its fuel cost under-collections that occurred during the test year ended March 31, 2005, over a one-year period beginning October 1, 2005. PEC agreed to reduce its proposed billing increment, designed to collect future fuel costs, in order to address customer concerns regarding the magnitude of the proposed increase. The NCUC approved an annual increase of $133 million, an average increase of 5 percent. In recognition of the likely under-collection that will result during the 12 months ending September 30, 2006, PEC is allowed to calculate and collect interest at 6% on the difference between its collection factor in the original request to the NCUC and the factor included in the settlement agreement until such amounts have been collected. The increase was effective October 1, 2005. At December 31, 2005, PEC's North Carolina retail fuel costs were under-recovered by $254 million. This amount was comprised of $244 million eligible for recovery in 2006 and $10 million deferred from a 2001 NCUC order that cannot be collected until 2007.

On November 9, 2005, the FPSC approved PEF's filed request seeking a total increase of $605 million over 2005 to recover rising fuel costs as well as costs related to other pass-through clauses and surcharges. Fuel costs of $560 million and certain purchased power costs of $42 million were the largest component of the total increase. The fuel cost increase includes $17 million from 2004 under-recoveries, $222 million from 2005 under-recoveries and a $321 million increase for 2006. Beginning January 1, 2006, residential electric bills increased by $11.78 per 1,000 kWhs each billing cycle through December 31, 2006. At December 31, 2005, PEF was under-recovered in fuel and capacity costs by $341 million.

On September 7, 2005, the FPSC approved an agreement (Base Rate Settlement) that maintains PEF's base rates at the current level through late 2007, except as modified elsewhere in the Base Rate Settlement. The new base rates took effect the first billing cycle of January 2006 and will remain in effect through the last billing cycle of December 2009 with PEF having sole option to extend through the last billing cycle of June 2010.

On July 14, 2005, the FPSC issued an order authorizing PEF to recover $232 million of storm costs, including interest, over a two-year period, effective August 1, 2005. PEF's initial petition in November 2004 for $252 million was an estimate. On September 12, 2005, PEF filed a true-up for an additional $19 million in storm costs in excess of the amount requested in the original petition. The recovery of this difference, net of approximately $6 million of adjustments, was administratively approved by the FPSC, subject to audit by the FPSC staff. The impact was included in customer bills beginning January 1, 2006.

On June 1, 2005, the governor of Florida signed into law a bill that allows utilities to petition the FPSC to use

securitized bonds to recover storm-related costs. PEF is reviewing whether it will seek FPSC approval to issue securitized debt to recover any outstanding balance of its 2004 storm costs and to replenish its storm reserve fund, or to continue the current replenishment of its storm reserve fund through base rates and a surcharge mechanism. If PEF seeks recovery through securitization and assuming FPSC approval, PEF expects the process to take six to nine months to complete.

In addition, our synthetic fuel operations do not currently produce positive operating cash flow due to the difference in timing of when tax credits are recognized for financial reporting purposes and when tax credits are realized for tax purposes (See Note 23D).

CAPITAL EXPENDITURES

Total cash from operations provided the funding for our capital expenditures, including property additions, nuclear fuel expenditures and diversified business property additions during 2005, excluding proceeds from asset sales of $475 million.

As shown in the table below, we expect the majority of our capital expenditures to be incurred at our regulated operations. We anticipate our regulated capital expenditures will increase in 2006 and 2007, primarily due to increased spending on environmental initiatives. Forecasted nonregulated expenditures relate primarily to Progress Ventures and its gas operations, mainly for drilling new wells.

	Actual	Forecasted		
(in millions)	**2005**	2006	2007	2008
Regulated capital expenditures	**$ 1,080**	$ 1,520	$ 1,400	$ 1,600
Nuclear fuel expenditures	**126**	70	160	140
AFUDC - borrowed funds	**(13)**	(10)	(20)	(30)
Nonregulated capital and other expenditures	**228**	190	190	190
Total	**$ 1,421**	$ 1,770	$ 1,730	$ 1,900

Regulated capital expenditures for 2006, 2007 and 2008 in the table above include approximately $370 million, $420 million and $560 million, respectively, for environmental compliance capital expenditures. Forecasted environmental compliance capital expenditures for 2006, 2007 and 2008 include $320 million, $240 million and $190 million, respectively, at PEC and $50 million, $180 million and $370 million, respectively, at PEF. We currently estimate total future capital expenditures for the Utilities to comply with current environmental laws and regulations addressing air and water quality, a portion of which are eligible for regulatory recovery, to be in excess of $1.0 billion each at PEC and PEF, respectively, through 2018, which is the latest compliance target date for current air and water quality regulations. See Note 22 for further discussion of our environmental compliance costs and related recovery of costs.

All projected capital and investment expenditures are subject to periodic review and revision and may vary significantly depending on a number of factors including, but not limited to, industry restructuring, regulatory constraints, market volatility and economic trends.

OTHER CASH NEEDS

During the fourth quarter of 2004, we announced the launch of a new cost-management initiative. This cost-management initiative is designed to permanently reduce, by $75 million to $100 million, our projected growth in annual nonfuel O&M expenses by the end of 2007. In addition to the workforce restructuring, the cost-management initiative included a voluntary enhanced retirement program. In connection with this initiative, we incurred approximately $164 million of pre-tax charges for severance and postretirement benefits during the year ended December 31, 2005, which will be paid over time (See Note 17). We do not expect to incur any similar charges during 2006.

CREDIT FACILITIES

At December 31, 2005, we had committed revolving credit facilities and available balances as shown in the table in Note 12. All of the revolving credit facilities supporting the credit were arranged through a syndication of financial institutions. There are no bilateral contracts associated with these facilities.

Our internal financial policy precludes issuing commercial paper in excess of the supporting lines of credit. At December 31, 2005, we had $175 million reserved for outstanding commercial paper balance and a total of $150 million reserved for backing of letters of credit, leaving an additional $1.705 billion available for future borrowing under our credit lines. At December 31, 2005, the actual amount of letters of credit issued was $33 million. In addition, we have requirements to pay minimal annual commitment fees to maintain our credit facilities. We expect to continue to use commercial paper issuances as a source of liquidity as long as we maintain our current short-term ratings.

In addition to the committed RCAs at December 31, 2005, we had an $800 million 364-day credit agreement, which was restricted for the retirement of $800 million of 6.75% Senior Notes on March 1, 2006. On March 1, 2006, Progress Energy retired $800 million of its 6.75% Senior Notes, thus effectively terminating the 364-day credit agreement.

All of the credit facilities include a defined maximum total debt-to-total capital ratio (leverage). Progress Energy's RCA includes a minimum interest coverage ratio. We are currently in compliance with these covenants and were in compliance with these covenants at December 31, 2005. See Note 12 for a discussion of the credit facilities' financial covenants, material adverse change clause provisions and cross-default provisions. At December 31, 2005, the calculated ratios for the Progress Registrants, pursuant to the terms of the agreements, are as disclosed in Note 12.

Progress Energy has on file with the SEC a shelf registration statement under which senior debt securities, junior subordinated debentures, common and preferred stock and other trust preferred securities, among other securities, are available for issuance. At December 31, 2005, there was approximately $1.1 billion available under this shelf registration. As a result of the $300 million and $100 million issuances on January 13, 2006, discussed above in "Financing Activities," the amount available under this shelf registration statement was subsequently reduced to $679 million.

Both PEC and PEF currently have on file with the SEC a shelf registration statement under which each can issue up to $1.0 billion of various long-term debt securities and preferred stock.

Both PEC and PEF can issue First Mortgage Bonds under their respective First Mortgage Bond indentures. At December 31, 2005, PEC and PEF could issue up to $3.08 billion and $3.54 billion, respectively, based on property additions and $1.63 billion and $0.18 billion, respectively, based upon retirements.

The following table shows our total debt to total capitalization ratios at December 31:

	2005	2004
Common stock equity	**41.6%**	41.7%
Preferred stock and minority interest	**0.7%**	0.7%
Total debt	**57.7%**	57.6%

CREDIT RATING MATTERS

The major credit rating agencies have currently rated our securities as follows:

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
Progress Energy, Inc.			
Outlook	Negative	Stable	Stable
Corporate credit rating	n/a	BBB	n/a
Senior unsecured debt	Baa2	BBB-	BBB-
Commercial paper	P-2	A-2	n/a
PEC			
Outlook	Stable	Stable	Stable
Corporate credit rating	Baa1	BBB	n/a
Commercial paper	P-2	A-2	F2
Senior secured debt	A3	BBB	A-
Senior unsecured debt	Baa1	BBB-	BBB+
Preferred stock	Baa3	BB+	BBB
PEF			
Outlook	Stable	Stable	Stable
Corporate credit rating	A3	BBB	n/a
Commercial paper	P-2	A-2	F2
Senior secured debt	A2	BBB	A-
Senior unsecured debt	A3	BBB-	BBB+
Preferred stock	Baa2	BB+	BBB
FPC Capital I			
Preferred stock (a)	Baa2	BB+	n/a
Progress Capital Holdings, Inc.			
Senior unsecured debt (a)	Baa1	BBB-	n/a

(a) Guaranteed by Progress Energy, Inc. and Florida Progress.

These ratings reflect the current views of these rating agencies, and no assurances can be given that these ratings will continue for any given period of time. However, we monitor our financial condition as well as market conditions that could ultimately affect our credit ratings.

On February 11, 2005, Moody's announced that it lowered the ratings of PEF, Progress Capital Holdings, Inc. and FPC Capital Trust I and changed their rating outlooks to stable from negative. Moody's affirmed the ratings of Progress Energy and PEC. The rating outlooks continue to be stable at PEC and negative at Progress Energy. Moody's stated that it took this action primarily due to declining cash flow coverages and rising leverage, higher O&M costs, uncertainty regarding the timing of hurricane cost recovery, regulatory risks associated with the then upcoming rate case in Florida and ongoing capital requirements to meet Florida's growing demand.

On November 22, 2005, S&P announced that it revised its ratings outlook on Progress Energy from negative to stable, affirming the BBB corporate credit rating, and revising the short-term rating from A-3 to A-2. As a result of this revision, PEC's and PEF's outlooks and short-term ratings were also revised from negative to stable and A-3 to A-2, respectively. S&P stated that it took these actions primarily due to the resolution of several regulatory issues in Florida and expectations of increased likelihood that the financial performance will improve over the next two years. S&P also indicated that it has improved its business position for PEF to a `4' (strong). The business position for PEC remains a `5' (satisfactory) and the overall business position for Progress Energy remains at a `6' (satisfactory). S&P ranks business position on a scale of `1' (excellent) to `10' (vulnerable).

On December 6, 2005, S&P lowered the BBB rating on PEC's and PEF's senior unsecured notes to BBB-. The revision reflects the recognition that a significant amount of the Utilities' assets (more than 30 percent of PEC's assets and 35 percent of PEF's assets) collateralize first-priority debt.

The changes by S&P and Moody's did not trigger any debt or guarantee collateral requirements, nor did they have any material impact on the overall liquidity of Progress Energy or any of its affiliates. Fitch Ratings took no actions on Progress Energy's, PEC's or PEF's ratings in 2005. To date, Progress Energy's, PEC's and PEF's access to the commercial paper markets has not been materially impacted by the rating agencies' actions.

Our debt indentures and credit agreements do not contain any "ratings triggers," which would cause the acceleration of interest and principal payments in the event of a ratings downgrade. If S&P lowers Progress Energy's senior unsecured rating one ratings category to BB+ from its current rating, it would be a noninvestment grade rating. The effect of a noninvestment grade rating would primarily be increased borrowing costs. Our liquidity would essentially remain unchanged, as we believe we could borrow under our revolving credit facilities instead of issuing commercial paper for our short-term borrowing needs. However, we have certain contracts that have provisions triggered by a ratings downgrade to a rating below investment grade. A noninvestment grade rating by S&P or Moody's would trigger additional funding requirements of approximately $540 million due to ratings triggers embedded in various contracts, as more fully described below under "Guarantees." While we believe that we would be able to meet this obligation with cash or letters of credit, if we cannot, our financial condition, liquidity and results of operations will be materially and adversely impacted. We do not believe conditions are likely for significant performance under the guarantees of performance issued by or on behalf of affiliates.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

Our off-balance sheet arrangements and contractual obligations are described below.

GUARANTEES

As a part of normal business, we enter into various agreements providing future financial or performance assurances to third parties that are outside the scope of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN No. 45). These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to Progress Energy or our subsidiaries on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. Our guarantees include performance obligations under power supply agreements, tolling agreements, transmission agreements, gas agreements, fuel procurement agreements and trading operations. Our guarantees also include standby letters of credit, surety bonds and guarantees in support of nuclear decommissioning. At December 31, 2005, we have issued $1.78 billion of guarantees for future financial or performance assurance. Included in this amount is $300 million of guarantees of certain payments of two wholly owned indirect subsidiaries issued by the Parent (See Note 24). We do not believe conditions are likely for significant performance under the guarantees of performance issued by or on behalf of affiliates.

The majority of contracts supported by the guarantees contain provisions that trigger guarantee obligations based on downgrade events to below investment grade (below BBB- or Baa3) by S&P or Moody's, ratings triggers, monthly netting of exposure and/or payments and offset provisions in the event of a default. At December 31, 2005, no guarantee obligations had been triggered. If the guarantee obligations were triggered, the approximate amount of liquidity requirements to support ongoing operations within a 90-day period, associated with guarantees for Progress Energy's nonregulated portfolio and power supply agreements, was $540 million. While we believe that we would be able to meet this obligation with cash or letters of credit, if we cannot, our financial condition, liquidity and results of operations will be materially and adversely impacted.

At December 31, 2005, we have issued guarantees and indemnifications of certain legal, tax and environmental matters to third parties in connection with sales of businesses and for timely payment of obligations in support of our nonwholly owned synthetic fuel operations. Related to the sales of businesses, the notice period extends until 2012 for the majority of matters provided for in the indemnification provisions. For matters for which we receive timely notice, our indemnity obligations may extend beyond the notice period. Certain environmental indemnifications have no limitations as to time or maximum potential future payments. Other guarantees and indemnifications have an estimated maximum exposure of approximately $152 million. Additionally, in 2005 PEC entered into a contract with the joint owner of certain facilities at the Mayo and Roxboro plants to limit their aggregate costs associated

with capital expenditures to comply with the Clean Smokestacks Act and recognized a $16 million liability related to this indemnification (See Note 22B). At December 31, 2005, we have recorded liabilities related to guarantees and indemnifications to third parties of approximately $41 million. As current estimates change, it is possible that additional losses related to guarantees and indemnifications to third parties, which could be material, may be recorded in the future.

MARKET RISK AND DERIVATIVES

Under our risk management policy, we may use a variety of instruments, including swaps, options and forward contracts, to manage exposure to fluctuations in commodity prices and interest rates. See Note 18 and ITEM 7A, "Quantitative and Qualitative Disclosures About Market Risk," for a discussion of market risk and derivatives.

CONTRACTUAL OBLIGATIONS

We are party to numerous contracts and arrangements obligating us to make cash payments in future years. These contracts include financial arrangements such as debt agreements and leases, as well as contracts for the purchase of goods and services. Amounts in the following table are estimated based upon contractual terms and actual amounts will likely differ from amounts presented below. Further disclosure regarding our contractual obligations is included in the respective notes. We take into consideration the future commitments when assessing our liquidity and future financing needs. The following table reflects Progress Energy's contractual cash obligations and other commercial commitments at December 31, 2005, in the respective periods in which they are due:

(in millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (a) (See Note 12)	$ 11,052	$ 513	$ 1,951	$ 807	$ 7,781
Interest payments on long-term debt and interest rate derivatives (b)	6,994	637	1,160	964	4,233
Capital lease obligations (See Note 23B)	149	4	18	18	109
Operating leases (See Note 23B)	706	76	176	156	298
Fuel and purchased power (c) (See Note 23A)	14,714	3,257	4,243	1,741	5,473
Other purchase obligations (See Note 23A)	694	163	194	105	232
Minimum pension funding requirements (d)	274	10	241	23	-
Other commitments (e)(f)	203	44	40	27	92
Total	$ 34,786	$ 4,704	$ 8,023	$ 3,841	$ 18,218

(a) Our maturing debt obligations are generally expected to be refinanced with new debt issuances in the capital markets.

(b) Interest payments on long-term debt and interest rate derivatives are based on the interest rate effective at December 31, 2005, and the LIBOR forward curve at December 31, 2005, respectively.

(c) Fuel and purchased power commitments represent the majority of our remaining future commitments after debt obligations. Essentially all of our fuel and purchased power costs are recovered through pass-through clauses in accordance with North Carolina, South Carolina and Florida regulations and therefore do not require separate liquidity support.

(d) Projected pension funding status is based on current actuarial estimates and is subject to future revision.

(e) In 2008, PEC must begin transitioning amounts currently retained internally to its external decommissioning funds. The transition of $131 million must be complete by December 31, 2017, and at least 10 percent must be transitioned each year.

(f) We have certain future commitments related to four synthetic fuel facilities purchased that provide for contingent payments (royalties) through 2007 (See Note 23D).

OTHER MATTERS

SYNTHETIC FUELS TAX CREDITS

We have substantial operations associated with the production of coal-based synthetic fuels. The production and sale of these products qualifies for federal income tax credits so long as certain requirements are satisfied. These operations are subject to various risks.

For 2005 and prior years, our ability to claim tax credits was dependent on having sufficient tax liability. Any conditions that negatively impact our tax liability, such as weather, could also diminish our ability to claim or utilize credits, including those previously generated. Beginning in 2006, Section 29 tax credits have been redesignated as a Section 45K general business credit, which removes the regular federal income tax liability limit on synthetic fuel production and subjects the credits to a 20-year carry forward period. Synthetic fuel is generally not economical to produce absent the credits. In addition, the tax credits associated with synthetic fuels in a particular year may be phased out if Annual Average market prices for crude oil exceed certain prices.

Our synthetic fuel operations and related risks are described in more detail in Note 23D and ITEM 1A, "Risk Factors."

REGULATORY ENVIRONMENT

The Utilities' operations in North Carolina, South Carolina and Florida are regulated by the NCUC, SCPSC and the FPSC, respectively. The electric businesses are also subject to regulation by the FERC, the Nuclear Regulatory Commission (NRC) and other federal and state agencies common to the utility business. In addition, until February 8, 2006, we were subject to SEC regulation as a registered holding company under PUHCA. As a result of regulation, many of the fundamental business decisions, as well as the rate of return the Utilities are permitted to earn, are subject to the approval of these governmental agencies.

PEC and PEF continue to monitor developments impacting competition and have actively participated in regulatory reform deliberations in North Carolina, South Carolina and Florida. Movement toward deregulation throughout the nation has effectively ceased due to numerous factors including but not limited to California's experience with retail deregulation and the Enron situation. We expect the legislatures in all three states will continue to monitor the experiences of states that have implemented electric restructuring legislation. We cannot anticipate when, or if, any of these states will move to increase competition in the electric industry.

The retail rate matters affected by the regulatory authorities are discussed in detail in Notes 7B and 7C. This discussion identifies specific retail rate matters, the status of the issues and the associated effects to our consolidated financial statements.

The regulatory authorities continue to evaluate issues related to the timing, creation and structure of transmission organizations. We cannot predict the outcome of these matters (See Note 7D).

In April 2004, the FERC issued two orders concerning utilities' ability to sell wholesale electricity at market-based rates. In the first order, the FERC adopted two new interim screens for assessing potential generation market power of applicants for wholesale market-based rates, and described additional analyses and mitigation measures that could be presented if an applicant does not pass one of these interim screens. In July 2004, the FERC issued a second order that re-affirmed its April order and initiated a rulemaking to consider whether the FERC's current methodology for determining whether a public utility should be allowed to sell wholesale electricity at market-based rates should be modified in any way. PEF does not have market-based rate authority for wholesale sales in peninsular Florida. Given the difficulty PEC believes it would experience in passing one of the interim screens, on September 6, 2005, PEC filed revisions to its market-based rate tariffs restricting them to sales outside of PEC's control area and peninsular Florida and a new cost-based tariff for sales within PEC's control area. The FERC has accepted these revised tariffs.

LEGAL

We are subject to federal, state and local legislation and court orders. These matters are discussed in detail in Note 23D. This discussion identifies specific issues, the status of the issues, accruals associated with issue resolutions and the associated exposures to us.

NUCLEAR

Nuclear generating units are regulated by the NRC. In the event of noncompliance, the NRC has the authority to impose fines, set license conditions, shut down a nuclear unit or some combination of these, depending upon its assessment of the severity of the situation, until compliance is achieved.

Our nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, repairs and certain other modifications (See Notes 5 and 23D).

Due to the anticipated growth in our service territories, we anticipate we will need to increase our baseload generation in both Florida and the Carolinas within the next decade. We are currently evaluating our options for future baseload generation needs. Both nuclear and coal technologies are being explored in parallel paths. At this time, no definitive decision has been made.

We have announced that we are pursuing development of Combined License (COL) applications. Our announcement is not a commitment to build a nuclear plant. It is a necessary step to keep open the option of building a potential plant or plants. On January 23, 2006, we announced that PEC has selected the Shearon Harris Nuclear Plant (Harris) site to evaluate for possible future nuclear expansion and we announced the selection of the Westinghouse Electric AP-1000 reactor design as the technology upon which to base the potential application submission. We currently expect to file the application for the COL for PEC's Harris site in late September or early October 2007. We expect to file the application for the COL for an as-yet unspecified site in Florida in late 2007 or first quarter 2008. We plan to announce the selection of the Florida site in spring 2006. If we receive approval from the NRC, and if the decision to build is made, construction could begin as early as 2010, and a new plant could be online around 2016. We estimate that it will take approximately 36 months for the NRC to review the COL applications and grant approval.

A new nuclear plant may be eligible for the federal production tax credits and risk insurance provided by the Energy Policy Act of 2005 (EPACT). EPACT provides an annual tax credit of 1.8 cents/kWh for nuclear facilities for the first eight years of operation. The credit is limited to the first 6,000 MW of new nuclear generation in the United States and has an annual cap of $125 million per unit. The credit allocation process among new nuclear plants has not been determined. Other utilities have announced plans to pursue new nuclear plants, and there is no guarantee that any nuclear plant constructed by us would qualify for these additional incentives.

While we currently estimate that we will need to increase our baseload capacity, our assumptions regarding future growth and resulting power demand in our service territories may not be realized. If anticipated growth levels are not realized, we may increase our baseload capacity and have excess capacity. This excess capacity may exceed reserve margins established by the NCUC, SCPSC and FPSC to meet our obligation to serve retail customers and, as a result, may not be recoverable in base rates.

ENVIRONMENTAL MATTERS

We are subject to federal, state and local regulations addressing air and water quality, hazardous and solid waste management and other environmental matters. These environmental matters are discussed in detail in Note 22. This discussion identifies specific environmental issues, the status of the issues, accruals associated with issue resolutions and our associated exposures. We accrue costs to the extent our liability is probable and the costs can be reasonably estimated. It is probable that additional losses, which could be material, may be incurred in the future.

NEW ACCOUNTING STANDARDS

See Note 2 for a discussion of the impact of new accounting standards.

PEC

The information required by this item is incorporated herein by reference to the following portions of Progress Energy's Management's Discussion and Analysis of Financial Condition and Results of Operations, insofar as they relate to PEC: RESULTS OF OPERATIONS; APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES; LIQUIDITY AND CAPITAL RESOURCES; FUTURE OUTLOOK and OTHER MATTERS.

The following Management's Discussion and Analysis and the information incorporated herein by reference contain forward-looking statements that 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. Please review ITEM 1A, "Risk Factors" and "SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS" for a discussion of the factors that may impact any such forward-looking statements made herein.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

PEC has primarily used a combination of debt securities, first mortgage bonds, pollution control bonds, commercial paper facilities and revolving credit agreements for liquidity needs in excess of cash provided by operations. PEC also participates in the utility money pool, which allows PEC and PEF to lend and borrow between each other.

On March 22, 2005, PEC issued $300 million of First Mortgage Bonds, 5.15% Series due 2015, and $200 million of First Mortgage Bonds, 5.70% Series due 2035. On March 28, 2005, PEC entered into a new $450 million five-year RCA that replaced PEC's $285 million three-year RCA and $165 million 364-day RCA, which were each terminated effective March 28, 2005. On November 30, 2005, PEC issued $400 million of First Mortgage Bonds, 5.25% Series due 2015. See further discussion of these items above in Progress Energy under "Financing Activities."

On July 28, 2005, PEC filed a shelf registration statement with the SEC to provide $1.0 billion of capacity. The registration statement was declared effective on December 23, 2005.

As discussed above in the Progress Energy "Credit Rating Matters," in November 2005, S&P revised PEC's outlook and short-term rating from negative to stable and A-3 to A-2, respectively. The business position for PEC remains a `5' (satisfactory). On December 6, 2005, S&P lowered the BBB rating on PEC's senior unsecured notes to BBB-.

PEC expects to have sufficient resources to meet its future obligations either through internally generated funds, its short term-term borrowing facilities or through the issuance of long-term debt or preferred stock.

CASH FLOW DISCUSSION

HISTORICAL FOR 2005 AS COMPARED TO 2004 AND 2004 AS COMPARED TO 2003

In 2005, cash provided by operating activities decreased when compared to 2004. The $44 million decrease in operating cash flow was primarily due to an $88 million increase in the under-recovery of fuel cost driven by rising fuel costs, partially offset by a $55 million improvement in working capital, including the impact of a prepayment received from a wholesale customer. In November 2005, PEC entered into a contract with the PWC in which the PWC prepaid $141 million in exchange for future capacity and energy power sales. The prepayment is expected to cover approximately two years of electricity service and includes a prepayment discount of approximately $16 million. The improvement in working capital needs for 2005 compared to 2004 was mainly driven by the current portion of the prepayment received from the PWC as discussed above and favorability from tax payments, partially offset by increases in the change in receivables and inventory purchases, primarily coal. The increase in the change in receivables is primarily due to increased sales driven by weather, timing of receipts and the impact of excess generation sales. In 2005, PEC filed requests with the North Carolina and South Carolina state commissions seeking rate increases for fuel cost recovery, including amounts for previous under-recoveries. See "Future Liquidity and Capital Resources" under Progress Energy above and Note 7.

In 2004, cash provided by operating activities decreased when compared to 2003. The $157 million decrease was caused primarily by an $89 million increase from under-recovery of fuel costs and a $77 million decrease in payables to affiliates.

In 2005, cash used in investing activities increased when compared to 2004. The $326 million increase is due primarily to a $253 million decrease in net proceeds from available-for-sale securities and other long-term investments and $62 million in additional capital expenditures for property, primarily related to an increase in spending for compliance with the Clean Smokestacks Act, and nuclear fuel additions. Available-for-sale securities and other long-term investments include marketable debt securities and investments held in nuclear decommissioning and benefit investment trusts.

In 2004, cash used in investing activities decreased approximately $207 million when compared with 2003. The decrease is primarily due to net proceeds from available for sale securities and other long-term investments in 2004, compared to net purchases in 2003. The decrease is partially offset by an increase in capital expenditures, primarily related to an increase in spending for compliance with the Clean Smokestacks Act, and an increase in nuclear fuel additions.

See the discussion above for Progress Energy under "Financing Activities" for information regarding PEC's financing activities.

FUTURE LIQUIDITY AND CAPITAL RESOURCES

PEC's estimated capital requirements for 2006, 2007 and 2008 are approximately $855 million, $800 million and $860 million, respectively, and primarily reflect construction expenditures to support customer growth, add regulated generation, upgrade existing facilities and for environmental control facilities as discussed above in "Capital Expenditures" under Progress Energy.

PEC expects to fund its capital requirements primarily through internally generated funds. In addition, PEC has $450 million in credit facilities that support the issuance of commercial paper. Access to the commercial paper market and the utility money pool provide additional liquidity to help meet PEC's working capital requirements. To the extent necessary, PEC may access the capital markets to meet its liquidity requirements.

The following table shows PEC's total debt to total capitalization ratios at December 31:

	2005	2004
Common stock equity	**45.0%**	47.1%
Preferred stock	**0.9%**	0.9%
Total debt	**54.1%**	52.0%

See the discussion above under Progress Energy and Note 12 for further discussion of PEC's future liquidity and capital resources.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

PEC's off-balance sheet arrangements and contractual obligations are described below.

MARKET RISK AND DERIVATIVES

Under its risk management policy, PEC may use a variety of instruments, including swaps, options and forward contracts, to manage exposure to fluctuations in commodity prices and interest rates. See Note 18 and ITEM 7A, "Quantitative and Qualitative Disclosures About Market Risk," for a discussion of market risk and derivatives.

CONTRACTUAL OBLIGATIONS

PEC is party to numerous contracts and arrangements obligating it to make cash payments in future years. These contracts include financial arrangements such as debt agreements and leases, as well as contracts for the purchase of goods and services. Amounts in the following table are estimated based upon contractual terms and will likely differ from actual amounts. Further disclosure regarding PEC's contractual obligations is included in the respective notes to the PEC Consolidated Financial Statements. PEC takes into consideration the future commitments when assessing its liquidity and future financing needs. The following table reflects PEC's contractual cash obligations and other commercial commitments at December 31, 2005, in the respective periods in which they are due:

(in millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (a) (See Note 12)	$ 3,691	$ -	$ 500	$ 406	$ 2,785
Interest payments on long-term debt and interest rate derivatives (b)	2,044	202	370	293	1,179
Capital lease obligations (See Note 23B)	26	2	5	5	14
Operating leases (See Note 23B)	304	36	62	48	158
Fuel and purchased power (c) (See Note 23A)	4,189	1,005	1,499	584	1,101
Other purchase obligations (See Note 23A)	55	14	41	-	-
Minimum pension funding requirements (d)	147	1	142	4	-
Other commitments (e)	131	-	13	26	92
Total	$ 10,587	$ 1,260	$ 2,632	$ 1,366	$ 5,329

(a) PEC's maturing debt obligations are generally expected to be refinanced with new debt issuances in the capital markets.

(b) Interest payments on long-term debt and interest rate derivatives are based on the interest rate effective at December 31, 2005, and the LIBOR forward curve at December 31, 2005, respectively.

(c) Fuel and purchased power commitments represent the majority of PEC's remaining future commitments after its debt obligations. Essentially all of PEC's fuel and purchased power costs are recovered through pass-through clauses in accordance with North Carolina and South Carolina regulations and therefore do not require separate liquidity support.

(d) Projected pension funding status is based on current actuarial estimates and is subject to future revision.

(e) In 2008, PEC must begin transitioning amounts currently retained internally to its external decommissioning funds. The transition of $131 million must be complete by December 31, 2017, and at least 10% must be transitioned each year.

PEF

The information required by this item is incorporated herein by reference to the following portions of Progress Energy's Management's Discussion and Analysis of Financial Condition and Results of Operations, insofar as they relate to PEF: RESULTS OF OPERATIONS; APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES; LIQUIDITY AND CAPITAL RESOURCES; FUTURE OUTLOOK and OTHER MATTERS.

The following Management's Discussion and Analysis and the information incorporated herein by reference contain forward-looking statements that 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. Please review ITEM 1A, "Risk Factors" and "SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS" for a discussion of the factors that may impact any such forward-looking statements made herein.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

PEF has primarily used a combination of debt securities, first mortgage bonds, pollution control bonds, commercial paper facilities and revolving credit agreements for liquidity needs in excess of cash provided by operations. PEF also participates in the utility money pool, which allows PEC and PEF to lend and borrow between each other.

On March 28, 2005, PEF entered into a new $450 million five-year RCA that replaced PEF's $200 million three-year RCA and $200 million 364-day RCA, which were each terminated effective March 28, 2005. On May 16, 2005, PEF issued $300 million of First Mortgage Bonds, 4.5% Series due 2010. On July 1, 2005, PEF paid at maturity $45 million of its 6.72% Medium-Term Notes, Series B. On December 13, 2005, PEF issued $450 million of Series A Floating Rate Senior Notes due 2008. See further discussion above in Progress Energy under "Financing Activities."

On July 28, 2005, PEF filed a shelf registration statement with the SEC to provide $1.0 billion of capacity. The registration statement was declared effective on December 23, 2005.

As discussed above in the Progress Energy "Credit Rating Matters," in November 2005, S&P revised PEF's outlook and short-term rating from negative to stable and A-3 to A-2, respectively. The business position for PEF was improved to a `4' (strong). On December 6, 2005, S&P lowered the BBB rating on PEF's senior unsecured notes to BBB-.

PEF expects to have sufficient resources to meet its future obligations either through internally generated funds, its short term-term borrowing facilities or through the issuance of long-term debt or preferred stock.

CASH FLOW DISCUSSION

HISTORICAL FOR 2005 AS COMPARED TO 2004 AND 2004 AS COMPARED TO 2003

Cash from operating activities for 2005 decreased when compared with 2004. The $103 million decrease in operating cash flow was primarily due to a $210 million increase in the under-recovery of fuel costs driven by rising fuel costs and a $32 million increase in working capital needs, partially offset by a $193 million reduction in storm cost spending at PEF in 2005 compared to 2004. The increase in working capital needs for 2005 compared to 2004 was mainly driven by a $50 million increase in the change in receivables, primarily due to increased sales largely driven by rising fuel prices and timing of receipts. In 2005, PEF filed requests with the Florida state commission seeking rate increases for fuel cost recovery, including amounts for previous under-recoveries. PEF also received approval from the FPSC authorizing PEF to recover $245 million over a two-year period, including interest, of the costs it incurred and previously deferred related to PEF's restoration of power to customers associated with the four hurricanes in 2004. See "Future Liquidity and Capital Resources" below and Note 7 for additional information.

PEF's operating cash flow increased by $85 million to $533 million in 2004, due primarily to an increase in deferred taxes from the restoration costs and casualty losses from the hurricanes for tax purposes and recovery of previously under-recovered fuel costs of $204 million, offset by storm costs.

In 2005, cash used in investing activities increased when compared to 2004. The $10 million increase is due primarily to $47 million in nuclear fuel additions, partially offset by $42 million in proceeds from the sale of Winter Park distribution assets in June 2005 (See Note 7C).

PEF's capital expenditures, including nuclear fuel additions, totaled $492 million and $577 million for 2004 and 2003, respectively. These expenditures are primarily for transmission and distribution assets and generating facilities necessary to meet the needs of the utility's growing customer base. Cash used in investing activities was higher in 2003 primarily due to nuclear fuel additions.

In planning for its future generation needs, PEF develops a forecast of annual demand for electricity, including a forecast of the level and duration of peak demands during the year. These forecasts have historically been developed using a 15% reserve margin. The reserve margin is the difference between a company's net system generating capacity and the maximum demand on the system. In December 1999, the FPSC approved a joint proposal by PEF, Florida Power & Light and Tampa Electric Company to increase the reserve margin to 20% by 2004.

In response, PEF constructed additional generating units at the Hines site. Hines Unit 2 was placed into service in December 2003 and Hines Unit 3 was placed into service in November 2005. In addition, PEF received approval to begin construction of a fourth unit at the Hines Energy Complex and ground was broken for the fourth unit on February 2, 2006.

See the discussion above for Progress Energy under "Financing Activities" for information regarding PEF's financing activities.

FUTURE LIQUIDITY AND CAPITAL RESOURCES

At PEF, cash from operations is the primary source of cash for the utility's capital expenditures. PEF's estimated capital requirements for 2006, 2007 and 2008 are approximately $725 million, $740 million and $850 million, respectively, and primarily reflect construction expenditures to support customer growth, add regulated generation, upgrade existing facilities and for environmental control facilities as discussed above in "Capital Expenditures" under Progress Energy.

PEF expects to fund its capital requirements primarily through internally generated funds. In addition, PEF has $450 million in credit facilities that support the issuance of commercial paper. Access to the commercial paper market and the utility money pool provide additional liquidity to help meet PEF's working capital requirements. To the extent necessary, PEF may access the capital markets to meet its liquidity requirements.

The following table shows PEF's total debt to total capitalization ratios at December 31:

	2005	2004
Common stock equity	**48.6%**	48.5%
Preferred stock	**0.6%**	0.7%
Total debt	**50.8%**	50.8%

See the discussion above under Progress Energy and Note 12 for further discussion of PEF's future liquidity and capital resources.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

See Note 23A for information on PEF's contractual obligations at December 31, 2005.

MARKET RISK AND DERIVATIVES

Under its risk management policy, PEF may use a variety of instruments, including swaps, options and forward contracts, to manage exposure to fluctuations in commodity prices and interest rates. See Note 18 and ITEM 7A, "Quantitative and Qualitative Disclosures About Market Risk," for a discussion of market risk and derivatives.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various risks related to changes in market conditions. Market risk represents the potential loss arising from adverse changes in market rates and prices. We have a risk management committee that includes senior executives from various business groups. The risk management committee is responsible for administering risk management policies and monitoring compliance with those policies by all subsidiaries. Under our risk policy, we may use a variety of instruments, including swaps, options and forward contracts, to manage exposure to fluctuations in commodity prices and interest rates. Such instruments contain credit risk to the extent that the counterparty fails to perform under the contract. We mitigate such risk by performing credit reviews using, among other things, publicly available credit ratings of such counterparties (See Note 18).

The following disclosures about market risk contain forward-looking statements that 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. Please review ITEM 1A, "Risk Factors" and "SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS" for a discussion of the factors that may impact any such forward-looking statements made herein.

PROGRESS ENERGY, INC.

Certain market risks are inherent in our financial instruments, which arise from transactions entered into in the normal course of business. Our primary exposures are changes in interest rates with respect to our long-term debt and commercial paper, fluctuations in the return on marketable securities with respect to our nuclear decommissioning trust funds, changes in the market value of CVOs, and changes in energy-related commodity prices.

These financial instruments are held for purposes other than trading. The risks discussed below do not include the price risks associated with nonfinancial instrument transactions and positions associated with our operations, such as purchase and sales commitments and inventory.

INTEREST RATE RISK

From time to time, we use interest rate derivative instruments to adjust the mix between fixed- and floating-rate debt in our debt portfolio, to mitigate our exposure to interest rate fluctuations associated with certain debt instruments, and to hedge interest rates with regard to future fixed-rate debt issuances.

The notional amounts of interest rate derivatives are not exchanged and do not represent exposure to credit loss. In the event of default by a counterparty, the risk in the transaction is the cost of replacing the agreements at current market rates. We enter into interest rate derivative agreements only with banks with credit ratings of single A or better.

We use a number of models and methods to determine interest rate risk exposure and fair value of derivative positions. For reporting purposes, fair values and exposures of derivative positions are determined as of the end of the reporting period using the Bloomberg Financial Markets system.

In accordance with SFAS No. 133, "Accounting for Derivative and Hedging Activities" (SFAS No. 133), interest rate derivatives that qualify as hedges are broken into one of two categories: cash flow hedges or fair value hedges. Cash flow hedges are used to reduce exposure to changes in cash flow due to fluctuating interest rates. Fair value hedges are used to reduce exposure to changes in fair value due to interest rate changes.

The following tables provide information at December 31, 2005 and 2004, about our interest rate risk-sensitive instruments. The tables present principal cash flows and weighted-average interest rates by expected maturity dates for the fixed and variable rate long-term debt and FPC obligated mandatorily redeemable securities of trust. The tables also include estimates of the fair value of our interest rate risk-sensitive instruments based on quoted market prices for these or similar issues. For interest rate swaps and interest rate forward contracts, the tables present notional amounts and weighted-average interest rates by contractual maturity dates for 2006-2010 and thereafter

and the fair value of the related hedges. Notional amounts are used to calculate the contractual cash flows to be exchanged under the interest rate swaps and the settlement amounts under the interest rate forward contracts. See Note 18 for more information on interest rate derivatives.

December 31, 2005 (dollars in millions)	2006	2007	2008	2009	2010	Thereafter	Total	Fair Value December 31, 2005
Fixed-rate long-term debt(a)	$ 513	$ 674	$ 827	$ 401	$ 306	$ 6,611	$ 9,332	$ 9,768
Average interest rate	6.79%	6.41%	6.27%	5.95%	4.53%	6.34%	6.29%	
Variable-rate long-term debt	-	-	$ 450	-	$ 100	$ 861	$ 1,411	$ 1,411
Average interest rate	-	-	4.88%	-	5.03%	3.05%	3.77%	
Debt to affiliated trust(b)	-	-	-	-	-	$ 309	$ 309	$ 312
Interest rate	-	-	-	-	-	7.10%	7.10%	
Interest rate derivatives								
Pay variable/receive fixed	-	-	$ (100)	-	-	$ (50)	$ (150)	$ (2)
Average pay rate	-	-	(c)			(c)	(c)	
Average receive rate	-	-	4.10%	-	-	4.65%	4.28%	
Interest rate forward contracts	-	-	-	-	-	$ 100	$ 100	$ 1
Average pay rate	-	-	-	-	-	4.87%	4.87%	
Average receive rate	-	-	-	-	-	(c)	(c)	

(a) Excludes $397 million in 2006 classified as long-term debt at December 31, 2005.

(b) FPC Capital I - Quarterly Income Preferred Securities.

(c) Rate is 3-month LIBOR, which was 4.54% at December 31, 2005.

At December 31, 2005, we classified $397 million related to the retirement of $800 million of Progress Energy, Inc. 6.75% Senior Notes on March 1, 2006, as long-term debt. Settlement of this obligation is not expected to require the use of working capital in 2006 as we have the intent and ability to refinance this debt on a long-term basis. On January 13, 2006, Progress Energy issued $300 million of 5.625% Senior Notes due 2016 and $100 million of Series A Floating Rate Senior Notes due 2010, receiving net proceeds of $397 million. These senior notes are unsecured.

December 31, 2004 (dollars in millions)	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value December 31, 2004
Fixed-rate long-term debt	$ 349	$ 908	$ 674	$ 827	$ 400	$ 5,399	$ 8,557	$ 9,454
Average interest rate	7.38%	6.78%	6.41%	6.27%	5.95%	6.55%	6.54%	
Variable-rate long-term debt	-	$ 55	-	-	$ 160	$ 861	$ 1,076	$ 1,077
Average interest rate	-	2.95%	-	-	3.19%	1.70%	1.99%	
Debt to affiliated trust(a)	-	-	-	-	-	$ 309	$ 309	$ 312
Interest rate	-	-	-	-	-	7.10%	7.10%	
Interest rate derivatives								
Pay variable/receive fixed	-	-	-	$ (100)	-	$ (50)	$ (150)	$ 3
Average pay rate	-	-	-	(b)	-	(b)	(b)	
Average receive rate	-	-	-	4.10%	-	4.65%	4.28%	
Interest rate forward contracts	$ 200	-	-	-	-	$ 131	$ 331	$ (2)
Average pay rate	3.07%	-	-	-	-	4.90%	3.79%	
Average receive rate	(c)	-	-	-	-	(b)	(b)/(c)	

(b) Rate is 3-month LIBOR, which was 2.56% at December 31, 2004.

(c) Rate is 1-month LIBOR, which was 2.40% at December 31, 2004.

MARKETABLE SECURITIES PRICE RISK

The Utilities maintain trust funds, pursuant to NRC requirements, to fund certain costs of decommissioning their nuclear plants. These funds are primarily invested in stocks, bonds and cash equivalents, which are exposed to price fluctuations in equity markets and to changes in interest rates. At December 31, 2005 and 2004, the fair value of these funds was $1.13 billion and $1.04 billion, respectively, including $640 million and $581 million, respectively, for PEC and $493 million and $463 million, respectively, for PEF. We actively monitor our portfolio by benchmarking the performance of our investments against certain indices and by maintaining, and periodically reviewing, target allocation percentages for various asset classes. The accounting for nuclear decommissioning recognizes that the Utilities' regulated electric rates provide for recovery of these costs net of any trust fund earnings, and, therefore, fluctuations in trust fund marketable security returns do not affect earnings. See Note 13 for further information on the trust fund securities.

CONTINGENT VALUE OBLIGATIONS MARKET VALUE RISK

In connection with the acquisition of FPC, the Parent issued 98.6 million CVOs. Each CVO represents the right of the holder to receive contingent payments based on the performance of four synthetic fuel facilities purchased by subsidiaries of FPC in October 1999. The payments, if any, are based on the net after-tax cash flows the facilities generate. These CVOs are recorded at fair value, and unrealized gains and losses from changes in fair value are recognized in earnings. At December 31, 2005 and 2004, the fair value of these CVOs was $7 million and $13 million, respectively. A hypothetical 10 percent decrease in the December 31, 2005, market price would result in a $1 million decrease in the fair value of the CVOs.

COMMODITY PRICE RISK

We are exposed to the effects of market fluctuations in the price of natural gas, coal, fuel oil, electricity and other energy-related products marketed and purchased as a result of our ownership of energy-related assets. Our exposure to these fluctuations is significantly limited by the cost-based regulation of the Utilities. Each state commission allows electric utilities to recover certain of these costs through various cost recovery clauses to the extent the respective commission determines that such costs are prudent. Therefore, while there may be a delay in the timing between when these costs are incurred and when these costs are recovered from the ratepayers, changes from year to year have no material impact on operating results. In addition, many of our long-term power sales contracts shift substantially all fuel responsibility to the purchaser. We also have oil price risk exposure related to synthetic fuel tax credits (See Note 23D).

We perform sensitivity analyses to estimate our exposure to the market risk of our commodity positions. We exclude the impact of derivative commodity instruments that are recovered through cost-based regulation at PEF from this analysis. A hypothetical 10 percent increase or decrease in commodity market prices in the near term on our derivative commodity instruments would not have had a material effect on our financial position, results of operations or cash flows at December 31, 2005 and 2004.

See Note 18 for additional information with regard to our commodity contracts and use of derivative financial instruments.

ECONOMIC DERIVATIVES

Derivative products, primarily electricity and natural gas contracts, may be entered into from time to time for economic hedging purposes. While management believes the economic hedges mitigate exposures to fluctuations in commodity prices, these instruments are not designated as hedges for accounting purposes and are monitored consistent with trading positions. We manage open positions with strict policies that limit our exposure to market risk and require daily reporting to management of potential financial exposures. Gains and losses from such contracts were not material to our or the Utilities' results of operations during 2005, 2004 and 2003. PEC did not have material outstanding positions in such contracts at December 31, 2005 and 2004. We and PEF did not have material outstanding positions in such contracts at December 31, 2005 and 2004, other than those receiving regulatory accounting treatment at PEF, as discussed below.

PEF has derivative instruments related to its exposure to price fluctuations on fuel oil and natural gas purchases. These instruments receive regulatory accounting treatment. Unrealized gains and losses are recorded in regulatory liabilities and regulatory assets, respectively, until the contracts are settled. Once settled, any realized gains or losses are passed through the fuel clause. At December 31, 2005, the fair values of the instruments were a $77 million short-term derivative asset position included in other current assets, a $45 million long-term derivative asset position included in other assets and deferred debits, and a $6 million long-term derivative liability position included in other liabilities and deferred credits. At December 31, 2004, the fair values of the instruments were a $2 million long-term derivative asset position included in other assets and deferred debits and a $5 million short-term derivative liability position included in other current liabilities.

CASH FLOW HEDGES

We use natural gas and power hedging instruments to manage a portion of the market risk associated with fluctuations in the future purchase and sales prices of natural gas and power. Our subsidiaries designate a portion of commodity derivative instruments as cash flow hedges under SFAS No. 133.

The fair values of commodity cash flow hedges at December 31 were as follows:

	Progress Energy		PEC		PEF	
(in millions)	**2005**	2004	**2005**	2004	**2005**	2004
Fair value of assets	**$ 170**	$ -	**$ 7**	$ -	**$ -**	$ -
Fair value of liabilities	**(58)**	(15)	**(4)**	-	-	-
Fair value, net	**$ 112**	$ (15)	**$ 3**	$ -	**$ -**	$ -

PEC

PEC has certain market risks inherent in its financial instruments, which arise from transactions entered into in the normal course of business. PEC's primary exposures are changes in interest rates with respect to long-term debt and commercial paper, fluctuations in the return on marketable securities with respect to its nuclear decommissioning trust funds, and changes in energy-related commodity prices.

The information required by this item is incorporated herein by reference to the Quantitative and Qualitative Disclosures About Market Risk insofar as it relates to PEC.

INTEREST RATE RISK

The following tables provide information at about PEC's interest rate risk sensitive instruments:

December 31, 2005								**Fair Value December**
(dollars in millions)	**2006**	**2007**	**2008**	**2009**	**2010**	**Thereafter**	**Total**	**31, 2005**
Fixed-rate long-term debt	**$ -**	**$ 200**	**$ 300**	**$ 400**	**$ 6**	**$ 2,165**	**$ 3,071**	**$ 3,169**
Average interest rate	**-**	**6.80%**	**6.65%**	**5.95%**	**6.30%**	**5.79%**	**5.96%**	
Variable-rate long-term debt	**-**	**-**	**-**	**-**	**-**	**$ 620**	**$ 620**	**$ 620**
Average interest rate	**-**	**-**	**-**	**-**	**-**	**3.04%**	**3.04%**	

December 31, 2004								Fair Value December
(dollars in millions)	2005	2006	2007	2008	2009	Thereafter	Total	31, 2004
Fixed-rate long-term debt	$ 300	-	$ 200	$ 300	$ 400	$ 1,249	$ 2,449	$ 2,686
Average interest rate	7.50%	-	6.80%	6.65%	5.95%	6.13%	6.38%	
Variable-rate long-term debt	-	-	-	-	-	$ 620	$ 620	$ 621
Average interest rate	-	-	-	-	-	1.71%	1.71%	
Interest rate forward contracts	-	-	-	-	-	$ 131	$ 131	$ (2)
Average pay rate	-	-	-	-	-	4.90%	4.90%	
Average receive rate	-	-	-	-	-	(a)	(a)	

(a) Rate is 3-month LIBOR, which was 2.56% at December 31, 2004.

COMMODITY PRICE RISK

PEC is exposed to the effects of market fluctuations in the price of natural gas, coal, fuel oil, electricity and other energy-related products marketed and purchased as a result of its ownership of energy-related assets. PEC's exposure to these fluctuations is significantly limited by cost-based regulation. Each state commission allows electric utilities to recover certain of these costs through various cost recovery clauses to the extent the respective commission determines that such costs are prudent. Therefore, while there may be a delay in the timing between when these costs are incurred and when these costs are recovered from the ratepayers, changes from year to year have no material impact on operating results. PEC may engage in limited economic hedging activity using natural gas and electricity financial instruments. See "Commodity Price Risk" discussion under Progress Energy above and Note 18 for additional information with regard to PEC's commodity contracts and use of derivative financial instruments.

PEF

PEF has certain market risks inherent in its financial instruments, which arise from transactions entered into in the normal course of business. PEF's primary exposures are changes in interest rates with respect to long-term debt and commercial paper, fluctuations in the return on marketable securities with respect to its nuclear decommissioning trust funds, and changes in energy-related commodity prices.

The information required by this item is incorporated herein by reference to the Quantitative and Qualitative Disclosures About Market Risk insofar as it relates to PEF.

INTEREST RATE RISK

The following tables provide information at about PEF's interest rate risk sensitive instruments:

December 31, 2005								**Fair Value December 31,**
(dollars in millions)	**2006**	**2007**	**2008**	**2009**	**2010**	**Thereafter**	**Total**	**2005**
Fixed-rate long-term debt	**$ 48**	**$ 89**	**$ 82**	**-**	**$ 300**	**$ 1,400**	**$ 1,919**	**$ 1,944**
Average interest rate	**6.76%**	**6.80%**	**6.87%**	**-**	**4.50%**	**5.65%**	**5.60%**	
Variable-rate long-term debt	**-**	**-**	**$ 450**	**-**	**-**	**$ 241**	**$ 691**	**$ 691**
Average interest rate	**-**	**-**	**4.88%**	**-**	**-**	**3.07%**	**4.25%**	

December 31, 2004								Fair Value December 31,
(dollars in millions)	2005	2006	2007	2008	2009	Thereafter	Total	2004
Fixed-rate long-term debt	$ 48	$ 48	$ 89	$ 82	-	$ 1,400	$ 1,667	$ 1,784
Average interest rate	6.72%	6.76%	6.80%	6.87%	-	5.65%	5.83%	
Variable-rate long-term debt	-	$ 55	-	-	-	$ 241	$ 296	$ 296
Average interest rate	-	2.95%	-	-	-	1.67%	1.91%	

COMMODITY PRICE RISK

PEF is exposed to the effects of market fluctuations in the price of natural gas, coal, fuel oil, electricity and other energy-related products marketed and purchased as a result of its ownership of energy-related assets. PEF's exposure to these fluctuations is significantly limited by its cost-based regulation. The FPSC allows PEF to recover certain fuel and purchased power costs to the extent the FPSC determines that such costs are prudent. Therefore, while there may be a delay in the timing between when these costs are incurred and when these costs are recovered from the ratepayers, changes from year to year have no material impact on operating results. See "Commodity Price Risk" discussion under Progress Energy above and Note 18 for additional information with regard to PEF's commodity contracts and use of derivative financial instruments.

The following financial statements, supplementary data and financial statement schedules are included herein:

Progress Energy, Inc.
Reports of Independent Registered Public Accounting Firm
Consolidated Statements of Income for the Years Ended December 31, 2005, 2004 and 2003
Consolidated Balance Sheets at December 31, 2005 and 2004
Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003
Consolidated Statements of Changes in Common Stock Equity for the Years Ended December 31, 2005, 2004 and 2003
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2005, 2004 and 2003

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (PEC)
Reports of Independent Registered Public Accounting Firm
Consolidated Statements of Income for the Years Ended December 31, 2005, 2004 and 2003
Consolidated Balance Sheets at December 31, 2005 and 2004
Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003
Consolidated Statements of Changes in Common Stock Equity for the Years Ended December 31, 2005, 2004 and 2003
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2005, 2004 and 2003

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (PEF)
Reports of Independent Registered Public Accounting Firm
Statements of Income for the Years Ended December 31, 2005, 2004 and 2003
Balance Sheets at December 31, 2005 and 2004
Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003
Statements of Changes in Common Stock Equity for the Years Ended December 31, 2005, 2004 and 2003
Statements of Comprehensive Income for the Years Ended December 31, 2005, 2004 and 2003

Combined Notes to the Financial Statements for Progress Energy, Inc., Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. and Florida Power Corporation d/b/a Progress Energy Florida, Inc.

Note 1 - Organization and Summary of Significant Accounting Policies
Note 2 - New Accounting Standards
Note 3 - Divestitures
Note 4 - Acquisitions and Business Combinations
Note 5 - Property, Plant and Equipment
Note 6 - Current Assets
Note 7 - Regulatory Matters
Note 8 - Goodwill and Other Intangible Assets
Note 9 - Impairments of Long-Lived Assets and Investments
Note 10 - Equity
Note 11 - Preferred Stock of Subsidiaries - Not Subject to Mandatory Redemption
Note 12 - Debt and Credit Facilities
Note 13 - Investments and Fair Value of Financial Instruments
Note 14 - Income Taxes

Note 15 - Contingent Value Obligations
Note 16 - Benefit Plans
Note 17 - Severance
Note 18 - Risk Management Activities and Derivatives Transactions
Note 19 - Related Party Transactions
Note 20 - Financial Information by Business Segment
Note 21 - Other Income and Other Expense
Note 22 - Environmental Matters
Note 23 - Commitments and Contingencies
Note 24 - Condensed Consolidating Statements
Note 25 - Subsequent Event
Note 26 - Quarterly Financial Data (Unaudited)

Each of the preceding combined notes to the financial statements of the Progress Registrants are applicable to Progress Energy, Inc. but not to each of PEC and PEF. The following table sets forth which notes are applicable to each of PEC and PEF.

Registrant	Applicable Notes
PEC	1, 2, 5 through 10, 12 through 14, 16 through 23 and 26
PEF	1 through 10, 12 through 14, 16 through 23 and 26

Consolidated Financial Statement Schedules for the Years Ended December 31, 2005, 2004 and 2003:

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule - Progress Energy, Inc.
Schedule II - Valuation and Qualifying Accounts - Progress Energy, Inc.
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule - Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.
Schedule II - Valuation and Qualifying Accounts - Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule - Florida Power Corporation d/b/a Progress Energy Florida, Inc.
Schedule II - Valuation and Qualifying Accounts - Florida Power Corporation d/b/a Progress Energy Florida, Inc.

All other schedules have been omitted as not applicable or are not required because the information required to be shown is included in the Financial Statements or the Combined Notes to the Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF PROGRESS ENERGY, INC.

We have audited the accompanying consolidated balance sheets of Progress Energy, Inc., and its subsidiaries (the Company) at December 31, 2005 and 2004, and the related consolidated statements of income, comprehensive income, changes in common stock equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 and Note 18 to the consolidated financial statements, in 2005 the Company adopted Statement of Financial Accounting Standards No. 123R and Financial Accounting Standards Board Interpretation No. 47 and in 2003 the Company adopted Statement of Financial Accounting Standards No. 143 and Derivatives Implementation Group Issue C20.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting at December 31, 2005, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 6, 2006, expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 6, 2006

PROGRESS ENERGY, INC.
CONSOLIDATED STATEMENTS of INCOME

(in millions except per share data)

Years ended December 31	2005	2004	2003
Operating revenues			
Electric	$7,945	$7,153	$ 6,741
Diversified business	2,163	1,372	1,058
Total operating revenues	10,108	8,525	7,799
Operating expenses			
Utility			
Fuel used in electric generation	2,359	2,011	1,695
Purchased power	1,048	868	862
Operation and maintenance	1,770	1,475	1,421
Depreciation and amortization	922	878	883
Taxes other than on income	460	425	405
Other	(37)	(13)	(8)
Diversified business			
Cost of sales	2,075	1,179	929
Depreciation and amortization	152	157	126
(Gain)/loss on the sale of assets	(34)	(63)	1
Other	108	164	141
Total operating expenses	8,823	7,081	6,455
Operating income	1,285	1,444	1,344
Other income (expense)			
Interest income	17	14	11
Impairment of investments	(1)	-	(21)
Other, net	(5)	(12)	(27)
Total other income (expense)	11	2	(37)
Interest charges			
Net interest charges	653	634	614
Allowance for borrowed funds used during construction	(13)	(6)	(7)
Total interest charges, net	640	628	607
Income from continuing operations before income tax and minority interest	656	818	700
Income tax (benefit) expense	(45)	106	(113)
Income from continuing operations before minority interest	701	712	813
Minority interest in subsidiaries' loss, net of tax	(26)	(17)	2
Income from continuing operations	727	729	811
Discontinued operations, net of tax	(31)	30	(5)
Cumulative effect of changes in accounting principles, net of tax	1	-	(24)
Net income	$697	$759	$782
Average common shares outstanding - basic	247	242	237
Basic earnings per common share			
Income from continuing operations	$2.95	$3.01	$3.42
Discontinued operations, net of tax	(0.13)	0.12	(0.02)
Cumulative effect of changes in accounting principles, net of tax	-	-	(0.10)
Net income	$2.82	$3.13	$3.30
Diluted earnings per common share			
Net income	$2.82	$3.12	$3.28
Dividends declared per common share	$2.38	$2.32	$2.26

See Notes to Progress Energy, Inc. Consolidated Financial Statements.

PROGRESS ENERGY, INC.
CONSOLIDATED BALANCE SHEETS

(in millions)

December 31	**2005**	2004
ASSETS		
Utility plant		
Utility plant in service	**$ 22,940**	$ 22,103
Accumulated depreciation	**(9,602)**	(8,783)
Utility plant in service, net	**13,338**	13,320
Held for future use	**12**	13
Construction work in progress	**813**	799
Nuclear fuel, net of amortization	**279**	231
Total utility plant, net	**14,442**	14,363
Current assets		
Cash and cash equivalents	**606**	56
Short-term investments	**191**	82
Receivables, net	**1,103**	896
Inventory	**866**	822
Deferred fuel cost	**602**	229
Deferred income taxes	**50**	112
Assets of discontinued operations	**109**	685
Prepayments and other current assets	**211**	150
Total current assets	**3,738**	3,032
Deferred debits and other assets		
Regulatory assets	**854**	1,064
Nuclear decommissioning trust funds	**1,133**	1,044
Diversified business property, net	**1,880**	1,773
Miscellaneous other property and investments	**477**	444
Goodwill	**3,719**	3,719
Prepaid pension costs	**-**	42
Intangibles, net	**302**	336
Other assets and deferred debits	**478**	227
Total deferred debits and other assets	**8,843**	8,649
Total assets	**$ 27,023**	$ 26,044
CAPITALIZATION AND LIABILITIES		
Common stock equity		
Common stock without par value, 500 million shares authorized, 252 and 247 million shares issued and outstanding, respectively	**$ 5,571**	$ 5,360
Unearned restricted shares (1 million shares) (Note 10B)	**-**	(13)
Unearned ESOP shares (3 and 3 million shares, respectively)	**(63)**	(76)
Accumulated other comprehensive loss	**(104)**	(164)
Retained earnings	**2,634**	2,526
Total common stock equity	**8,038**	7,633
Preferred stock of subsidiaries - not subject to mandatory redemption	**93**	93
Minority interest	**43**	36
Long-term debt, affiliate	**270**	270
Long-term debt, net	**10,176**	9,251
Total capitalization	**18,620**	17,283
Current liabilities		
Current portion of long-term debt	**513**	349
Customer deposits	**200**	180
Liabilities of discontinued operations	**40**	186
Other current liabilities	**879**	695
Total current liabilities	**2,845**	3,083

Deferred credits and other liabilities		
Noncurrent income tax liabilities	**278**	648
Accumulated deferred investment tax credits	**163**	176
Regulatory liabilities	**2,527**	2,654
Asset retirement obligations	**1,249**	1,265
Accrued pension and other benefits	**870**	633
Other liabilities and deferred credits	**471**	302
Total deferred credits and other liabilities	**5,558**	5,678
Commitments and contingencies (Notes 22 and 23)		
Total capitalization and liabilities	**$ 27,023**	$ 26,044

See Notes to Progress Energy, Inc. Consolidated Financial Statements.

PROGRESS ENERGY, INC.
CONSOLIDATED STATEMENTS of CASH FLOWS

(in millions)

Years ended December 31	**2005**	2004	2003
Operating activities			
Net income	**$ 697**	$ 759	$ 782
Adjustments to reconcile net income to net cash provided by operating activities			
Loss (income) from discontinued operations	**31**	(30)	5
Gain on sale of operating assets	**(71)**	(76)	(7)
Impairment of long-lived assets and investments	**1**	-	21
Cumulative effect of changes in accounting principles, net	**(1)**	-	24
Charges for voluntary enhanced retirement program	**159**	-	-
Depreciation and amortization	**1,195**	1,153	1,110
Deferred income taxes	**(351)**	(65)	(304)
Investment tax credit	**(13)**	(14)	(16)
Deferred fuel credit	**(317)**	(19)	(133)
Other adjustments to net income	**160**	125	89
Cash provided (used) by changes in operating assets and liabilities			
Receivables	**(187)**	(4)	(136)
Inventories	**(143)**	(90)	(26)
Prepayments and other current assets	**(20)**	2	37
Accounts payable	**145**	(21)	11
Other current liabilities	**213**	80	119
Regulatory assets and liabilities	**(74)**	(234)	26
Other operating activities	**50**	(1)	(14)
Net cash provided by operating activities	1,474	1,565	1,588
Investing activities			
Gross utility property additions	**(1,080)**	(998)	(972)
Diversified business property additions	**(206)**	(169)	(448)
Nuclear fuel additions	**(126)**	(101)	(117)
Proceeds from sales of discontinued operations and other assets, net of cash divested	**475**	373	579
Purchases of available-for-sale securities and other investments	**(3,985)**	(3,134)	(3,792)
Proceeds from sales of available-for-sale securities and other investments	**3,845**	3,248	3,529
Acquisition of intangibles	**(3)**	(1)	(200)
Other investing activities	**(37)**	(29)	5
Net cash used in investing activities	(1,117)	(811)	(1,416)
Financing activities			
Issuance of common stock	**208**	73	304
Proceeds from issuance of long-term debt, net	**1,642**	421	1,539
Net (decrease) increase in short-term indebtedness	**(509)**	680	(696)
Retirement of long-term debt	**(564)**	(1,353)	(810)
Dividends paid on common stock	**(582)**	(558)	(541)
Other financing activities	**32**	6	16
Net cash provided (used) by financing activities	227	(731)	(188)
Cash (used) provided by discontinued operations			
Operating activities	**(13)**	44	123
Investing activities	**(21)**	(46)	(126)
Financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	**$ 550**	$ 21	$ (19)
Cash paid during the year - interest (net of amount capitalized)	**$ 168**	$ 189	$ 177
income taxes (net of refunds)			

See Notes to Progress Energy, Inc. Consolidated Financial Statements.

PROGRESS ENERGY, INC.

CONSOLIDATED STATEMENTS of CHANGES in COMMON STOCK EQUITY

(in millions except per share data)	Common Stock Outstanding Shares	Amount	Unearned Restricted Shares	Unearned ESOP Shares	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Common Stock Equity
Balance, December 31, 2002	238	$ 4,951	$ (21)	$ (102)	$ (238)	$ 2,087	$ 6,677
Net income		-	-	-	-	782	782
Other comprehensive income		-	-	-	188	-	188
Comprehensive income							970
Issuance of shares	8	305	-	-	-	-	305
Stock options exercised		4	-	-	-	-	4
Purchase of restricted stock		(1)	(7)	-	-	-	(8)
Restricted stock expense recognition	-	-	10	-	-	-	10
Cancellation of restricted shares		(1)	1	-	-	--	
Allocation of ESOP shares		12	-	13	-	-	25
Dividends ($2.26 per share)		-	-	-	-	(539)	(539)
Balance, December 31, 2003	246	5,270	(17)	(89)	(50)	2,330	7,444
Net income		-	-	-	-	759	759
Other comprehensive loss		-	-	-	(114)	-	(114)
Comprehensive income							645
Issuance of shares	1	62	-	-	-	-	62
Stock options exercised		18	-	-	-	-	18
Purchase of restricted stock		-	(7)	-	-	-	(7)
Restricted stock expense recognition		-	7	-	-	-	7
Cancellation of restricted shares		(4)	4	-	-	-	-
Allocation of ESOP shares		14	-	13	-	-	27
Dividends ($2.32 per share)		-	-	-	-	(563)	(563)
Balance, December 31, 2004	**247**	**5,360**	**(13)**	**(76)**	**(164)**	**2,526**	**7,633**
Net income		-	-	-	-	**697**	**697**
Other comprehensive income		-	-	-	**60**	-	**60**
Comprehensive income							**757**
Issuance of shares	**5**	**199**	-	-	-	-	**199**
Presentation reclassification - SFAS 123R adoption		**(13)**	**13**	-	-	-	-
Stock options exercised		**8**	-	-	-	-	**8**
Purchase of restricted stock		**(8)**	-	-	-	-	**(8)**
Restricted stock expense recognition		**3**	-	-	-	-	**3**
Allocation of ESOP shares		**12**	-	**13**	-	-	**25**
Stock-based compensation expense		**10**	-	-	-	-	**10**
Dividends ($2.38 per share)		-	-	-	-	**(589)**	**(589)**
Balance, December 31, 2005	**252**	**$ 5,571**	**$ -**	**$ (63)**	**$ (104)**	**$ 2,634**	**$ 8,038**

PROGRESS ENERGY, INC.

CONSOLIDATED STATEMENTS of COMPREHENSIVE INCOME

(in millions) Years ended December 31	**2005**	2004	2003
Net income	**$ 697**	$ 759	$ 782
Foreign currency translation adjustments included in discontinued operations	**(6)**	-	-
Minimum pension liability adjustment included in discontinued operations (net of tax expense of $1)	1	-	-
Changes in net unrealized losses on cash flow hedges (net of tax (expense)			

benefit of ($26), $10 and $7, respectively)	**37**	(18)	(12)
Reclassification of minimum pension liability to regulatory assets (net of tax expense of $2)	-	4	-
Minimum pension liability adjustment (net of tax benefit (expense) of $22, $78 and ($112), respectively)	**(19)**	(130)	177
Foreign currency translation and other (net of tax expense of $1, $- and $-, respectively)	**1**	4	4
Other comprehensive income (loss)	**60**	(114)	188
Comprehensive income	**$ 757**	$ 645	$ 970

See Notes to Progress Energy, Inc. Consolidated Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC.:

We have audited the accompanying consolidated balance sheets of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc., and its subsidiaries (PEC) at December 31, 2005 and 2004, and the related consolidated statements of income, changes in common stock equity, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of PEC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. PEC is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PEC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of PEC at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 and Note 18 to the consolidated financial statements, in 2005 PEC adopted Statement of Financial Accounting Standards No. 123R and Financial Accounting Standards Board Interpretation No. 47 and in 2003 PEC adopted Statement of Financial Accounting Standards No. 143 and Derivatives Implementation Group Issue C20.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 6, 2006

CONSOLIDATED STATEMENTS of INCOME

(in millions)

Years ended December 31	2005	2004	2003
Operating revenues			
Electric	**$ 3,990**	$ 3,628	$ 3,589
Diversified businesses	**1**	1	11
Total operating revenues	**3,991**	3,629	3,600
Operating expenses			
Fuel used in electric generation	**1,036**	836	825
Purchased power	**354**	301	296
Operation and maintenance	**941**	871	782
Depreciation and amortization	**561**	570	562
Taxes other than on income	**178**	173	162
Other	**(11)**	(12)	(8)
Diversified businesses	**1**	1	4
Total operating expenses	**3,060**	2,740	2,623
Operating income	**931**	889	977
Other income (expense)			
Interest income	**8**	4	6
Impairment of investments	**(1)**	-	(21)
Other, net	**(14)**	(1)	(19)
Total other (expense) income	**(7)**	3	(34)
Interest charges			
Interest charges	**197**	195	198
Allowance for borrowed funds used during construction	**(5)**	(3)	(1)
Total interest charges, net	**192**	192	197
Income before income taxes and cumulative effect of changes in accounting principles	**732**	700	746
Income tax expense	**239**	239	241
Income before cumulative effect of changes in accounting principles	**493**	461	505
Cumulative effect of changes in accounting principles, net of tax	**-**	-	(23)
Net income	**493**	461	482
Preferred stock dividend requirement	**3**	3	3
Earnings for common stock	**$ 490**	$ 458	$ 479

See Notes to PEC Consolidated Financial Statements.

CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC.
CONSOLIDATED BALANCE SHEETS

(in millions) December 31	2005	2004
ASSETS		
Utility plant		
Utility plant in service	$ 13,994	$ 13,521
Accumulated depreciation	(6,120)	(5,806)
Utility plant in service, net	7,874	7,715
Held for future use	3	5
Construction work in progress	399	379
Nuclear fuel, net of amortization	203	186
Total utility plant, net	8,479	8,285
Current assets		
Cash and cash equivalents	125	18
Short-term investments	191	82
Receivables, net	518	397
Receivables from affiliated companies	24	20
Inventory	451	401
Deferred fuel cost	261	140
Income taxes receivable	-	59
Prepayments and other current assets	20	65
Total current assets	1,590	1,182
Deferred debits and other assets		
Regulatory assets	421	473
Nuclear decommissioning trust funds	640	581
Miscellaneous other property and investments	188	158
Other assets and deferred debits	184	108
Total deferred debits and other assets	1,433	1,320
Total assets	$ 11,502	$ 10,787
CAPITALIZATION AND LIABILITIES		
Common stock equity		
Common stock without par value, authorized 200 million shares, 160 million shares issued and outstanding at December 31	$ 1,981	$ 1,975
Unearned ESOP common stock	(63)	(76)
Accumulated other comprehensive loss	(120)	(114)
Retained earnings	1,320	1,287
Total common stock equity	3,118	3,072
Preferred stock - not subject to mandatory redemption	59	59
Long-term debt, net	3,667	2,750
Total capitalization	6,844	5,881
Current liabilities		
Current portion of long-term debt	-	300
Accounts payable	247	254
Payables to affiliated companies	73	83
Notes payable to affiliated companies	11	116
Interest accrued	73	77
Short-term obligations	73	221
Customer deposits	52	45
Taxes accrued	100	-
Current portion of unearned revenue	70	-
Other current liabilities	185	179
Total current liabilities	884	1,275
Deferred credits and other liabilities		
Accrued pension and other benefits	511	428
Other liabilities and deferred credits	171	96
Total deferred credits and other liabilities	3,774	3,631
Commitments and contingencies (Notes 22 and 23)		

Total capitalization and liabilities	**$ 11,502**	$ 10,787

See Notes to PEC Consolidated Financial Statements.

CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC.

CONSOLIDATED STATEMENTS of CASH FLOWS

(in millions) Years Ended December 31	**2005**	2004	2003
Operating activities			
Net income	**$ 493**	$ 461	$ 482
Adjustments to reconcile net income to net cash provided by operating activities			
Impairment of long-lived assets and investments	**1**	-	21
Charges for voluntary enhanced retirement program	**42**	-	-
Depreciation and amortization	**644**	658	654
Cumulative effect of changes in accounting principles, net	**-**	-	23
Deferred income taxes	**(142)**	(19)	(69)
Investment tax credit	**(8)**	(7)	(10)
Deferred fuel (credit) cost	**(144)**	(56)	33
Other adjustments to net income	**68**	50	44
Cash provided (used) by changes in operating assets and liabilities			
Receivables	**(111)**	(4)	10
Receivables from affiliated companies	**11**	15	28
Inventories	**(91)**	(22)	(17)
Prepayments and other current assets	**9**	17	17
Accounts payable	**9**	34	(56)
Payables to affiliated companies	**(13)**	(53)	24
Other current liabilities	**239**	11	58
Regulatory assets and liabilities	**2**	9	27
Other operating activities	**23**	(18)	(36)
Net cash provided by operating activities	**1,032**	1,076	1,233
Investing activities			
Gross utility property additions	**(603)**	(519)	(445)
Proceeds from sale of assets	**14**	25	28
Nuclear fuel additions	**(79)**	(101)	(66)
Purchases of available-for-sale securities and other investments	**(1,832)**	(2,479)	(3,257)
Proceeds from sales of available-for-sale securities and other investments	**1,692**	2,592	3,000
Changes in advances to affiliates	**-**	-	50
Other investing activities	**(3)**	(3)	(2)
Net cash used in investing activities	**(811)**	(485)	(692)
Financing activities			
Proceeds from issuance of long-term debt, net	**898**	-	588
Net (decrease) increase in short-term obligations	**(148)**	217	(437)
Changes in advances from affiliates	**(105)**	91	24
Retirement of long-term debt	**(300)**	(339)	(276)
Dividends paid to parent	**(457)**	(551)	(443)
Dividends paid on preferred stock	**(3)**	(3)	(3)
Other financing activities	**1**	-	-
Net cash used in financing activities	**(114)**	(585)	(547)
Net increase (decrease) in cash and cash equivalents	**107**	6	(6)
Cash and cash equivalents at beginning of year	**18**	12	18
Cash and cash equivalents at end of year	**$ 125**	$ 18	$ 12
Supplemental disclosures of cash flow information			
Cash paid during the year - interest (net of amount capitalized)	**$ 185**	$ 185	$ 180
income taxes (net of refunds)	**$ 222**	$ 286	$ 296

See Notes to PEC Consolidated Financial Statements.

CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC.
CONSOLIDATED STATEMENTS of CHANGES in COMMON STOCK EQUITY

(in millions except shares outstanding)	Common Stock Outstanding Shares	Amount	Unearned ESOP Shares	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Common Stock Equity
Balance, December 31, 2002	160	$ 1,930	$ (102)	$ (83)	$ 1,344	$ 3,089
Net income		-	-	-	482	482
Other comprehensive income		-	-	76	-	76
Comprehensive income						558
Equity contribution from parent		3	-	-	-	3
Allocation of ESOP shares		20	13	-	-	33
Preferred stock dividends at stated rates		-	-	-	(3)	(3)
Dividends paid to parent		-	-	-	(443)	(443)
Balance, December 31, 2003	160	1,953	(89)	(7)	1,380	3,237
Net income		-	-	-	461	461
Other comprehensive loss		-	-	(107)	-	(107)
Comprehensive income						354
Allocation of ESOP shares		22	13	-	-	35
Preferred stock dividends at stated rates		-	-	-	(3)	(3)
Dividends paid to parent		-	-	-	(551)	(551)
Balance, December 31, 2004	160	1,975	(76)	(114)	1,287	3,072
Net income		-	-	-	493	493
Other comprehensive loss		-	-	(6)	-	(6)
Comprehensive income						487
Stock-based compensation expense		3	-	-	-	3
Allocation of ESOP shares		20	13	-	-	33
Noncash dividend to parent		(17)	-	-	-	(17)
Preferred stock dividends at stated rates		-	-	-	(3)	(3)
Dividends paid to parent		-	-	-	(457)	(457)
Balance, December 31, 2005	160	$ 1,981	$ (63)	(120)	$ 1,320	$ 3,118

CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC.
CONSOLIDATED STATEMENTS of COMPREHENSIVE INCOME

(in millions) Years ended December 31	2005	2004	2003
Net income	**$ 493**	$ 461	$ 482
Other comprehensive income (loss)			
Changes in net unrealized losses on cash flow hedges (net of tax (expense) benefit of ($2), $1 and ($1), respectively)	**3**	(1)	3
Reclassification adjustment for amounts included in net income (net of tax expense of $-)	**1**	-	1
Minimum pension liability adjustment (net of tax benefit (expense) of $7, $68 and ($47), respectively)	**(12)**	(106)	72
Other (net of tax expense of $1)	**2**	-	-
Other comprehensive (loss) income	**(6)**	(107)	76

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDER OF FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC.:

We have audited the accompanying balance sheets of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (PEF) at December 31, 2005 and 2004, and the related statements of income, changes in common stock equity, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of PEF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. PEF is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PEF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of PEF at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2005 PEF adopted Statement of Financial Accounting Standards No. 123R and Financial Accounting Standards Board Interpretation No. 47 and in 2003 PEF adopted Statement of Financial Accounting Standards No. 143.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 6, 2006

FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA
STATEMENTS of INCOME

(in millions)

Years ended December 31	2005	2004	2003
Operating revenues	**$3,955**	$ 3,525	$ 3,152
Operating expenses			
Fuel used in electric generation	**1,323**	1,175	870
Purchased power	**694**	567	566
Operation and maintenance	**852**	630	640
Depreciation and amortization	**334**	281	307
Taxes other than on income	**279**	254	241
Other	**(26)**	(2)	-
Total operating expenses	**3,456**	2,905	2,624
Operating income	**499**	620	528
Other income			
Interest income	**1**	-	-
Other, net	**7**	3	7
Total other income	**8**	3	7
Interest charges			
Interest charges	**134**	117	97
Allowance for borrowed funds used during construction	**(8)**	(3)	(6)
Total interest charges, net	**126**	114	91
Income before income taxes	**381**	509	444
Income tax expense	**121**	174	147
Net income	**260**	335	297
Preferred stock dividend requirement	**2**	2	2
Earnings for common stock	**$ 258**	$ 333	$ 295

See Notes to PEF Financial Statements.

FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA
BALANCE SHEETS

(in millions)

December 31	2005	2004
ASSETS		
Utility plant		
Utility plant in service	$ 8,756	$ 8,387
Accumulated depreciation	(3,434)	(2,978)
Utility plant in service, net	5,322	5,409
Held for future use	9	8
Construction work in progress	414	420
Nuclear fuel, net of amortization	76	45
Total utility plant, net	5,821	5,882
Current assets		
Cash and cash equivalents	218	12
Receivables, net	331	266
Receivables from affiliated companies	11	16
Deferred income taxes	12	42
Inventory	311	290
Deferred fuel cost	341	89
Derivative assets	77	-
Prepayments and other current assets	23	1
Total current assets	1,324	716
Deferred debits and other assets		
Regulatory assets	351	524
Debt issuance costs	22	21
Nuclear decommissioning trust funds	493	463
Miscellaneous other property and investments	47	46
Prepaid pension cost	200	234
Other assets and deferred debits	60	38
Total deferred debits and other assets	1,173	1,326
Total assets	$ 8,318	$ 7,924
CAPITALIZATION AND LIABILITIES		
Common stock equity		
Common stock without par value, 60 million shares authorized, 100 shares issued and outstanding	$ 1,097	$ 1,081
Retained earnings	1,498	1,240
Total common stock equity	2,595	2,321
Preferred stock - not subject to mandatory redemption	34	34
Long-term debt, net	2,554	1,912
Total capitalization	5,183	4,267
Current liabilities		
Current portion of long-term debt	48	48
Accounts payable	237	262
Payables to affiliated companies	101	80
Notes payable to affiliated companies	13	178
Short-term obligations	102	293
Customer deposits	148	135
Interest accrued	42	46
Other current liabilities	101	115
Total current liabilities	792	1,157
Deferred credits and other liabilities		
Noncurrent income tax liabilities	433	489
Accumulated deferred investment tax credits	30	35
Other deferred liabilities	1,189	1,360
Total deferred credits and other liabilities		
Commitments and contingencies (Notes 22 and 23)		
Total capitalization and liabilities	$ 8,318	$ 7,924

See Notes to PEF Financial Statements.

FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA
STATEMENTS of CASH FLOWS

(in millions)

Years ended December 31	**2005**	2004	2003
Operating activities			
Net income	**$ 260**	$ 335	$ 297
Adjustments to reconcile net income to net cash provided by operating activities			
Gain on sale of operating assets	**(26)**	(1)	-
Charges for voluntary enhanced retirement program	**92**	-	-
Depreciation and amortization	**367**	310	314
Deferred income taxes and investment tax credits, net	**(50)**	110	(25)
Deferred fuel (credit) cost	**(173)**	37	(167)
Other adjustments to net income	**45**	(13)	(4)
Cash provided (used) by changes in operating assets and liabilities			
Receivables	**(70)**	(20)	(7)
Receivables from affiliated companies	**4**	(8)	36
Inventories	**(34)**	(36)	(32)
Prepayments and other current assets	**(22)**	2	-
Accounts payable	**52**	13	12
Payables to affiliated companies	**21**	14	(7)
Other current liabilities	**(7)**	11	35
Regulatory assets and liabilities	**(76)**	(243)	(1)
Other operating activities	**47**	22	(3)
Net cash provided by operating activities	**430**	533	448
Investing activities			
Gross utility property additions	**(496)**	(492)	(526)
Nuclear fuel additions	**(47)**	-	(51)
Proceeds from sale of assets	**43**	-	1
Purchases of available-for-sale securities and other investments	**(405)**	(569)	(441)
Proceeds from sale of available-for-sale securities and other investments	**405**	569	441
Other investing activities	**(6)**	(4)	(2)
Net cash used in investing activities	**(506)**	(496)	(578)
Financing activities			
Proceeds from issuance of long-term debt, net	**744**	56	935
Net (decrease) increase in short-term obligations	**(191)**	293	(258)
Retirement of long-term debt	**(102)**	(43)	(476)
Changes in advances from affiliates	**(165)**	(185)	126
Dividends paid to parent	**-**	(155)	(203)
Dividends paid on preferred stock	**(2)**	(2)	(2)
Other financing activities	**(2)**	1	2
Net cash provided (used) by financing activities	**282**	(35)	124
Net increase (decrease) in cash and cash equivalents	**206**	2	(6)
Cash and cash equivalents at beginning of year	**12**	10	16
Cash and cash equivalents at end of year	**$ 218**	$ 12	$ 10
Supplemental disclosures of cash flow information			
Cash paid during the year - interest (net of amount capitalized)	**$ 131**	$ 118	$ 104
income taxes (net of refunds)	**$ 185**	$ 57	$ 177

See Notes to PEF Financial Statements.

FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA
STATEMENTS of CHANGES in COMMON STOCK EQUITY

(in millions except shares outstanding)	Common Stock Outstanding Shares	Amount	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Common Stock Equity
Balance, December 31, 2002	100	$ 1,081	$ (3)	$ 970	$ 2,048
Net income		-	-	297	297
Other comprehensive loss		-	(1)	-	(1)
Comprehensive income					296
Preferred stock dividends at stated rates		-	-	(2)	(2)
Dividends paid to parent		-	-	(203)	(203)
Balance, December 31, 2003	100	1,081	(4)	$ 1,062	2,139
Net income		-	-	335	335
Other comprehensive income		-	4	-	4
Comprehensive income					339
Preferred stock dividends at stated rates		-	-	(2)	(2)
Dividends paid to parent		-	-	(155)	(155)
Balance, December 31, 2004	**100**	**1,081**	**-**	**1,240**	**2,321**
Net income		-	-	**260**	**260**
Comprehensive income					**260**
Stock-based compensation expense		**1**	-	-	**1**
Noncash contribution from parent		**15**	-	-	**15**
Preferred stock dividends at stated rates		-	-	**(2)**	**(2)**
Balance, December 31, 2005	**100**	**$ 1,097**	**$ -**	**$ 1,498**	**$ 2,595**

FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA
STATEMENTS of COMPREHENSIVE INCOME

(in millions) Years ended December 31	**2005**	2004	2003
Net income	**$ 260**	$ 335	$ 297
Other comprehensive income (loss)			
Reclassification of minimum pension liability to regulatory assets (net of tax expense of $2)	-	4	-
Minimum pension liability adjustment (net of tax benefit of $1)	-	-	(1)
Other comprehensive income (loss)	-	4	(1)
Comprehensive income	**$ 260**	$ 339	$ 296

See Notes to PEF Financial Statements.

In this report, Progress Energy [which includes Progress Energy, Inc. holding company (the Parent) and its regulated and nonregulated subsidiaries on a consolidated basis] is at times referred to as "we," "us" or "our." When discussing Progress Energy's financial information, it necessarily includes the results of PEC and PEF (collectively, the Utilities). The term "Progress Registrants" refers to each of the three separate registrants: Progress Energy, PEC and PEF. The information in these combined notes relates to each of the Progress Registrants as noted in the Index to the Combined Notes. However, neither of the Utilities makes any representation as to information related solely to Progress Energy or the subsidiaries of Progress Energy other than itself.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Progress Energy, Inc.

The Parent is a holding company headquartered in Raleigh, N.C. Prior to February 8, 2006, the Parent was registered under the Public Utility Holding Company Act of 1935 (PUHCA), as amended. As such, we were subject to the regulatory provisions of PUHCA. Subsequent to February 8, 2006, the Parent is subject to additional regulation by the Federal Energy Regulatory Commission (FERC) as a result of legislation passed in 2005.

Our reportable segments are: PEC, PEF, Progress Ventures, and Coal and Synthetic Fuels. Our PEC and PEF segments are engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina, South Carolina and Florida. Our Progress Ventures segment is involved in nonregulated electric generation and energy marketing activities and natural gas drilling and production. Our Coal and Synthetic Fuels segment is involved in the production and sale of coal-based solid synthetic fuel as defined under the Internal Revenue Code (the Code), coal terminal services, and fuel transportation and delivery. Through our other business units, we engage in other nonregulated business areas, including telecommunications, which are included in our Corporate and Other segment (Corporate and Other).

Our Rail Services operations were reclassified to discontinued operations in the first quarter of 2005 (See Note 3B). During the fourth quarter of 2005, our coal mining operations were reclassified to discontinued operations (See Note 3A). Our Rail Services and coal mining operations are not included in the results from continuing operations during the periods reported.

During 2005, we realigned our segments based on the manner in which management currently reviews these operations. Prior year periods have been restated for our segment realignments. See Note 20 for further information about our segments.

PEC

PEC is a public service corporation primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. PEC's subsidiaries are involved in insignificant nonregulated business activities. PEC is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (SCPSC), the United States Nuclear Regulatory Commission (NRC), the FERC as well as the provisions of PUHCA prior to February 8, 2006 due to PEC being a wholly owned subsidiary of Progress Energy.

PEF

PEF is a public service corporation primarily engaged in the generation, transmission, distribution and sale of electricity in west central Florida. PEF is subject to the regulatory provisions of the Florida Public Service

Commission (FPSC), the NRC, the FERC as well as the provisions of PUHCA prior to February 8, 2006 due to PEF being a wholly owned subsidiary of Progress Energy.

B. Basis of Presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include the activities of the Parent and our majority-owned and controlled subsidiaries. The Utilities are subsidiaries of Progress Energy and as such their financial condition and results of operations and cash flows are also consolidated, along with our nonregulated subsidiaries, in our consolidated financial statements. Noncontrolling interests in subsidiaries along with the income or loss attributed to these interests are included in minority interest in both the Consolidated Balance Sheets and in the Consolidated Statements of Income. The results of operations for minority interest are reported on a net of tax basis if the underlying subsidiary is structured as a taxable entity.

Unconsolidated investments in companies over which we do not have control, but have the ability to exercise influence over operating and financial policies (generally 20 to 50 percent ownership), are accounted for under the equity method of accounting. These investments are primarily in limited liability corporations and limited liability partnerships, and the earnings from these investments are recorded on a pre-tax basis (See Note 21). Other investments are stated principally at cost. These equity and cost method investments are included in miscellaneous other property and investments in the Consolidated Balance Sheets. See Note 13 for more information about our investments.

Diversified business revenues and expenses represent the operating activities of our consolidated nonregulated operations, which are primarily comprised of the Progress Ventures and Coal and Synthetic Fuels segments. These operations are separate and distinct businesses from the Utilities.

Significant intercompany balances and transactions have been eliminated in consolidation except as permitted by Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71), which provides that profits on intercompany sales to regulated affiliates are not eliminated if the sales price is reasonable and the future recovery of the sales price through the ratemaking process is probable.

These combined notes accompany and form an integral part of Progress Energy's and PEC's consolidated financial statements and PEF's financial statements.

Certain amounts for 2004 and 2003 have been reclassified to conform to the 2005 presentation.

C. Consolidation of Variable Interest Entities

We consolidate all voting interest entities in which we own a majority voting interest and all variable interest entities for which we are the primary beneficiary in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 46R, "Consolidation of Variable Interest Entities - An Interpretation of ARB No. 51" (FIN No. 46R).

Progress Energy

In addition to the variable interests listed below for PEC and PEF, we have interests through other subsidiaries in variable interest entities for which we are not the primary beneficiary. These arrangements include investments in five limited liability partnerships and limited liability corporations. At December 31, 2005, the aggregate additional maximum loss exposure that we could be required to record in our income statement as a result of these arrangements was approximately $8 million, which represents our net remaining investment in these entities. The creditors of these variable interest entities do not have recourse to our general credit in excess of the aggregate maximum loss exposure.

PEC

PEC is the primary beneficiary of and consolidates two limited partnerships that qualify for federal affordable housing and historic tax credits under Section 42 of the Code. At December 31, 2005, the total assets of the two entities were $38 million, the majority of which are collateral for the entities' obligations and are included in miscellaneous other property and investments in the Consolidated Balance Sheets.

PEC has an interest in and consolidates a limited partnership that invests in 17 low-income housing partnerships that qualify for federal and state tax credits. PEC has requested the necessary information to determine if the 17 partnerships are variable interest entities or to identify the primary beneficiaries; all entities from which the necessary financial information was requested declined to provide the information to PEC and PEC has applied the information scope exception in FIN No. 46R, paragraph 4(g), to the 17 partnerships. PEC has no direct exposure to loss from the 17 partnerships; PEC's only exposure to loss is from its investment of less than $1 million in the consolidated limited partnership. PEC will continue its efforts to obtain the necessary information to fully apply FIN No. 46R to the 17 partnerships. PEC believes that if the limited partnership is determined to be the primary beneficiary of the 17 partnerships, the effect of consolidating the 17 partnerships would not be significant to PEC's Consolidated Balance Sheets.

PEC also has an interest in one power plant resulting from long-term power purchase contracts. Our only significant exposure to variability from these contracts results from fluctuations in the market price of fuel used by the entity's plants to produce the power purchased by PEC. We are able to recover these fuel costs under PEC's fuel clause. Total purchases from this counterparty were approximately $44 million, $42 million and $37 million in 2005, 2004 and 2003, respectively. The generation capacity of the entity's power plant is approximately 835 MW. PEC has requested the necessary information to determine if the power plant owner is a variable interest entity or to identify the primary beneficiary. The entity declined to provide us with the necessary financial information and PEC has applied the information scope exception in FIN No. 46R, paragraph 4(g), to the power plant. PEC believes that if it is determined to be the primary beneficiary of the entity, the effect of consolidating the entity would result in increases to total assets, long-term debt and other liabilities, but would have an insignificant or no impact on PEC's common stock equity, net earnings or cash flows. However, because PEC has not received any financial information from the counterparty, the impact cannot be determined at this time.

PEC also has interests in several other variable interest entities for which PEC is not the primary beneficiary. These arrangements include investments in approximately 22 limited liability partnerships, limited liability corporations and venture capital funds and two building leases with special-purpose entities. At December 31, 2005, the aggregate maximum loss exposure that PEC could be required to record in its income statement as a result of these arrangements totals approximately $23 million, which primarily represents our net remaining investment in these entities. The creditors of these variable interest entities do not have recourse to the general credit of PEC in excess of the aggregate maximum loss exposure.

PEF

PEF has interests in three variable interest entities for which PEF is not the primary beneficiary. These arrangements include investments in one limited liability corporation, one venture capital fund and one building lease with a special-purpose entity. At December 31, 2005, the aggregate maximum loss exposure that PEF could be required to record in its income statement as a result of these arrangements was approximately $1 million. The creditors of these variable interest entities do not have recourse to the general credit of PEF in excess of the aggregate maximum loss exposure.

D. Significant Accounting Policies

USE OF ESTIMATES AND ASSUMPTIONS

In preparing consolidated financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at

the date of the consolidated financial statements, and amounts of revenues and expenses reflected during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

We recognize revenue when it is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; our price to the buyer is fixed or determinable; and collectability is reasonably assured. We recognize electric utility revenues as service is rendered to customers. Operating revenues include unbilled electric utility revenues earned when service has been delivered but not billed by the end of the accounting period. Diversified business revenues are generally recognized at the time products are shipped or as services are rendered. Leasing activities are accounted for in accordance with SFAS No. 13, "Accounting for Leases." Revenues related to design and construction of wireless infrastructure are recognized upon completion of services for each completed phase of design and construction. Revenues from the sale of oil and gas production are recognized when title passes, net of royalties. Customer prepayments are recorded as deferred revenue and recognized as revenues as the services are provided.

FUEL COST DEFERRALS

Fuel expense includes fuel costs or recoveries that are deferred through fuel clauses established by the Utilities' regulators. These clauses allow the Utilities to recover fuel costs and portions of purchased power costs through surcharges on customer rates. These deferred fuel costs are recognized in revenues and fuel expenses as they are billable to customers.

EXCISE TAXES

The Utilities collect from customers certain excise taxes levied by the state or local government upon the customers. The Utilities account for excise taxes on a gross basis. The amount of gross receipts tax, franchise taxes and other excise taxes included in electric operating revenues and taxes other than on income in the statements of income for the years ended December 31 were as follows:

(in millions)	**2005**	2004	2003
Progress Energy	**$ 258**	$ 240	$ 217
PEC	**91**	89	81
PEF	**167**	151	136

STOCK-BASED COMPENSATION

Prior to July 2005, we accounted for stock-based compensation under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), and related interpretations in accounting for our stock-based compensation costs. In addition, we followed the disclosure requirements contained in SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (SFAS No. 148). Effective July 1, 2005, we adopted the fair value recognition provisions of SFAS No. 123R, "Accounting for Stock-Based Compensation" (SFAS No. 123R), for stock-based compensation utilizing the modified prospective transition method (See Note 10B).

RELATED PARTY TRANSACTIONS

Our subsidiaries provide and receive services, at cost, to and from the Parent and its subsidiaries, in accordance with agreements approved by the SEC pursuant to Section 13(b) of the PUHCA. The costs of the services are billed on a direct-charge basis, whenever possible, and on allocation factors for general costs that cannot be directly attributed. In the subsidiaries' financial statements, billings from affiliates are capitalized or expensed depending on the nature of the services rendered. The repeal of PUHCA effective February 8, 2006, and subsequent regulation by the FERC is not anticipated to change our current intercompany services.

UTILITY PLANT

Utility plant in service is stated at historical cost less accumulated depreciation. We capitalize all construction-related direct labor and material costs of units of property as well as indirect construction costs. Certain costs that would otherwise not be capitalized under GAAP are capitalized in accordance with regulatory treatment. The cost of renewals and betterments is also capitalized. Maintenance and repairs of property (including planned major maintenance activities), and replacements and renewals of items determined to be less than units of property, are charged to maintenance expense as incurred, with the exception of nuclear outages at PEF. Pursuant to a regulatory order, PEF accrues for nuclear outage costs in advance of scheduled outages, which occur every two years. The cost of units of property replaced or retired, less salvage, is charged to accumulated depreciation. Removal or disposal costs that do not represent asset retirement obligations under SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143), are charged to a regulatory liability.

Allowance for funds used during construction (AFUDC) represents the estimated debt and equity costs of capital funds necessary to finance the construction of new regulated assets. As prescribed in the regulatory uniform system of accounts, AFUDC is charged to the cost of the plant. The equity funds portion of AFUDC is credited to other income and the borrowed funds portion is credited to interest charges.

ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2003, we adopted the guidance in SFAS No. 143 to account for legal obligations associated with the retirement of certain tangible long-lived assets. The present values of retirement costs for which we have a legal obligation are recorded as liabilities with an equivalent amount added to the asset cost and depreciated over an appropriate period. The liability is then accreted over time by applying an interest method of allocation to the liability. As discussed in Note 2, effective December 31, 2005, we also adopted FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN No. 47), which clarified certain requirements of SFAS No. 143.

The adoption of SFAS No. 143 and FIN No. 47 had no impact on the income of the Utilities as the effects were offset by the establishment of regulatory assets and regulatory liabilities pursuant to SFAS No. 71 (See Note 7A) and in accordance with orders issued by the NCUC, the SCPSC and the FPSC.

DEPRECIATION AND AMORTIZATION - UTILITY PLANT

For financial reporting purposes, substantially all depreciation of utility plant other than nuclear fuel is computed on the straight-line method based on the estimated remaining useful life of the property, adjusted for estimated salvage (See Note 5A). Pursuant to their rate-setting authority, the NCUC, SCPSC and FPSC can also grant approval to accelerate or reduce depreciation and amortization of utility assets (See Note 7).

Amortization of nuclear fuel costs is computed primarily on the units-of-production method. In the Utilities' retail jurisdictions, provisions for nuclear decommissioning costs are approved by the NCUC, the SCPSC and the FPSC and are based on site-specific estimates that include the costs for removal of all radioactive and other structures at the site. In the wholesale jurisdictions, the provisions for nuclear decommissioning costs are approved by the FERC.

CASH AND CASH EQUIVALENTS

We consider cash and cash equivalents to include unrestricted cash on hand, cash in banks and temporary investments purchased with a maturity of three months or less.

INVENTORY

We account for inventory, including emission allowances, using the average cost method. Inventories are valued at the lower of average cost or market.

REGULATORY ASSETS AND LIABILITIES

The Utilities' operations are subject to SFAS No. 71, which allows a regulated company to record costs that have been or are expected to be allowed in the ratemaking process in a period different from the period in which the costs would be charged to expense by a nonregulated enterprise. Accordingly, the Utilities record assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for nonregulated entities. These regulatory assets and liabilities represent expenses deferred for future recovery from customers or obligations to be refunded to customers and are primarily classified in the Consolidated Balance Sheets as regulatory assets and regulatory liabilities (See Note 7A). The regulatory assets and liabilities are amortized consistent with the treatment of the related cost in the ratemaking process.

DIVERSIFIED BUSINESS PROPERTY

Diversified business property is stated at cost less accumulated depreciation. If an impairment is recognized on an asset, the fair value becomes its new cost basis. The costs of renewals and betterments are capitalized. The cost of repairs and maintenance is charged to expense as incurred. For properties other than oil and gas properties, depreciation is computed on a straight-line basis using the estimated useful lives disclosed in Note 5B. Depletion of mineral rights is provided on the units-of-production method based upon the estimates of recoverable amounts of clean mineral.

We use the full-cost method to account for our oil and gas properties. Under the full-cost method, substantially all productive and nonproductive costs incurred in connection with the acquisition, exploration and development of oil and gas reserves are capitalized. These capitalized costs include the costs of all unproved properties and internal costs directly related to acquisition and exploration activities. The amortization base also includes the estimated future cost to develop proved reserves. Except for costs of unproved properties and major development projects in progress, all costs are amortized using the units-of-production method on a country-by-country basis over the life of our proved reserves. Accordingly, all property acquisition, exploration, and development costs of proved oil and gas properties, including the costs of abandoned properties, dry holes, geophysical costs and annual lease rentals are capitalized as incurred, including internal costs directly attributable to such activities. Related interest expense incurred during property development activities is capitalized as a cost of such activity. Net capitalized costs of unproved property are reclassified as proved property and well costs when related proved reserves are found. Costs to operate and maintain wells and field equipment are expensed as incurred. In accordance with Rule 4-10 of Regulation S-X, sales or other dispositions of oil and gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded unless certain significance tests are met.

GOODWILL AND INTANGIBLE ASSETS

Goodwill is subject to at least an annual assessment for impairment by applying a two-step, fair value-based test. This assessment could result in periodic impairment charges. Intangible assets are being amortized based on the economic benefit of their respective lives.

UNAMORTIZED DEBT PREMIUMS, DISCOUNTS AND EXPENSES

Long-term debt premiums, discounts and issuance expenses are amortized over the terms of the debt issues. Any expenses or call premiums associated with the reacquisition of debt obligations by the Utilities are amortized over the applicable lives using the straight-line method consistent with ratemaking treatment (See Note 7A).

INCOME TAXES

We and our affiliates file a consolidated federal income tax return. The consolidated income tax of Progress Energy is allocated to PEC and PEF in accordance with the Intercompany Income Tax Allocation Agreement (Tax Agreement). The Tax Agreement provides an allocation that recognizes positive and negative corporate taxable income. The Tax Agreement provides for an equitable method of apportioning the carryover of uncompensated tax benefits, which primarily relate to deferred synthetic fuel tax credits. Since 2002, Progress Energy tax benefits not related to acquisition interest expense have been allocated to profitable subsidiaries in accordance with a PUHCA

order. Except for the allocation of these Progress Energy tax benefits, income taxes are provided as if PEC and PEF filed separate returns. Due to the repeal of PUHCA, effective February 8, 2006, we will stop allocating these tax benefits.

Deferred income taxes have been provided for temporary differences. These occur when there are differences between the book and tax carrying amounts of assets and liabilities. Investment tax credits related to regulated operations have been deferred and are being amortized over the estimated service life of the related properties. Credits for the production and sale of synthetic fuel are deferred as alternative minimum tax credits to the extent they cannot be or have not been utilized in the annual consolidated federal income tax returns, and are included in income tax expense (benefit) in the Consolidated Statements of Income. Interest expense on tax deficiencies is included in net interest charges in the Consolidated Statements of Income.

DERIVATIVES

We account for derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - An Amendment of FASB Statement No. 133" (SFAS No. 138), and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS No. 149). SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as assets or liabilities in the balance sheet and measure those instruments at fair value, unless the derivatives meet the SFAS No. 133 criteria for normal purchases or normal sales and are designated as such. We generally designate derivative instruments as normal purchases or normal sales whenever the SFAS No. 133 criteria are met. If normal purchase or normal sale criteria are not met, we will generally designate the derivative instruments as cash flow or fair value hedges if the related SFAS No. 133 hedge criteria are met. During 2003, the FASB reconsidered an interpretation of SFAS No. 133. See Note 18 for the effect of the interpretation and additional information regarding risk management activities and derivative transactions.

LOSS CONTINGENCIES AND ENVIRONMENTAL LIABILITIES

We accrue for loss contingencies, including uncertain tax benefits, in accordance with SFAS No. 5, "Accounting for Contingencies" (SFAS No. 5). Under SFAS No. 5, contingent losses such as unfavorable results of litigation are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Tax reserves are recorded for uncertain tax benefits when it is probable that the tax position will be disallowed and the amount of the disallowance can be reasonably estimated. Unless otherwise required by GAAP, we do not accrue legal fees when a contingent loss is initially recorded, but rather when the legal services are actually provided.

As discussed in Note 22, we accrue environmental remediation liabilities when the criteria for SFAS No. 5 have been met. Environmental expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as additional information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recognized when their receipt is deemed probable. Environmental expenditures that have future economic benefits are capitalized in accordance with our asset capitalization policy.

IMPAIRMENT OF LONG-LIVED ASSETS AND INVESTMENTS

As discussed in Note 9, we account for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). We review the recoverability of long-lived tangible and intangible assets whenever indicators exist. Examples of these indicators include current period losses, combined with a history of losses or a projection of continuing losses, or a significant decrease in the market price of a long-lived asset group. If an indicator exists for assets to be held and used, then the asset group is tested for recoverability by comparing the carrying value to the sum of undiscounted expected future cash flows directly attributable to the asset group. If the asset group is not recoverable through undiscounted cash flows or the

asset group is to be disposed of, then an impairment loss is recognized for the difference between the carrying value and the fair value of the asset group.

We review our investments to evaluate whether or not a decline in fair value below the carrying value is an other-than-temporary decline. We consider various factors, such as the investee's cash position, earnings and revenue outlook, liquidity and management's ability to raise capital in determining whether the decline is other-than-temporary. If we determine that an other-than-temporary decline exists in the value of its investments, it is our policy to write-down these investments to fair value.

Under the full-cost method of accounting for oil and gas properties, total capitalized costs are limited to a ceiling based on the present value of discounted (at 10%) future net revenues using current prices, plus the lower of cost or fair market value of unproved properties. The ceiling test takes into consideration the prices of qualifying cash flow hedges as of the balance sheet date. If the ceiling (discounted revenues) is not equal to or greater than total capitalized costs, we are required to write-down capitalized costs to this level. We perform this ceiling test calculation every quarter. No write-downs were required in 2005, 2004 or 2003.

SUBSIDIARY STOCK TRANSACTIONS

Gains and losses realized as a result of common stock sales by our subsidiaries are recorded in the Consolidated Statements of Income, except for any transactions that must be credited directly to equity in accordance with the provisions of Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary."

2. NEW ACCOUNTING STANDARDS

See Note 10B for information regarding our third quarter 2005 implementation of SFAS No. 123R.

FASB EXPOSURE DRAFT ON ACCOUNTING FOR UNCERTAIN TAX POSITIONS, AN INTERPRETATION OF SFAS NO. 109, "ACCOUNTING FOR INCOME TAXES"

On July 14, 2005, the FASB issued an exposure draft of a proposed interpretation of SFAS No. 109, "Accounting for Income Taxes" (SFAS No. 109), that would address the accounting for uncertain tax positions. The proposed interpretation would require that uncertain tax benefits be probable of being sustained in order to record such benefits in the consolidated financial statements. We currently account for uncertain tax benefits in accordance with SFAS No. 5. Under SFAS No. 5, contingent losses are recorded when it is probable that the tax position will not be sustained and the amount of the disallowance can be reasonably estimated. During subsequent deliberations in November 2005, the FASB voted to tentatively adopt a more-likely-than-not criterion that the uncertain tax position will be sustained rather than the original probable criterion. As originally drafted, the proposed interpretation would apply to all uncertain tax positions and would have been effective for us on December 31, 2005. However, on January 11, 2006, the FASB voted to delay the effective date of the final interpretation until the first annual period beginning after December 15, 2006, which for us would be January 1, 2007. The FASB has publicly stated that it expects to issue the final interpretation in the first quarter of 2006. We have not yet determined how the proposed interpretation would impact our various income tax positions.

FASB INTERPRETATION NO. 47, "ACCOUNTING FOR CONDITIONAL ASSET RETIREMENT OBLIGATIONS"

As discussed in Note 1D, we adopted FIN No. 47, an interpretation of SFAS No. 143, as of December 31, 2005. FIN No. 47 clarifies that a legal obligation to perform an asset retirement activity that is conditional on a future event is within the scope of SFAS No. 143. Accordingly, an entity is required to recognize a liability for the fair value of an asset retirement obligation (ARO) that is conditional on a future event if the liability's fair value can be reasonably estimated. FIN No. 47 also provides additional guidance for evaluating whether sufficient information is available to make a reasonable estimate of the fair value.

Upon implementation of FIN No. 47 we recognized additional ARO liabilities for asbestos abatement costs. In accordance with SFAS No. 143, we recorded a liability for the present value of our legal obligations and recorded an additional amount to the asset cost to be depreciated over an appropriate period. Cumulative accretion and

accumulated depreciation were recognized for the time period from the date of the obligating event giving rise to the liability to the date of the adoption of FIN No. 47. For assets acquired through acquisition, the cumulative effect was based on the acquisition date. As stated in Note 1D, the adoption of FIN No. 47 had no impact on the income of the Utilities as the effects were offset by the establishment of a net regulatory asset/liability pursuant to SFAS No. 71 (See Note 7A) and in accordance with orders issued by the NCUC, the SCPSC and the FPSC.

The following table summarizes the effect of the implementation of FIN No. 47 on the financial statements of Progress Energy, PEC and PEF as of December 31, 2005.

(in millions)	ARO Liability	Net Asset Retirement Cost	Net Regulatory Asset/(Liability)
Progress Energy	$ 50	$ 15	$ (8)
PEC	23	5	2
PEF	27	4	(4)

Asbestos abatement costs previously included in regulatory liabilities were reclassified upon implementation of FIN No. 47 and included in the calculation of these AROs at December 31, 2005. The amounts reclassified were $16 million and $27 million for PEC and PEF, respectively, for a cumulative total of $43 million for Progress Energy.

3. DIVESTITURES

A. Coal Mines Divestiture

On November 14, 2005, our board of directors approved a plan to divest of five subsidiaries of Progress Fuels Corporation (Progress Fuels) engaged in the coal mining business. The coal mining operations are expected to be sold by the end of 2006. As a result, the accompanying consolidated financial statements have been restated for all periods presented to reflect the coal mining operations as discontinued operations. Interest expense has been allocated to discontinued operations based on the net assets of the coal mines, assuming a uniform debt-to-equity ratio across our operations. Interest expense allocated was $3 million for each of the years ended December 31, 2005, 2004 and 2003. We ceased recording depreciation expense upon classification of the coal mining operations as discontinued operations in November 2005. After-tax depreciation expense during the years ended December 31, 2005, 2004 and 2003 was $10 million, $9 million and $9 million, respectively. Results of discontinued operations for the years ended December 31 were as follows:

(in millions)	**2005**	2004	2003
Revenues	**$ 180**	$ 158	$ 181
Loss before income taxes	**$ 16**	$ 17	$ 18
Income tax benefit	**5**	12	7
Net loss from discontinued operations	**$ 11**	$ 5	$ 11

B. Progress Rail Divestiture

On March 24, 2005, we completed the sale of Progress Rail Services Corporation (Progress Rail) to One Equity Partners LLC, a private equity firm unit of J.P. Morgan Chase & Co. Gross cash proceeds from the sale were approximately $429 million, consisting of $405 million base proceeds plus a working capital adjustment. Proceeds from the sale were used to reduce debt.

Based on the gross proceeds associated with the sale of $429 million, we recorded an estimated after-tax loss on disposal of $25 million during the year ended December 31, 2005.

The accompanying consolidated financial statements have been restated for all periods presented to reflect the operations of Progress Rail as discontinued operations. Interest expense has been allocated to discontinued operations based on the net assets of Progress Rail, assuming a uniform debt-to-equity ratio across our operations. Interest expense allocated for the years ended December 31, 2005, 2004 and 2003 was $4 million, $16 million and $18 million, respectively. We ceased recording depreciation upon classification of Progress Rail as discontinued

operations in February 2005. After-tax depreciation expense during the years ended December 31, 2005, 2004 and 2003 was $3 million, $10 million and $9 million, respectively. Results of discontinued operations for the years ended December 31 were as follows:

(in millions)	2005	2004	2003
Revenues	$ 358	$ 1,127	$ 847
Earnings before income taxes	$ 8	$ 50	$ 23
Income tax expense	3	21	9
Net earnings from discontinued operations	5	29	14
Estimated loss on disposal of discontinued operations, including income tax benefit of $15 in 2005	(25)	-	-
(Loss) earnings from discontinued operations	$ (20)	$ 29	$ 14

In connection with the sale, Progress Fuels and Progress Energy provided guarantees and indemnifications of certain legal, tax and environmental matters to One Equity Partners, LLC. See Note 23C for a general discussion of guarantees. The ultimate resolution of these matters could result in adjustments to the loss on sale in future periods.

In February 2004, we sold the majority of the assets of Railcar Ltd., a subsidiary of Progress Rail, to The Andersons, Inc. for proceeds of approximately $82 million before transaction costs and taxes of approximately $13 million. In 2002, we had recognized pre-tax impairment of $59 million to write-down the assets to our estimated fair value less costs to sell. In July 2004, we sold the remaining assets, which had been classified as held for sale, to a third party for net proceeds of $6 million.

C. Net Assets of Discontinued Operations

Included in net assets of discontinued operations are the assets and liabilities of the coal mining operations and Progress Rail. The major balance sheet classes included in assets and liabilities of discontinued operations in the Consolidated Balance Sheet at December 31, 2005 and 2004 were as follows:

(in millions)	2005	2004
Accounts receivable	$ 12	$ 189
Inventory	6	181
Other current assets	4	19
Total property, plant and equipment, net	73	240
Total other assets	14	56
Assets of discontinued operations	$ 109	$ 685
Accounts payable	$ 9	$ 119
Other current liabilities	11	47
Long-term liabilities	20	20
Liabilities of discontinued operations	$ 40	$ 186

D. Divestiture of Winter Park Distribution Assets

As discussed in Note 7C, PEF sold certain electric distribution assets to Winter Park, Fla. (Winter Park), on June 1, 2005.

E. Sale of Natural Gas Assets

In December 2004, we sold certain gas-producing properties and related assets owned by Winchester Production Company, Ltd. has been included in (gain)/loss on [illegible] of Progress Fuels, which is included in the Progress Ventures

the sale of assets in the Consolidated Statements of Income.

F. Divestiture of Synthetic Fuel Partnership Interests

In two June 2004 transactions, Progress Fuels sold a combined 49.8 percent partnership interest in Colona Synfuel Limited Partnership, LLLP (Colona), one of its synthetic fuel facilities. Substantially all proceeds from the sales will be received over time, which is typical of such sales in the industry. Gain from the sales will be recognized on a cost-recovery basis. The book value of the interests sold totaled approximately $5 million. In the event that the synthetic fuel tax credits from the Colona facility are reduced, including an increase in the price of oil that could limit or eliminate synthetic fuel tax credits, the amount of proceeds realized from the sale could be significantly impacted (See Note 23D).

G. Mesa Hydrocarbons, Inc., Divestiture

In October 2003, we sold certain gas-producing properties owned by Mesa Hydrocarbons, LLC, a wholly owned subsidiary of Progress Fuels. Net proceeds were approximately $97 million. Because we utilize the full-cost method of accounting for our oil and gas operations, the pre-tax gain of approximately $18 million was applied to reduce the basis of our other U.S. oil and gas investments and will prospectively result in a reduction of the amortization rate applied to those investments as production occurs.

H. NCNG Divestiture

On September 30, 2003, we sold North Carolina Natural Gas Corporation (NCNG) and our equity investment in Eastern North Carolina Natural Gas Company (ENCNG) to Piedmont Natural Gas Company, Inc. Net proceeds from the sale of NCNG of approximately $443 million were used to reduce debt.

The consolidated financial statements have been restated for all periods presented for the discontinued operations of NCNG. The net income of these operations is reported as discontinued operations in the Consolidated Statements of Income. Interest expense of $10 million for the year ended December 31, 2003, has been allocated to discontinued operations based on the net assets of NCNG, assuming a uniform debt-to-equity ratio across our operations. Results of discontinued operations for the years ended December 31 were as follows:

(in millions)	2004	2003
Revenues	$ -	$ 284
Earnings before income taxes	$ -	$ 6
Income tax expense	-	2
Net earnings from discontinued operations	-	4
Gain/(Loss) on disposal of discontinued operations, including applicable income tax benefit / (expense) of $6 and $1, respectively	6	(12)
Earnings (loss) from discontinued operations	$ 6	$ (8)

NCNG did not have any discontinued operating results for the year ended December 31, 2005.

During 2004, we recorded an additional tax gain of approximately $6 million due to final tax adjustments related to the divestiture of NCNG.

The sale of ENCNG resulted in net proceeds of $7 million and a pre-tax loss of $2 million, which is included in other, net on the Consolidated Statements of Income for the year ended December 31, 2003.

4. ACQUISITIONS AND BUSINESS COMBINATIONS

A. Acquisition of Natural Gas Reserves - 2005

In May 2005, Winchester Production, an indirectly wholly owned subsidiary of Progress Fuels, acquired a 50 percent interest in approximately 11 natural gas producing wells and proven reserves of approximately 25 billion cubic feet equivalent (Bcf) from a privately owned company headquartered in Texas. In addition to the natural gas reserves, the transaction also included a 50 percent interest in the gas gathering systems related to these reserves. The total cash purchase price for the transaction was $46 million. The pro forma results of operations reflecting the acquisition would not be materially different than the reported results of operations for 2005, 2004 or 2003.

B. Progress Telecommunications Corporation Transaction

In December 2003, Progress Telecommunications Corporation (PTC) and Caronet, Inc. (Caronet), both wholly owned subsidiaries of Progress Energy, and EPIK Communications, Inc. (EPIK), a wholly owned subsidiary of Odyssey Telecorp, Inc. (Odyssey), contributed substantially all of their assets and transferred certain liabilities to Progress Telecom, LLC (PT LLC), a subsidiary of PTC as a noncash activity that is not reflected on our consolidated statements of cash flows. Subsequently, the stock of Caronet was sold to an affiliate of Odyssey for $2 million in cash and Caronet became a wholly owned subsidiary of Odyssey. Following consummation of all the transactions described above, PTC held a 55 percent ownership interest in, and is the parent of, PT LLC. Odyssey held a combined 45 percent ownership interest in PT LLC through EPIK and Caronet. The accounts of PT LLC have been included in the Consolidated Financial Statements since the transaction date.

The transaction was accounted for as a partial acquisition of EPIK through the issuance of the stock of a consolidated subsidiary. The contributions of PTC's and Caronet's net assets were recorded at their carrying values of approximately $31 million. EPIK's contribution was recorded at its estimated fair value of $22 million using the purchase method. No gain or loss was recognized on the transaction. The EPIK purchase price was initially allocated as follows: property and equipment - $27 million; other current assets - $9 million; current liabilities - $21 million; and goodwill - $7 million. During 2004, PT LLC developed a restructuring plan to exit certain leasing arrangements of EPIK and finalized its valuation of acquired assets and liabilities. Management considered a number of factors, including valuations and appraisals, when making these determinations. Based on the results of these activities, the preliminary purchase price allocation for EPIK was revised as follows at December 31, 2004: property and equipment - $36 million; other current assets - $7 million; intangible assets - $1 million; current liabilities - $18 million; and exit costs - $4 million. The exit costs consist primarily of lease termination penalties and noncancelable lease payments made after certain leased properties are vacated. The pro forma results of operations reflecting the acquisition would not be materially different than the reported results of operations for 2003.

See Note 25 for information on the recent agreement to sell our interest in PT LLC.

C. Acquisition of Natural Gas Reserves - 2003

During 2003, Progress Fuels entered into several independent transactions to acquire approximately 200 natural gas-producing wells with proven reserves of approximately 190 Bcf from Republic Energy, Inc., and three other privately owned companies, all headquartered in Texas. The total cash purchase price for the transactions was $168 million. The pro forma results of operations reflecting the acquisition would not be materially different from the reported results of operations for the year ended December 31, 2003.

D. Acquisition of Wholesale Energy Contract

In May 2003, Progress Energy Ventures, Inc. (PVI) entered into a definitive agreement with Williams Energy Marketing and Trading, a subsidiary of The Williams Companies, Inc., to acquire a long-term full-requirements power supply agreement at fixed prices with Jackson Electric Membership Corporation (Jackson), located in Jefferson, Georgia. The agreement required a $188 million cash payment to Williams Energy Marketing and Trading in exchange for assignment of the Jackson supply agreement; the $188 million cash payment was recorded as an intangible asset and is being amortized based on the economic benefit of the contract (See Note 8). The power

supply agreement terminates in 2015, with a first refusal right to extend for five years. The agreement includes the use of 640 MW of contracted Georgia System generation comprised of nuclear, coal, gas and pumped-storage hydro resources. PVI expects to supplement the acquired resources with open market purchases and with its own intermediate and peaking assets in Georgia to serve Jackson's forecasted 1,100 MW peak demand in 2005 growing to a forecasted 1,700 MW demand by 2015.

5. PROPERTY, PLANT AND EQUIPMENT

A. Utility Plant

The balances of electric utility plant in service at December 31 are listed below, with a range of depreciable lives (in years) for each:

	Depreciable	Progress Energy		PEC		PEF	
(in millions)	Lives	**2005**	2004	**2005**	2004	**2005**	2004
Production plant	7-33	**$ 12,470**	$ 11,966	**$ 8,241**	$ 7,954	**$ 4,039**	$ 3,818
Transmission plant	30-75	**2,353**	2,282	**1,264**	1,212	**1,089**	1,070
Distribution plant	12-50	**7,015**	6,749	**3,838**	3,701	**3,177**	3,047
General plant and other	8-75	**1,102**	1,106	**651**	654	**451**	452
Utility plant in service		**$ 22,940**	$ 22,103	**$ 13,994**	$ 13,521	**$ 8,756**	$ 8,387

Generally, electric utility plant at PEC and PEF, other than nuclear fuel, is pledged as collateral for the first mortgage bonds of PEC and PEF, respectively (See Note 12C).

AFUDC represents the estimated debt and equity costs of capital funds necessary to finance the construction of new regulated assets. As prescribed in the regulatory uniform systems of accounts, AFUDC is charged to the cost of the plant. The equity funds portion of AFUDC is credited to other income, and the borrowed funds portion is credited to interest charges. Regulatory authorities consider AFUDC an appropriate charge for inclusion in the rates charged to customers by the Utilities over the service life of the property. The composite AFUDC rate for PEC's electric utility plant was 5.6% in 2005, 7.2% in 2004 and 4.0% in 2003, respectively. The composite AFUDC rate for PEF's electric utility plant was 7.8% in 2005, 2004 and 2003.

Our depreciation provisions on utility plant, as a percent of average depreciable property other than nuclear fuel, were 2.5%, 2.2% and 2.5% in 2005, 2004 and 2003, respectively. The depreciation provisions related to utility plant were $556 million, $463 million and $517 million in 2005, 2004 and 2003, respectively. In addition to utility plant depreciation provisions, depreciation and amortization expense also includes decommissioning cost provisions, ARO accretion, cost of removal provisions (See Note 5D), regulatory approved expenses (See Notes 7 and 22) and Clean Smokestacks Act amortization (See Note 7B).

Amortization of nuclear fuel costs, including disposal costs associated with obligations to the U.S. Department of Energy (DOE) and costs associated with obligations to the DOE for the decommissioning and decontamination of enrichment facilities, for the years ended December 31, 2005 and 2004 were $140 million and for the year ended December 31, 2003 was $143 million. This amortization expense is included in fuel used for electric generation in the Consolidated Statements of Income.

PEC's depreciation provisions on utility plant, as a percent of average depreciable property other than nuclear fuel, were 2.7% in 2005, 2.1% in 2004, and 2.7% in 2003. The depreciation provisions related to utility plant were $365 million, $275 million and $345 million in 2005, 2004 and 2003, respectively. In addition to utility plant depreciation provisions, depreciation and amortization expense also includes decommissioning cost provisions, ARO accretion, cost of removal provisions (See Note 5D), regulatory approved expenses (See Note 7) and Clean Smokestacks Act amortization (See Note 7B).

During 2004, PEC met the requirements of both the NCUC and the SCPSC for the implementation of two depreciation studies that allowed the utility to reduce the rates used to calculate depreciation expense. The annual reduction in depreciation expense is approximately $82 million. The reduction is due primarily to extended lives at each of PEC's nuclear units. The reduced depreciation rates were effective January 1, 2004.

PEF's depreciation provisions on utility plant, as a percent of average depreciable property other than nuclear fuel, were 2.3% in 2005, 2004 and 2003. The depreciation provisions related to utility plant were $191 million, $188 million and $172 million in 2005, 2004 and 2003, respectively. In addition to utility plant depreciation provisions, depreciation and amortization expense also includes decommissioning cost provisions, ARO accretion, cost of removal provisions (See Note 5D) and regulatory approved expenses (See Notes 7 and 22).

During 2005, PEF performed a depreciation study as required by the FPSC no less than every four years. Implementation of the depreciation study will decrease the rates used to calculate depreciation expense with a resulting decrease in annual depreciation expense of $26 million beginning in 2006 (See Note 7C).

Amortization of nuclear fuel costs, including disposal costs associated with obligations to the DOE and costs associated with obligations to the DOE for the decommissioning and decontamination of enrichment facilities, for the years ended December 31, 2005, 2004 and 2003 was $109 million, $106 million and $112 million, respectively, for PEC and $31 million, $34 million and $31 million, respectively, for PEF. These costs were included in fuel used for electric generation in the Statements of Income.

B. Diversified Business Property

Progress Energy

The balances of diversified business property at December 31 are listed below, with a range of depreciable lives for each:

(in millions)	2005	2004
Equipment (3-25 years)	$ 146	$ 129
Nonregulated generation plant and equipment (3-40 years)	1,330	1,302
Land and mineral rights	40	36
Buildings and plants (5-40 years)	70	70
Oil and gas properties (units-of-production)	493	334
Telecommunications equipment (5-20 years)	99	80
Rail equipment (3-20 years)	37	36
Marine equipment (3-35 years)	88	87
Computers, office equipment and software (3-10 years)	8	13
Construction work in progress	12	18
Accumulated depreciation	(443)	(332)
Diversified business property, net	$ 1,880	$ 1,773

Our nonregulated businesses capitalize interest costs under SFAS No. 34, "Capitalization of Interest Costs." During the years ended December 31, 2005, 2004 and 2003, respectively, we capitalized $4 million, $7 million and $20 million, respectively, of our interest cost of $656 million, $641 million and $634 million, respectively. Capitalized interest for 2005 and 2004 is related to the expansion of natural gas operations. Capitalized interest in 2003 is related to the expansion of the Progress Ventures nonregulated generation portfolio. Capitalized interest is included in diversified business property, net on the Consolidated Balance Sheets. Diversified business depreciation expense was $116 million for December 31, 2005 and 2004 and $91 million for December 31, 2003.

PEC

Net diversified business property was $7 million at both December 31, 2005 and 2004. These amounts consist primarily of buildings and equipment that are being depreciated over periods ranging from 10 to 40 years. Accumulated depreciation was $2 million at both December 31, 2005 and 2004. Diversified business depreciation

expense was less than $1 million in both 2005 and 2004 and $1 million in 2003. Net diversified business property is included in miscellaneous other property and investments on the Consolidated Balance Sheets.

C. Joint Ownership of Generating Facilities

PEC and PEF hold ownership interests in certain jointly owned generating facilities. Each is entitled to shares of the generating capability and output of each unit equal to their respective ownership interests. Each also pays its ownership share of additional construction costs, fuel inventory purchases and operating expenses, except in certain instances where agreements have been executed to limit certain joint owners' maximum exposure to the additional costs (See Note 22B). PEC's and PEF's share of expenses for the jointly owned facilities is included in the appropriate expense category. The co-owner of Intercession City Unit P11 (P11) has exclusive rights to the output of the unit during the months of June through September. PEF has that right for the remainder of the year. PEC's and PEF's ownership interests in the jointly owned generating facilities are listed below with related information at December 31:

2005 (in millions) Subsidiary	**Facility**	**Company Ownership Interest**	**Plant Investment**	**Accumulated Depreciation**	**Construction Work in Progress**
PEC	**Mayo**	**83.83%**	**$ 518**	**$ 255**	**$ 1**
PEC	**Harris**	**83.83%**	**3,181**	**1,459**	**17**
PEC	**Brunswick**	**81.67%**	**1,614**	**921**	**23**
PEC	**Roxboro Unit 4**	**87.06%**	**355**	**153**	**10**
PEF	**Crystal River Unit 3**	**91.78%**	**808**	**493**	**48**
PEF	**Intercession City Unit P11**	**66.67%**	**24**	**4**	**-**

2004 (in millions) Subsidiary	Facility	Company Ownership Interest	Plant Investment	Accumulated Depreciation	Construction Work in Progress
PEC	Mayo	83.83%	$ 516	$ 249	$ 1
PEC	Harris	83.83%	3,185	1,387	13
PEC	Brunswick	81.67%	1,624	888	28
PEC	Roxboro Unit 4	87.06%	323	147	1
PEF	Crystal River Unit 3	91.78%	889	443	9
PEF	Intercession City Unit P11	66.67%	22	7	8

In the tables above, plant investment and accumulated depreciation are not reduced by the regulatory disallowances related to the Shearon Harris Nuclear Plant (Harris), which are not applicable to the joint owner's ownership interest in Harris.

D. Asset Retirement Obligations

At December 31, 2005 and 2004, the asset retirement costs related to nuclear decommissioning of irradiated plant, net of accumulated depreciation, totaled $31 million and $46 million, respectively, for PEC and $36 million at December 31, 2004 for PEF. No costs related to nuclear decommissioning of irradiated plant were recorded in 2005 at PEF. At December 31, 2005 and 2004, additional PEF-related asset retirement costs, net of accumulated depreciation, of $137 million and $193 million, respectively, were recorded at Progress Energy. Funds set aside in the Utilities' nuclear decommissioning trust funds for the nuclear decommissioning liability totaled $640 million and $580 million at December 31, 2005 and 2004, respectively, for PEC and $493 million and $464 million, respectively, for PEF. Net nuclear decommissioning trust unrealized gains are included in regulatory liabilities (See Note 7A).

PEC's decommissioning cost provisions, which are included in depreciation and amortization expense, were $31 million in 2005, 2004 and 2003. Management believes that decommissioning costs that have been and will be recovered through rates by PEC and PEF will be sufficient to provide for the costs of decommissioning. Expenses recognized for the disposal or removal of utility assets that are not SFAS No. 143 asset retirement obligations, which

are included in depreciation and amortization expense, were $90 million, $83 million and $86 million in 2005, 2004 and 2003, respectively, for PEC and $78 million, $77 million and $72 million in 2005, 2004 and 2003, respectively, for PEF.

The Utilities recognize removal, nonirradiated decommissioning and dismantlement of fossil generation plants costs in regulatory liabilities on the Consolidated Balance Sheets (See Note 7A). At December 31, such costs consisted of:

	Progress Energy		PEC		PEF	
(in millions)	**2005**	2004	**2005**	2004	**2005**	2004
Removal costs	**$ 1,316**	$ 1,606	**$ 661**	$ 601	**$ 655**	$ 1,005
Nonirradiated decommissioning costs	**132**	131	**71**	70	**61**	61
Dismantlement costs	**123**	144	**-**	-	**123**	144
Non-ARO cost of removal	**$ 1,571**	$ 1,881	**$ 732**	$ 671	**$ 839**	$ 1,210

The NCUC requires that PEC update its cost estimate for nuclear decommissioning every five years. PEC's most recent site-specific estimates of decommissioning costs were developed in 2004, using 2004 cost factors, and are based on prompt dismantlement decommissioning, which reflects the cost of removal of all radioactive and other structures currently at the site, with such removal occurring after operating license expiration. These decommissioning cost estimates also include interim spent fuel storage costs associated with maintaining spent nuclear fuel on site until such time that it can be transferred to a DOE facility (See Note 23D). These estimates, in 2004 dollars, were $569 million for Unit No. 2 at Robinson Nuclear Plant (Robinson), $418 million for Brunswick Unit No. 1, $444 million for Brunswick Unit No. 2, and $775 million for Harris. The estimates are subject to change based on a variety of factors including, but not limited to, cost escalation, changes in technology applicable to nuclear decommissioning and changes in federal, state or local regulations. The cost estimates exclude the portion attributable to North Carolina Eastern Municipal Power Agency (Power Agency), which holds an undivided ownership interest in Brunswick and Harris. NRC operating licenses held by PEC currently expire in December 2014 and September 2016 for Brunswick Units No. 2 and No. 1, respectively. An application to extend these licenses 20 years was submitted in October 2004. The NRC operating license held by PEC for Harris currently expires in October 2026. An application to extend this license 20 years is expected to be submitted in the fourth quarter of 2006. On April 19, 2004, the NRC announced that it renewed the operating license for Robinson for an additional 20 years through July 2030.

The FPSC requires that PEF update its cost estimate for nuclear decommissioning every five years. PEF filed a new site-specific estimate of decommissioning costs for the Crystal River Unit No. 3 (CR3) with the FPSC on April 29, 2005, as part of PEF's base rate filing. PEF's estimate is based on prompt dismantlement decommissioning and includes interim spent fuel storage costs associated with maintaining spent nuclear fuel on site until such time that it can be transferred to a DOE facility (See Note 23D). The estimate, in 2005 dollars, is $614 million and is subject to change based on a variety of factors including, but not limited to, cost escalation, changes in technology applicable to nuclear decommissioning and changes in federal, state or local regulations. The cost estimate excludes the portion attributable to other co-owners of CR3. The NRC operating license held by PEF for CR3 currently expires in December 2016. An application to extend this license 20 years is expected to be submitted in the first quarter of 2009. As part of this new estimate and assumed license extension, PEF reduced its asset retirement cost net of accumulated depreciation and its ARO liability by approximately $36 million and $88 million, respectively. In addition, we reduced PEF-related asset retirement costs, net of accumulated depreciation, by an additional $53 million at Progress Energy. Retail and wholesale accruals on PEF's reserves for nuclear decommissioning were previously suspended through December 2005 under the terms of the Agreement and the new Base Rate Settlement continues that suspension.

The FPSC requires that PEF update its cost estimate for fossil plant dismantlement every four years. PEF filed an updated fossil dismantlement study with the FPSC on April 29, 2005, as part of its base rate filing. The new study called for an increase in the annual accrual of $10 million beginning in 2006. PEF's reserve for fossil plant dismantlement was approximately $145 million at December 31, 2005, including amounts in the ARO liability for asbestos abatement, discussed below. Retail accruals on PEF's reserves for fossil plant dismantlement were previously suspended through December 2005 under the terms of PEF's existing Agreement. The Base Rate

Settlement continued the suspension of PEF's collection from customers of the expenses to dismantle fossil plants (See Note 7C).

Upon implementation of FIN No. 47 as of December 31, 2005, the Utilities recognized additional ARO liabilities for asbestos abatement costs (See Note 2).

We have identified but not recognized AROs related to electric transmission and distribution and telecommunications assets as the result of easements over property not owned by us. These easements are generally perpetual and require retirement action only upon abandonment or cessation of use of the property for the specified purpose. The ARO is not estimable for such easements, as we intend to utilize these properties indefinitely. In the event we decide to abandon or cease the use of a particular easement, an ARO would be recorded at that time.

Our nonregulated AROs relate to the synthetic fuel operations and gas production of Progress Fuels. The related asset retirement costs, net of accumulated depreciation, totaled $10 million and $4 million at December 31, 2005 and 2004, respectively.

The following table shows the changes to the AROs during the years ended December 31. Additions relate primarily to additional reclamation obligations at coal mine operations of Progress Fuels and asbestos abatement at the Utilities. Revisions to prior estimates of the regulated ARO related to PEC remeasuring the nuclear decommissioning costs of irradiated plants to take into account updated site-specific decommissioning cost studies, which are required by the NCUC every five years. Revisions to prior estimates of the PEF regulated ARO are related to the updated cost estimate for nuclear decommissioning described above.

	Progress Energy			
(in millions)	Regulated	Nonregulated	PEC	PEF
Asset retirement obligations at January 1, 2004	$ 1,251	$ 5	$ 932	$ 319
Additions	-	1	-	-
Accretion expense	73	-	55	18
Revisions to prior estimates	(63)	(2)	(63)	-
Asset retirement obligations at December 31, 2004	1,261	4	924	337
Additions	**50**	**6**	**23**	**27**
Accretion expense	**65**	**-**	**51**	**14**
Revisions to prior estimates	**(137)**	**-**	**(49)**	**(88)**
Asset retirement obligations at December 31, 2005	**$ 1,239**	**$ 10**	**$ 949**	**$ 290**

The cumulative effect of initial adoption of SFAS No. 143 related to nonregulated operations was $1 million of income, which is included in cumulative effect of change in accounting principles, net of tax on the Consolidated Statements of Income for the year ended December 31, 2003.

E.. Insurance

The Utilities are members of Nuclear Electric Insurance Limited (NEIL), which provides primary and excess insurance coverage against property damage to members' nuclear generating facilities. Under the primary program, each company is insured for $500 million at each of its respective nuclear plants. In addition to primary coverage, NEIL also provides decontamination, premature decommissioning and excess property insurance with limits of $1.75 billion on each nuclear plant.

Insurance coverage against incremental costs of replacement power resulting from prolonged accidental outages at nuclear generating units is also provided through membership in NEIL. Both PEC and PEF are insured under NEIL, following a 12-week deductible period, for 52 weeks in the amount of $3.5 million per week at each plant. An additional 110 weeks of coverage is provided at 80 percent of the above weekly amount. For the current policy period, the companies are subject to retrospective premium assessments of up to approximately $30.7 million with respect to the primary coverage, $36.5 million with respect to the decontamination, decommissioning and excess property coverage, and $23 million for the incremental replacement power costs coverage, in the event covered losses at insured facilities exceed premiums, reserves, reinsurance and other NEIL resources. Pursuant to regulations

of the NRC, each company's property damage insurance policies provide that all proceeds from such insurance be applied, first, to place the plant in a safe and stable condition after an accident and, second, to decontaminate, before any proceeds can be used for decommissioning, plant repair or restoration. Each company is responsible to the extent losses may exceed limits of the coverage described above.

Both of the Utilities are insured against public liability for a nuclear incident up to $10.76 billion per occurrence. Under the current provisions of the Price Anderson Act, which limits liability for accidents at nuclear power plants, each company, as an owner of nuclear units, can be assessed for a portion of any third-party liability claims arising from an accident at any commercial nuclear power plant in the United States. In the event that public liability claims from an insured nuclear incident exceed $300 million (currently available through commercial insurers), each company would be subject to pro rata assessments of up to $100.1 million for each reactor owned per occurrence. Payment of such assessments would be made over time as necessary to limit the payment in any one year to no more than $15 million per reactor owned.

Under the NEIL policies, if there were multiple terrorism losses occurring within one year, NEIL would make available one industry aggregate limit of $3.2 billion, along with any amounts it recovers from reinsurance, government indemnity or other sources up to the limits for each claimant. If terrorism losses occurred beyond the one-year period, a new set of limits and resources would apply. For nuclear liability claims arising out of terrorist acts, the primary level available through commercial insurers is now subject to an industry aggregate limit of $300 million. The second level of coverage obtained through the assessments discussed above would continue to apply to losses exceeding $300 million and would provide coverage in excess of any diminished primary limits due to terrorist acts.

The Utilities self-insure their transmission and distribution lines against loss due to storm damage and other natural disasters. PEF accrues $6 million annually to a storm damage reserve pursuant to a regulatory order and may defer losses in excess of the reserve (See Note 7A).

6. CURRENT ASSETS

A. Receivables

Income tax receivables and interest income receivables are not included in receivables. These amounts are included in prepaids and other current assets on the Consolidated Balance Sheet. At December 31 receivables were comprised of:

	Progress Energy		PEC		PEF	
(in millions)	**2005**	2004	**2005**	2004	**2005**	2004
Trade accounts receivable	**$ 713**	$ 499	**$ 336**	$ 240	**$ 263**	$ 195
Unbilled accounts receivable	**282**	271	**158**	155	**60**	66
Notes receivable	**76**	97	**-**	-	**-**	-
Other receivables	**45**	23	**28**	12	**14**	7
Unbilled other receivables	**6**	28	**-**	-	**-**	-
Allowance for doubtful accounts receivable	**(19)**	(22)	**(4)**	(10)	**(6)**	(2)
Total receivables	**$ 1,103**	$ 896	**$ 518**	$ 397	**$ 331**	$ 266

B. Inventory

At December 31 inventory was comprised of:

	Progress Energy		PEC		PEF	
(in millions)	**2005**	2004	**2005**	2004	**2005**	2004
Fuel for production	**$ 329**	$ 235	**$ 185**	$ 127	**$ 136**	**$ 104**
Inventory for sale	**61**	49	**-**	-	**-**	-
Materials and supplies	**441**	517	**240**	263	**166**	176
Emission allowances	**35**	21	**26**	11	**9**	10
Total current inventory	**$ 866**	$ 822	**$ 451**	$ 401	**$ 311**	$ 290

Materials and supplies amounts above exclude long-term combustion turbine inventory amounts included in other assets and deferred debits for Progress Energy and PEC of $44 million at December 31, 2005 and none at December 31, 2004.

Emission allowances above exclude long-term emission allowances included in other assets and deferred debits for Progress Energy, PEC and PEF of $14 million, $13 million, and $1 million, respectively, at December 31, 2005 and none at December 31, 2004.

7. REGULATORY MATTERS

A. Regulatory Assets and Liabilities

As regulated entities, the Utilities are subject to the provisions of SFAS No. 71. Accordingly, the Utilities record certain assets and liabilities resulting from the effects of the ratemaking process that would not be recorded under GAAP for nonregulated entities. The Utilities' ability to continue to meet the criteria for application of SFAS No. 71 may be affected in the future by competitive forces and restructuring in the electric utility industry. In the event that SFAS No. 71 no longer applies to a separable portion of our operations, related regulatory assets and liabilities would be eliminated unless an appropriate regulatory recovery mechanism was provided. Additionally, these factors could result in an impairment of utility plant assets as determined pursuant to SFAS No. 144.

At December 31 the balances of regulatory assets (liabilities) were as follows:

Progress Energy

(in millions)	2005	2004
Deferred fuel cost - current (Note 7B and 7C)	$ 602	$ 229
Deferred fuel cost - long-term (Note 7B and 7C)	31	107
Deferred impact of ARO - PEC (Note 1D)	281	305
Income taxes recoverable through future rates (Note 14)	81	84
Loss on reacquired debt (Note 1D)	50	53
Storm deferral (Notes 7B and 7C)	227	316
Postretirement benefits (Note 16B)	88	74
Other	96	125
Total long-term regulatory assets	854	1,064
Deferred energy conservation cost - current	(10)	(8)
Non-ARO cost of removal (Note 5D)	(1,571)	(1,881)
Deferred impact of ARO - PEF (Note 1D)	(225)	(221)
Net nuclear decommissioning trust unrealized gains (Note 5D)	(251)	(224)
Postretirement benefits (Note 16B)	-	(45)
Clean Smokestacks Act compliance (Note 7B)	(317)	(248)
Derivative mark-to-market adjustment (Note 18A)	(122)	(2)
Other	(41)	(33)
Total long-term regulatory liabilities	(2,527)	(2,654)
Net regulatory liabilities	$ (1,081)	$ (1,369)

PEC

(in millions)	2005	2004
Deferred fuel cost - current (Note 7B)	$ 261	$ 140
Deferred fuel cost - long-term (Note 7B)	31	28
Deferred impact of ARO (Note 1D)	281	305
Income taxes recoverable through future rates (Note 14)	22	36
Loss on reacquired debt (Note 1D)	21	22
Storm deferral (Note 7B)	19	25
Other	47	57
Total long-term regulatory assets	421	473
Non-ARO cost of removal (Note 5D)	(732)	(671)
Net nuclear decommissioning trust unrealized gains (Note 5D)	(135)	(125)
Clean Smokestacks Act compliance (Note 7B)	(317)	(248)
Other	(12)	(8)
Total long-term regulatory liabilities	(1,196)	(1,052)
Net regulatory liabilities	$ (514)	$ (439)

(in millions)	2005	2004
Deferred fuel cost - current (Note 7C)	$ 341	$ 89
Deferred fuel cost - long-term (Note 7C)	-	79
Storm deferral (Note 7C)	208	291
Income taxes recoverable through future rates (Note 14)	59	49
Loss on reacquired debt (Note 1D)	29	31
Postretirement benefits	7	7
Other	48	67
Total long-term regulatory assets	351	524
Deferred energy conservation cost - current	(10)	(8)
Non-ARO cost of removal (Note 5D)	(839)	(1,210)
Deferred impact of ARO (Note 1D)	(80)	(26)
Net nuclear decommissioning trust unrealized gains (Note 5D)	(116)	(99)
Derivative mark-to-market adjustment (Note 18A)	(122)	(2)
Other	(32)	(25)
Total long-term regulatory liabilities	(1,189)	(1,362)
Net regulatory liabilities	$ (507)	$ (757)

Except for portions of deferred fuel costs, all regulatory assets earn a return or the cash has not yet been expended, in which case the assets are offset by liabilities that do not incur a carrying cost. We expect to fully recover these assets and refund these liabilities through customer rates under current regulatory practice.

B. PEC Retail Rate Matters

FUEL COST RECOVERY

On April 27, 2005, PEC filed for an increase in the fuel rate charged to its South Carolina retail customers with the SCPSC. PEC requested the $99 million increase for under-recovered fuel costs for the previous 15 months and to meet future expected fuel costs. On June 23, 2005, the SCPSC approved a settlement agreement filed jointly by PEC and all other parties to the proceeding. The settlement agreement levelizes the collection of under-recovered fuel costs over a three-year period and allows PEC to charge and recover carrying costs on the monthly unpaid balance, beginning July 1, 2006, at an interest rate of 6% compounded annually. An annual increase in PEC's rates of $55 million, or 12 percent, was effective July 1, 2005. Residential electric bills increased by $7.29 per 1,000 kWhs for fuel cost recovery. The South Carolina deferred fuel balance at December 31, 2005, was $38 million, of which $21 million will be collected after 2006 in accordance with the settlement agreement and therefore has been classified as a long-term regulatory asset.

On June 3, 2005, PEC filed for an increase in the fuel rate charged to its North Carolina retail customers with the NCUC. PEC requested that the NCUC approve an annual increase of $276 million, or 11 percent. PEC requested the increase for under-recovered fuel costs for the previous 12 months and to meet future expected fuel costs. On September 26, 2005, the NCUC approved a settlement agreement proposed by PEC and other parties to the proceeding. In the settlement, PEC will collect all of its fuel cost under-collections that occurred during the test year ended March 31, 2005, over a one-year period beginning October 1, 2005. PEC agreed to reduce its proposed billing increment, designed to collect future fuel costs, in order to address customer concerns regarding the magnitude of the proposed increase. The NCUC approved an annual increase of $133 million, an average increase of 5 percent. In recognition of the likely under-collection that will result during the year ending September 30, 2006, PEC is allowed to calculate and collect interest at 6% on the difference between its collection factor in the original request to the NCUC and the factor included in the settlement agreement until such amounts have been collected. Effective October 1, 2005, residential electric bills increased by $3.71 per 1,000 kilowatt-hours (kWhs) for fuel cost recovery. At December 31, 2005, PEC's North Carolina retail fuel costs were under-recovered by $254 million. This amount was comprised of $244 million eligible for recovery in 2006 and $10 million deferred from a 2001 NCUC order that cannot be collected until 2007 and therefore has been classified as a long-term regulatory asset.

In 2004 and 2003, PEC obtained SCPSC and NCUC approval of fuel factors in annual fuel-adjustment proceedings. The NCUC approved an annual increase of $62 million and $20 million, respectively, by orders issued in September 2004 and 2003. The SCPSC approved PEC's petition each year and the changes were insignificant.

STORM COST RECOVERY

In February 2004, PEC filed with the SCPSC seeking permission to defer expenses incurred from the first quarter 2004 winter storm. In September 2004, the SCPSC approved PEC's request to defer the costs and amortize them ratably over five years beginning in January 2005. Approximately $9 million related to storm costs was deferred in 2004. PEC recognized $2 million of South Carolina storm amortization during 2005.

In October 2003, PEC filed with the NCUC seeking permission to defer expenses incurred from Hurricane Isabel and the February 2003 winter storms. In December 2003, the NCUC approved PEC's request to defer the costs associated with Hurricane Isabel and the February 2003 winter storms and amortize them over a period of five years. PEC charged approximately $24 million in 2003 from Hurricane Isabel and from winter storms to the deferred account. PEC recognized $5 million, $5 million and $3 million of North Carolina storm amortization during 2005, 2004 and 2003, respectively.

OTHER MATTERS

The NCUC and SCPSC have approved proposals to accelerate cost recovery of PEC's nuclear generating assets beginning January 1, 2000, and continuing through 2009. The aggregate minimum and maximum amounts of cost recovery are $530 million and $750 million, respectively. Accelerated cost recovery of these assets resulted in no additional expense in 2005, 2004 or 2003. Through December 31, 2005, PEC recorded total accelerated depreciation of $403 million.

The North Carolina Clean Smokestacks Act (Clean Smokestacks Act) enacted in June 2002 requires state utilities to reduce emissions of nitrogen oxide (NOx) and sulfur dioxide (SO_2) from coal-fired plants. The law provides that the utilities shall amortize and recover the original estimated costs (subject to adjustment by the NCUC) associated with meeting the new emission standards over a seven-year period beginning January 1, 2003. The legislation provides for significant flexibility in the amount of annual amortization recorded, which allows the utilities to vary the amount amortized within certain limits. This flexibility provides a utility with the opportunity to consider the impacts of other factors on its regulatory return on equity (ROE) when setting the amortization amount for each year. PEC recognized $147 million, $174 million and $74 million of Clean Smokestacks Act amortization during 2005, 2004 and 2003, respectively. This legislation freezes PEC's base rates in North Carolina through December 31, 2007, subject to certain conditions (See Note 22B).

In conjunction with our acquisition of Florida Progress Corporation (Florida Progress), PEC reached a settlement with the Public Staff of the NCUC in which it agreed to provide $20 million of credits to its nonreal-time pricing customers including $6 million in both 2005 (the last year the agreed-upon credits were provided) and 2004 and $5 million in 2003.

C. PEF Retail Rate Matters

STORM COST RECOVERY

On July 14, 2005, the FPSC issued an order authorizing PEF to recover $232 million over a two-year period, including interest, of the costs it incurred and previously deferred related to PEF's restoration of power to customers associated with the four hurricanes in 2004. The ruling allowed PEF to include a charge of approximately $3.27 on the average residential monthly customer bill of 1,000 kWhs beginning August 1, 2005. The ruling by the FPSC approved the majority of PEF's requests with two exceptions: the reclassification of $8 million of previously deferred costs to utility plant and the reclassification of $17 million of previously deferred costs as normal operation and maintenance (O&M) expense, which was expensed in the second quarter of 2005. In 2005, PEF recorded approximately $50 million of amortization associated with the recovery of these storm costs.

The amount included in the original petition requesting recovery of $252 million in November 2004 was an estimate, as actual total costs were not known at that time. On September 12, 2005, PEF filed a true-up to the original amount requested. PEF incurred an additional $19 million in costs in excess of the amount requested in the original petition. This increase was partially offset by a $6 million of adjustments due to allocating a higher portion of the costs to the wholesale jurisdiction and refining the FPSC adjustments. On November 9, 2005, as part of the action taken by the FPSC on PEF's pass-through clause cost recovery discussed below, the recovery of this difference was administratively approved by the FPSC, subject to audit by the FPSC staff. The net impact was included in customer bills beginning January 1, 2006.

On June 1, 2005, the governor of Florida signed into law a bill that allows utilities to petition the FPSC to use securitized bonds to recover storm-related costs. PEF is reviewing whether it will seek FPSC approval to issue securitized debt to recover any outstanding balance of its 2004 storm costs and to replenish its storm reserve fund, or to continue the current replenishment of its storm reserve fund through base rates and a surcharge mechanism. If PEF seeks recovery through securitization and assuming FPSC approval, PEF expects the process to take six to nine months to complete.

PASS-THROUGH CLAUSE COST RECOVERY

On November 9, 2005, the FPSC approved PEF's filed request seeking a total increase of $605 million over 2005 to recover rising fuel costs as well as costs related to other pass-through clauses and surcharges. Fuel costs of $560 million and certain purchased power costs of $42 million were the largest component of the total increase. The fuel cost increase includes $17 million from 2004 under-recoveries, $222 million from 2005 under-recoveries and a $321 million increase for 2006. Beginning January 1, 2006, residential electric bills increased by $11.78 per 1,000 kWhs each billing cycle through December 31, 2006. At December 31, 2005, PEF was under-recovered in fuel and capacity costs by $341 million.

To encourage energy conservation, the FPSC's ruling allows PEF to implement a two-tiered fuel rate for residential customers that charges a lower rate for the first 1,000 kWhs and a higher rate for each additional kWh.

BASE RATE SETTLEMENT

On April 29, 2005, PEF submitted minimum filing requirements, based on a 2006 projected test year, to initiate a base rate proceeding regarding its future base rates. In its filing, PEF requested a $206 million annual increase in base rates effective January 1, 2006. On September 7, 2005, the FPSC approved an agreement (Base Rate Settlement) that maintains PEF's base rates at their current level through late 2007, except as modified elsewhere in the Base Rate Settlement. The new base rates took effect the first billing cycle of January 2006 and will remain in effect through the last billing cycle of December 2009 with PEF having sole option to extend through the last billing cycle of June 2010.

Under the Base Rate Settlement, PEF will continue to collect a return on and depreciation of Hines Unit 2 through the fuel clause, as was permitted under the terms of the existing Stipulation and Settlement Agreement (the Agreement), through late 2007 when it will be transferred into base rates. This transfer will correspond with the in-service dates of the Hines Unit 4, which will also be recovered through a base rate increase. PEF began recovering the cost of its Hines Unit 3 through existing base rates when it was placed into service in November 2005, similar to other utility property additions.

The Base Rate Settlement authorizes PEF to recover certain costs through clauses, such as the continued recovery of post-9/11 security costs through the capacity clause and the carrying costs of coal inventory in transit and coal procurement costs through the fuel clause.

The Base Rate Settlement also provides for revenue sharing between PEF and its customers. In 2006, PEF will refund two-thirds of retail, base revenues between the $1.499 billion threshold and the $1.549 billion cap and 100 percent of revenues above the $1.549 billion cap. Both the threshold and cap will be adjusted annually for rolling average 10-year retail kWh sales growth.

The Base Rate Settlement authorizes PEF to include an adjustment to increase common equity for the impact of Standard & Poor's (S&P's) imputed off-balance sheet debt for future capacity payments to qualifying facilities and other entities under long-term purchase power agreements. This adjusted capital structure will be used for surveillance reporting with the FPSC and pass-through clause return calculations. PEF will use an authorized 11.75 percent ROE for cost recovery clauses and AFUDC. In addition, PEF's adjusted equity ratio will be capped at 57.83 percent. If PEF's regulatory ROE falls below 10 percent, and for certain other events, PEF is authorized to petition the FPSC for a base rate increase.

The FPSC requires that PEF perform a depreciation study no less frequently than every four years. PEF filed a depreciation study for the FPSC's approval on April 29, 2005, as part of its base rate filing, which would increase depreciation expense by $14 million beginning in 2006. PEF reduced its estimated removal costs to take into account the estimates used in the depreciation study. This resulted in a downward revision in PEF's estimated removal costs, a component of regulatory liabilities, and an equal increase in accumulated depreciation of $401 million. On September 7, 2005, the FPSC approved a modification to the study that resulted in a decrease to the filed report of $40 million. Consequently, the impact of the rate changes in the depreciation study will decrease annual depreciation expense by $26 million beginning in 2006.

The FPSC requires that PEF update its cost estimate for fossil plant dismantlement every four years. PEF filed an updated fossil dismantlement study with the FPSC on April 29, 2005, as part of its base rate filing. The new study called for an increase in the annual accrual of $10 million beginning in 2006. PEF's reserve for fossil plant dismantlement, including amounts in the ARO liability for asbestos abatement, was $145 million at December 31, 2005. Retail accruals on PEF's reserves for fossil plant dismantlement were previously suspended through December 2005 under the terms of PEF's existing Agreement. The Base Rate Settlement continued the suspension of PEF's collection from customers of the expenses to dismantle fossil plants.

The FPSC requires that PEF update its cost estimate for nuclear decommissioning every five years. PEF filed a new site-specific estimate of decommissioning costs for CR3 with the FPSC on April 29, 2005, as part of PEF's base rate filing. PEF's estimate is based on prompt dismantlement decommissioning. The estimate, in 2005 dollars, is $614 million and is subject to change based on a variety of factors including, but not limited to, cost escalation, changes in technology applicable to nuclear decommissioning and changes in federal, state or local regulations. The cost estimate excludes the portion attributable to other co-owners of CR3. The NRC operating license held by PEF for CR3 currently expires in December 2016. An application to extend this license 20 years is expected to be submitted in the first quarter of 2009. As part of this new estimate and assumed license extension, PEF reduced its ARO liability by $88 million. Retail accruals on PEF's reserves for nuclear decommissioning were previously suspended through December 2005 under the terms of the Agreement and the new Base Rate Settlement continues that suspension.

FRANCHISE MATTERS

On June 1, 2005, Winter Park acquired PEF's electric distribution system that serves Winter Park for approximately $42 million. On June 1, 2005, PEF transferred the distribution system to Winter Park and recognized a pre-tax gain of approximately $25 million on the transaction, which is included as an offset to other utility expense on the Statements of Income. This amount was decreased $1 million in the third quarter of 2005 upon accumulation of the final capital expenditures incurred since arbitration. PEF also recorded a regulatory liability of $8 million for stranded cost revenues, which will be amortized to revenues over six years in accordance with the provisions of the transfer agreement with Winter Park. In June 2004, Winter Park executed a wholesale power supply contract with PEF with a five-year term and a renewal option.

OTHER MATTERS

On June 29, 2004, the FPSC approved a Stipulation and Settlement Agreement, executed on April 29, 2004, by PEF, the Office of Public Counsel and the Florida Industrial Power Users Group. The stipulation and settlement resolved the issue pending before the FPSC regarding the costs PEF will be allowed to recover through its Fuel and Purchased Power Cost Recovery clause in 2004 and beyond for waterborne coal deliveries by PEF's affiliated coal

supplier, Progress Fuels. The settlement sets fixed per ton prices based on point of origin for all waterborne coal deliveries in 2004, and establishes a market-based pricing methodology for determining recoverable waterborne coal transportation costs through a competitive solicitation process or market price proxies in 2005 and thereafter. The settlement reduces the amount that PEF will charge to the Fuel and Purchased Power Cost Recovery clause for waterborne transportation by approximately $11 million beginning in 2004.

On November 3, 2004, the FPSC approved PEF's petition for Determination of Need for the construction of a fourth unit at PEF's Hines Energy Complex. Hines Unit 4 is needed to maintain electric system reliability and integrity and to continue to provide adequate electricity to its ratepayers at a reasonable cost. Hines Unit 4 will be a combined cycle unit with a generating capacity of 461 MW (summer rating). The estimated total in-service cost of Hines Unit 4 is $286 million, and the unit is planned for commercial operation in December 2007. If the actual cost is less than the estimate, customers will receive the benefit of such cost under-runs. Any costs that exceed this estimate will not be recoverable absent extraordinary circumstances as found by the FPSC in subsequent proceedings.

D. Regional Transmission Organizations

In 2000, the FERC issued Order No. 2000 regarding regional transmission organizations (RTOs). This Order set minimum characteristics and functions that RTOs must meet, including independent transmission service. In October 2000, as a result of Order 2000, PEC, along with Duke Energy Corporation and South Carolina Electric & Gas Company, filed an application with the FERC for approval of an RTO, GridSouth. In July 2001, the FERC issued an order provisionally approving GridSouth. However, in July 2001, the FERC issued orders recommending that companies in the southeastern United States engage in mediation to develop a plan for a single RTO. PEC participated in the mediation. On August 11, 2005, the GridSouth participants notified the FERC that they had terminated the GridSouth project. By order issued October 20, 2005, the FERC terminated the GridSouth proceeding. PEC has $33 million invested in GridSouth related to startup costs at December 31, 2005. PEC expects to recover these startup costs.

The FPSC ruled in December 2001 that the formation of GridFlorida by the three major investor-owned utilities in Florida, including PEF, was prudent but ordered changes in the structure and market design of the proposed organization. In September 2002, the FPSC set a hearing for market design issues; this order was appealed to the Florida Supreme Court by the consumer advocate of the state of Florida. In June 2003, the Florida Supreme Court dismissed the appeal without prejudice. In September 2003, the FERC held a Joint Technical Conference with the FPSC to consider issues related to formation of an RTO for peninsular Florida. In December 2003, the FPSC ordered further state proceedings and established a collaborative workshop process to be conducted during 2004. In June 2004, the workshop process was abated pending completion of a cost-benefit study. On December 12, 2005, the final report of the cost-benefit study was issued. The study concluded that the GridFlorida RTO was not cost effective. The study further segregated the costs and benefits between FPSC jurisdictional and nonjurisdictional customers, concluding that the jurisdictional customers would incur even more costs and benefits would be shifted to nonjurisdictional customers. In light of the findings and conclusions of the cost-benefit study, on January 27, 2006, the GridFlorida applicants filed a motion to withdraw the compliance filing and filed a petition to close the docketed proceeding. The Florida Municipal Power Agency and Seminole Electric Power Cooperative have submitted a filing in opposition to this motion. The FPSC has released a schedule that indicates that they will issue an order on this motion by April 24, 2006. The GridFlorida applicants are currently in discussions to determine whether there are cost-effective alternatives to the GridFlorida proposal that could be implemented in peninsular Florida. PEF has fully recovered its startup costs in GridFlorida from retail ratepayers.

E. FERC Market Power Mitigation

In April 2004, the FERC issued two orders concerning utilities' ability to sell wholesale electricity at market-based rates. In the first order, the FERC adopted two new interim screens for assessing potential generation market power of applicants for wholesale market-based rates, and described additional analyses and mitigation measures that could be presented if an applicant does not pass one of these interim screens. In July 2004, the FERC issued an order on rehearing affirming its conclusions in the April order. In the second order, the FERC initiated a rulemaking to consider whether the FERC's current methodology for determining whether a public utility should be allowed to sell wholesale electricity at market-based rates should be modified in any way. PEF does not have market-based rate

authority for wholesale sales in peninsular Florida. Given the difficulty PEC believed it would experience in passing one of the interim screens, on September 6, 2005, PEC filed revisions to its market-based rate tariffs restricting them to sales outside PEC's control area and peninsular Florida and a new cost-based tariff for sales within PEC's control area. The FERC has accepted these revised tariffs.

F. Energy Delivery Capitalization Practice

We reviewed our capitalization policies for the Utilities' distribution operations (Energy Delivery) in 2004. That review indicated that in the areas of outage and emergency work not associated with major storms and allocation of indirect costs, both PEC and PEF should revise the way that they estimate the amount of capital costs associated with such work. Effective January 1, 2005, we implemented changes that included more detailed classification of outage and emergency work resulting in more precise estimation and implemented a process to retest accounting estimates on an annual basis. As a result of the changes in accounting estimates for the outage and emergency work and indirect costs, a lesser proportion of PEC's and PEF's costs will be capitalized on a prospective basis. The combined impact for the Utilities in 2005 was to expense approximately $63 million of costs that would have been capitalized under the previous policies. Of this total, $26 million related to PEC and $37 million related to PEF. Pursuant to SFAS No. 71, the Utilities informed the state regulators having jurisdiction over them of this change and that the new estimation process was implemented effective January 1, 2005. We also requested and received a method change from the Internal Revenue Service (IRS) during 2005.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

We perform annual goodwill impairment tests in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). Goodwill impairment was tested for both the PEC and PEF segments in the second quarters of 2004 and 2005; each test indicated no impairment.

For our Progress Ventures segment, the goodwill impairment tests are performed at the reporting unit level of our Effingham, Monroe, Walton and Washington nonregulated generation plants (Georgia Region), which is one level below the Progress Ventures segment. We performed the annual goodwill impairment test for our Georgia Region reporting unit in the first quarters of 2005 and 2004, each of which indicated no impairment. In response to changing gas and electricity prices that have a significant impact on the future cash flows of our Georgia Region operations, we also performed an interim goodwill impairment test for the Progress Ventures goodwill in the third and fourth quarters of 2005, each of which indicated no impairment. However, as part of our evaluation of certain business opportunities in the first quarter of 2006, we performed an interim impairment test for the $64 million of goodwill, which indicated the fair value of the Georgia Region was less than its carrying value. As required by SFAS No. 142, we are currently performing the second step of the impairment test, which compares the implied fair value of the goodwill with the recorded goodwill. While the results of the second step of the impairment test are currently unknown, the effects could range from no change to the recorded goodwill value to a potential write-off of $64 million.

Under SFAS No. 142, all goodwill is assigned to our reporting units that are expected to benefit from the synergies of the business combination. The changes in the carrying amount of goodwill, by reportable segment, for the years ended December 31 were as follows:

(in millions)	PEC	PEF	Progress Ventures	Corporate and Other	Total
Balance at January 1, 2003	$ 1,922	$ 1,733	$ 64	$ -	$ 3,719
Acquisitions	-	-	-	7	7
Balance at December 31, 2003	1,922	1,733	64	7	3,726
Purchase accounting adjustment	-	-	-	(7)	(7)
Balance at December 31, 2004	1,922	1,733	64	-	3,719
Balance at December 31, 2005	**$ 1,922**	**$ 1,733**	**$ 64**	**$ -**	**$ 3,719**

In December 2003, $7 million in goodwill was recorded based on a preliminary purchase price allocation as part of the PTC partial acquisition of EPIK and was reported in the Corporate and Other segment. As discussed in Note 4B, we revised the preliminary EPIK purchase price allocation as of September 2004, and the $7 million of goodwill was reallocated to certain tangible assets acquired based on the results of valuations and appraisals.

The gross carrying amount and accumulated amortization of the intangible assets at December 31 were as follows:

	2005		2004	
(in millions)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Synthetic fuel intangibles	$ 134	$ (98)	$ 134	$ (80)
Power agreements acquired	188	(19)	188	(6)
Other	112	(15)	111	(11)
Total	$ 434	$ (132)	$ 433	$ (97)

In June 2004, we sold, in two transactions, a combined 49.8 percent partnership interest in Colona, one of our synthetic fuel operations. Approximately $6 million in synthetic fuel intangibles and $3 million in r elated accumulated amortization were included in the sale of the partnership interest.

All of our intangibles, except minimum pension liability adjustments, are subject to amortization. Synthetic fuel intangibles represent intangibles for synthetic fuel technology. These intangibles are being amortized on a straight-line basis until the expiration of tax credits under Section 29/45K in December 2007 (See Note 23D). The intangibles related to power agreements acquired are being amortized based on the economic benefits of the contracts (See Notes 4D). Other intangibles are primarily acquired customer contracts, permits that are amortized over their respective lives and minimum pension liability adjustments.

PEC had intangible assets related to minimum pension liability adjustments of $17 million and $18 million at December 31, 2005 and 2004, respectively. PEF had intangible assets related to minimum pension liability adjustments of $2 million at December 31, 2005.

Amortization expense recorded on intangible assets for the years ended December 31, 2005, 2004 and 2003 was $35 million, $42 million and $36 million, respectively. The estimated annual amortization expense for intangible assets for 2006 through 2010 is approximately $36 million, $37 million, $18 million, $18 million and $19 million, respectively.

9. IMPAIRMENTS OF LONG-LIVED ASSETS AND INVESTMENTS

We apply SFAS No. 144 for the accounting and reporting of impairment or disposal of long-lived assets. In 2005 and 2003, we recorded pre-tax long-lived asset and investment impairments and other charges of $1 million and $38 million, respectively. PEC recorded pre-tax long-lived asset and investment impairments and other charges of $1 million and $21 million, respectively, in 2005 and 2003. No impairments were recorded in 2004.

A. Long-Lived Assets

Due to the reduction in coal production, we evaluated Kentucky May coal mine's long-lived assets in 2003. Fair value was determined based on discounted cash flows. As a result of this review, we recorded asset impairments of $17 million on a pre-tax basis during the fourth quarter of 2003. As discussed in Note 3A, all amounts directly related to the coal mines are included in discontinued operations on the consolidated statements of income. Due to rising current and future oil prices, in the third and fourth quarters of 2005 we tested our synthetic fuel plant assets for impairment. These tests indicated that the assets were recoverable and no impairment charge was recorded. See Note 23D for additional information.

B. Investments

We evaluate declines in value of investments under the criteria of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115), and Emerging Issues Task Force (EITF) Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairments and Its Application to Certain Investments" (EITF 03-1). Declines in fair value to below the cost basis judged to be other than temporary on available-for-sale securities are included in impairments of investments. See Note 13 for additional information.

We continually review PEC's affordable housing investment (AHI) portfolio for impairment. As a result of various factors including continued operating losses of the AHI portfolio and management issues arising at certain properties within the AHI portfolio, we recorded impairment charges of $1 million and $18 million on a pre-tax basis in 2005 and 2003, respectively. PEC also recorded an impairment of $3 million for a cost investment in 2003. No impairments were recorded in 2004.

10. EQUITY

A. Common Stock

Progress Energy

At December 31, 2005 and 2004, we had 500 million shares of common stock authorized under our charter, of which 252 million shares and 247 million shares, respectively, were outstanding. At December 31, 2005 and 2004, we had approximately 58 million shares and 63 million shares, respectively, of common stock authorized by the board of directors that remained unissued and reserved, primarily to satisfy the requirements of our stock plans. In 2002, the board of directors authorized meeting the requirements of the Progress Energy 401(k) Savings and Stock Ownership Plan (401(k)) and the Investor Plus Stock Purchase Plan with original issue shares. During 2005, 2004 and 2003, respectively, we issued approximately 4.6 million, 1.4 million and 7.5 million shares, respectively, under these plans for net proceeds of approximately $199 million, $62 million and $305 million, respectively. We continue to meet the requirements of the restricted stock plan with issued and outstanding shares.

There are various provisions limiting the use of retained earnings for the payment of dividends under certain circumstances. At December 31, 2005, there were no significant restrictions on the use of retained earnings (See Note 12).

PEC

At December 31, 2005 and 2004, PEC was authorized to issue up to 200 million shares of common stock. All shares issued and outstanding are held by Progress Energy. There are various provisions limiting the use of retained earnings for the payment of dividends under certain circumstances. At December 31, 2005, there were no significant restrictions on the use of retained earnings. See Note 12 for additional dividend restrictions related to PEC.

PEF

At December 31, 2005 and 2004, PEF was authorized to issue up to 60 million shares of common stock. All PEF common shares issued and outstanding are indirectly held by Progress Energy. There are various provisions limiting the use of retained earnings for the payment of dividends under certain circumstances. At December 31, 2005, there were no significant restrictions on the use of retained earnings. See Note 12 for additional dividend restrictions related to PEF.

B. Stock-Based Compensation

EMPLOYEE STOCK OWNERSHIP PLAN

We sponsor the 401(k) for which substantially all full-time nonbargaining unit employees and certain part-time nonbargaining unit employees within participating subsidiaries are eligible. Participating subsidiaries as of January

1, 2003, were PEC, PEF, PTC, PVI, Progress Fuels (corporate employees) and Progress Energy Service Company, LLC (PESC). Effective December 19, 2003, (the PT LLC/EPIK merger date), PTC no longer participates in the 401(k). The 401(k), which has matching and incentive goal features, encourages systematic savings by employees and provides a method of acquiring Progress Energy common stock and other diverse investments. The 401(k), as amended in 1989, is an Employee Stock Ownership Plan (ESOP) that can enter into acquisition loans to acquire Progress Energy common stock to satisfy 401(k) common share needs. Qualification as an ESOP did not change the level of benefits received by employees under the 401(k). Common stock acquired with the proceeds of an ESOP loan is held by the 401(k) Trustee in a suspense account. The common stock is released from the suspense account and made available for allocation to participants as the ESOP loan is repaid. Such allocations are used to partially meet common stock needs related to matching and incentive contributions and/or reinvested dividends. All or a portion of the dividends paid on ESOP suspense shares and on ESOP shares allocated to participants may be used to repay ESOP acquisition loans. To the extent used to repay such loans, the dividends are deductible for income tax purposes. Also, beginning in 2002, the dividends paid on ESOP shares that are either paid directly to participants or used to purchase additional shares which are subsequently allocated to participants, are fully deductible for income tax purposes.

There were 2.9 million and 3.5 million ESOP suspense shares at December 31, 2005 and 2004, respectively, with a fair value of $126 million and $156 million, respectively. ESOP shares allocated to plan participants totaled 11.4 million and 12.6 million at December 31, 2005 and 2004, respectively. Our matching and incentive goal compensation cost under the 401(k) is determined based on matching percentages and incentive goal attainment as defined in the plan. Such compensation cost is allocated to participants' accounts in the form of Progress Energy common stock, with the number of shares determined by dividing compensation cost by the common stock market value at the time of allocation. We currently meet common stock share needs with open market purchases, with shares released from the ESOP suspense account and with newly issued shares. Costs for incentive goal compensation are accrued during the fiscal year and typically paid in shares in the following year, while costs for the matching component are typically met with shares in the same year incurred. Matching and incentive costs, which were met and will be met with shares released from the suspense account, totaled approximately $18 million, $21 million and $20 million for the years ended December 31, 2005, 2004 and 2003, respectively. Total matching and incentive costs totaled approximately $30 million, $32 million and $35 million for the years ended December 31, 2005, 2004 and 2003, respectively. We have a long-term note receivable from the 401(k) Trustee related to the purchase of common stock from us in 1989. The balance of the note receivable from the 401(k) Trustee is included in the determination of unearned ESOP common stock, which reduces common stock equity. ESOP shares that have not been committed to be released to participants' accounts are not considered outstanding for the determination of earnings per common share. Interest income on the note receivable and dividends on unallocated ESOP shares are not recognized for financial statement purposes.

PEC's matching and incentive costs, which were met and will be met with shares released from the suspense account, totaled approximately $11 million, $12 million and $11 million for the years ended December 31, 2005, 2004 and 2003, respectively. Matching and incentive costs totaled approximately $17 million, $18 million and $16 million for the years ended December 31, 2005, 2004 and 2003, respectively.

PEF

PEF's matching and incentive costs, which were met and will be met with shares released from the suspense account, totaled approximately $4 million, $5 million and $4 million for the years ended December 31, 2005, 2004 and 2003, respectively. Matching and incentive costs totaled approximately $6 million, $7 million and $10 million for the years ended December 31, 2005, 2004 and 2003, respectively.

NEW ACCOUNTING FOR STOCK-BASED COMPENSATION

In December 2004, the FASB issued SFAS No. 123R, which revises SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB Opinion No. 25). The key requirement of SFAS No. 123R is that the cost of stock-based awards

to employees will be measured based on an award's fair value at the grant date, with such cost to be amortized over the appropriate service period, net of estimated forfeitures. Previously, entities could elect to continue accounting for such awards at their grant date intrinsic value under APB Opinion No. 25, and we made that election. The intrinsic value method resulted in our recording no compensation expense for stock options granted to employees. Also, as previously allowed, we recognized the expense effects of forfeitures as they occurred. SFAS No. 123R also changes prospectively the presentation of certain stock-based compensation excess income tax benefits in the statement of cash flows, with such excess tax benefits shown as financing cash inflows rather than operating cash inflows.

We adopted SFAS No. 123R as of July 1, 2005, using the required modified prospective method. Under that method, we will record compensation expense under SFAS No. 123R for all awards granted after July 1, 2005, and will record compensation expense (as previous awards continue to vest) for the unvested portion of previously granted awards that were outstanding at July 1, 2005. For awards with graded-vesting features, we will recognize expense using the grading-vesting method alternative in SFAS No. 123R. As a result of the adoption of SFAS No. 123R, on a prospective basis, we will not show unearned restricted shares as a negative component of common stock equity; rather, such amounts will be included in the determination of common stock presented in the Consolidated Balance Sheets. In addition, on a prospective basis, for new awards that effectively vest upon an employee's retirement eligibility, we will recognize expense over a vesting period based on the effective vesting date. Previously, we recognized expense over a vesting period based on the stated vesting date.

Progress Energy

Adoption of SFAS No. 123R resulted in our recognizing approximately $3 million of pre-tax expense for stock options during the year ended December 31, 2005, which would not have been recognized under the prior accounting treatment. We curtailed our stock option program in 2004 and replaced that compensation program with other programs. Therefore, the amount of stock option expense recorded in 2005 is below the amount that would have been recorded if the stock option program had continued. Additionally, we recognized a cumulative pre-tax benefit from the accounting change of approximately $1 million, which reflects the cumulative impact of estimating forfeitures in the determination of period expense for other stock-based compensation plans, rather than recording the effect of forfeitures as they occur. As a result of the adoption of SFAS No. 123R, on a prospective basis we will not show unearned restricted shares as a negative component of common stock equity; rather, such amounts will be included in the determination of common stock presented in the Consolidated Balance Sheets. The adoption of SFAS No. 123R did not have a material impact on our income, earnings per share or our presentation of cash flows for the year ended December 31, 2005.

PEC

PEC participates in the Progress Energy stock option and other stock-based compensation plans and its adoption of SFAS No. 123R resulted in the recognition of approximately $1 million of pre-tax expense for stock options for the year ended December 31, 2005, which would not have been recognized under the prior accounting treatment. Additionally, PEC recognized an immaterial amount of cumulative pre-tax benefit from the accounting change which reflects the cumulative impact of estimating forfeitures in the determination of period expense for other stock-based compensation plans, rather than recording the effect of forfeitures as they occur. The adoption of SFAS No. 123R did not have a material impact on PEC's income or PEC's presentation of cash flows for the year ended December 31, 2005.

PEF

PEF participates in the Progress Energy stock option and other stock-based compensation plans and its adoption of SFAS No. 123R resulted in the recognition of approximately $1 million of pre-tax expense for stock options for the year ended December 31, 2005, which would not have been recognized under the prior accounting treatment. Additionally, PEF recognized an immaterial amount of cumulative pre-tax benefit from the accounting change which reflects the cumulative impact of estimating forfeitures in the determination of period expense for other stock-based compensation plans, rather than recording the effect of forfeitures as they occur. The adoption of SFAS No. 123R did not have a material impact on PEF's income or PEF's presentation of cash flows for the year ended December 31, 2005.

STOCK OPTIONS

Pursuant to our 1997 Equity Incentive Plan and 2002 Equity Incentive Plan, amended and restated as of July 10, 2002, we may grant options to purchase shares of Progress Energy common stock to directors, officers and eligible employees for up to 5 million and 15 million shares, respectively. Generally, options granted to employees vest one-third per year with 100 percent vesting at the end of year three, while options granted to directors vest 100 percent at the end of one year. The options expire 10 years from the date of grant. All option grants have an exercise price equal to the fair market value of our common stock on the grant date. As noted above, we have ceased granting stock options. An immaterial number of stock options were granted in 2004 and no stock options have been granted in 2005. We issue new shares of common stock to satisfy the exercise of previously issued stock options.

Progress Energy

A summary of the status of our stock options at December 31, 2005, and changes during the year then ended, is presented below:

(option quantities in millions)	Number of Options	Weighted-Average Exercise Price
Options outstanding, January 1	7.4	$43.57
Granted	-	-
Forfeited	(0.1)	$44.12
Canceled	(0.1)	$43.75
Exercised	(0.2)	$42.70
Options outstanding, December 31	7.0	$43.58
Options exercisable, December 31	6.0	$43.40

The options outstanding at December 31, 2005, had a weighted-average remaining contractual life of 6.6 years and an aggregate intrinsic value of $5 million. The options exercisable at December 31, 2005, had a weighted-average remaining contractual life of 6.4 years and an aggregate intrinsic value of $5 million.

The total intrinsic value of options exercised during the year ended December 31, 2004, was $1 million. Total intrinsic value of options exercised during the years ended December 31, 2005 and 2003, was less than $1 million in each year.

Compensation cost, for pro forma purposes prior to the adoption of SFAS No. 123R and for expense purposes subsequent to the adoption, is measured at the grant date based on the fair value of the award and is recognized over the vesting period. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2004	2003
Risk-free interest rate	4.22%	4.25%
Dividend yield	5.19%	4.75%
Volatility factor	20.30%	22.28%
Weighted-average expected life of the options (in years)	10	10

Dividend yield and the volatility factor were calculated using three years of historical trend information. The expected term was based on the contractual life of the options.

Stock option expense totaling $3 million was recognized in income during the year ended December 31, 2005, with a recognized tax benefit of $1 million. No compensation cost related to stock options was capitalized during the year.

As previously indicated, we did not record stock option expense prior to the adoption of SFAS No. 123R as of July 1, 2005. The following table illustrates the effect on our net income and earnings per share if the fair value method had been applied to all outstanding and nonvested awards in each period:

(in millions except per share data)	**2005**	2004	2003
Net income, as reported	**$ 697**	$ 759	$ 782
Deduct: Total stock option expense determined under fair value method for all awards, net of related tax effects	**2**	10	11
Pro forma net income	**$ 695**	$ 749	$ 771
Earnings per share			
Basic - as reported	**$ 2.82**	$ 3.13	$ 3.30
Basic - pro forma	**2.81**	3.09	3.25
Diluted - as reported	**2.82**	3.12	3.28
Diluted - pro forma	**2.81**	3.08	3.24

At December 31, 2005, there was $2 million of total unrecognized compensation cost related to nonvested stock options that will be recognized over one year.

Cash received from the exercise of stock options totaled $8 million, $18 million and $4 million, respectively, during the years ended December 31, 2005, 2004 and 2003. The actual tax benefit for tax deductions from stock option exercises for the years ended December 31, 2005, 2004 and 2003 was not significant.

PEC

Stock option expense totaling $1 million was recognized in income during the year ended December 31, 2005, with a recognized tax benefit of less than $1 million. No compensation cost related to stock options was capitalized during the year. At December 31, 2005, there was $1 million of total unrecognized compensation cost related to nonvested stock options which will be recognized over one year.

As previously indicated, we did not record stock option expense prior to the adoption of SFAS No. 123R as of July 1, 2005. The following table illustrates the effect on our net income if the fair value method had been applied to all outstanding and nonvested awards in each period:

(in millions)	**2005**	2004	2003
Net income, as reported	**$493**	$461	$482
Deduct: Total stock option expense determined under fair value method for all awards, net of related tax effects	**2**	7	6
Pro forma net income	**$491**	$454	$476

PEF

Stock option expense totaling $1 million was recognized in income during the year ended December 31, 2005, with a recognized tax benefit of less than $1 million. No compensation cost related to stock options was capitalized during the year. At December 31, 2005, there was less than $1 million of total unrecognized compensation cost related to nonvested stock options which will be recognized over one year.

As previously indicated, we did not record stock option expense prior to the adoption of SFAS No. 123R as of July 1, 2005. The following table illustrates the effect on our net income if the fair value method had been applied to all outstanding and nonvested awards in each period:

(in millions)	**2005**	2004	2003
Net income, as reported	**$260**	$335	$297
Deduct: Total stock option expense determined under fair value method for all awards, net of related tax effects	**1**	2	2
Pro forma net income	**$259**	$333	$295

OTHER STOCK-BASED COMPENSATION PLANS

We have additional compensation plans for our officers and key employees that are stock-based in whole or in part. The two primary active stock-based compensation programs are the Performance Share Sub-Plan (PSSP) and the Restricted Stock Awards (RSA) program, both of which were established pursuant to our 1997 Equity Incentive Plan and were continued under our 2002 Equity Incentive Plan, as amended and restated as of July 10, 2002.

We granted cash-settled PSSP awards prior to 2005. Beginning in 2005, we are granting stock-settled PSSP awards. Under the terms of the cash-settled PSSP, our officers and key employees are granted a target number of performance shares on an annual basis that vest over a three-year consecutive period. Each performance share has a value that is equal to, and changes with, the value of a share of Progress Energy common stock, and dividend equivalents are accrued on, and reinvested in, the performance shares. The PSSP has two equally weighted performance measures, both of which are based on our results as compared to a peer group of utilities. The outcome of the performance measures can result in an increase or decrease from the target number of performance shares granted. Compensation expense is recognized over the vesting period based on the estimated fair value of the award, which is periodically updated based on expected ultimate cash payout, and is reduced by estimated forfeitures. The stock-settled PSSP is similar to the cash-settled PSSP, except that we distribute common stock shares to participants equivalent to the number of performance shares that ultimately vest. Also, the fair value of the stock-settled award is generally established at the grant date based on the fair value of common stock on that date, with certain subsequent adjustments related to our results as compared to the peer group of utilities. PSSP cash-settled liabilities totaling $5 million, $7 million and $6 million were paid in the years ended December 31, 2005, 2004 and 2003, respectively. In 2005, we granted 540,588 stock-settled performance shares having a weighted-average grant date fair value of $44.24, with no forfeitures as of December 31, 2005.

The RSA program allows us to grant shares of restricted common stock to our officers and key employees. The restricted shares generally vest on a graded vesting schedule over a minimum of three years. Compensation expense, which is based on the fair value of common stock at the grant date, is recognized over the applicable vesting period, with corresponding increases in common stock equity. Restricted shares are not included as shares outstanding in the basic earnings per share calculation until the shares are no longer forfeitable. A summary of the status of the nonvested restricted stock shares at December 31, 2005, and changes during the year then ended, is presented below:

	Number of Restricted Shares	Weighted-Average Grant Date Fair Value
Beginning balance	645,176	$42.32
Granted	192,800	42.56
Vested	(149,934)	38.75
Forfeited	(99,734)	42.53
Ending balance	588,308	$43.27

The weighted-average grant date fair value of restricted stock granted during the years ended December 31, 2004 and 2003, was $46.95 and $39.53, respectively.

The total fair value of restricted stock vested during the years ended December 31, 2005, 2004 and 2003 was $7 million, $16 million and $6 million, respectively. Cash expended to purchase shares for the restricted stock program totaled $8 million, $7 million and $7 million during the years ended December 31, 2005, 2004 and 2003, respectively.

Our Consolidated Statements of Income included total recognized expense for other stock-based compensation plans of $10 million for the year ended December 31, 2005, with a recognized tax benefit of $4 million. The total expense recognized on our Consolidated Statements of Income for other stock-based compensation plans was $10 million for the year ended December 31, 2004, with a recognized tax benefit of $4 million. The total expense recognized on our Consolidated Statements of Income for other stock-based compensation plans was $27 million for the year ended December 31, 2003, with a recognized tax benefit of $10 million. No compensation cost related to other stock-based compensation plans was capitalized.

At December 31, 2005, there was $34 million of total unrecognized compensation cost related to nonvested other stock-based compensation plan awards, which is expected to be recognized over a weighted-average period of 2.2 years.

PEC

Our Consolidated Statements of Income included total recognized expense for other stock-based compensation plans of $7 million for the year ended December 31, 2005, with a recognized tax benefit of $3 million. The total expense recognized on our Consolidated Statements of Income for other stock-based compensation plans was $7 million for the year ended December 31, 2004, with a recognized tax benefit of $3 million. The total expense recognized on our Consolidated Statements of Income for other stock-based compensation plans was $15 million for the year ended December 31, 2003, with a recognized tax benefit of $6 million. No compensation cost related to other stock-based compensation plans was capitalized.

PEF

Our Statements of Income included total recognized expense for other stock-based compensation plans of $3 million for the year ended December 31, 2005, with a recognized tax benefit of $1 million. The total expense recognized on our Statements of Income for other stock-based compensation plans was $2 million for the year ended December 31, 2004, with a recognized tax benefit of $1 million. The total expense recognized on our Statements of Income for other stock-based compensation plans was $7 million for the year ended December 31, 2003, with a recognized tax benefit of $3 million. No compensation cost related to other stock-based compensation plans was capitalized.

C. Earnings Per Common Share

Basic earnings per common share is based on the weighted-average number of common shares outstanding. Diluted earnings per share includes the effect of the nonvested portion of restricted stock awards and the effect of stock options outstanding.

A reconciliation of the weighted-average number of common shares outstanding for the years ended December 31 for basic and dilutive purposes follows:

(in millions)	**2005**	2004	2003
Weighted-average common shares - basic	**246.6**	242.2	237.2
Restricted stock awards	**.3**	.8	1.0
Stock options	**.1**	.1	-
Weighted-average shares - fully diluted	**247.0**	243.1	238.2

There are no adjustments to net income or to income from continuing operations between the calculations of basic and fully diluted earnings per common share. ESOP shares that have not been committed to be released to participants' accounts are not considered outstanding for the determination of earnings per common share. The weighted-average shares totaled 3.0 million, 3.6 million and 4.1 million for the years ended December 31, 2005,

2004 and 2003, respectively. There were 2.9 million, 3.0 million and 5.3 million stock options outstanding at December 31, 2005, 2004 and 2003, respectively, which were not included in the weighted-average number of shares for computing the fully diluted earnings per share because they were antidilutive.

D. Accumulated Other Comprehensive Loss

Components of accumulated other comprehensive loss, net of tax, at December 31 were as follows:

	Progress Energy		PEC	
(in millions)	**2005**	2004	**2005**	2004
Gain (loss) on cash flow hedges	**$ 55**	$ (28)	$ (3)	$ (7)
Minimum pension liability adjustments	**(160)**	(142)	(119)	(107)
Foreign currency translation and other	**1**	6	2	-
Total accumulated other comprehensive loss	**$ (104)**	$ (164)	$ (120)	$ (114)

11. PREFERRED STOCK OF SUBSIDIARIES - NOT SUBJECT TO MANDATORY REDEMPTION

All of our preferred stock was issued by our subsidiaries and was not subject to mandatory redemption. At December 31, 2005 and 2004, preferred stock outstanding consisted of the following:

(Dollars in millions, except share and per share data)	Shares Authorized	Outstanding	Redemption Price	Total
PEC				
Cumulative, no par value $5 Preferred Stock	300,000			
$5 Preferred		236,997	$110.00	$ 24
Cumulative, no par value Serial Preferred Stock	20,000,000			
$4.20 Serial Preferred		100,000	102.00	10
$5.44 Serial Preferred		249,850	101.00	25
Cumulative, no par value Preferred Stock A	5,000,000	-	-	-
No par value Preference Stock	10,000,000	-	-	-
Total PEC				59
PEF				
Cumulative, $100 par value Preferred Stock	4,000,0000			
4.00% $100 par value Preferred		39,980	$104.25	4
4.40% $100 par value Preferred		75,000	102.00	8
4.58% $100 par value Preferred		99,990	101.00	10
4.60% $100 par value Preferred		39,997	103.25	4
4.75% $100 par value Preferred		80,000	102.00	8
Cumulative, no par value Preferred Stock	5,000,000	-	-	-
$100 par value Preference Stock	1,000,000	-	-	-
Total PEF				34
Total preferred stock of subsidiaries				$ 93

12. DEBT AND CREDIT FACILITIES

A. Debt and Credit Facilities

At December 31 our long-term debt consisted of the following (maturities and weighted-average interest rates at December 31, 2005):

(in millions)		2005	2004
Progress Energy, Inc.			
Senior unsecured notes, maturing 2006-2031	6.78%	$ 4,300	$ 4,300
Draws on revolving credit agreement, expiring 2009		-	160
Unamortized fair value hedge gain, net		(3)	12
Unamortized premium and discount, net		(19)	(23)
Current portion of long-term debt		(404)	-
Long-term debt, net		3,874	4,449
PEC			
First mortgage bonds, maturing 2006-2033	5.76%	2,200	1,600
Pollution control obligations, maturing 2017-2024	3.21%	669	669
Unsecured notes, maturing 2012	6.50%	500	500
Medium-term notes, maturing 2008	6.65%	300	300
Miscellaneous notes		22	-
Unamortized premium and discount, net		(24)	(19)
Current portion of long-term debt		-	(300)
Long-term debt, net		3,667	2,750
PEF			
First mortgage bonds, maturing 2008-2033	5.39%	1,630	1,330
Pollution control obligations, maturing 2018-2027	3.07%	241	241
Senior unsecured notes, maturing 2008	4.88%	450	-
Medium-term notes, maturing 2006-2028	6.77%	289	337
Draws on revolving credit agreement, expiring 2006		-	55
Unamortized premium and discount, net		(8)	(3)
Current portion of long-term debt		(48)	(48)
Long-term debt, net		2,554	1,912
Florida Progress Funding Corporation (See Note 24)			
Debt to affiliated trust, maturing 2039	7.10%	309	309
Unamortized premium and discount, net		(39)	(39)
Long-term debt, net		270	270
Progress Capital Holdings, Inc.			
Medium-term notes, maturing 2006-2008	6.84%	140	140
Miscellaneous notes		2	1
Current portion of long-term debt		(61)	(1)
Long-term debt, net		81	140
Progress Energy consolidated long-term debt, net		$ 10,446	$ 9,521

At December 31, 2005, we had committed lines of credit used to support our commercial paper borrowings. At December 31, 2005, we had no outstanding borrowings under our credit facilities. For 2004, outstanding borrowings under Progress Energy, Inc.'s 364-day credit facility are included in short-term obligations. Outstanding borrowings under all other credit facilities are included in long-term debt in 2004. At December 31, 2004, we had $260 million outstanding under our credit facilities classified as short-term obligations at a weighted-average interest rate of 3.18%. We are required to pay minimal annual commitment fees to maintain our credit facilities.

The following table summarizes our revolving credit agreements (RCAs) and available capacity at December 31, 2005:

(in millions)	Description	Total	Outstanding	Reserved(a)	Available
Progress Energy, Inc.	Five-year (expiring 8/5/09)	$ 1,130	$ -	$ (150)	$ 980
PEC	Five-year (expiring 6/28/10)	450	-	(73)	377
PEF	Five-year (expiring 3/28/10)	450	-	(102)	348
Total credit facilities		$ 2,030	$ -	$ (325)	$ 1,705

(a) To the extent amounts are reserved for commercial paper outstanding, they are not available for additional borrowings. In addition, at December 31, 2005 and 2004, Progress Energy, Inc. had a total amount of $150 million reserved for backing of letters of credit. At December 31, 2005, the actual amount of letters of credit issued was $33 million.

In addition to the committed RCAs at December 31, 2005, we had an $800 million 364-day credit agreement, which was restricted for the retirement of $800 million of 6.75% Senior Notes due March 1, 2006. On March 1, 2006, Progress Energy, Inc. retired $800 million of its 6.75% Senior Notes, thus effectively terminating the 364-day credit agreement.

The following table summarizes our outstanding commercial paper and other short-term debt classified as short-term obligations and related weighted-average interest rates at December 31, 2005 and 2004:

(in millions)	2005		2004	
Progress Energy, Inc.	-	$ -	2.75%	$ 170
PEC	4.65%	73	2.77%	131
PEF	4.75%	102	2.80%	123
Progress Energy, consolidated	4.71%	$ 175	2.77%	$ 424

The following table presents the aggregate maturities of long-term debt at December 31, 2005:

(in millions)	Progress Energy Consolidated	PEC	PEF
2006	$ 513	$ -	$ 48
2007	674	200	89
2008	1,277	300	532
2009	401	400	-
2010	406	6	300
Thereafter	7,781	2,785	1,641
Total	$ 11,052	$ 3,691	$ 2,610

At December 31, 2005, we classified $397 million, related to the retirement of $800 million in Progress Energy, Inc. 6.75% Senior Notes on March 1, 2006, as long-term debt. Settlement of this obligation is not expected to require the use of working capital in 2006 as we have the intent and ability to refinance this debt on a long-term basis.

On January 13, 2006, Progress Energy, Inc. issued $300 million of 5.625% Senior Notes due 2016 and $100 million of Series A Floating Rate Senior Notes due 2010, receiving net proceeds of $397 million. These senior notes are unsecured. Interest on the Floating Rate Senior Notes will be based on three-month LIBOR plus 45 basis points and will be reset quarterly. We used the net proceeds from the sale of these senior notes and a combination of available cash and commercial paper proceeds to retire the $800 million aggregate principal amount of our 6.75% Senior Notes on March 1, 2006. Pending the application of the proceeds described above, we invested the net proceeds in short-term, interest-bearing, investment-grade securities.

B. Covenants and Default Provisions

FINANCIAL COVENANTS

Progress Energy, Inc.'s, PEC's and PEF's credit lines contain various terms and conditions that could affect the ability to borrow under these facilities. These include maximum debt to total capital ratios (leverage), a minimum interest coverage ratio, material adverse change clauses and cross-default provisions.

All of the credit facilities include a defined maximum total debt to total capital ratio. At December 31, 2005, the maximum and calculated ratios for the Progress Registrants, pursuant to the terms of the agreements, were as follows:

Company	Maximum Ratio	Actual Ratio (a)
Progress Energy, Inc.	68%	60.7%
PEC	65%	55.2%
PEF	65%	50.9%

(a) Indebetedness as defined by the bank agreements includes certain letters of credit and guarantees that are not recorded on the Consolidated Balance Sheets.

Progress Energy, Inc.'s five-year credit facility has a financial covenant for interest coverage. The covenant requires Progress Energy, Inc.'s earnings before interest, taxes, and depreciation and amortization to interest expense ratio to be at least 2.5 to 1. For the year ended December 31, 2005, the ratio was 3.9 to 1.

MATERIAL ADVERSE CHANGE CLAUSE

Pursuant to the terms of Progress Energy, Inc.'s five-year credit facility, even in the event of a material adverse change (MAC) in our financial condition, we may continue to borrow funds so long as the proceeds are used to repay maturing commercial paper balances. The other credit facilities of Progress Energy, Inc., PEC, and PEF do not include a provision under which lenders could refuse to advance funds in the event of a MAC.

CROSS-DEFAULT PROVISIONS

Each of these credit agreements contains cross-default provisions for defaults of indebtedness in excess of the following thresholds: $50 million for Progress Energy, Inc. and $35 million each for PEC and PEF. Under these provisions, if the applicable borrower or certain subsidiaries of the borrower fail to pay various debt obligations in excess of their respective cross-default threshold, the lenders could accelerate payment of any outstanding borrowing and terminate their commitments to the credit facility. Progress Energy, Inc.'s cross-default provision applies only to Progress Energy, Inc. and its significant subsidiaries, as defined in the credit agreement, (i.e., PEC, Florida Progress, PEF, Progress Capital Holdings, Inc. and PVI). PEC's and PEF's cross-default provisions apply only to defaults of indebtedness by PEC and its subsidiaries and PEF, respectively, not other affiliates of PEC and PEF.

Additionally, certain of Progress Energy, Inc.'s long-term debt indentures contain cross-default provisions for defaults of indebtedness in excess of amounts ranging from $25 million to $50 million; these provisions apply only to other obligations of Progress Energy, Inc., primarily commercial paper issued by the Parent, not its subsidiaries. In the event that these indenture cross-default provisions are triggered, the debt holders could accelerate payment of approximately $4.3 billion in long-term debt. Certain agreements underlying our indebtedness also limit our ability to incur additional liens or engage in certain types of sale and leaseback transactions.

OTHER RESTRICTIONS

Neither Progress Energy, Inc.'s Articles of Incorporation nor any of its debt obligations contain any restrictions on the payment of dividends. Certain documents restrict the payment of dividends by Progress Energy, Inc.'s subsidiaries as outlined below.

PEC

PEC's mortgage indenture provides that, as long as any first mortgage bonds are outstanding, cash dividends and distributions on its common stock and purchases of its common stock are restricted to aggregate net income available for PEC since December 31, 1948, plus $3 million, less the amount of all preferred stock dividends and distributions, and all common stock purchases, since December 31, 1948. At December 31, 2005, none of PEC's retained earnings was restricted.

In addition, PEC's Articles of Incorporation provide that cash dividends on common stock shall be limited to 75 percent of net income available for dividends if common stock equity falls below 25 percent of total capitalization, and to 50 percent if common stock equity falls below 20 percent. At December 31, 2005, PEC's common stock equity was approximately 45.6 percent of total capitalization.

PEF

PEF's mortgage indenture provides that it will not pay any cash dividends upon its common stock, or make any other distribution to the stockholders, except a payment or distribution out of net income of PEF subsequent to December 31, 1943. At December 31, 2005, none of PEF's retained earnings was restricted.

In addition, PEF's Articles of Incorporation provide that no cash dividends or distributions on common stock shall be paid, if the aggregate amount thereof since April 30, 1944, including the amount then proposed to be expended, plus all other charges to retained earnings since April 30, 1944, exceed all credits to retained earnings since April 30, 1944, plus all amounts credited to capital surplus after April 30, 1944, arising from the donation to PEF of cash or securities or transfers of amounts from retained earnings to capital surplus. At December 31, 2005, none of PEF's cash dividends or distributions on common stock was restricted.

PEF's Articles of Incorporation also provide that cash dividends on common stock shall be limited to 75 percent of net income available for dividends if common stock equity falls below 25 percent of total capitalization, and to 50 percent if common stock equity falls below 20 percent. On December 31, 2005, PEF's common stock equity was approximately 50.1 percent of total capitalization.

C. Collateralized Obligations

PEC's and PEF's first mortgage bonds are collateralized by their respective mortgage indentures. Each mortgage constitutes a first lien on substantially all of the fixed properties of the respective company, subject to certain permitted encumbrances and exceptions. Each mortgage also constitutes a lien on subsequently acquired property. At December 31, 2005, PEC and PEF had a total of approximately $2.869 billion and $1.871 billion, respectively, of first mortgage bonds outstanding, including those related to pollution control obligations. Each mortgage allows the issuance of additional mortgage bonds upon the satisfaction of certain conditions.

D. Guarantees of Subsidiary Debt

See Note 19 on related party transactions for a discussion of obligations guaranteed or secured by affiliates.

E. Hedging Activities

We use interest rate derivatives to adjust the fixed and variable rate components of our debt portfolio and to hedge cash flow risk related to commercial paper and fixed-rate debt to be issued in the future. See discussion of risk management activities and derivative transactions at Note 18.

13. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Investments

At December 31, 2005 and 2004, we had investments in various debt and equity securities, cost investments, company-owned life insurance and investments held in trust funds as follows:

	Progress Energy		PEC		PEF	
(in millions)	**2005**	2004	**2005**	2004	**2005**	2004
Nuclear decommissioning trust (See Note 5D)	**$ 1,133**	$ 1,044	**$ 640**	$ 581	**$ 493**	$ 463
Investments in equity securities (a)	**7**	3	**6**	3	**1**	-
Equity method investments (b)	**27**	26	**15**	15	**-**	-
Cost investments (c)	**13**	14	**1**	1	**-**	-
Benefit investment trusts (d)	**77**	76	**1**	1	**-**	-
Company-owned life insurance (d)	**153**	145	**97**	93	**39**	34
Marketable debt securities (e)	**191**	82	**191**	82	**-**	-
Total	**$ 1,601**	$ 1,390	**$ 951**	$ 776	**$ 533**	$ 497

(a) Certain investments in equity securities that have readily determinable market values, and for which we do not have control, are accounted for as available-for-sale securities at fair value in accordance with SFAS No. 115 (See Note 1). These investments are included in miscellaneous other property and investments in the Consolidated Balance Sheets.

(b) Investments in unconsolidated companies are included in the Consolidated Balance Sheets in miscellaneous other property and investments using the equity method of accounting (See Note 1). These investments are primarily in limited liability corporations and limited partnerships, and the earnings from these investments are recorded on a pre-tax basis (See Note 21).

(c) Investments stated principally at cost are included in miscellaneous other property and investments in the Consolidated Balance Sheets.

(d) Investments in company-owned life insurance and other benefit plan assets are included in miscellaneous other property and investments in the Consolidated Balance Sheets and approximate fair value due to the short maturity of the instruments.

(e) PEC actively invests available cash balances in various financial instruments, such as tax-exempt debt securities that have stated maturities of 20 years or more. These instruments provide for a high degree of liquidity through arrangements with banks that provide daily and weekly liquidity and 7-, 28- and 35-day auctions that allow for the redemption of the investment at its face amount plus earned income. As PEC intends to sell these instruments within one year or less, generally within 30 days, from the balance sheet date, they are classified as short-term investments.

B. Fair Value of Financial Instruments

Progress Energy

DEBT

The carrying amount of our long-term debt, including current maturities, was $10.959 billion and $9.870 billion at December 31, 2005 and 2004, respectively. The estimated fair value of this debt, as obtained from quoted market prices for the same or similar issues, was $11.491 billion and $10.843 billion at December 31, 2005 and 2004, respectively.

INVESTMENTS

Certain investments in debt and equity securities that have readily determinable market values, and for which we do not have control, are accounted for as available-for-sale securities at fair value in accordance with SFAS No. 115. These investments include investments held in trust funds, pursuant to NRC requirements, to fund certain costs of decommissioning nuclear plants (See Note 5D). These nuclear decommissioning trust funds are primarily invested in stocks, bonds and cash equivalents that are classified as available-for-sale. Nuclear decommissioning trust funds are presented on the Consolidated Balance Sheets at amounts that approximate fair value. Fair value is obtained from quoted market prices for the same or similar investments. In addition to the nuclear decommissioning trust funds, we hold other debt and equity investments classified as available-for-sale in miscellaneous other property and investments on the Consolidated Balance Sheets at amounts that approximate fair value. Our available-for-sale securities at December 31, 2005 and 2004 are summarized below. Net nuclear decommissioning trust fund unrealized gains are included in regulatory liabilities (See Note 7A).

2005

(in millions)	Book Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Equity securities	**$ 411**	**$ 257**	**$ 5**	**$ 663**
Debt securities	**680**	**7**	**7**	**680**
Cash equivalents	**18**	**-**	**-**	**18**
Total	**$ 1,109**	**$ 264**	**$ 12**	**$ 1,361**

2004

(in millions)	Book Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Equity securities	$ 387	$ 219	$ 6	$ 600
Debt securities	538	12	2	548
Cash equivalents	17	-	-	17
Total	$ 942	$ 231	$ 8	$ 1,165

At December 31, 2005, the fair value of available-for-sale debt securities by contractual maturity was (in millions):

Due in one year or less	$ 15
Due after one through five years	138
Due after five through 10 years	151
Due after 10 years	376
Total	$ 680

Selected information about our sales of available-for-sale securities during the years ended December 31 is presented below. Realized gains and losses were determined on a specific identification basis.

(in millions)	**2005**	2004	2003
Proceeds	**$ 2,053**	$ 3,200	$ 3,374
Realized gains	**26**	55	21
Realized losses	**19**	24	25

The following table presents the fair value and gross unrealized losses of our available-for-sale securities at December 31 aggregated by the length of time the securities have been in a continuous loss position.

2005	12 Months or Less		Greater than 12 Months		Total	
(in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	**$ 653**	**$ 3**	**$ 10**	**$ 2**	**$ 663**	**$ 5**
Debt securities	**653**	**7**	**27**	**-**	**680**	**7**
Cash equivalents	**18**	**-**	**-**	**-**	**18**	**-**
Total	**$ 1,324**	**$ 10**	**$ 37**	**$ 2**	**$ 1,361**	**$ 12**

2004	12 Months or Less		Greater than 12 Months		Total	
(in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	$ 587	$ 3	$ 13	$ 3	$ 600	$ 6
Debt securities	546	2	2	-	548	2
Cash equivalents	17	-	-	-	17	-
Total	$ 1,150	$ 5	$ 15	$ 3	$ 1,165	$ 8

PEC

DEBT

The carrying amount of PEC's long-term debt, including current maturities, was $3.667 billion and $3.050 billion at December 31, 2005 and 2004, respectively. The estimated fair value of this debt, as obtained from quoted market prices for the same or similar issues, was $3.789 billion and $3.307 billion at December 31, 2005 and 2004, respectively.

INVESTMENTS

External trust funds have been established to fund certain costs of nuclear decommissioning (See Note 5D). These nuclear decommissioning trust funds are invested in stocks, bonds and cash equivalents and are classified as available-for-sale. Nuclear decommissioning trust funds are presented at amounts that approximate fair value. Fair value is obtained from quoted market prices for the same or similar investments. In addition to the nuclear decommissioning trust fund, PEC holds other debt and equity investments classified as available-for-sale in miscellaneous other property and investments on the Consolidated Balance Sheets at amounts that approximate fair value. PEC's available-for-sale securities at December 31, 2005 and 2004 are summarized below. Net nuclear decommissioning trust fund unrealized gains are included in regulatory liabilities (See Note 7A).

2005 (in millions)	Book Value	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	**$ 222**	**$ 141**	**$ 4**	**$ 359**
Debt securities	**465**	**4**	**4**	**465**
Cash equivalents	**10**	**-**	**-**	**10**
Total	**$ 697**	**$ 145**	**$ 8**	**$ 834**

2004 (in millions)	Book Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Equity securities	$ 208	$ 123	$ 5	$ 326
Debt securities	319	7	1	325
Cash equivalents	12	-	-	12
Total	$ 539	$ 130	$ 6	$ 663

At December 31, 2005, the fair value of available-for-sale debt securities by contractual maturity was (in millions):

Due in one year or less	$ 4
Due after one through five years	78
Due after five through 10 years	80
Due after 10 years	303
Total	$ 465

Selected information about PEC's sales of available-for-sale securities during the years ended December 31 is presented below. Realized gains and losses were determined on a specific identification basis.

(in millions)	**2005**	2004	2003
Proceeds	**$ 1,678**	$ 2,584	$ 2,990
Realized gains	**13**	24	10
Realized losses	**8**	20	12

The following table presents the fair value and gross unrealized losses of PEC's available-for-sale securities at December 31 aggregated by the length of time the securities have been in a continuous loss position.

2005	**12 Months Or Less**		**Greater Than 12 Months**		**Total**	
(in millions)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Equity securities	**$ 349**	**$ 2**	**$ 10**	**$ 2**	**$ 359**	**$ 4**
Debt securities	**451**	**4**	**14**	**-**	**465**	**4**
Cash equivalents	**10**	**-**	**-**	**-**	**10**	**-**
Total	**$ 810**	**$ 6**	**$ 24**	**$ 2**	**$ 834**	**$ 8**

2004	12 Months Or Less		Greater Than 12 Months		Total	
(in millions)	Fair Value	Unrealized Losses	Fair value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	$ 315	$ 2	$ 11	$ 3	$ 326	$ 5

Debt securities	323	1	2	-	325	1
Cash equivalents	12	-	-	-	12	-
Total	$ 650	$ 3	$ 13	$ 3	$ 663	$ 6

PEF

DEBT

The carrying amount of PEF's long-term debt, including current maturities, was $2.602 billion and $1.960 billion at December 31, 2005 and 2004, respectively. The estimated fair value of this debt, as obtained from quoted market prices for the same or similar issues, was $2.635 billion and $2.080 billion at December 31, 2005 and 2004, respectively.

INVESTMENTS

External trust funds have been established to fund certain costs of nuclear decommissioning (See Note 5D). These nuclear decommissioning trust funds are invested in stocks, bonds and cash equivalents and are classified as available-for-sale. Nuclear decommissioning trust funds are presented on the Balance Sheets at amounts that approximate fair value. Fair value is obtained from quoted market prices for the same or similar investments. PEF's available-for-sale securities at December 31, 2005 and 2004 are summarized below. Net nuclear decommissioning trust fund unrealized gains are included in regulatory liabilities (See Note 7A).

2005				
(in millions)	**Book Value**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Equity securities	**$ 189**	**$ 116**	**$ 1**	**$ 304**
Debt securities	**182**	**3**	**2**	**183**
Cash equivalents	**5**	**-**	**-**	**5**
Total	**$ 376**	**$ 119**	**$ 3**	**$ 492**

2004				Estimated
(in millions)	Book Value	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$ 179	$ 96	$ 1	$ 274
Debt securities	183	5	1	187
Cash equivalents	5	-	-	5
Total	$ 367	$ 101	$ 2	$ 466

At December 31, 2005, the fair value of available-for-sale debt securities by contractual maturity was (in millions):

Due in one year or less	$ 3
Due after one through five years	53
Due after five through 10 years	54
Due after 10 years	73
Total	$ 183

Selected information about PEF's sales of available-for-sale securities for the years ended December 31 is presented below. Realized gains and losses were determined on a specific identification basis.

(in millions)	**2005**	2004	2003
Proceeds	**$ 330**	$ 529	$ 295
Realized gains	**13**	30	10
Realized losses	**10**	3	12

The following table presents the fair value and gross unrealized losses of PEF's available-for-sale securities at December 31 aggregated by the length of time the securities have been in a continuous loss position.

2005	12 Months Or Less		Greater Than 12 Months		Total	
(in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	$ 304	$ 1	$ -	$ -	$ 304	$ 1
Debt securities	173	2	10	-	183	2
Cash equivalents	5	-	-	-	5	-
Total	$ 482	$ 3	$ 10	$ -	$ 492	$ 3

2004	12 Months Or Less		Greater Than 12 Months		Total	
(in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	$ 272	$ 1	$ 2	$ -	$ 274	$ 1
Debt securities	187	1	-	-	187	1
Cash equivalents	5	-	-	-	5	-
Total	$ 464	$ 2	$ 2	$ -	$ 466	$ 2

14. INCOME TAXES

We provide deferred income taxes for temporary differences. These occur when there are differences between book and tax carrying amounts of assets and liabilities. Investment tax credits related to regulated operations have been deferred and are being amortized over the estimated service life of the related properties. To the extent that the establishment of deferred income taxes under SFAS No. 109 is different from the recovery of taxes by the Utilities through the ratemaking process, the differences are deferred pursuant to SFAS No. 71. A regulatory asset or liability has been recognized for the impact of tax expenses or benefits that are recovered or refunded in different periods by the Utilities pursuant to rate orders.

Progress Energy

Accumulated deferred income tax assets (liabilities) at December 31 were:

(in millions)	2005	2004
Deferred income tax assets		
Asset retirement obligation liability	$ 135	$ 169
Compensation accruals	101	99
Deferred revenue	54	8
Derivative instruments	-	25
Environmental remediation liability	27	21
Income taxes refundable through future rates	179	115
Postretirement and pension benefits	275	188
Unbilled revenue	30	35
Other	112	128
Federal income tax credit carry forward	957	778
State net operating loss carry forward (net of federal expense)	45	26
Valuation allowance	(39)	(25)
Total deferred income tax assets	1,876	1,567
Deferred income tax liabilities		
Accumulated depreciation and property cost differences	(1,420)	(1,513)
Deferred fuel recovery	(89)	(68)
Deferred storm costs	(94)	(141)
Derivative instruments	(74)	-
Income taxes recoverable through future rates	(187)	(181)
Investments	(31)	--
Prepaid pension costs	-	(16)
Other	(65)	(65)
Total deferred income tax liabilities	(1,960)	(1,984)
Total net deferred income tax liabilities	$ (84)	$ (417)

The above amounts were classified in the Consolidated Balance Sheets as follows:

(in millions)	2005	2004
Current deferred income tax assets	$ 50	$ 112
Noncurrent deferred income tax assets, included in other assets and deferred debits	30	14
Current deferred income tax liabilities, included in other current liabilities	(1)	-
Noncurrent deferred income tax liabilities, included in noncurrent income tax liabilities	(163)	(543)
Total net deferred income tax liabilities	$ (84)	$ (417)

Total noncurrent income tax liabilities on the Consolidated Balance Sheets at December 31, 2005 and 2004 include $115 million and $105 million, respectively, related to probable tax liabilities on which we accrue interest that would be payable with the related tax amount in future years.

At December 31, 2005, the federal income tax credit carry forward includes $925 million of alternative minimum tax credits that do not expire and $32 million of general business credits that will expire during the period 2022 through 2025. The alternative minimum tax credit carry forward at December 31, 2005, includes $3 million that would be limited if a change in ownership were to occur with respect to certain indirect wholly owned subsidiary companies.

At December 31, 2005, we had gross state net operating loss carry forwards of $901 million that will expire during the period 2009 through 2024.

Valuation allowances have been established due to the uncertainty of realizing certain future state tax benefits. We established additional valuation allowances of $14 million during 2005. We believe it is more likely than not that the results of future operations will generate sufficient taxable income to allow for the utilization of the remaining deferred tax assets.

We establish accruals for certain tax contingencies when, despite our belief that our tax return positions are fully supported, we believe that certain positions may be challenged and that it is probable our positions may not be fully sustained. We are under continuous examination by the IRS and other tax authorities and we account for potential losses of tax benefits in accordance with SFAS No. 5. At December 31, 2005 and 2004, we had recorded $60 million of tax contingency reserves, excluding accrued interest and penalties, which were included in other current liabilities on the Consolidated Balance Sheets.

Considering all tax contingency reserves, we do not expect the resolution of these matters to have a material impact on our financial position or result of operations. The tax contingency reserves relate primarily to capitalization and basis issues.

Reconciliations of our effective income tax rate to the statutory federal income tax rate for the years ended December 31 follow:

	2005	2004	2003
Effective income tax rate	**(6.8)%**	12.9%	(16.2)%
State income taxes, net of federal benefit	**(3.4)**	(6.9)	(3.8)
Minority interest	**(1.9)**	(1.0)	0.1
Federal tax credits	**43.6**	26.7	50.6
Investment tax credit amortization	**2.0**	1.7	2.3
Employee stock ownership plan dividends	**1.9**	1.8	2.1
Domestic manufacturing deduction	**1.3**	-	-
Other differences, net	**(1.7)**	(0.2)	(0.1)
Statutory federal income tax rate	**35.0%**	35.0%	35.0%

Our effective income tax rate is favorably impacted by federal tax credits resulting from synthetic fuel production.

Income tax expense (benefit) applicable to continuing operations for the years ended December 31 was comprised of:

(in millions)	**2005**	2004	2003
Current - federal	**$ 351**	$ 238	$ 297
- state	**75**	72	57
Deferred - federal	**(137)**	14	(86)
- state	**(32)**	16	(19)
State net operating loss carry forward	**(6)**	(5)	-
Synthetic fuel tax credit	**(283)**	(215)	(346)
Investment tax credit	**(13)**	(14)	(16)
Total income tax expense (benefit)	**$ (45)**	$ 106	$(113)

Total income tax expense (benefit) applicable to continuing operations excluded the following:

- Less than $1 million of deferred tax expense and $16 million of deferred tax benefit related to the cumulative effect of changes in accounting principle recorded net of tax during 2005 and 2003, respectively. There was no cumulative effect of changes in accounting principle recorded during 2004.

- Taxes related to discontinued operations recorded net of tax for 2005, 2004 and 2003, which are presented separately in Notes 3A and 3B.

- Taxes related to other comprehensive income recorded net of tax for 2005, 2004 and 2003, which are presented separately in the Consolidated Statements of Comprehensive Income.

- Current tax benefit of $2 million related to excess tax deductions resulting from vesting of restricted stock and exercises of nonqualified stock options, which was recorded in common stock during 2005. Less than $1 million was recorded in common stock for excess tax deductions during 2004. There was no amount recorded in common stock for excess tax deductions during 2003.

Through our subsidiaries, we are a majority owner in five entities and a minority owner in one entity that owns facilities that produce synthetic fuel as defined under the Code. The production and sale of the synthetic fuel from these facilities qualifies for tax credits under Section 29/45K if certain requirements are satisfied (See Note 23D).

PEC

Accumulated deferred income tax assets (liabilities) at December 31 were:

(in millions)	2005	2004
Deferred income tax assets:		
Asset retirement obligation liability	$ 131	$ 137
Compensation accruals	46	49
Deferred revenue	55	-
Income taxes refundable through future rates	54	49
Postretirement and pension benefits	155	136
Other	49	80
Federal income tax credit carry forward	20	20
Total deferred income tax assets	510	471
Deferred income tax liabilities:		
Accumulated depreciation and property cost differences	(952)	(1,037)
Deferred fuel recovery	(67)	(54)
Income taxes recoverable through future rates	(129)	(134)
Investments	(61)	(59)
Other	(27)	(39)
Total deferred income tax liabilities	(1,236)	(1,323)
Total net deferred income tax liabilities	$ (726)	$ (852)

The above amounts were classified in the Consolidated Balance Sheets as follows:

(in millions)	2005	2004
Current deferred income tax assets, included in prepayments and other current assets	$ -	$ 36
Current deferred income tax liabilities, included in other current liabilities	(4)	-
Noncurrent deferred income tax liabilities, included in noncurrent income tax liabilities	(722)	(888)
Total net deferred income tax liabilities	$ (726)	$ (852)

Total noncurrent income tax liabilities on the Consolidated Balance Sheets at December 31, 2005 and 2004 include $92 million and $103 million, respectively, related to probable tax liabilities, on which PEC accrues interest that would be payable with the related tax amount in future years.

At December 31, 2005, the federal income tax credit carry forward includes $20 million of general business credits that will expire during the period 2022 through 2025.

At December 31, 2005 and 2004, PEC had recorded $2 million and less than $1 million, respectively, of tax contingency reserves, excluding accrued interest and penalties, which were included in taxes accrued on the Consolidated Balance Sheets.

Considering all tax contingency reserves, PEC does not expect the resolution of these matters to have a material impact on its financial position or result of operations. The tax contingency reserves relate primarily to capitalization and basis issues.

Reconciliations of PEC's effective income tax rate to the statutory federal income tax rate for the years ended December 31 follow:

	2005	2004	2003
Effective income tax rate	32.7%	34.1%	32.3%
State income taxes, net of federal benefit	(2.1)	(2.9)	(1.9)
Investment tax credit amortization	1.1	1.1	1.4
Domestic manufacturing deduction	0.7	-	-
Progress Energy tax benefit allocation	2.9	3.0	3.0
Other differences, net	(0.3)	(0.3)	0.2
Statutory federal income tax rate	35.0%	35.0%	35.0%

Income tax expense (benefit) applicable to continuing operations for the years ended December 31 was comprised of:

(in millions)	2005	2004	2003
Current - federal	$ 343	$ 232	$ 283
- state	45	33	37
Deferred - federal	(120)	(18)	(56)
- state	(21)	(1)	(13)
Investment tax credit	(8)	(7)	(10)
Total income tax expense	$ 239	$ 239	$ 241

Total income tax expense (benefit) applicable to continuing operations excluded the following:

- Less than $1 million of deferred tax expense and $15 million of deferred tax benefit related to the cumulative effect of changes in accounting principle recorded net of tax during 2005 and 2003, respectively. There was no cumulative effect of changes in accounting principle recorded during 2004.

- Taxes related to other comprehensive income recorded net of tax for 2005, 2004 and 2003, which are presented separately in the Consolidated Statements of Comprehensive Income.

- Current tax benefit of $1 million related to excess tax deductions resulting from vesting of restricted stock and exercises of nonqualified stock options, which was recorded in common stock during 2005. Less than $1 million was recorded in common stock for excess tax deductions during 2004. There was no amount recorded in common stock for excess tax deductions during 2003.

PEC and each of its wholly owned subsidiaries have entered into the Tax Agreement with Progress Energy (See Note 1D). PEC's intercompany tax payable was approximately $74 million at December 31, 2005. PEC's intercompany tax receivable was approximately $62 million at December 31, 2004.

PEF

Accumulated deferred income tax assets (liabilities) at December 31 were:

(in millions)	2005	2004
Deferred income tax assets		
Asset retirement obligation liability	$ 3	$ 32
Income taxes refundable through future rates	123	49
Postretirement and pension benefits	85	78
Unbilled revenue	30	35
Other	68	85
Total deferred income tax assets	309	279
Deferred income tax liabilities		
Accumulated depreciation and property cost differences	(401)	(403)
Deferred fuel recovery	(21)	(13)
Deferred storm costs	(87)	(131)
Derivative instruments	(45)	(1)
Income taxes recoverable through future rates	(28)	(21)
Investments	(45)	(38)
Prepaid pension costs	(61)	(89)
Other	(25)	(30)
Total deferred income tax liabilities	(713)	(726)
Total net deferred income tax liabilities	$ (404)	$ (447)

The above amounts were classified in the Balance Sheets as follows:

(in millions)	2005	2004
Current deferred income tax assets	$ 12	$ 42
Noncurrent deferred income tax liabilities, included in noncurrent income tax liabilities	(416)	(489)
Total net deferred income tax liabilities	$ (404)	$ (447)

Total noncurrent income tax liabilities on the Balance Sheets at December 31, 2005 and 2004, include $17 million and less than $1 million, respectively, related to probable tax liabilities on which PEF accrues interest that would be payable with the related tax amount in future years.

At December 31, 2005 and 2004, PEF had recorded $7 million of tax contingency reserves, excluding accrued interest and penalties, which were included in other current liabilities on the Balance Sheets.

Considering all tax contingency reserves, PEF does not expect the resolution of these matters to have a material impact on its financial position or result of operations. The tax contingency reserves relate primarily to capitalization and basis issues.

Reconciliations of PEF's effective income tax rate to the statutory federal income tax rate for the years ended December 31 follow:

	2005	2004	2003
Effective income tax rate	**31.8%**	34.2%	33.1%
State income taxes, net of federal benefit	**(3.3)**	(3.5)	(3.5)
Investment tax credit amortization	**1.4**	1.2	1.4
Domestic manufacturing deduction	**0.9**	-	-
Progress Energy tax allocation benefit	**3.2**	2.5	2.7
Other differences, net	**1.0**	0.6	1.3
Statutory federal income tax rate	**35.0%**	35.0%	35.0%

Income tax expense (benefit) applicable to continuing operations for the years ended December 31 was comprised of:

(in millions)	**2005**	2004	2003
Current - federal	**$ 146**	$ 55	$ 145
- state	**25**	9	27
Deferred - federal	**(39)**	98	(16)
- state	**(6)**	18	(3)
Investment tax credit	**(5)**	(6)	(6)
Total income tax expense (benefit)	**$ 121**	$ 174	$ 147

Total income tax expense (benefit) applicable to continuing operations excluded the following:

- Less than $1 million of deferred tax expense related to the cumulative effect of changes in accounting principle recorded net of tax during 2005. There was no cumulative effect of changes in accounting principle recorded during 2004 or 2003.

- Taxes related to other comprehensive income recorded net of tax for 2005, 2004 and 2003, which are presented separately in the Statements of Comprehensive Income.

- Less than $1 million of current tax benefit related to excess tax deductions resulting from vesting of restricted stock and exercises of nonqualified stock options, which was recorded in common stock during 2005 and 2004. There was no amount recorded in common stock for excess tax deductions during 2003.

PEF has entered into the Tax Agreement with Progress Energy (See Note 1D) and its intercompany tax payable was approximately $7 million and $21 million at December 31, 2005 and 2004, respectively.

15. CONTINGENT VALUE OBLIGATIONS

In connection with the acquisition of Florida Progress during 2000, the Parent issued 98.6 million contingent value obligations (CVOs). Each CVO represents the right of the holder to receive contingent payments based on the performance of four synthetic fuel facilities purchased by subsidiaries of Florida Progress in October 1999. The payments, if any, would be based on the net after-tax cash flows the facilities generate. The CVO liability is adjusted to reflect market price fluctuations. The unrealized loss/gain recognized due to these market fluctuations is recorded in other, net on the Consolidated Statements of Income (See Note 21). The liability, included in other liabilities and deferred credits, at December 31, 2005 and 2004, was $7 million and $13 million, respectively.

16. BENEFIT PLANS

A. Postretirement Benefits

We have a noncontributory defined benefit retirement plan for substantially all full-time employees that provides pension benefits. We also have supplementary defined benefit pension plans that provide benefits to higher-level employees. In addition to pension benefits, we provide contributory other postretirement benefits (OPEB), including certain health care and life insurance benefits, for retired employees who meet specified criteria. We use a measurement date of December 31 for our pension and OPEB plans.

COSTS OF BENEFIT PLANS

Prior service costs and benefits are amortized on a straight-line basis over the average remaining service period of active participants. Actuarial gains and losses in excess of 10 percent of the greater of the projected benefit obligation or the market-related value of assets are amortized over the average remaining service period of active participants.

To determine the market-related value of assets, we use a five-year averaging method for a portion of its pension assets and fair value for the remaining portion. We have historically used the five-year averaging method. When we acquired Florida Progress in 2000, we retained the Florida Progress historical use of fair value to determine market-related value for Florida Progress pension assets.

The components of the net periodic benefit cost for the years ended December 31 were:

Progress Energy

	Pension Benefits			Other Postretirement Benefits		
(in millions)	**2005**	2004	2003	**2005**	2004	2003
Service cost	**$ 47**	$ 54	$ 52	**$ 9**	$ 12	$ 15
Interest cost	**117**	110	108	**33**	31	33
Expected return on plan assets	**(147)**	(155)	(144)	**(5)**	(5)	(4)
Amortization of actuarial loss	**35**	21	25	**8**	4	5
Other amortization, net	**1**	-	-	**1**	1	4
Net periodic cost	**53**	30	41	**46**	43	53
Additional cost (benefit) recognition (a)	**(15)**	(16)	(18)	**2**	2	2
Net periodic cost recognized	**$ 38**	$ 14	$ 23	**$ 48**	$ 45	$ 55

(a) Relates to the acquisition of Florida Progress (See Note 16B).

In addition to the net periodic cost reflected above, in 2005, we recorded costs for special termination benefits related to the voluntary enhanced retirement program (See Note 17) of $123 million for pension benefits and $19 million for other postretirement benefits. In 2003, we also recorded curtailment and settlement effects related to the disposition of NCNG, which are reflected in income/(loss) from discontinued operations in the Consolidated Statements of Income. These effects included a pension-related loss of $13 million and an OPEB-related gain of $1 million.

PEC

	Pension Benefits			Other Postretirement Benefits		
(in millions)	**2005**	2004	2003	**2005**	2004	2003
Service cost	**$ 22**	$ 24	$ 23	**$ 4**	$ 6	$ 7
Interest cost	**53**	52	51	**17**	15	15
Expected return on plan assets	**(62)**	(69)	(70)	**(4)**	(4)	(3)
Amortization of actuarial loss	**10**	1	-	**5**	2	2
Other amortization, net	**1**	-	-	**1**	1	3
Net periodic cost	**$ 24**	$ 8	$ 4	**$ 23**	$ 20	$ 24

In addition to the net periodic cost reflected above, in 2005, PEC recorded costs for special termination benefits related to the voluntary enhanced retirement program (See Note 17) of $21 million for pension benefits and $8 million for other postretirement benefits.

PEF

	Pension Benefits			Other Postretirement Benefits		
(in millions)	**2005**	2004	2003	**2005**	2004	2003
Service cost	**$ 16**	$ 21	$ 19	**$ 3**	$ 4	$ 5
Interest cost	**48**	43	41	**13**	13	15
Expected return on plan assets	**(73)**	(73)	(58)	**(1)**	(1)	(1)
Amortization of actuarial loss	**8**	2	5	**2**	1	1
Other amortization, net	**(1)**	(1)	(2)	**4**	4	4
Net periodic cost (benefit)	**$ (2)**	$ (8)	$ 5	**$ 21**	$ 21	$ 24

In addition to the net periodic cost and benefit reflected above, in 2005 PEF recorded costs for special termination benefits related to the voluntary enhanced retirement program (See Note 17) of $84 million for pension benefits and $7 million for other postretirement benefits.

The following weighted-average actuarial assumptions were used by Progress Energy in the calculation of its net periodic cost:

	Pension Benefits			Other Postretirement Benefits		
	2005	2004	2003	**2005**	2004	2003
Discount rate	**5.70%**	6.30%	6.60%	**5.70%**	6.30%	6.60%
Rate of increase in future compensation						
Bargaining	**3.50%**	3.50%	3.50%	-	-	-
Nonbargaining	-	-	4.00%	-	-	-
Supplementary plans	**5.25%**	5.00%	4.00%	-	-	-
Expected long-term rate of return on plan assets	**9.00%**	9.25%	9.25%	**8.25%**	8.50%	8.45%

The weighted-average actuarial assumptions used by PEC and PEF were not materially different from the assumptions above, as applicable, except that the expected long-term rate of return on PEF's OPEB plan assets was 5.0% for all years presented.

The expected long-term rates of return on plan assets were determined by considering long-term historical returns for the plans and long-term projected returns based on the plans' target asset allocation. For all pension plan assets and a substantial portion of OPEB plans assets, those benchmarks support an expected long-term rate of return between 9.0% and 9.5%. The Progress Registrants have chosen to use an expected long-term rate of 9.0%, the low end of the range, beginning in 2005.

PREPAID/ACCRUED BENEFIT COSTS

Reconciliations of the changes in the Progress Registrants' benefit obligations and the funded status follow:

Progress Energy

	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2005**	2004	**2005**	2004
Projected benefit obligation at January 1	**$ 1,961**	$ 1,772	**$ 538**	$ 472
Service cost	**47**	54	**9**	12
Interest cost	**117**	110	**33**	31
Benefit payments	**(182)**	(98)	**(33)**	(23)
Plan amendment	**-**	21	**-**	-
Special termination benefits	**123**	-	**19**	-
Actuarial loss (gain)	**98**	102	**84**	46
Obligation at December 31	**2,164**	1,961	**650**	538
Fair value of plan assets at December 31	**1,770**	1,774	**76**	70
Funded status	**(394)**	(187)	**(574)**	(468)
Unrecognized transition obligation	**-**	-	**9**	10
Unrecognized prior service cost	**23**	24	**5**	6
Unrecognized net actuarial loss	**570**	530	**170**	94
Minimum pension liability adjustment	**(546)**	(470)	**-**	-
Accrued cost at December 31, net (See Note 16B)	**$ (347)**	$ (103)	**$ (390)**	$ (358)

The net accrued pension cost of $347 million at December 31, 2005, is included in accrued pension and other benefits in the Consolidated Balance Sheets. The net accrued pension cost of $103 million at December 31, 2004, is recognized in the Consolidated Balance Sheets as prepaid pension cost of $42 million and accrued benefit cost of $145 million, which is included in accrued pension and other benefits. The defined benefit pension plans with accumulated benefit obligations in excess of plan assets had projected benefit obligations totaling $2.16 and $1.72 billion at December 31, 2005 and 2004, respectively. Those plans had accumulated benefit obligations totaling $2.12 and $1.71 billion at December 31, 2005 and 2004, respectively, and plan assets of $1.77 and $1.57 billion at December 31, 2005 and 2004, respectively. The total accumulated benefit obligation for pension plans was $2.12 and $1.90 billion at December 31, 2005 and 2004, respectively. The accrued OPEB cost is included in accrued pension and other benefits in the Consolidated Balance Sheets.

A minimum pension liability adjustment of $546 million was recorded at December 31, 2005. This adjustment resulted in a charge of $23 million to intangible assets, a $180 million charge to a pension-related regulatory liability (See Note 16B), an $83 million charge to a regulatory asset pursuant to an FPSC order and a pre-tax charge of $260 million to accumulated other comprehensive loss, a component of common stock equity. A minimum pension liability adjustment of $470 million was recorded at December 31, 2004. This adjustment resulted in a charge of $24 million to intangible assets, a $150 million charge to a pension-related regulatory liability (See Note 16B), a $67 million charge to a regulatory asset pursuant to an FPSC order and a pre-tax charge of $229 million to accumulated other comprehensive loss, a component of common stock equity.

PEC

	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2005**	2004	**2005**	2004
Obligation at January 1	**$ 928**	$ 837	**$ 262**	$ 218
Service cost	**22**	24	**4**	6
Interest cost	**53**	52	**17**	15
Plan amendment	**-**	14	**-**	-
Benefit payments	**(94)**	(50)	**(14)**	(5)
Actuarial loss (gain)	**39**	51	**56**	28
Special termination benefits	**21**	-	**8**	-
Obligation at December 31	**969**	928	**333**	262
Fair value of plan assets at December 31	**731**	753	**49**	45
Funded status	**(238)**	(175)	**(284)**	(217)
Unrecognized transition obligation	**-**	-	**8**	9
Unrecognized prior service cost	**17**	18	**-**	-
Unrecognized net actuarial (gain) loss	**201**	181	**87**	36
Minimum pension liability adjustment	**(212)**	(194)	**-**	-
Accrued cost at December 31, net	**$ (232)**	$ (170)	**$ (189)**	$ (172)

The net accrued pension cost of $232 and $170 million at December 31, 2005 and 2004, respectively, is included in accrued pension and other benefits in the Consolidated Balance Sheets. The defined benefit pension plans with accumulated benefit obligations in excess of plan assets had projected benefit obligations totaling $969 and $928 million at December 31, 2005 and 2004, respectively. Those plans had accumulated benefit obligations totaling $963 and $923 million, at December 31, 2005 and 2004, respectively, and plan assets of $731 and $753 million at December 31, 2005 and 2004, respectively. The total accumulated benefit obligation for pension plans was $963 and $923 million at December 31, 2005 and 2004, respectively. The accrued OPEB cost is included in accrued pension and other benefits in the Consolidated Balance Sheets.

A minimum pension liability adjustment of $212 million was recorded at December 31, 2005. This adjustment resulted in a charge of $17 million to intangible assets, included in other assets and deferred debits, and a pre-tax charge of $195 million to accumulated other comprehensive loss, a component of common stock equity. A minimum pension liability adjustment of $194 million was recorded at December 31, 2004. This adjustment resulted in a charge of $18 million to intangible assets, included in other assets and deferred debits, and a pre-tax charge of $176 million to accumulated other comprehensive loss, a component of common stock equity.

PEF

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2005	2004	**2005**	2004
Obligation at January 1	**$ 767**	$ 701	**$ 232**	$ 217
Service cost	**16**	21	**3**	4
Interest cost	**48**	43	**13**	13
Plan amendment	**-**	2	**-**	-
Benefit payments	**(61)**	(37)	**(18)**	(17)
Special termination benefits	**85**	-	**7**	-
Actuarial loss (gain)	**41**	37	**22**	15
Obligation at December 31	**896**	767	**259**	232
Fair value of plan assets at December 31	**895**	868	**22**	20
Funded status	**(1)**	101	**(237)**	(212)
Unrecognized transition obligation	**-**	-	**24**	27
Unrecognized prior service cost (benefit)	**(12)**	(14)	**5**	6
Unrecognized net actuarial (gain) loss	**132**	112	**49**	29
Minimum pension liability adjustment	**(8)**	(7)	**-**	-
Prepaid (accrued) cost at December 31, net	**$ 111**	$ 192	**$ (159)**	$ (150)

The PEF net prepaid pension cost of $111 and $192 million at December 31, 2005 and 2004, respectively, is included in the Balance Sheets as prepaid pension cost of $200 million and $234 million, respectively, and accrued benefit cost of $89 million and $42 million, respectively, which is included in accrued pension and other benefits. The PEF defined benefit pension plans with accumulated benefit obligations in excess of plan assets had projected benefit obligations totaling $341 and $41 million at December 31, 2005 and 2004, respectively. Those plans had accumulated benefit obligations totaling $306 million and $39 million, respectively, and plan assets of $217 million at December 31, 2005, and no plan assets at December 31, 2004. PEF's total accumulated benefit obligation for pension plans was $860 million and $718 million at December 31, 2005 and 2004, respectively. Accrued other postretirement benefit cost is included in accrued pension and other benefits in PEF's Balance Sheets.

PEF recorded a minimum pension liability adjustment of $8 million at December 31, 2005. This adjustment resulted in a charge of $1 million to intangible assets, included in other assets and deferred debits, and a charge of $7 million to a regulatory asset. PEF recorded a minimum pension liability adjustment of $7 million at December 31, 2004, with a corresponding charge of $7 million to a regulatory asset.

The following weighted-average actuarial assumptions were used in the calculation of our year-end obligations:

	Pension Benefits		Other Postretirement Benefits	
	2005	2004	**2005**	2004
Discount rate	**5.65%**	5.90%	**5.65%**	5.90%
Rate of increase in future compensation				
Bargaining	**3.50%**	3.50%	**-**	-
Supplementary plans	**5.25%**	5.25%	**-**	-
Initial medical cost trend rate for pre-Medicare Act benefits	**-**	-	**8.25%**	7.25%
Initial medical cost trend rate for post-Medicare Act benefits	**-**	-	**8.25%**	7.25%
Ultimate medical cost trend rate	**-**	-	**5.00%**	5.00%
Year ultimate medical cost trend rate is achieved	**-**	-	**2013**	2008

The weighted-average actuarial assumptions for PEC and PEF were the same or were not significantly different from those indicated above, as applicable.

Our primary defined benefit retirement plan for nonbargaining employees is a "cash balance" pension plan as defined in EITF Issue No. 03-4, "Determining the Classification and Benefit Attribution Method for a 'Cash Balance' Pension Plan." Therefore, effective December 31, 2003, we began to use the traditional unit credit method for purposes of measuring the benefit obligation of this plan. Under the traditional unit credit method, no assumptions are included about future changes in compensation, and the accumulated benefit obligation and projected benefit obligation are the same.

MEDICAL COST TREND RATE SENSITIVITY

The medical cost trend rates were assumed to decrease gradually from the initial rates to the ultimate rates. The effects of a 1 percent change in the medical cost trend rate are shown below.

(in millions)	Progress Energy	PEC	PEF
1 percent increase in medical cost trend rate			
Effect on total of service and interest cost	$ 5	$ 2	$ 2
Effect on postretirement benefit obligation	65	33	26
1 percent decrease in medical cost trend rate			
Effect on total of service and interest cost	(4)	(2)	(2)
Effect on postretirement benefit obligation	(54)	(28)	(22)

ASSETS OF BENEFIT PLANS

In the plan asset reconciliation tables that follow, substantially all employer contributions represent benefit payments made directly from the Progress Registrants' assets except for the 2004 pension amount. The remaining benefit payments were made directly from plan assets. In 2004, we made a required contribution of approximately $24 million directly to pension plan assets. In 2004, PEC made a contribution to pension plan assets of approximately $20 million, which represented its allocated share of the required Progress Energy contribution. The OPEB benefit payments presented in the plan asset reconciliation tables that follow represent the net cost after participant contributions. Participant contributions represent approximately 20 percent of gross benefit payments for Progress Energy, 30 percent for PEC and 10 percent for PEF.

Reconciliations of the fair value of plan assets at December 31 follow:

Progress Energy	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2005**	2004	**2005**	2004
Fair value of plan assets at January 1	**$ 1,774**	$ 1,631	**$ 70**	$ 65
Actual return on plan assets	**170**	211	**5**	8
Benefit payments	**(182)**	(98)	**(33)**	(23)
Employer contributions	**8**	30	**34**	20
Fair value of plan assets at December 31	**$ 1,770**	$ 1,774	**$ 76**	$ 70

PEC	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2005**	2004	**2005**	2004
Fair value of plan assets at January 1	**$ 753**	$ 693	**$ 45**	$ 43
Actual return on plan assets	**71**	89	**4**	5
Benefit payments	**(94)**	(50)	**(14)**	(5)
Employer contributions	**1**	21	**14**	2
Fair value of plan assets at December 31	**$ 731**	$ 753	**$ 49**	$ 45

PEF	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2005**	2004	**2005**	2004
Fair value of plan assets at January 1	**$ 868**	$ 802	**$ 20**	$ 18
Actual return on plan assets	**85**	101	**-**	1
Benefit payments	**(61)**	(37)	**(18)**	(17)
Employer contributions	**3**	2	**19**	18
Fair value of plan assets at December 31	**$ 895**	$ 868	**$ 21**	$ 20

The asset allocation for the benefit plans at the end of 2005 and 2004 and the target allocation for the plans, by asset category, are presented in the following tables. The pension benefit plan allocations and targets are consistent for all Progress Registrants.

	Pension Benefits		
	Target Allocations	Percentage of Plan Assets at Year End	
Asset Category	2006	**2005**	2004
Equity - domestic	40%	**44%**	47%
Equity - international	15%	**22%**	21%
Debt - domestic	20%	**13%**	9%
Debt - international	10%	**8%**	11%
Other	15%	**13%**	12%
Total	100%	**100%**	100%

	Other Postretirement Benefits		
Progress Energy	Target Allocations	Percentage of Plan Assets at Year End	
Asset Category	2006	**2005**	2004
Equity - domestic	28%	**32%**	34%
Equity - international	11%	**16%**	15%
Debt - domestic	43%	**37%**	35%
Debt - international	7%	**6%**	8%
Other	11%	**9%**	8%
Total	100%	**100%**	100%

PEC	Target Allocations	Percentage of Plan Assets at Year End	
Asset Category	2006	**2005**	2004
Equity - domestic	40%	**44%**	47%
Equity - international	15%	**22%**	21%
Debt - domestic	20%	**13%**	9%
Debt - international	10%	**8%**	11%
Other	15%	**13%**	12%
Total	100%	**100%**	100%

PEF	Target Allocations	Percentage of Plan Assets at Year End	
Asset Category	2006	**2005**	2004
Debt - domestic	100%	**100%**	100%

For pension plan assets and a substantial portion of OPEB plan assets, the Progress Registrants set target allocations among asset classes to provide broad diversification to protect against large investment losses and excessive

volatility, while recognizing the importance of offsetting the impacts of benefit cost escalation. In addition, external investment managers who have complementary investment philosophies and approaches are employed to manage the assets. Tactical shifts (plus or minus 5 percent) in asset allocation from the target allocations are made based on the near-term view of the risk and return tradeoffs of the asset classes.

CONTRIBUTION AND BENEFIT PAYMENT EXPECTATIONS

In 2006, we expect to make $10 million of contributions directly to pension plan assets and $1 million of discretionary contributions directly to the OPEB plan assets. The expected benefit payments for the pension benefit plan for 2006 through 2010 and in total for 2011 through 2015, in millions, are approximately $164, $124, $127, $133, $137 and $789, respectively. The expected benefit payments for the OPEB plan for 2006 through 2010 and in total for 2011 through 2015, in millions, are approximately $41, $43, $45, $46, $48 and $245, respectively. The expected benefit payments include benefit payments directly from plan assets and benefit payments directly from our assets. The benefit payment amounts reflect our net cost after any participant contributions. We expect to begin receiving prescription drug-related federal subsidies in 2006, and the expected subsidies for 2006 through 2010 and in total for 2011 through 2015, in millions, are approximately $3, $3, $3, $4, $4 and $30, respectively.

In 2006, PEC expects to make $1 million in contributions directly to pension plan assets. The expected benefit payments for the pension benefit plan for 2006 through 2010 and in total for 2011 through 2015, in millions, are approximately $79, $56, $58, $62, $64 and $383, respectively. The expected benefit payments for the OPEB plan for 2006 through 2010 and in total for 2011 through 2015, in millions, are approximately $19, $20, $21, $22, $23, and $128, respectively. The expected benefit payments include benefit payments directly from plan assets and benefit payments directly from PEC assets. The benefit payment amounts reflect the net cost to PEC after any participant contributions. PEC expects to begin receiving prescription drug-related federal subsidies in 2006, and the expected subsidies for 2006 through 2010 and in total for 2011 through 2015, in millions, are approximately $1, $1, $2, $2, $2 and $15, respectively.

In 2006, PEF expects to make $9 million of contributions to pension plan assets and $1 million of discretionary contributions to OPEB plan assets. The expected benefit payments for the pension benefit plan for 2006 through 2010 and in total for 2011 through 2015, in millions, are approximately $63, $53, $53, $54, $54 and $295, respectively. The expected benefit payments for the OPEB plan for 2006 through 2010 and in total for 2011 through 2015, in millions, are approximately $19, $20, $20, $20, $20 and $96, respectively. The expected benefit payments include benefit payments directly from plan assets and benefit payments directly from PEF's assets. The benefit payment amounts reflect the net cost to PEF after any participant contributions. PEF expects to begin receiving prescription drug-related federal subsidies in 2006, and the expected subsidies for 2006 through 2010 and in total for 2011 through 2015, in millions, are approximately $1, $2, $2, $2, $2 and $13, respectively.

B. Florida Progress Acquisition

During 2000, we completed our acquisition of Florida Progress. Florida Progress' pension and OPEB liabilities, assets and net periodic costs are reflected in the above information as appropriate. Certain of Florida Progress' nonbargaining unit benefit plans were merged with our benefit plans effective January 1, 2002.

PEF continues to recover qualified plan pension costs and OPEB costs in rates as if the acquisition had not occurred. Accordingly, a portion of the accrued OPEB cost reflected in the Progress Energy table above has a corresponding regulatory asset at December 31, 2005, and 2004 (See Note 7A). As indicated in the Progress Energy minimum pension adjustment information, a pension-related regulatory liability was charged, and fully eliminated, at December 31, 2005. At December 31, 2004, a portion of the Progress Energy prepaid pension cost has a corresponding regulatory liability (See Note 7A). Pursuant to its rate treatment, PEF recognized additional periodic pension credits and additional periodic OPEB costs, as indicated in the Progress Energy net periodic cost information above.

17. SEVERANCE

On February 28, 2005, we approved a workforce restructuring that resulted in a reduction of approximately 450 positions. The cost-management initiative is designed to permanently reduce by $75 million to $100 million our projected growth in annual O&M expenses by the end of 2007. In addition to the workforce restructuring, the cost-management initiative included a voluntary enhanced retirement program. In connection with this initiative, we incurred approximately $164 million of pre-tax charges for severance and postretirement benefits during the year ended December 31, 2005, as described below. The workforce restructuring concluded on December 1, 2005.

Progress Energy

We recorded $31 million of severance expense during the first quarter of 2005 for the workforce restructuring and implementation of an automated meter reading initiative at PEF based on the approximate number of positions to be eliminated. During the second quarter of 2005, 1,447 employees eligible for participation in the voluntary enhanced retirement program elected to participate. Consequently, in the second and fourth quarters of 2005, we decreased our estimated severance costs by $13 million each quarter due to the impact of the employees electing participation in the voluntary enhanced retirement program. The severance expenses are primarily included in O&M expense on the Consolidated Statements of Income.

The accrued severance expense will be paid over time. The activity in the severance liability was as follows:

(in millions)	
Balance as of January 1, 2005	$ 5
Severance costs accrued	31
Adjustments	(26)
Payments	(4)
Balance at December 31, 2005	**$ 6**

During 2005, we recorded a $141 million charge in the second quarter and a $1 million charge in the third quarter related to postretirement benefits that will be paid over time to eligible employees who elected to participate in the voluntary enhanced retirement program (See Note 16). In addition, we recorded a $17 million charge for early retirement incentives to be paid over time to certain employees.

PEC

In connection with the cost-management initiative, PEC incurred approximately $55 million of pre-tax charges for severance and postretirement benefits during the year ended December 31, 2005, as described below.

PEC recorded $14 million of severance expense during the first quarter of 2005 for the workforce restructuring based on the approximate number of positions to be eliminated. This amount included approximately $4 million of severance costs allocated from PESC. During the second quarter of 2005, 553 PEC employees eligible for participation in the voluntary enhanced retirement program elected to participate. Consequently, in the second and fourth quarters of 2005, PEC decreased its estimated severance costs by $6 million and $5 million, respectively, due to the impact of the employees electing participation in the voluntary enhanced retirement program. These amounts included approximately $2 million of decreased severance costs allocated from PESC. The severance expenses are primarily included in O&M expense on the Consolidated Statements of Income.

The accrued severance expense will be paid over time. The activity in the severance liability was as follows:

(in millions)	
Balance as of January 1, 2005	$ 2
Severance costs accrued	10
Adjustments	(9)
Payments	(1)
Balance at December 31, 2005	**$ 2**

PEC recorded a $29 million charge in the second quarter of 2005 related to postretirement benefits that will be paid over time to eligible employees who elected to participate in the voluntary enhanced retirement program (See Note 16). PEC also recorded a $13 million charge for early retirement incentives which will be paid over time to certain employees. In addition, PEC recorded approximately $10 million of postretirement benefits and early retirement incentives allocated from PESC during the year ended December 31, 2005.

PEF

In connection with the cost-management initiative, PEF incurred approximately $102 million of pre-tax charges for severance and postretirement benefits during the year ended December 31, 2005, as described below.

PEF recorded $14 million of severance expense during the first quarter of 2005 for the workforce restructuring and implementation of an automated meter reading initiative at PEF based on the approximate number of positions to be eliminated. This amount included approximately $3 million of severance costs allocated from PESC. During the second quarter of 2005, 680 of PEF's employees eligible for participation in the voluntary enhanced retirement program elected to participate. Consequently, in the second and fourth quarters of 2005, PEF decreased its estimated severance costs by $5 million and $6 million, respectively, due to the impact of the employees electing participation in the voluntary enhanced retirement program. These amounts included approximately $2 million of decreased severance costs allocated from PESC. The severance expenses are primarily included in O&M expense on the Statements of Income.

The accrued severance expense will be paid over time. The activity in the severance liability was as follows:

(in millions)	
Balance as of January 1, 2005	$ -
Severance costs accrued	11
Adjustments	(9)
Payments	(1)
Balance at December 31, 2005	**$ 1**

During 2005, PEF recorded a $90 million charge in the second quarter and a $1 million charge in the third quarter related to postretirement benefits that will be paid over time to eligible employees who elected to participate in the voluntary enhanced retirement program (See Note 16). In addition, PEF recorded approximately $8 million of charges for postretirement benefits and early retirement incentives allocated from PESC during the year ended December 31, 2005.

18. RISK MANAGEMENT ACTIVITIES AND DERIVATIVES TRANSACTIONS

We are exposed to various risks related to changes in market conditions. We have a risk management committee that includes senior executives from various business groups. The risk management committee is responsible for administering risk management policies and monitoring compliance with those policies by all subsidiaries. Under our risk policy, we may use a variety of instruments, including swaps, options and forward contracts, to manage exposure to fluctuations in commodity prices and interest rates. Such instruments contain credit risk if the counterparty fails to perform under the contract. We minimize such risk by performing credit reviews using, among other things, publicly available credit ratings of such counterparties. Potential nonperformance by counterparties is

not expected to have a material effect on our financial position or results of operations. Additionally, in the normal course of business, some of our affiliates may enter into hedge transactions with one another.

A. Commodity Derivatives

GENERAL

Most of our commodity contracts are not derivatives pursuant to SFAS No. 133, "Accounting for Derivative and Hedging Activities" (SFAS No. 133), or do not qualify as normal purchases or sales pursuant to SFAS No. 133. Therefore, such contracts are not recorded at fair value.

In 2003, PEC recorded a $38 million pre-tax ($23 million after-tax) fair value loss transition adjustment pursuant to the provisions of FASB Derivatives Implementation Group Issue C20, "Interpretation of the Meaning of Not Clearly and Closely Related in Paragraph 10(b) regarding Contracts with a Price Adjustment Feature" (DIG Issue C20). The related liability is being amortized to earnings over the term of the related contract (See Note 21). At December 31, 2005 and 2004, the remaining liability was $19 million and $26 million, respectively.

ECONOMIC DERIVATIVES

Derivative products, primarily electricity and natural gas contracts, may be entered into from time to time for economic hedging purposes. While management believes the economic hedges mitigate exposures to fluctuations in commodity prices, these instruments are not designated as hedges for accounting purposes and are monitored consistent with trading positions. We manage open positions with strict policies that limit our exposure to market risk and require daily reporting to management of potential financial exposures. Gains and losses from such contracts were not material to our or the Utilities' results of operations during 2005, 2004 and 2003. PEC did not have material outstanding positions in such contracts at December 31, 2005 and 2004. We and PEF did not have material outstanding positions in such contracts at December 31, 2005 and 2004, other than those receiving regulatory accounting treatment at PEF, as discussed below.

PEF has derivative instruments related to its exposure to price fluctuations on fuel oil and natural gas purchases. These instruments receive regulatory accounting treatment. Unrealized gains and losses are recorded in regulatory liabilities and regulatory assets, respectively, until the contracts are settled. Once settled, any realized gains or losses are passed through the fuel clause. At December 31, 2005, the fair values of the instruments were a $77 million short-term derivative asset position included in other current assets, a $45 million long-term derivative asset position included in other assets and deferred debits and a $6 million long-term derivative liability position included in other liabilities and deferred credits. At December 31, 2004, the fair values of the instruments were a $2 million long-term derivative asset position included in other assets and deferred debits and a $5 million short-term derivative liability position included in other current liabilities.

CASH FLOW HEDGES

Our subsidiaries designate a portion of commodity derivative instruments as cash flow hedges under SFAS No. 133. The objective for holding these instruments is to hedge exposure to market risk associated with fluctuations in the price of natural gas and power for our forecasted purchases and sales. Realized gains and losses are recorded net in operating revenues or operating expenses, as appropriate. The ineffective portion of commodity cash flow hedges was not material to our or the Utilities' results of operations for 2005, 2004 and 2003.

The fair values of commodity cash flow hedges at December 31 were as follows:

	Progress Energy		PEC		PEF	
(in millions)	**2005**	2004	**2005**	2004	**2005**	2004
Fair value of assets	**$ 170**	$ -	**$ 7**	$ -	**$ -**	$ -
Fair value of liabilities	**(58)**	(15)	**(4)**	$ -	**$ -**	$ -
Fair value, net	**$ 112**	$ (15)	**$ 3**	$ -	**$ -**	$ -

The following table presents selected information related to commodity cash flow hedges at December 31, 2005:

	Maximum Term(a)			Accumulated Other Comprehensive Income/ (Loss), net of Tax			Portion Expected to be Reclassified to Earnings during the Next 12 Months(b)		
(term in years/ millions of dollars)	Progress Energy	PEC	PEF	Progress Energy	PEC	PEF	Progress Energy	PEC	PEF
Commodity cash flow hedges	9	1	-	$ 69	$ 2	$ -	$ (17)	$ 2	$ -

(a) The majority of hedges in fair value liability positions are currently classified as short-term and the majority of hedges in fair value asset positions are currently classified as long-term.

(b) Due to the volatility of the commodities markets, the value in accumulated other comprehensive income/(loss) (OCI) is subject to change prior to its reclassification into earnings.

At December 31, 2004, we had $9 million of after-tax deferred losses in OCI related to commodity cash flow hedges. The Utilities had no open commodity cash flow hedges or amounts recorded in OCI related to commodity cash flow hedges.

B. Interest Rate Derivatives - Fair Value or Cash Flow Hedges

We use cash flow hedging strategies to reduce exposure to changes in cash flow due to fluctuating interest rates. We use fair value hedging strategies to reduce exposure to changes in fair value due to interest rate changes. The notional amounts of interest rate derivatives are not exchanged and do not represent exposure to credit loss. In the event of default by the counterparty, the risk in these transactions is the cost of replacing the agreements at current market rates.

The fair values of open interest rate hedges at December 31 were as follows:

	Progress Energy		PEC		PEF	
(in millions)	**2005**	2004	**2005**	2004	**2005**	2004
Interest rate cash flow hedges	**$ 1**	$ (2)	**$ -**	$ (2)	**$ -**	$ -
Interest rate fair value hedges	**$ (2)**	$ 3	**$ -**	**$ -**	**$ -**	$ -

CASH FLOW HEDGES

Gains and losses from cash flow hedges are recorded in OCI and amounts reclassified to earnings are included in net interest charges as the hedged transactions occur. Amounts in OCI related to terminated hedges are reclassified to earnings as the interest expense is recorded. The ineffective portion of interest rate cash flow hedges was not material to our or the Utilities' results of operations for 2005, 2004 and 2003.

The following table presents selected information related to interest rate cash flow hedges included in OCI at December 31, 2005:

	Maximum Term			Accumulated Other Comprehensive Income/ (Loss), net of Tax (a)			Portion Expected to be Reclassified to Earnings during the Next 12 Months (b)		
(term in years/ millions of dollars)	Progress Energy	PEC	PEF	Progress Energy	PEC	PEF	Progress Energy	PEC	PEF
Interest rate cash flow hedges	1	-	-	$ (13)	$ (5)	$ -	$ (2)	$ -	$ -

(a) Includes amounts related to terminated hedges.

(b) Actual amounts that will be reclassified to earnings may vary from the expected amounts presented above as a result of changes in interest rates.

At December 31, 2005 and 2004, we had $100 million notional and $331 million notional, respectively, of interest rate cash flow hedges. The Utilities had no open interest rate cash flow hedges at December 31, 2005. At December 31, 2004, PEC had $131 million notional of open interest rate cash flow hedges and PEF had no open interest rate cash flow hedges.

FAIR VALUE HEDGES

For interest rate fair value hedges, the change in the fair value of the hedging derivative is recorded in net interest charges and is offset by the change in the fair value of the hedged item. At December 31, 2005 and 2004, we had $150 million notional of interest rate fair value hedges. At December 31, 2005 and 2004, the Utilities had no open interest rate fair value hedges.

At December 31, 2005 and 2004, we had a $2 million loss and a $9 million gain, respectively, of basis adjustments in long-term debt related to terminated interest rate fair value hedges, which are being amortized over periods ending in 2006 through 2008 coinciding with the maturities of the related debt instruments.

19. RELATED PARTY TRANSACTIONS

As a part of normal business, we enter into various agreements providing financial or performance assurances to third parties. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. Our guarantees include performance obligations under power supply agreements, tolling agreements, transmission agreements, gas agreements, fuel procurement agreements and trading operations. Our guarantees also include standby letters of credit, surety bonds and guarantees in support of nuclear decommissioning. At December 31, 2005, the Parent had issued $1.56 billion of guarantees for future financial or performance assurance on behalf of its subsidiaries. This includes $300 million of guarantees of certain payments of two wholly owned indirect subsidiaries (See Note 24). We do not believe conditions are likely for significant performance under the guarantees of performance issued by or on behalf of affiliates. To the extent liabilities are incurred as a result of the activities covered by the guarantees, such liabilities are included in the Consolidated Balance Sheet.

Our subsidiaries provide and receive services, at cost, to and from the Parent and its subsidiaries, in accordance with agreements approved by the SEC pursuant to Section 13(b) of the PUHCA. The repeal of PUHCA effective February 8, 2006, and subsequent regulation by the FERC is not anticipated to change our current intercompany services. Services include purchasing, human resources, accounting, legal, transmission and delivery support, engineering materials, contract support, loaned employees payroll costs, construction management and other centralized administrative, management and support services. The costs of the services are billed on a direct-charge basis, whenever possible, and on allocation factors for general costs that cannot be directly attributed. Billings from affiliates are capitalized or expensed depending on the nature of the services rendered. Amounts receivable from

and/or payable to affiliated companies for these services are included in receivables from affiliated companies and payables to affiliated companies on the Balance Sheets.

PESC provides the majority of the affiliated services under the approved agreements. Services provided by PESC during 2005, 2004 and 2003 to PEC amounted to $202 million, $209 million and $184 million, respectively, and services provided to PEF were $169 million, $165 million and $153 million, respectively.

PEC and PEF also provide and receive services at cost. Services provided by PEC to PEF during 2005, 2004 and 2003 amounted to $54 million, $52 million and $35 million, respectively. Services provided by PEF to PEC during 2005, 2004 and 2003 amounted to $14 million, $16 million and $7 million, respectively.

At December 31, 2005, the Parent's guarantees include $169 million to support nuclear decommissioning. PEC determined that its external funding levels did not fully meet the nuclear decommissioning financial assurance levels required by the NRC; therefore, PEC obtained the Parent's guarantee.

PEC and PEF participate in an internal money pool, operated by Progress Energy, to more effectively utilize cash resources and to reduce outside short-term borrowings. The money pool is also used to settle intercompany balances. The weighted-average interest rate for the money pool was 3.77%, 1.72% and 1.47% at December 31, 2005, 2004 and 2003, respectively. Amounts payable to the money pool are included in notes payable to affiliated companies on the Balance Sheets. PEC and PEF recorded insignificant interest expense related to the money pool for all the years presented.

Strategic Resource Solutions Corp. and its subsidiary, which were wholly owned until 2004, managed subcontracts for PEC. Amounts for 2004 and 2003 were not significant.

Progress Fuels sells coal to PEF for an insignificant profit. These intercompany revenues and expenses are eliminated in consolidation; however, in accordance with SFAS No. 71 profits on intercompany sales to regulated affiliates are not eliminated if the sales price is reasonable and the future recovery of sales price through the ratemaking process is probable. Sales, net of insignificant profits, of $402 million, $331 million and $347 million for the years ended December 31, 2005, 2004 and 2003, respectively, are included in fuel used in electric generation on the Consolidated Statements of Income. Beginning in 2006, PEF will enter into coal contracts on its own behalf.

We sold NCNG to Piedmont Natural Gas Company, Inc. on September 30, 2003 (See Note 3H). Prior to disposition, NCNG sold natural gas to affiliates. During the year ended December 31, 2003, gas sales from NCNG to PEC amounted to $11 million. The gas sales for 2003 indicated above exclude any sales subsequent to September 2003. These revenues are included in discontinued operations on the Consolidated Statements of Income.

PEC and its wholly owned subsidiaries and PEF have entered into the Tax Agreement with the Parent (See Note 14).

20. FINANCIAL INFORMATION BY BUSINESS SEGMENT

Our reportable segments are: PEC, PEF, Progress Ventures and Coal and Synthetic Fuels. During 2005, we realigned our segments due to changes in the operations of certain businesses and the reclassification of our coal mining business to discontinued operations. These changes are consistent with the manner in which management currently reviews our operations. Prior year periods have been restated for our segment realignments.

Our PEC and PEF business segments are primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina, South Carolina and Florida. Prior to December 2005, we disclosed a PEC Electric segment that was comprised of utility operations and excluded immaterial operations of PEC's nonregulated subsidiaries, which were included in Corporate and Other. Management has realigned the PEC segment to review the PEC operations on a consolidated basis as the results of operations and financial position are not materially different between PEC Electric and PEC.

Our Progress Ventures segment is comprised of Competitive Commercial Operations (CCO) and natural gas operations (Gas) and is involved in nonregulated electric generation and energy marketing activities and natural gas

drilling and production in Texas and Louisiana. Prior to December 2005, CCO had been reported as a separate segment and Gas was included within our previously reported Fuels segment. Progress Ventures' legal structure is not currently aligned with the functional management and financial reporting of the Progress Ventures segment.

Our Coal and Synthetic Fuels segment is involved in the production and sale of coal-based solid synthetic fuel as defined under the Code, coal terminal services, and fuel transportation and delivery. Operations involving coal terminals and synthetic fuels activities were included within our previously reported Fuels segment prior to 2005. The remaining portions of our previously reported Fuels segment are included within Coal and Synthetic Fuels due to their operational relationship with the segment's activities and their relative immateriality.

In addition to the reportable operating segments, the Corporate and Other segment includes the operations of the Parent and PESC as well as other nonregulated business areas. These nonregulated business areas include telecommunications and other nonregulated subsidiaries that do not separately meet the disclosure requirements of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131). Included in the 2004 losses is a $43 million pre-tax ($29 million after-tax) settlement agreement that Strategic Resource Solutions Corp. (SRS) reached with the San Francisco United School District related to civil proceedings. The profit or loss of the identified segments plus the profit or loss of Corporate and Other represents our total income from continuing operations.

Prior to its divestiture in 2005, Rail Services was reported as a separate segment (See Note 3B). The operations of Rail Services were reclassified to discontinued operations in the first quarter of 2005. During the fourth quarter of 2005, we reclassified our coal mining operations as discontinued operations (See Note 3A). Prior to 2005, our coal mining operations were included within our previously reported Fuels segment. Our Rail Services and coal mining operations are not included in the results from continuing operations during the periods reported. Assets and capital and investment expenditures of discontinued operations are not included in the tables presented below.

Products and services are sold between the various reportable segments. All intersegment transactions are at cost except for transactions between PEF and the Coal and Synthetic Fuel segment, which are at rates set by the FPSC. In accordance with SFAS No. 71, profits on intercompany sales between PEF and the Coal and Synthetic Fuel segment are not eliminated if the sales price is reasonable and the future recovery of sales price through the ratemaking process is probable. The profits realized for 2005, 2004 and 2003 were not significant. Income tax expense (benefit) by segment includes the Parent's allocation to profitable subsidiaries of income tax benefits not related to acquisition interest expense in accordance with the Tax Agreement. Due to the repeal of PUHCA, the Parent will stop allocating these tax benefits in 2006.

In the following tables, capital and investment expenditures include property additions, acquisitions of nuclear fuel and other capital investments.

(in millions)	PEC	PEF	Progress Ventures	Coal and Synthetic Fuels	Corporate and Other	Eliminations	Totals
Year ended December 31, 2005							
Revenues							
Unaffiliated	$ 3,991	$ 3,955	$ 853	$ 1,242	$ 67	$ -	$ 10,108
Intersegment	-	-	-	402	447	(849)	-
Total revenues	3,991	3,955	853	1,644	514	(849)	10,108
Depreciation and amortization	561	334	94	38	47	-	1,074
Total interest charges, net	192	126	5	34	372	(89)	640
Postretirement and severance charges	55	102	1	5	1	-	164
Impairment of long-lived assets and investments	(1)	-	-	-	-	-	(1)
Income tax expense (benefit)	239	121	7	(350)	(62)	-	(45)
Segment profit (loss)	490	258	21	169	(211)	-	727
Total assets	11,502	8,318	2,371	472	18,024	(13,773)	26,914
Capital and investment expenditures	682	543	183	16	29	(19)	1,434
Year ended December 31, 2004							
Revenues							
Unaffiliated	$ 3,629	$ 3,525	$ 401	$ 899	$ 71	$ -	$ 8,525
Intersegment	-	-	-	331	440	(771)	-
Total revenues	3,629	3,525	401	1,230	511	(771)	8,525
Depreciation and amortization	570	281	101	38	45	-	1,035
Total interest charges, net	192	114	11	37	360	(86)	628
Postretirement and severance charges	2	-	-	1	-	-	3
Income tax expense (benefit)	239	174	55	(280)	(82)	-	106
Segment profit (loss)	458	333	81	88	(231)	-	729
Total assets	10,787	7,924	2,086	542	17,590	(13,570)	25,359
Capital and investment expenditures	620	492	154	10	26	(12)	1,290
Year ended December 31, 2003							
Revenues							
Unaffiliated	$ 3,600	$ 3,152	$ 285	$ 716	$ 46	$ -	$ 7,799
Intersegment	-	-	-	347	440	(787)	-
Total revenues	3,600	3,152	285	1,063	486	(787)	7,799
Depreciation and amortization	562	307	78	35	27	-	1,009
Total interest charges, net	197	91	6	29	378	(94)	607
Impairment of long-lived assets and investments	(21)	-	-	-	-	-	(21)
Income tax expense (benefit)	241	147	25	(434)	(47)	(45)	(113)
Segment profit (loss)	502	295	54	190	(230)	-	811
Total assets	10,938	7,280	2,195	599	17,802	(13,368)	25,446
Capital and investment expenditures	511	577	606	24	19	-	1,737

21. OTHER INCOME AND OTHER EXPENSE

Other income and expense includes interest income, impairment of investments, and other income and expense items as discussed below. Nonregulated energy and delivery services include power protection services and mass market programs such as surge protection, appliance services and area light sales, and delivery, transmission and substation work for other utilities. AFUDC equity represents the estimated equity costs of capital funds necessary to finance the construction of new regulated assets. The components of other, net as shown on the accompanying Statements of Income for the years ended December 31 were as follows:

Progress Energy

(in millions)	2005	2004	2003
Other income			
Nonregulated energy and delivery services income	$ 32	$ 28	$ 26
DIG Issue C20 amortization (Note 18A)	7	9	2
Contingent value obligation unrealized gain (Note 15)	6	9	-
Investment gains	7	4	12
Income from equity investments	1	3	-
AFUDC equity	16	12	14
Other	15	13	15
Total other income	84	78	69
Other expense			
Nonregulated energy and delivery services expenses	24	21	20
Donations	18	15	15
Investment losses	-	1	6
Contingent value obligation unrealized loss (Note 15)	-	-	9
Loss from equity investments	7	8	31
Loss on debt extinguishment and interest rate collars	-	15	-
FERC audit settlement	7	-	-
Indemnification liability (Note 22B)	16	-	-
Other	17	30	15
Total other expense	89	90	96
Other, net - Progress Energy	$ (5)	$ (12)	$ (27)

PEC

(in millions)	2005	2004	2003
Other income			
Nonregulated energy and delivery services income	$ 12	$ 11	$ 12
DIG Issue C20 amortization (Note 18A)	7	9	2
Income from equity investments	1	3	-
AFUDC equity	3	4	2
Other	10	13	2
Total other income	33	40	18
Other expense			
Nonregulated energy and delivery services expenses	$ 9	$ 9	$ 9
Donations	8	7	6
Losses from equity investments	-	3	16
FERC audit settlement	4	-	-
Indemnification liability (Note 22B)	16	-	-
Other	10	22	6
Total other expense	47	41	37
Other, net - PEC	$ (14)	$ (1)	$ (19)

PEF

(in millions)	2005	2004	2003
Other income			
Nonregulated energy and delivery services income	$ 20	$ 17	$ 15
Investment gains	2	1	2
AFUDC equity	13	7	12
Total other income	35	25	29
Other expense			
Nonregulated energy and delivery services expenses	14	12	11
Donations	10	9	9
FERC audit settlement	3	-	-
Other	1	1	2
Total other expense	28	22	22
Other, net - PEF	$ 7	$ 3	$ 7

22. ENVIRONMENTAL MATTERS

We are subject to federal, state and local regulations addressing hazardous and solid waste management, air and water quality and other environmental matters.

A. Hazardous and Solid Waste Management

The provisions of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), authorize the Environmental Protection Agency (EPA) to require the cleanup of hazardous waste sites. This statute imposes retroactive joint and several liabilities. Some states, including North Carolina, South Carolina and Florida, have similar types of statutes. We are periodically notified by regulators, including the EPA and various state agencies, of our involvement or potential involvement in sites that may require investigation and/or remediation. There are presently several sites with respect to which we have been notified of our potential liability by the EPA, the state of North Carolina or the state of Florida, as described below in greater detail. Various organic materials associated with the production of manufactured gas, generally referred to as coal tar, are regulated under federal and state laws. PEC and PEF are each potentially responsible parties (PRPs) at several manufactured gas plant (MGP) sites. We are also currently in the process of assessing potential costs and exposures at other sites. A discussion of sites by legal entity follows below.

We record accruals for probable and estimable costs related to environmental sites on an undiscounted basis. We measure our liability for these sites based on available evidence including our experience in investigating and remediating environmentally impaired sites. The process often involves assessing and developing cost-sharing arrangements with other PRPs. For all sites, as assessments are developed and analyzed, we will accrue costs for the sites to the extent our liability is probable and the costs can be reasonably estimated. Because the extent of environmental impact, allocation among PRPs for all sites, remediation alternatives (which could involve either minimal or significant efforts), and concurrence of the regulatory authorities have not yet reached the stage where a reasonable estimate of the remediation costs can be made, we cannot determine the total costs that may be incurred in connection with the remediation of all sites at this time. It is probable that current estimates will change and additional losses, which could be material, may be incurred in the future.

PEC and PEF filed claims with general liability insurance carriers to recover costs arising from actual or potential environmental liabilities for remediation of certain sites. No material claims are currently pending. We may file further claims with respect to sites for which claims were not previously presented.

Progress Energy

In addition to the Utilities' sites, discussed under "PEC" and "PEF" below, our environmental sites include the following related to our nonregulated operations.

In 2001, we, through our Progress Fuels subsidiary, established an accrual to address indemnities and retained an environmental liability associated with the sale of our Inland Marine Transportation business. In 2003, the accrual was reduced to $4 million based on a change in estimate. At December 31, 2005 and 2004, the remaining accrual balance was approximately $3 million. Expenditures related to this liability were not material to our financial condition during 2005 and 2004.

We are voluntarily addressing certain historical sites. An immaterial accrual has been established to address investigation expenses related to these sites. At this time, the total costs that may be incurred in connection with these sites cannot be determined.

On March 24, 2005, we completed the sale of our Progress Rail subsidiary. In connection with the sale, we incurred indemnity obligations related to certain pre-closing liabilities, including certain environmental matters (See discussion under Guarantees in Note 23C).

PEC

There are nine former MGP sites and a number of other sites associated with PEC that have required or are anticipated to require investigation and/or remediation.

In September 2005, the EPA advised PEC that it had been identified as a PRP at the Carolina Transformer site located in Fayetteville, N.C. The EPA offered PEC and a number of other PRPs the opportunity to share the reimbursement of approximately $36 million to the EPA for past expenditures in addressing conditions at the site. Although a loss is considered probable, an agreement among PRPs has not been reached; consequently, it is not possible at this time to reasonably estimate the total amount of PEC's obligation for remediation of the Carolina Transformer site. PEC may file claims with respect to this site. The outcome of this matter cannot be predicted.

During the fourth quarter of 2004, the EPA advised PEC that it had been identified as a PRP at the Ward Transformer site located in Raleigh, N.C. The EPA offered PEC and a number of other PRPs the opportunity to negotiate cleanup of the site and reimbursement to the EPA for EPA's past expenditures in addressing conditions at the site. In September 2005, PEC and several other PRPs signed a settlement agreement, which requires the participating PRPs to provide approximately $5 million to cover the cleanup cost and repay less than $1 million of EPA's past costs. PEC has accrued its portion of these estimated costs. Based upon additional assessment work performed at the site during the first quarter of 2006, it is probable that additional costs beyond the EPA's original cost estimate will be incurred. However, the range of additional losses cannot be determined at this time. PEC may file claims with respect to this site. The outcome of this matter cannot be predicted.

At December 31, 2005 and 2004, PEC's accruals for probable and estimable costs related to various environmental sites, which are included in other liabilities and deferred credits and are expected to be paid out over one to five years, were $7 million and $9 million, respectively. The amount includes insurance fund proceeds that PEC received to address costs associated with environmental liabilities related to its involvement with some sites. All eligible expenses related to these sites are charged against a specific fund containing these proceeds. During 2005, PEC spent approximately $6 million, accrued approximately $4 million and received no insurance proceeds related to environmental remediation. During 2004, PEC spent approximately $2 million related to environmental remediation.

On March 30, 2005, the North Carolina Division of Water Quality renewed a PEC permit for the continued use of coal combustion products generated at any of its coal-fired plants located in the state. Following review of

the permit conditions, which could significantly restrict the reuse of coal ash and result in higher ash management costs, the permit was adjudicated. The outcome of this matter cannot be predicted.

PEF

At December 31, 2005 and 2004, PEF's accruals for probable and estimable costs related to various environmental sites, which were included in other liabilities and deferred credits and are expected to be paid out over one to 15 years, were:

(in millions)	2005	2004
Remediation of distribution and substation transformers	$ 20	$ 27
MGP and other sites	18	18
Total accrual for environmental sites	$ 38	$ 45

PEF has received approval from the FPSC for recovery of costs associated with the remediation of distribution and substation transformers through the Environmental Cost Recovery Clause (ECRC). Under agreements with the Florida Department of Environmental Protection (FDEP), PEF is in the process of examining distribution transformer sites and substation sites for potential equipment integrity issues that could result in the need for mineral oil-impacted soil remediation. PEF has reviewed a number of distribution transformer sites and all substation sites. Based on changes to the estimated time frame for review of distribution transformer sites, PEF currently expects to have completed its review by the end of 2007. Should further sites be identified, PEF believes that any estimated costs would also be recovered through the ECRC. For the years ended December 31, 2005 and 2004, PEF accrued approximately $2 million and $19 million, respectively, and spent approximately $9 million and $4 million, respectively, related to the remediation of transformers. PEF has recorded a regulatory asset for the probable recovery of these costs through the ECRC.

The amounts for MGP and other sites, in the table above, relate to two former MGP sites and other sites associated with PEF that have required or are anticipated to require investigation and/or remediation. For the year ended December 31, 2005, PEF made no material accruals, spent approximately $1 million, and received approximately $1 million of additional insurance proceeds. For the year ended December 31, 2004, PEF received approximately $12 million in insurance claim settlement proceeds and recorded a related accrual for associated environmental expenses, as these insurance proceeds are restricted for use in addressing costs associated with environmental liabilities.

In Florida, a risk-based corrective action (RBCA, known as Global RBCA) rule was developed by the FDEP and adopted at the February 2, 2005, Environmental Review Commission hearing. Risk-based corrective action generally means that the corrective action prescribed for contaminated sites can correlate to the level of human health risk imposed by the contamination at the property. The Global RBCA rule expands the use of the risk-based corrective action to all contaminated sites in the state that are not currently in one of the state's waste cleanup programs and has the potential for making future cleanups in Florida more costly to complete. The effective date of the Global RBCA rule was April 17, 2005.

B. Air Quality

We are subject to various current and proposed federal, state and local environmental compliance laws and regulations, which may result in increased planned capital expenditures and O&M expenses. Significant updates to these laws and regulations and related impacts to us since December 31, 2004, are discussed below. Additionally, Congress is considering legislation that would require additional reductions in air emissions of NOx, SO_2, carbon dioxide (CO_2) and mercury. Some of these proposals establish nationwide caps and emission rates over an extended period of time. This national multipollutant approach to air pollution control could involve significant capital costs that could be material to our financial position or results of operations. Control equipment that will be installed on North Carolina coal-fired generating facilities as part of the Clean Smokestacks Act, enacted in 2002 and discussed below, may address some of the issues outlined above as they relate to PEC. However, the outcome of the matter cannot be predicted.

NEW SOURCE REVIEW (NSR)

The EPA is conducting an enforcement initiative related to a number of coal-fired utility power plants in an effort to determine whether changes at those facilities were subject to NSR requirements or New Source Performance Standards under the Clean Air Act. We were asked to provide information to the EPA as part of this initiative and cooperated in supplying the requested information. The EPA initiated civil enforcement actions against unaffiliated utilities as part of this initiative. Some of these actions resulted in settlement agreements calling for expenditures by these unaffiliated utilities in excess of $1.0 billion. These settlement agreements have generally called for expenditures to be made over extended time periods, and some of the companies may seek recovery of the related costs through rate adjustments or similar mechanisms.

On June 24, 2005, the Court of Appeals for the District of Columbia Circuit rendered a decision in a suit regarding EPA's NSR rules. As part of the decision, the court struck down a provision excluding pollution control projects from NSR requirements. As a result of this decision, additional regulatory review of our pollution control equipment proposals will be required, adding time and cost to the overall project.

NO_x SIP CALL RULE UNDER SECTION 110 OF THE CLEAN AIR ACT (NO_x SIP CALL)

The NOx SIP Call is an EPA rule that requires 22 states, including North Carolina, South Carolina and Georgia, to further reduce nitrogen oxide emissions. The NOx SIP Call is not applicable to Florida. Total capital costs to meet the requirements of the final rule under the NOx SIP Call in North Carolina and South Carolina could reach approximately $355 million at PEC, of which approximately $336 million has been incurred through December 31, 2005. This amount also includes the cost to install NOx controls under North Carolina's and South Carolina's programs to comply with the federal eight-hour ozone standard. However, further technical analysis and rulemaking may result in requirements for additional controls at some units. Increased O&M expenses relating to the NOx SIP Call are not expected to be material to our or PEC's results of operations.

Parties unrelated to us have undertaken efforts to have Georgia excluded from the rule and its requirements. Georgia has not yet submitted a state implementation plan to comply with the Section 110 NOx SIP Call. The outcome of this matter and the impact to our nonregulated operations in Georgia cannot be predicted.

CLEAN SMOKESTACKS ACT

In June 2002, the Clean Smokestacks Act was enacted in North Carolina requiring the state's electric utilities to reduce the emissions of NOx and SO_2 from their North Carolina coal-fired power plants in phases by 2013. PEC currently has approximately 5,100 MW of coal-fired generation capacity in North Carolina that is affected by the Clean Smokestacks Act. In April 2005, PEC filed its annual estimate with the NCUC of the total capital expenditures to meet emission targets for NOx and SO_2 from coal-fired plants under the Clean Smokestacks Act of approximately $895 million. We now project that our total capital expenditures to meet these emission targets will be in a range of approximately $1.1 billion to $1.4 billion by the end of 2013, of which approximately $286 million has been spent through December 31, 2005. This increase is primarily due to the higher cost and revised quantities of construction materials, such as concrete and steel, refinement of cost and scope estimates for the current projects, and increases in the estimated inflation factor applied to future project costs. We are evaluating various design, technology, and new generation options that could materially reduce the expenditures required by the Clean Smokestacks Act.

Two of the coal-fired generation plants impacted by the Clean Smokestacks Act are jointly owned. The joint owners pay their ownership share of construction costs. In 2005, PEC entered into a contract with the joint owner of certain facilities at the Mayo and Roxboro plants to limit their aggregate costs associated with capital expenditures to comply with the Clean Smokestacks Act to approximately $38 million. PEC recognized a $16 million liability in the fourth quarter of 2005, based upon the current estimate for Clean Smokestacks Act compliance. As capital cost projections change, it is reasonably possible that additional losses, which could be material, may be incurred in the future.

The Clean Smokestacks Act also freezes the utilities' base rates for five years, which ends in 2007, unless there are extraordinary events beyond the control of the utilities or unless the utilities persistently earn a return substantially in excess of the rate of return established and found reasonable by the NCUC in the utilities' last general rate case. The Clean Smokestacks Act requires PEC to amortize $569 million, representing 70 percent of the original cost estimate of $813 million, during the five-year rate freeze period. PEC recognized amortization of $147 million, $174 million and $74 million for the years ended December 31, 2005, 2004 and 2003, respectively, and has recognized $395 million in cumulative amortization through December 31, 2005. The remaining amortization requirement of $174 million will be recorded over the two-year period ending December 31, 2007. The Clean Smokestacks Act permits PEC the flexibility to vary the amortization schedule for recording of the compliance costs from none up to $174 million per year. The NCUC will hold a hearing prior to December 31, 2007, to determine cost recovery amounts for 2008 and future periods.

Pursuant to the Clean Smokestacks Act, PEC entered into an agreement with the state of North Carolina to transfer to the state certain NOx and SO_2 emissions allowances that result from compliance with the collective NOx and SO_2 emissions limitations set out in the Clean Smokestacks Act. The Clean Smokestacks Act also required the state to undertake a study of mercury and CO_2 emissions in North Carolina. O&M expenses will significantly increase due to the additional personnel, materials and general maintenance associated with the equipment. O&M expenses are recoverable through base rates, rather than as part of this program. The future regulatory interpretation, implementation or impact of the Clean Smokestacks Act cannot be predicted.

CLEAN AIR INTERSTATE RULE (CAIR) AND MERCURY RULE

On March 10, 2005, the EPA issued the final CAIR. The EPA's rule requires 28 states, including North Carolina, South Carolina, Georgia and Florida, and the District of Columbia to reduce NOx and SO_2 emissions in order to reduce levels of fine particulate matter and impacts to visibility. The CAIR sets emission limits to be met in two phases beginning in 2009 and 2015, respectively, for NOx and beginning in 2010 and 2015, respectively, for SO_2.

PEF has joined a coalition of Florida utilities that has filed a challenge to the CAIR as it applies to Florida. A petition for reconsideration and stay and a petition for judicial review of the CAIR were filed on July 11, 2005. On October 27, 2005, the DC Circuit Court issued an order granting the motion for stay of the proceedings. On December 2, 2005, the EPA announced a reconsideration of four aspects of the CAIR, including its applicability to Florida. While we consider it unlikely that this challenge would eliminate the compliance requirements of the CAIR, it could potentially reduce or delay our costs to comply with the CAIR. The outcome of this matter cannot be predicted.

On March 15, 2005, the EPA finalized two separate but related rules: the Clean Air Mercury Rule (CAMR) that sets emissions limits to be met in two phases beginning in 2010 and 2018, respectively, and encourages a cap and trade approach to achieving those caps, and a de-listing rule that eliminated any requirement to pursue a maximum achievable control technology (MACT) approach for limiting mercury emissions from coal-fired power plants. NOx and SO_2 controls also are effective in reducing mercury emissions. However, according to the EPA the second phase cap reflects a level of mercury emissions reduction that exceeds the level that would be achieved solely as a co-benefit of controlling NOx and SO_2 under CAIR.

The de-listing rule has been challenged by a number of parties; the resolution of the challenges could impact our final compliance plans and costs. On October 21, 2005, the EPA announced a reconsideration of the CAMR. The outcome of this matter cannot be predicted.

In conjunction with the proposed mercury rule, the EPA proposed a MACT standard to regulate nickel emissions from residual oil-fired units. The EPA withdrew the proposed nickel rule in March 2005.

We are in the process of determining compliance plans and the cost to comply with the CAIR and CAMR. Installation of additional air quality controls is likely to be needed to meet the CAIR and the CAMR requirements. Compliance costs at PEF are eligible for consideration for recovery through the ECRC. The outcome of future petitions for recovery through the ECRC cannot be predicted.

The air quality controls needed to meet compliance with the NOx SIP Call and Clean Smokestacks Act will reduce the costs to meet the CAIR requirements for our North Carolina units at PEC. We currently estimate the total additional compliance costs related to CAIR for PEC could be in a range of approximately $100 million to $200 million. We will continue to review these estimates as compliance plans are further developed. The timing and extent of the costs for future projects will depend upon the final compliance strategy.

We expect PEF to incur significant additional capital and O&M expenses to achieve compliance with the CAIR and CAMR through 2018. We currently estimate the total compliance costs for PEF could be as much as approximately $1.4 billion, of which approximately $2 million has been incurred through December 31, 2005. We will continue to review these estimates as compliance plans are further developed. The timing and extent of the costs for future projects will depend upon the final compliance strategy. We are evaluating various design, technology, and new generation options that could reduce change PEF's costs required by the CAIR and CAMR.

On October 14, 2005, the FPSC approved PEF's petition for the recovery of costs associated with the development and implementation of an integrated strategy to comply with the CAIR and CAMR through the ECRC. PEF is developing an integrated compliance strategy for the CAIR and CAMR rules because NOx and SO_2 controls are effective in reducing mercury emissions. Program costs for 2005 were approximately $2 million for preliminary engineering activities and strategy development work necessary to determine our integrated compliance strategy. PEF currently projects to spend approximately $51 million in capital costs to comply with the CAIR and CAMR programs in 2006. These costs may increase or decrease depending upon the results of the engineering and strategy development work. Among other things; subsequent rule interpretations, equipment availability, or the unexpected acceleration of the initial NOx or other compliance dates could require acceleration of some projects and therefore result in additional costs in 2006.

CLEAN AIR VISIBILITY RULE

On June 15, 2005, the EPA issued the final Clean Air Visibility Rule (CAVR). The EPA's rule requires states to identify facilities, including power plants, built between 1962 and 1977 with the potential to produce emissions that affect visibility in 156 specially protected areas. To help restore visibility in those areas, states must require the identified facilities to install Best Available Retrofit Technology (BART) to control their emissions. Depending on the approach taken by the states, the reductions associated with BART would begin to take effect in 2014. CAVR included EPA's determination that compliance with the NOx and SO_2 requirements of CAIR may be used by states as a BART substitute. We expect that our compliance plans to comply with the CAIR and the CAMR will fulfill BART obligations, but the states could require the installation of additional air quality controls if they do not achieve reasonable progress on improving visibility. The outcome of this matter cannot be predicted.

NORTH CAROLINA ATTORNEY GENERAL PETITION UNDER SECTION 126 OF THE CLEAN AIR ACT

In March 2004, the North Carolina Attorney General filed a petition with the EPA, under Section 126 of the Clean Air Act, asking the federal government to force coal-fired power plants in 13 other states, including South Carolina, to reduce their NOx and SO_2 emissions. The state of North Carolina contends these out-of-state emissions interfere with North Carolina's ability to meet national air quality standards for ozone and particulate matter. On August 1, 2005, the EPA issued a proposed response denying the petition. The EPA's rationale for denial is that compliance with CAIR will reduce the emissions from surrounding states sufficiently to address North Carolina's concerns. The EPA must take final action by March 15, 2006. The outcome of this matter cannot be predicted.

NATIONAL AMBIENT AIR QUALITY STANDARDS (NAAQS)

On December 21, 2005, the EPA announced proposed changes to the NAAQS for particulate matter. The EPA proposed to lower the 24-hour standard for particulate matter less than 2.5 microns in diameter from 65 micrograms per cubic meter to 35 micrograms per cubic meter. In addition, the EPA proposed to establish a new 24-hour standard of 70 micrograms per cubic meter for particulate matter that is between 2.5 and 10 microns in diameter. The EPA also proposed to eliminate the current standards for particulate matter less than 10 microns in diameter. The EPA is scheduled to finalize the standards by September 27, 2006. The changes could ultimately result in increased costs for installation of additional pollution controls at facilities operated by PEC and PEF. The outcome of this matter cannot be predicted.

C. Water Quality

As a result of the operation of certain control equipment needed to address the air quality issues outlined above, new wastewater streams may be generated at the affected facilities. Integration of these new wastewater streams into the existing wastewater treatment processes may result in permitting, construction and treatment requirements imposed on the Utilities in the immediate and extended future.

Section 316(b) of the Clean Water Act requires assessment of the environmental effect of withdrawal of water at our facilities. We are conducting studies and currently estimate that total compliance costs through 2010 to meet Section 316(b) requirements of the Clean Water Act will be approximately $70 million to $95 million, of which an immaterial amount has been incurred through December 31, 2005. The range includes approximately $5 million to $10 million at PEC and approximately $65 million to $85 million at PEF.

The majority of compliance costs associated with water quality requirements for PEF are eligible for consideration for recovery through the ECRC. The outcome of future petitions for recovery through the ECRC cannot be predicted.

D. Other Environmental Matters

GLOBAL CLIMATE CHANGE

The Kyoto Protocol was adopted in 1997 by the United Nations to address global climate change by reducing emissions of CO_2 and other greenhouse gases. The treaty went into effect on February 16, 2005. The United States has not adopted the Kyoto Protocol, and the Bush administration has stated it favors voluntary programs. There are proposals to address global climate change that would regulate CO_2 and other greenhouse gases. Reductions in CO_2 emissions to the levels specified by the Kyoto Protocol and some additional proposals could be materially adverse to our financial position or results of operations if associated costs of control or limitation cannot be recovered from customers. We have articulated principles that we believe should be incorporated into any global climate change policy. While the outcome of this matter cannot be predicted, we are taking voluntary action on this important issue as part of our commitment to environmental stewardship and responsible corporate citizenship.

In a decision issued July 15, 2005, a three-judge panel of the U.S. Court of Appeals for the District of Columbia Circuit denied petitions for review filed by several states, cities and organizations seeking the regulation by the EPA of CO_2 emissions under the Clean Air Act. In a 2-1 decision, the court held that the EPA administrator properly exercised his discretion in denying the request for regulation. Officials from five states and the District of Columbia asked the full U.S. Court of Appeals for the D.C. Circuit to review the decision made by the three-judge panel. On December 2, 2005, the U.S. Court of Appeals denied the request for rehearing. On March 2, 2006, the petitioners filed a petition for writ of certiorari with the U.S. Supreme Court, seeking a review of the U.S. Court of Appeals decision. The outcome of this matter cannot be predicted.

In 2005, we initiated a study to assess the impact of constraints on CO2 and other air emissions. We plan to issue this report by March 31, 2006. While we participate in the development of a national climate change

policy framework, we will continue to actively engage others in our region to develop consensus-based solutions, as we did with the 2002 North Carolina Clean Smokestacks Act.

23. COMMITMENTS AND CONTINGENCIES

A. Purchase Obligations

At December 31, 2005, the following table reflects contractual cash obligations and other commercial commitments in the respective periods in which they are due:

Progress Energy

(in millions)	2006	2007	2008	2009	2010	Thereafter
Fuel	$ 2,786	$ 2,287	$ 1,031	$ 695	$ 268	$ 1,165
Purchased power	471	477	448	414	364	4,308
Construction obligations	74	28	-	-	-	-
Other purchase obligations	89	90	76	64	41	232
Total	$ 3,420	$ 2,882	$ 1,555	$ 1,173	$ 673	$ 5,705

PEC

(in millions)	2006	2007	2008	2009	2010	Thereafter
Fuel	$ 881	$ 849	$ 443	$ 304	$ 151	$ 593
Purchased power	124	122	85	86	43	508
Other Purchase Obligations	14	21	20	-	-	-
Total	$ 1,019	$ 992	$ 548	$ 390	$ 194	$ 1,101

PEF

(in millions)	2006	2007	2008	2009	2010	Thereafter
Fuel	$ 545	$ 544	$ 343	$ 265	$ 104	$ 572
Purchased power	343	355	363	328	321	3,800
Construction obligations	74	28	-	-	-	-
Other purchase obligations	34	36	32	43	19	74
Total	$ 996	$ 963	$ 738	$ 636	$ 444	$ 4,446

FUEL AND PURCHASED POWER

Through our subsidiaries, we have entered into various long-term contracts for coal, oil, gas and nuclear fuel. Our payments under these commitments were $3.070 billion, $2.033 billion and $1.645 billion for 2005, 2004 and 2003, respectively. PEC's total payments under these commitments for its generating plants were $964 million, $477 million and $562 million in 2005, 2004 and 2003, respectively. PEF's payments totaled $505 million, $375 million and $209 million in 2005, 2004 and 2003, respectively.

Both PEC and PEF have ongoing purchased power contracts with certain cogenerators (qualifying facilities or QFs) with expiration dates ranging from 2006 to 2025. These purchased power contracts generally provide for capacity and energy payments.

Pursuant to the terms of the 1981 Power Coordination Agreement, as amended, between PEC and Power Agency, PEC is obligated to purchase a percentage of Power Agency's ownership capacity of, and energy from, Harris. In 1993, PEC and Power Agency entered into an agreement to restructure portions of their contracts covering power supplies and interests in jointly owned units. Under the terms of the 1993 agreement, PEC increased the amount of capacity and energy purchased from Power Agency's ownership interest in Harris, and the buyback period was extended six years through 2007. The estimated minimum annual payments for these purchases, which reflect

capacity and energy costs, total approximately $34 million. These contractual purchases totaled $37 million, $39 million and $36 million for 2005, 2004 and 2003, respectively.

PEC has a long-term agreement for the purchase of power and related transmission services from Indiana Michigan Power Company's Rockport Unit No. 2 (Rockport). The agreement provides for the purchase of 250 MW of capacity through 2009 with estimated minimum annual payments of approximately $44 million, representing capital-related capacity costs. Total purchases (including energy and transmission use charges) under the Rockport agreement amounted to $71 million, $62 million and $66 million for 2005, 2004 and 2003, respectively.

PEC executed two long-term agreements for the purchase of power from Broad River LLC's Broad River facility (Broad River). One agreement provides for the purchase of approximately 500 MW of capacity through 2021 with an original minimum annual payment of approximately $16 million, primarily representing capital-related capacity costs. The second agreement provided for the additional purchase of approximately 335 MW of capacity through 2022 with an original minimum annual payment of approximately $16 million representing capital-related capacity costs. Total purchases for both capacity and energy under the Broad River agreements amounted to $44 million, $42 million and $37 million in 2005, 2004 and 2003, respectively.

PEC has various pay-for-performance contracts with QFs for approximately 354 MW of capacity expiring at various times through 2014. Payments for both capacity and energy are contingent upon the QFs' ability to generate. Payments made under these contracts were $112 million in 2005, $90 million in 2004 and $113 million in 2003.

PEF has long-term contracts for approximately 489 MW of purchased power with other utilities, including a contract with The Southern Company for approximately 414 MW of purchased power annually through 2015. Total purchases, for both energy and capacity, under these agreements amounted to $175 million, $128 million and $126 million for 2005, 2004 and 2003, respectively. Minimum purchases under these contracts, representing capital-related capacity costs, are approximately $64 million annually through 2009, $54 million for 2010 and $38 million annually thereafter through 2015.

PEF has ongoing purchased power contracts with certain QFs for 812 MW of capacity with expiration dates ranging from 2006 to 2025. Energy payments are based on the actual power taken under these contracts. Capacity payments are subject to the qualifying facilities meeting certain contract performance obligations. In most cases, these contracts account for 100 percent of the generating capacity of each of the facilities. All commitments have been approved by the FPSC. Total capacity purchases under these contracts amounted to $262 million, $247 million and $244 million for 2005, 2004 and 2003, respectively. At December 31, 2005, minimum expected future capacity payments under these contracts were $279 million, $289 million, $297 million, $262 million and $267 million for 2006 through 2010, respectively, and $3.6 billion thereafter. The FPSC allows the capacity payments to be recovered through a capacity cost recovery clause, which is similar to, and works in conjunction with, energy payments recovered through the fuel cost recovery clause.

On December 2, 2004, PEF entered into precedent and related agreements with Southern Natural Gas Company (SNG), Florida Gas Transmission Company (FGT), and BG LNG Services, LLC for the supply of natural gas and associated firm pipeline transportation to augment PEF's gas supply needs for the period from May 1, 2007, to April 30, 2027. The total cost to PEF associated with the agreements is approximately $4.0 billion. The transactions are subject to several conditions precedent, some of which have been satisfied, which include obtaining the FPSC's approval of the agreements, the completion and commencement of operation of the necessary related expansions to SNG's and FGT's respective natural gas pipeline systems, and other standard closing conditions. Due to the conditions in the agreements, the estimated costs associated with these agreements are not included in the contractual cash obligations table above.

In January 2006, PEF entered into a conditional contract with Gulfstream Gas System, L.L.C. (Gulfstream) for firm pipeline transportation capacity to augment PEF's gas supply needs for the period from September 1, 2008 through December 31, 2031. The total cost to PEF associated with this agreement is approximately $1.0 billion. The transaction is subject to several conditions precedent, including the completion and commencement of operation of the necessary related expansions to Gulfstream's natural gas pipeline system, and other standard closing conditions.

Due to the timing of this agreement the estimated costs associated with this agreement are not included in the contractual cash obligations table above.

CONSTRUCTION OBLIGATIONS

We have purchase obligations related to various capital construction projects. Our total payments under these contracts were $91 million, $108 million and $158 million for 2005, 2004 and 2003, respectively. At December 31, 2005, PEC has no construction obligations. Total purchases by PEC under various combustion turbine construction obligations were $5 million and $21 million for 2004 and 2003, respectively. PEC did not have any purchases related to construction obligations in 2005. PEF has purchase obligations related to various plant capital projects at the Hines Energy Complex. Total payments under PEF's contracts were $91 million, $102 million and $137 million for 2005, 2004 and 2003, respectively. PEF's future obligations under these contracts are $74 million for 2006 and $28 million for 2007.

OTHER PURCHASE OBLIGATIONS

We have entered into various other contractual obligations primarily related to service contracts for operational services entered into by PESC, parts and services contracts, and a PEF service agreement related to the Hines Energy Complex. Our payments under these agreements were $97 million, $58 million and $31 million for 2005, 2004 and 2003, respectively.

On December 31, 2002, PEC and PVI entered into a contractual commitment to purchase at least $11 million and $4 million, respectively, of capital parts by December 31, 2010. During 2005, 2004 and 2003, no capital parts have been purchased under this contract.

PEC has various purchase obligations related to reactor vessel head replacements, power uprates and spent fuel storage. Total purchases under these contracts were $13 million for 2005, $17 million for 2004 and $3 million for 2003. Future purchase obligations are $7 million for 2006.

PEF has long-term service agreements for the Hines Energy Complex. Total payments under these contracts were $8 million, $11 million and $3 million for 2005, 2004 and 2003, respectively. Future obligations under these contracts are $14 million, $11 million, $16 million, $14 million and $19 million for 2006 through 2010, respectively, with approximately $74 million payable thereafter.

PEF has various purchase obligations and contractual commitments related to the purchase and replacement of machinery. Total payments under these contracts were $34 million for 2005. Future obligations under these contracts are $20 million and $25 million in 2006 and 2007, respectively, and $6 million in 2008 and 2009.

PVI has purchase obligations with two counterparties for pipeline capacity through 2018 and 2028. Payments under these agreements were $15 million, $13 million and $6 million for 2005, 2004 and 2003, respectively. Future obligations under these contracts are approximately $16 million for 2006 through 2010 and approximately $117 million payable thereafter.

B. Leases

We lease office buildings, computer equipment, vehicles, railcars and other property and equipment with various terms and expiration dates. Some rental payments for transportation equipment include minimum rentals plus contingent rentals based on mileage. These contingent rentals are not significant. Our rent expense under operating leases totaled $48 million, $57 million and $54 million for 2005, 2004 and 2003, respectively. Our purchased power expense under agreements classified as operating leases were approximately $14 million in 2005, $25 million in 2004 and $5 million in 2003.

PEC's rent expense under operating leases totaled $24 million for 2005 and $20 million for 2004 and 2003. These amounts include rent expense allocated from PESC of $7 million for 2005 and $10 million for 2004 and 2003. Purchased power expense under agreements classified as operating leases were approximately $11 million during 2005, $25 million during 2004 and $5 million during 2003.

PEF's rent expense under operating leases totaled $11 million, $14 million and $17 million during 2005, 2004 and 2003, respectively. These amounts include rent expense allocated from PESC to PEF of $7 million for 2005 and $10 million for 2004 and 2003. Purchased power expense under agreements classified as operating leases was approximately $3 million during 2005.

Assets recorded under capital leases at December 31 consisted of:

	Progress Energy		PEC	
(in millions)	**2005**	2004	**2005**	2004
Buildings	**$ 30**	$ 30	$ 30	$ 30
Equipment and other	**27**	2	-	-
Less: Accumulated amortization	**(12)**	(11)	(12)	(11)
Total	**$ 45**	$ 21	$ 18	$ 19

At December 31, 2005, minimum annual payments, excluding executory costs such as property taxes, insurance and maintenance, under long-term noncancelable operating and capital leases were:

	Progress Energy		PEC		PEF	
(in millions)	Capital	Operating	Capital	Operating	Capital	Operating
2006	$ 4	$ 76	$ 2	$ 36	$ -	$ 25
2007	4	88	2	31	-	45
2008	4	88	3	31	-	48
2009	4	85	2	30	-	47
2010	4	71	3	18	-	47
Thereafter	21	298	14	158	-	102
	41	$ 706	26	$ 304	-	$ 314
Less amount representing imputed interest	(12)		(7)		-	
Present value of net minimum lease payments under capital leases	$ 29		$ 19		$ -	

In 2003, we entered into a new operating lease for a building, for which minimum annual rental payments are included in the table above. The lease terms provide for no rental payments during the last 15 years of the lease, during which period $53 million of rental expense will be recorded in the Consolidated Statements of Income.

In 2005, PEF entered into an agreement for a new capital lease beginning in 2007 for a building that is currently under construction. The lease calls for annual payments of approximately $6 million from 2007 through 2026 for a total of approximately $110 million. The lease term provides for no payments during the last 20 years of the lease.

Excluding the Utilities, we are also a lessor of land, buildings and other types of properties we own under operating leases with various terms and expiration dates. The leased buildings are depreciated under the same terms as other buildings included in diversified business property. Minimum rentals receivable under noncancelable leases for 2006 through 2010 are approximately $40 million, $24 million, $17 million, $13 million and $4 million, respectively, with $24 million receivable thereafter. Rents received under these operating leases totaled $66 million, $60 million and $45 million for 2005, 2004 and 2003, respectively.

The Utilities are lessors of electric poles, streetlights and other facilities. PEC's minimum rentals under noncancelable leases are $10 million for 2006 and none thereafter. Rents received are contingent upon usage and totaled $31 million, $32 million and $31 million for 2005, 2004 and 2003, respectively.

PEF's rents received are based on a fixed minimum rental where price varies by type of equipment and totaled $63 million for 2005 and 2004 and $56 million for 2003. Minimum rentals receivable (excluding streetlights) under noncancelable leases for 2006 is $5 million and none thereafter. Streetlight rentals were $42 million, $40 million and $38 million for 2005, 2004 and 2003, respectively. Future streetlight rentals would approximate 2005 revenues.

C. Guarantees

As a part of normal business, we enter into various agreements providing future financial or performance assurances to third parties, which are outside the scope of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN No. 45). These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to Progress Energy or our subsidiaries on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes (See Note 19). Our guarantees include performance obligations under power supply agreements, tolling agreements, transmission agreements, gas agreements, fuel procurement agreements and trading operations. Our guarantees also include standby letters of credit, surety bonds and guarantees in support of nuclear decommissioning. At December 31, 2005, we do not believe conditions are likely for significant performance under these guarantees. To the extent liabilities are incurred as a result of the activities covered by the guarantees, such liabilities are included in the accompanying Balance Sheets.

At December 31, 2005, we have issued guarantees and indemnifications of certain legal, tax and environmental matters to third parties in connection with sales of businesses and for timely payment of obligations in support of our nonwholly owned synthetic fuel operations. Related to the sales of businesses, the notice period extends until 2012 for the majority of matters provided for in the indemnification provisions. For matters for which we receive timely notice, our indemnity obligations may extend beyond the notice period. Certain environmental indemnifications have no limitations as to time or maximum potential future payments. Other guarantees and indemnifications have an estimated maximum exposure of approximately $152 million. Additionally, in 2005 PEC entered into a contract with the joint owner of certain facilities at the Mayo and Roxboro plants to limit their aggregate costs associated with capital expenditures to comply with the Clean Smokestacks Act and recognized a $16 million liability related to this indemnification (See Note 22B). At December 31, 2005, we have recorded liabilities related to guarantees and indemnifications to third parties of approximately $41 million. As current estimates change, it is possible that additional losses related to guarantees and indemnifications to third parties, which could be material, may be recorded in the future.

In addition, the Parent has issued $300 million of guarantees of certain payments of two wholly owned indirect subsidiaries (See Note 24).

D. Other Commitments and Contingencies

1. Spent Nuclear Fuel Matters

Pursuant to the Nuclear Waste Policy Act of 1982, the predecessors to the Utilities entered into contracts with the DOE under which the DOE agreed to begin taking spent nuclear fuel by no later than January 31, 1998. All similarly situated utilities were required to sign the same standard contract.

The DOE failed to begin taking spent nuclear fuel by January 31, 1998. In January 2004, the Utilities filed a complaint in the United States Court of Federal Claims against the DOE, claiming that the DOE breached the Standard Contract for Disposal of Spent Nuclear Fuel by failing to accept spent nuclear fuel from our various facilities on or before January 31, 1998. Our damages due to the DOE's breach will be significant, but have yet to be determined. Approximately 60 cases involving the government's actions in connection with spent nuclear fuel are currently pending in the Court of Federal Claims.

The DOE and the Utilities have agreed to a stay of the lawsuit, including discovery. The parties agreed to, and the trial court entered, a stay of proceedings, in order to allow for possible efficiencies due to the resolution of legal and factual issues in previously filed cases in which similar claims are being pursued by other plaintiffs. These issues may include, among others, so-called "rate issues," or the minimum mandatory schedule for the acceptance of spent

nuclear fuel and high-level waste by which the government was contractually obligated to accept contract holders' spent nuclear fuel and/or high-level waste, and issues regarding recovery of damages under a partial breach of contract theory that will be alleged to occur in the future. These issues have been or are expected to be presented in the trials or appeals that are currently scheduled to occur during 2006. Resolution of these issues in other cases could facilitate agreements by the parties in the Utilities' lawsuit, or at a minimum, inform the court of decisions reached by other courts if they remain contested and require resolution in this case. In July 2005, the parties jointly requested a continuance of the stay through December 15, 2005, which the trial court granted. Subsequently, the trial court continued the stay until March 17, 2006.

In July 2002, Congress passed an override resolution to Nevada's veto of the DOE's proposal to locate a permanent underground nuclear waste storage facility at Yucca Mountain, Nev. In January 2003, the state of Nev.; Clark County, Nevada; and Las Vegas petitioned the U.S. Court of Appeals for the District of Columbia Circuit for review of the Congressional override resolution. These same parties also challenged the EPA's radiation standards for Yucca Mountain. On July 9, 2004, the Court rejected the challenge to the constitutionality of the resolution approving Yucca Mountain, but ruled that the EPA was wrong to set a 10,000-year compliance period in the radiation protection standard. In August 2005, the EPA issued new proposed standards. The proposed standards include a 1,000,000-year compliance period in the radiation protection standard. Comments were due November 21, 2005, and are being reviewed by the EPA. The EPA has not scheduled a date for issuance of revised proposed standards. The DOE originally planned to submit a license application to the NRC to construct the Yucca Mountain facility by the end of 2004. However, in November 2004, the DOE announced it would not submit the license application until mid-2005 or later. The DOE did not submit the license application in 2005 and has not provided a new target date for submission of the license application. Congress approved $450 million for fiscal year 2006 for the Yucca Mountain project, approximately $201 million less than requested by the DOE. The DOE has acknowledged that a working repository will not be operational until sometime after 2010, but the DOE has not identified a new target date. The Utilities cannot predict the outcome of this matter.

On February 27, 2004, PEC requested to have its license for the Independent Spent Fuel Storage Installation at Robinson extended by 20 years with an exemption request for an additional 20-year extension. Its current license expires in August 2006 and on March 30, 2005, the NRC issued a 40-year license renewal.

With certain modifications and additional approval by the NRC, including the installation of onsite dry storage facilities at Robinson and Brunswick, PEC's spent nuclear fuel storage facilities will be sufficient to provide storage space for spent fuel generated on PEC's system through the expiration of the operating licenses for all of PEC's nuclear generating units.

With certain modifications and additional approval by the NRC, including the installation of onsite dry storage facilities at PEF's nuclear unit, CR3, PEF's spent nuclear fuel storage facilities will be sufficient to provide storage space for spent fuel generated on PEF's system through the expiration of the operating license for CR3.

2. Synthetic Fuel Matters

Through our subsidiaries, we are a majority owner in five entities and a minority owner in one entity that own facilities that produce coal-based solid synthetic fuel as defined under Section 29 of the Code (Section 29). The production and sale of the synthetic fuel from these facilities qualify for tax credits under Section 29/45K if certain requirements are satisfied, including a requirement that the synthetic fuel differs significantly in chemical composition from the coal used to produce such synthetic fuel and that the fuel was produced from a facility that was placed in service before July 1, 1998. Qualifying synthetic fuel facilities entitle their owners to federal income tax credits based on the barrel of oil equivalent of the synthetic fuel produced and sold by these plants.

On August 8, 2005, the Energy Policy Act of 2005 (EPACT) was signed into law. This new federal law contains key provisions affecting the electric power industry, including the redesignation of the Section 29 tax credit as a general business credit under Section 45K of the Code (Section 45K). The previous amount of Section 29 tax credits that we were allowed to claim in any calendar year through December 31, 2005, was limited by the amount of our regular federal income tax liability. Section 29 tax credit amounts allowed but not utilized are currently carried forward indefinitely as deferred alternative minimum tax credits. The redesignation of Section 29 tax credits as a Section

45K general business credit was effective on January 1, 2006, and removes the regular federal income tax liability limit on synthetic fuel production and subjects the credits to a 20-year carry forward period. This provision would allow us to produce synthetic fuel to a higher level than we have historically produced should we choose to do so.

Total Section 29 credits generated through December 31, 2005 (including those generated by Florida Progress prior to our acquisition), are approximately $1.7 billion, of which $819 million has been used to offset regular federal income tax liability and $922 million is being carried forward as deferred alternative minimum tax credits. The current synthetic fuel tax credit program expires at the end of 2007.

IRS PROCEEDINGS

In July 2004, we were notified that the IRS field auditors anticipated taking an adverse position regarding the placed-in-service date of the Earthco facilities. On October 29, 2004, we received the IRS field auditors' preliminary report concluding that the Earthco facilities had not been placed in service before July 1, 1998, and proposing that the tax credits generated by those facilities be disallowed.

During October 2005, we and the IRS field auditors filed briefs with the National Office for the purpose of receiving technical advice on whether our Earthco facilities were placed in service prior to July 1, 1998, in order to determine if our synthetic fuel tax credits are allowable under Section 29 of the Internal Revenue Code. During February 2006, the IRS field auditors verbally informed us that the IRS National Office concluded that our four Earthco synthetic fuel facilities met the placed-in-service requirement. The IRS field auditors also indicated that, once they receive written confirmation of the National Office's conclusion, the IRS field auditors will close their audit without any disallowance of tax credits. On February 28, 2006, we received our copy of the National Office Technical Advice Memorandum that concludes that the Earthco facilities met the placed-in-service requirement.

PERMANENT SUBCOMMITTEE

In October 2003, the United States Senate Permanent Subcommittee on Investigations began a general investigation concerning synthetic fuel tax credits claimed under Section 29. The investigation is examining the utilization of the credits, the nature of the technologies and fuels created, the use of the synthetic fuel and other aspects of Section 29 and is not specific to our synthetic fuel operations. Progress Energy provided information in connection with this investigation. We cannot predict the outcome of this matter.

IMPACT OF CRUDE OIL PRICES

Although the Section 29/45K tax credit program is expected to continue through 2007, recent market conditions, world events and catastrophic weather events have increased the volatility and level of oil prices that could limit the amount of those credits or eliminate them entirely for the years following 2005. This possibility is due to a provision of Section 29 that provides that if the average wellhead price per barrel for unregulated domestic crude oil for the year (the Annual Average Price) exceeds a certain threshold price (the Threshold Price), the amount of Section 29/45K tax credits is reduced for that year. Also, if the Annual Average Price increases high enough (the Phase-out Price), the Section 29/45K tax credits are eliminated for that year. The Threshold Price and the Phase-out Price are adjusted annually for inflation. Synthetic fuel is not economical to produce absent the associated tax credits.

If the Annual Average Price falls between the Threshold Price and the Phase-out Price for a year, the amount by which Section 29/45K tax credits are reduced will depend on where the Annual Average Price falls in that continuum. For example, for 2004, the Threshold Price was $51.35 per barrel and the Phase-out Price was $64.47 per barrel. If the Annual Average Price had been $57.91 per barrel, there would have been a 50 percent reduction in the amount of Section 29 tax credits for that year.

The secretary of the Treasury calculates the Annual Average Price based on the Domestic Crude Oil First Purchases Prices published by the Energy Information Agency (EIA). Because the EIA publishes its information on a three-month lag, the secretary of the Treasury finalizes the calculations three months after the year in question ends. Thus, the Annual Average Price for calendar year 2005 is expected to be published in early April 2006.

We estimate that the 2005 Threshold Price will be approximately $52 per barrel and the Phase-out Price will be approximately $65 per barrel, based on an estimated 2005 inflation adjustment. The monthly Domestic Crude Oil First Purchases Price published by the EIA has recently averaged approximately $5 lower than the corresponding monthly New York Mercantile Exchange (NYMEX) settlement price for light sweet crude oil. Through December 31, 2005, the average NYMEX contract settlement price for light sweet crude oil was $55 per barrel. Assuming that the $5 average differential between the Domestic Crude Oil First Purchases Price published by the EIA and the NYMEX settlement price continued through December 31, 2005, we do not currently believe that the 2005 Annual Average Price will cause a phase-out of the synthetic fuel tax credits in 2005.

We estimate that the 2006 Threshold Price will be approximately $52 per barrel and the Phase-out Price will be approximately $66 per barrel, based on estimated inflation adjustments for 2005 and 2006. The monthly Domestic Crude Oil First Purchases Price published by the EIA has recently averaged approximately $5 lower than the corresponding monthly NYMEX settlement price for light sweet crude oil. As of January 31, 2006, the average NYMEX futures price for light sweet crude oil for calendar year 2006 was $69 per barrel. Based upon the estimated 2006 Threshold Price and Phase-out Price, if oil prices for 2006 remained at the January 31, 2006, average futures price level of $69 per barrel for the entire year in 2006, we currently estimate that the synthetic fuel tax credit amount for 2006 would be reduced by approximately 75 percent to 85 percent. Therefore, the estimated value of 2006 tax credits of approximately $27 per ton would be reduced to approximately $4 to $7 per ton for any synthetic fuel produced in 2006.

In November 2005, the U.S. Senate passed Senate Bill 2020, The Tax Relief Act of 2005, which includes proposed modifications to the Section 29/45K synthetic fuel tax credit program. This legislation would provide synthetic fuel producers with additional certainty around future synthetic fuel production decisions. The proposed modifications include amendments of the phase-out calculation and the annual inflation adjustment for the value of the synthetic fuel tax credits. Under Senate Bill 2020, the Annual Average Price, Threshold Price and the Phase-out Price for 2006 and 2007 would be based on the calculated amounts for the previous calendar year. In addition, the annual inflation adjustment for the synthetic fuel tax credits for 2005, 2006 and 2007 would be eliminated. The U.S. House version of the Tax Reconciliation bill does not include these same provisions. The differences in the Senate and House versions of the bill will be reconciled in conference. We cannot predict with any certainty the likelihood of this legislation passing.

As noted above, we do not currently believe that the 2005 Annual Average Price will cause a phase-out of the synthetic fuel tax credits related to synthetic fuel production in 2005. Therefore, if the provisions of Senate Bill 2020 regarding changes to the Section 29/45K synthetic fuel tax credit program were enacted into law, there would be no phase-out of these tax credits in calendar year 2006. However, we cannot predict with any certainty the price of oil for 2006 or 2007 and, therefore, we cannot predict what impact, if any, this proposed legislation would have on the value of tax credits in 2007.

Our future synthetic fuel production levels for 2006 and 2007 remain uncertain because we cannot predict with any certainty the Annual Average Price of oil for 2006 or 2007 or the likelihood of legislation modifying the phase-out calculation being enacted into law. If oil prices for 2006 remained at the January 31, 2006, average futures price level of $69 per barrel for the entire year in 2006, it is unlikely that we would produce significant amounts of synthetic fuel in 2006 and could potentially forfeit credits associated with any 2006 synthetic fuel production. This could have a material adverse impact on our results of operations. We will continue to monitor the level of oil prices and retain the ability to adjust production based on future oil price levels.

Due to the significant uncertainty surrounding our synthetic fuel production in 2006 and 2007 based on the current level of oil prices, we evaluated our synthetic fuel and other related operating long-lived assets for impairment during the third quarter and fourth quarter of 2005. We determined that no impairment of these assets was required. However, an increase in oil prices or a decrease in future synthetic fuel production and cash flows could require additional impairment evaluations in the future, which could result in a future impairment of these assets, which have total carrying values as of December 31, 2005, of approximately $111 million. The majority of these assets will be fully depreciated by the end of 2007, the scheduled end of the synthetic fuel tax credit program. The outcome of this matter cannot be determined.

SALE OF PARTNERSHIP INTEREST

In June 2004, through our subsidiary Progress Fuels, we sold in two transactions a combined 49.8 percent partnership interest in Colona, one of our synthetic fuel facilities. Substantially all proceeds from the sales will be received over time, which is typical of such sales in the industry. Gains from the sales will be recognized on a cost recovery basis as the facility produces and sells synthetic fuel and when there is persuasive evidence that the sales proceeds have become fixed or determinable and collectability is reasonably assured. Gain recognition is dependent on the synthetic fuel production qualifying for Section 29 tax credits and the value of such tax credits as discussed above. Until the gain recognition criteria are met, gains from selling interests in Colona will be deferred. It is possible that gains will be deferred in the first, second and/or third quarters of each year until there is persuasive evidence that no tax credit phase-out will occur for the applicable calendar year. This could result in shifting earnings from earlier quarters to later quarters in a calendar year. In the event that the synthetic fuel tax credits from the Colona facility are reduced, including an increase in the price of oil that could limit or eliminate synthetic fuel tax credits, the amount of proceeds realized from the sale could be significantly impacted. We recognized a pre-tax gain on monetization of $30 million during 2005 based on the remote possibility of any phase-out of the synthetic fuel tax credits in 2005. A portion of this gain had been deferred through the third quarter of 2005.

CONTINGENT ROYALTY PAYMENTS

We have certain future commitments related to four synthetic fuel facilities purchased that provide for contingent payments (royalties). The related agreements and their amendments require the payment of minimum annual royalties of approximately $7 million for each plant through 2007. We recorded a liability (included in other liabilities and deferred credits on the Consolidated Balance Sheets) and a deferred asset (included in other assets and deferred debits in the Consolidated Balance Sheets), each of approximately $50 million and $73 million at December 31, 2005 and 2004, respectively, representing the minimum amounts due through 2007, discounted at 6.05%. At December 31, 2005 and 2004, the portions of the asset and liability recorded that were classified as current were approximately $26 million. The deferred asset will be amortized to expense each year as synthetic fuel sales are made. The maximum amounts payable under these agreements remain unchanged. Future expected annual minimum royalty payments are approximately $26 million for 2006 and 2007. We have exercised our right under the related agreements to escrow those payments if certain conditions in the agreements were met, as more fully described below.

On May 15, 2005, the original owners of the Earthco synthetic fuel facilities filed suit in New York state court alleging breach of contract against the Progress Fuels subsidiaries that purchased the Earthco facilities (Progress Fuels Subsidiaries). The plaintiffs also named us as a defendant. The plaintiffs' allege that periodic payments due to them under the sales arrangement with the Progress Fuels Subsidiaries are being improperly withheld and escrowed. The Progress Fuels Subsidiaries believe that the parties' agreements allow for the payments to be escrowed in the event of an audit, investigation or other proceeding under which the IRS can disallow the tax credits associated with the Earthco facilities. They also believe that the agreements allow for the use of such escrowed amounts to satisfy any potential disallowance of tax credits that arises out of such an event. Currently, the escrowed amount in question is $97 million, which reflects periodic payments that would have been paid to the plaintiffs beginning April 30, 2003, through January 31, 2006. This amount will increase as future periodic payments are made to the escrow, which would otherwise have been payable to the plaintiffs. Plaintiffs filed a partial summary judgment motion in December 2005 seeking payment of the escrowed money. The Progress Fuels Subsidiaries oppose the motion and will file opposition papers, which are not yet due. The parties are now engaged in discovery.

In addition, a number of our subsidiaries and affiliates are parties to two lawsuits arising out of an Asset Purchase Agreement dated as of October 19, 1999, by and among U.S. Global LLC (Global), Earthco, certain affiliates of Earthco (collectively the Earthco Sellers), EFC Synfuel LLC (which is owned indirectly by Progress Energy, Inc.) and certain of its affiliates, including Solid Energy LLC, Solid Fuel LLC, Ceredo Synfuel LLC, Gulf Coast Synfuel LLC (currently named Sandy River Synfuel LLC) (collectively the Progress Affiliates), as amended by an amendment to Purchase Agreement as of August 23, 2000 (the Asset Purchase Agreement). Global has asserted that pursuant to the Asset Purchase Agreement it is entitled to an interest in two synthetic fuel facilities currently owned by the Progress Affiliates, and an option to purchase additional interests in the two synthetic fuel facilities.

The first suit, U.S. Global LLC v. Progress Energy, Inc. et al., was filed in the Circuit Court for Broward County, Fla., in March 2003 (the Florida Global Case). The Florida Global Case asserts claims for breach of the Asset Purchase Agreement and other contract and tort claims related to the Progress Affiliates' alleged interference with Global's rights under the Asset Purchase Agreement. The Florida Global Case requests an unspecified amount of compensatory damages, as well as declaratory relief. Following briefing and argument on a number of dispositive motions on successive versions of Global's complaint, on August 16, 2004, the Progress Affiliates answered the Fourth Amended Complaint by generally denying all of Global's substantive allegations and asserting numerous affirmative defenses. The parties are currently engaged in discovery in the Florida Global Case.

The second suit, Progress Synfuel Holdings, Inc. et al. v. U.S. Global, LLC, was filed by the Progress Affiliates in the Superior Court for Wake County, N.C., seeking declaratory relief consistent with our interpretation of the Asset Purchase Agreement (the North Carolina Global Case). Global was served with the North Carolina Global Case on April 17, 2003.

On May 15, 2003, Global moved to dismiss the North Carolina Global Case for lack of personal jurisdiction over Global. In the alternative, Global requested that the court decline to exercise its discretion to hear the Progress Affiliates' declaratory judgment action. On August 7, 2003, the Wake County Superior Court denied Global's motion to dismiss and entered an order staying the North Carolina Global Case, pending the outcome of the Florida Global Case. The Progress Affiliates appealed the Superior court's order staying the case. By order dated September 7, 2004, the North Carolina Court of Appeals dismissed the Progress Affiliates' appeal.

The Progress Affiliates believe that the parties' agreements allow for the payments due to Global to be escrowed in the event of an audit, investigation or other proceeding under which the IRS can disallow the tax credits and also allow for the use of such escrowed amounts to satisfy any potential disallowance of tax credits that arises out of such an event. Currently, the escrowed amount in question is $37 million, which reflects periodic payments that would have been paid to the plaintiffs beginning April 30, 2003, through January 31, 2006. This amount will increase as future periodic payments are made to the escrow that would otherwise have been payable to the plaintiffs.

We cannot predict the outcome of these matters, but will vigorously defend against the allegations.

3. Franchise Matters

PEF has largely resolved its outstanding franchise matters. In August 2005, the cities of Edgewood, Fla. (1,400 customers), and Maitland, Fla. (7,000 customers), approved new 30-year electric utility franchise agreements with PEF. In November 2005, the 2,500 customer town of Belleair, Fla., voted to reject a referendum to municipalize, but has not yet signed a new utility franchise agreement with PEF. As previously noted, in accordance with the terms of an arbitration panel's award issued in May 2003 and after satisfying regulatory and operational requirements, Winter Park acquired from PEF the electric distribution system that serves Winter Park (14,000 customers) and PEF transferred the distribution system to Winter Park on June 1, 2005. In addition, Winter Park executed a wholesale power supply contract with PEF with a five-year term and a renewal option (See Note 7C).

4. Other Litigation Matters

We and our subsidiaries are involved in various litigation matters in the ordinary course of business, some of which involve substantial amounts. Where appropriate, we have made accruals and disclosures in accordance with SFAS No. 5 to provide for such matters. In the opinion of management, the final disposition of pending litigation would not have a material adverse effect on our consolidated results of operations or financial position.

24. CONDENSED CONSOLIDATING STATEMENTS

Presented below are the condensed consolidating Statements of Income, Balance Sheets and Cash Flows as required by Rule 3-10 of Regulation S-X. In September 2005, we issued our guarantee of certain payments of two wholly owned indirect subsidiaries, FPC Capital I (the Trust) and Florida Progress Funding Corporation (Funding Corp.). Our guarantees are in addition to the previously issued guarantees of our wholly owned subsidiary, Florida Progress.

The Trust, a finance subsidiary, was established in 1999 for the sole purpose of issuing $300 million of 7.10% Cumulative Quarterly Income Preferred Securities due 2039, Series A (Preferred Securities) and using the proceeds thereof to purchase from Funding Corp. $300 million of 7.10% Junior Subordinated Deferrable Interest Notes due 2039 (Subordinated Notes). The Trust has no other operations and its sole assets are the Subordinated Notes and Notes Guarantee (as discussed below). Funding Corp. is a wholly owned subsidiary of Florida Progress and was formed for the sole purpose of providing financing to Florida Progress and its subsidiaries. Funding Corp. does not engage in business activities other than such financing and has no independent operations. Since 1999, Florida Progress has fully and unconditionally guaranteed the obligations of Funding Corp. under the Subordinated Notes (the Notes Guarantee). In addition, Florida Progress guaranteed the payment of all distributions related to the $300 million Preferred Securities required to be made by the Trust, but only to the extent that the Trust has funds available for such distributions (the Preferred Securities Guarantee). The Preferred Securities Guarantee, considered together with the Notes Guarantee, constitutes a full and unconditional guarantee by Florida Progress of the Trust's obligations under the Preferred Securities. The Preferred Securities and Preferred Securities Guarantee are listed on the New York Stock Exchange.

The Subordinated Notes may be redeemed at the option of Funding Corp. at par value plus accrued interest through the redemption date. The proceeds of any redemption of the Subordinated Notes will be used by the Trust to redeem proportional amounts of the Preferred Securities and common securities in accordance with their terms. Upon liquidation or dissolution of Funding Corp., holders of the Preferred Securities would be entitled to the liquidation preference of $25 per share plus all accrued and unpaid dividends thereon to the date of payment. The yearly interest expense is $21 million and is reflected in the Consolidated Statements of Income.

We have guaranteed the payment of all distributions related to the Trust's Preferred Securities. As of December 31, 2005, the Trust had outstanding 12 million shares of the Preferred Securities with a liquidation value of $300 million. Our guarantees are joint and several, full and unconditional and are in addition to the joint and several, full and unconditional guarantees previously issued to the Trust and Funding Corp. by Florida Progress. Our subsidiaries have provisions restricting the payment of dividends to the Parent in certain limited circumstances and, as disclosed in Note 12B, there were no restrictions on PEC's or PEF's retained earnings.

The Trust is a special-purpose entity and in accordance with the provisions of FIN No. 46R, we deconsolidated the Trust on December 31, 2003. The deconsolidation was not material to our financial statements and resulted in recording an additional equity investment in the Trust of approximately $9 million, an increase in outstanding debt of approximately $8 million and a gain of approximately $1 million relating to the cumulative effect of a change in accounting principle. Separate financial statements and other disclosures concerning the Trust have not been presented because we believe that such information is not material to investors.

In the following tables, the Parent column includes the financial results of the parent holding company only. The Subsidiary Guarantor column includes the financial results of Florida Progress. The Other column includes the consolidated financial results of all other nonguarantor subsidiaries and elimination entries for all intercompany transactions. All applicable corporate expenses have been allocated appropriately among the guarantor and nonguarantor subsidiaries.

Condensed Consolidating Statement of Income
Year Ended December 31, 2005

(in millions)	Parent	Subsidiary Guarantor	Other	Progress Energy, Inc.
Operating revenues				
Electric	$ -	$ 3,955	$ 3,990	$ 7,945
Diversified business	-	1,496	667	2,163
Total operating revenues	-	5,451	4,657	10,108
Operating expenses				
Utility				
Fuel used in electric generation	-	1,323	1,036	2,359
Purchased power	-	694	354	1,048
Operation and maintenance	12	852	906	1,770
Depreciation and amortization	-	334	588	922
Taxes other than on income	4	279	177	460
Other	-	(26)	(11)	(37)
Diversified business				
Cost of sales	-	1,338	737	2,075
Depreciation and amortization	-	79	73	152
Other	-	41	33	74
Total operating expenses	16	4,914	3,893	8,823
Equity in earnings of consolidated subsidiaries	884	-	(884)	-
Other income (expense), net	66	(4)	(51)	11
Interest charges, net	300	178	162	640
Income (loss) from continuing operations before income tax and minority interest	634	355	(333)	656
Income tax (benefit) expense	(63)	(40)	58	(45)
Minority interest in subsidiaries' loss, net of tax	-	(26)	-	(26)
Income (loss) from continuing operations	697	421	(391)	727
Discontinued operations, net of tax	-	(47)	16	(31)
Cumulative effect of changes in accounting principles, net of tax	-	-	1	1
Net income (loss)	$ 697	$ 374	$ (374)	$ 697

Condensed Consolidating Statement of Income
Year Ended December 31, 2004

(in millions)	Parent	Subsidiary Guarantor	Other	Progress Energy, Inc.
Operating revenues				
Electric	$ -	$ 3,525	$ 3,628	$ 7,153
Diversified business	-	1,125	247	1,372
Total operating revenues	-	4,650	3,875	8,525
Operating expenses				
Utility				
Fuel used in electric generation	-	1,175	836	2,011
Purchased power	-	567	301	868
Operation and maintenance	10	630	835	1,475
Depreciation and amortization	-	281	597	878
Taxes other than on income	(2)	254	173	425
Other	-	(2)	(11)	(13)
Diversified business				
Cost of sales	-	981	198	1,179
Depreciation and amortization	-	78	79	157
Other	-	17	84	101
Total operating expenses	8	3,981	3,092	7,081
Equity in earnings of consolidated subsidiaries	940	-	(940)	-
Other income (expense), net	65	(4)	(59)	2
Interest charges, net	295	162	171	628
Income (loss) from continuing operations before income tax and minority interest	702	503	(387)	818
Income tax (benefit) expense	(57)	61	102	106
Minority interest in subsidiaries' loss, net of tax	-	(17)	-	(17)
Income (loss) from continuing operations	759	459	(489)	729
Discontinued operations, net of tax	-	15	15	30
Net income (loss)	$ 759	$ 474	$ (474)	$ 759

Condensed Consolidating Statement of Income
Year Ended December 31, 2003

(in millions)	Parent	Subsidiary Guarantor	Other	Progress Energy, Inc.
Operating revenues				
Electric	$ -	$ 3,152	$ 3,589	$ 6,741
Diversified business	-	830	228	1,058
Total operating revenues	-	3,982	3,817	7,799
Operating expenses				
Utility				
Fuel used in electric generation	-	870	825	1,695
Purchased power	-	566	296	862
Operation and maintenance	19	640	762	1,421
Depreciation and amortization	-	307	576	883
Taxes other than on income	2	241	162	405
Other	-	-	(8)	(8)
Diversified business				
Cost of sales	-	736	193	929
Depreciation and amortization	-	62	64	126
Other	-	80	62	142
Total operating expenses	21	3,502	2,932	6,455
Equity in earnings of consolidated subsidiaries	1,039	-	(1,039)	-
Other income (expense), net	47	(8)	(76)	(37)
Interest charges, net	319	142	146	607
Income (loss) from continuing operations before income tax and minority interest	746	330	(376)	700
Income tax (benefit) expense	(36)	(112)	35	(113)
Minority interest in subsidiaries' income, net of tax	-	2	-	2
Income (loss) from continuing operations	782	440	(411)	811
Discontinued operations, net of tax	-	7	(12)	(5)
Cumulative effect of changes in accounting principles, net of tax	-	-	(24)	(24)
Net income (loss)	$ 782	$ 447	$ (447)	$ 782

Condensed Consolidating Balance Sheet
December 31, 2005

(in millions)	Parent	Subsidiary Guarantor	Other	Progress Energy, Inc.
Utility plant, net	$ -	$ 5,821	$ 8,621	$ 14,442
Current assets				
Cash and cash equivalents	239	241	126	606
Short-term investments	-	-	191	191
Receivables from affiliated companies	713	-	(713)	-
Deferred fuel cost	-	341	261	602
Assets of discontinued operations	-	107	2	109
Other current assets	22	1,069	1,139	2,230
Total current assets	974	1,758	1,006	3,738
Deferred debits and other assets				
Investment in consolidated subsidiaries	11,594	-	(11,594)	-
Goodwill	-	2	3,717	3,719
Other assets and deferred debits	13	2,174	2,937	5,124
Total deferred debits and other assets	11,607	2,176	(4,940)	8,843
Total assets	$ 12,581	$ 9,755	$ 4,687	$ 27,023
Capitalization				
Common stock equity	$ 8,038	$ 3,039	$ (3,039)	$ 8,038
Preferred stock of subsidiaries - not subject to mandatory redemption	-	34	59	93
Minority interest	-	38	5	43
Long-term debt, affiliate	-	440	(170)	270
Long-term debt, net	3,873	2,636	3,667	10,176
Total capitalization	11,911	6,187	522	18,620
Current liabilities				
Current portion of long-term debt	404	109	-	513
Notes payable to affiliated companies	-	315	(315)	-
Short-term obligations	-	102	73	175
Liabilities of discontinued operations	-	40	-	40
Other current liabilities	245	855	1,017	2,117
Total current liabilities	649	1,421	775	2,845
Deferred credits and other liabilities				
Noncurrent income tax liabilities	-	60	218	278
Regulatory liabilities	-	1,189	1,338	2,527
Accrued pension and other benefits	12	307	551	870
Other liabilities and deferred credits	9	591	1,283	1,883
Total deferred credits and other liabilities	21	2,147	3,390	5,558
Total capitalization and liabilities	$ 12,581	$ 9,755	$ 4,687	$ 27,023

Condensed Consolidating Balance Sheet
December 31, 2004

(in millions)	Parent	Subsidiary Guarantor	Other	Progress Energy, Inc.
Utility plant, net	$ -	$ 5,882	$ 8,481	$ 14,363
Current assets				
Cash and cash equivalents	5	24	27	56
Short-term investments	-	-	82	82
Receivables from affiliated companies	1,415	5	(1,420)	-
Deferred fuel cost	-	89	140	229
Assets of discontinued operations	-	696	(11)	685
Other current assets	23	920	1,037	1,980
Total current assets	1,443	1,734	(145)	3,032
Deferred debits and other assets				
Investment in consolidated subsidiaries	11,061	-	(11,061)	-
Goodwill	-	2	3,717	3,719
Other assets and deferred debits	16	2,068	2,846	4,930
Total deferred debits and other assets	11,077	2,070	(4,498)	8,649
Total assets	$ 12,520	$ 9,686	$ 3,838	$ 26,044
Capitalization				
Common stock equity	$ 7,633	$ 2,681	$ (2,681)	$ 7,633
Preferred stock of subsidiaries - not subject to mandatory redemption	-	34	59	93
Minority interest	-	32	4	36
Long-term debt, affiliate	-	809	(539)	270
Long-term debt, net	4,449	2,052	2,750	9,251
Total capitalization	12,082	5,608	(407)	17,283
Current liabilities				
Current portion of long-term debt	-	49	300	349
Notes payable to affiliate companies	-	431	(431)	-
Short-term obligations	170	293	221	684
Liabilities of discontinued operations	-	186	-	186
Other current liabilities	245	931	688	1,864
Total current liabilities	415	1,890	778	3,083
Deferred credits and other liabilities				
Noncurrent income tax liabilities	-	64	584	648
Regulatory liabilities	-	1,362	1,292	2,654
Accrued pension and other benefits	10	248	375	633
Other liabilities and deferred credits	13	514	1,216	1,743
Total deferred credits and other liabilities	23	2,188	3,467	5,678
Total capitalization and liabilities	$ 12,520	$ 9,686	$ 3,838	$ 26,044

Condensed Consolidating Statement of Cash Flows
Year Ended December 31, 2005

(in millions)	Parent	Subsidiary Guarantor	Other	Progress Energy, Inc.
Net cash provided by operating activities	$ 257	$ 515	$ 702	$ 1,474
Investing activities				
Gross utility property additions	-	(496)	(584)	(1,080)
Diversified business property additions	-	(190)	(16)	(206)
Nuclear fuel additions	-	(47)	(79)	(126)
Proceeds from sales of discontinued operations and other assets, net of cash divested	-	462	13	475
Purchases of available-for-sale securities and other investments	(1,702)	(405)	(1,878)	(3,985)
Proceeds from sales of available-for-sale securities and other investments	1,702	405	1,738	3,845
Changes in advances to affiliates	702	5	(707)	-
Contributions to consolidated subsidiaries	(13)	-	13	-
Acquisition of intangibles	-	-	(3)	(3)
Other investing activities	1	(26)	(12)	(37)
Net cash provided (used) by investing activities	690	(292)	(1,515)	(1,117)
Financing activities				
Issuance of common stock	208	-	-	208
Proceeds from issuance of long-term debt, net	-	744	898	1,642
Net decrease in short-term indebtedness	(170)	(191)	(148)	(509)
Retirement of long-term debt	(160)	(473)	69	(564)
Dividends paid on common stock	(582)	-	-	(582)
Dividends paid to parent	-	(2)	2	-
Changes in advances from affiliates	-	(101)	101	-
Contributions from parent	-	11	(11)	-
Other financing activities	(9)	40	1	32
Net cash (used) provided by financing activities	(713)	28	912	227
Cash used by discontinued operations				
Operating activities	-	(13)	-	(13)
Investing activities	-	(21)	-	(21)
Financing activities	-	-	-	-
Net increase in cash and cash equivalents	234	217	99	550
Cash and cash equivalents at beginning of year	5	24	27	56
Cash and cash equivalents at end of year	$ 239	$ 241	$ 126	$ 606

Condensed Consolidating Statement of Cash Flows
Year Ended December 31, 2004

(in millions)	Parent	Subsidiary Guarantor	Other	Progress Energy, Inc.
Net cash provided by operating activities	$ 653	$ 571	$ 341	$ 1,565
Investing activities				
Gross utility property additions	-	(482)	(516)	(998)
Diversified business property additions	-	(150)	(19)	(169)
Nuclear fuel additions	-	-	(101)	(101)
Proceeds from sales of discontinued operations and other assets, net of cash divested	-	343	30	373
Purchases of available-for-sale securities and other investments	-	(569)	(2,565)	(3,134)
Proceeds from sales of available-for-sale securities and other investments	-	569	2,679	3,248
Changes in advances to affiliates	27	(5)	(22)	-
Contributions to consolidated subsidiaries	(15)	-	15	-
Acquisition of intangibles	-	-	(1)	(1)
Other investing activities	-	(23)	(6)	(29)
Net cash provided (used) by investing activities	12	(317)	(506)	(811)
Financing activities				
Issuance of common stock	73	-	-	73
Proceeds from issuance of long-term debt, net	365	56	-	421
Net increase in short-term indebtedness	170	293	217	680
Retirement of long-term debt	(705)	(68)	(580)	(1,353)
Dividends paid on common stock	(558)	-	-	(558)
Dividends paid to parent	-	(340)	340	-
Changes in advances from affiliates	-	(209)	209	-
Contributions from parent	-	12	(12)	-
Other financing activities	(5)	13	(2)	6
Net cash (used) provided by financing activities	(660)	(243)	172	(731)
Cash provided (used) by discontinued operations				
Operating activities	-	44	-	44
Investing activities	-	(46)	-	(46)
Financing activities	-	-	-	-
Net increase in cash and cash equivalents	5	9	7	21
Cash and cash equivalents at beginning of year	-	15	20	35
Cash and cash equivalents at end of year	$ 5	$ 24	$ 27	$ 56

Condensed Consolidating Statement of Cash Flows
Year Ended December 31, 2003

(in millions)	Parent	Subsidiary Guarantor	Other	Progress Energy, Inc.
Net cash provided by operating activities	$ 524	$ 517	$ 547	$ 1,588
Investing activities				
Gross utility property additions	-	(526)	(446)	(972)
Diversified business property additions	-	(302)	(146)	(448)
Nuclear fuel additions	-	(51)	(66)	(117)
Proceeds from sales of discontinued operations and other assets, net of cash divested	451	100	28	579
Purchases of available-for-sale securities and other investments	-	(441)	(3,351)	(3,792)
Proceeds from sales of available-for-sale securities and other investments	-	441	3,088	3,529
Changes in advances to affiliates	(327)	(16)	343	-
Contributions to consolidated subsidiaries	(411)	-	411	-
Acquisition of intangibles	-	-	(200)	(200)
Other investing activities	(1)	(15)	21	5
Net cash used in investing activities	(288)	(810)	(318)	(1,416)
Financing activities				
Issuance of common stock	304	-	-	304
Proceeds from issuance of long-term debt, net	-	935	604	1,539
Net decrease in short-term indebtedness	-	(258)	(438)	(696)
Retirement of long-term debt	-	(534)	(276)	(810)
Dividends paid on common stock	(541)	-	-	(541)
Dividends paid to parent	-	(301)	301	-
Changes in advances from affiliates	-	274	(274)	-
Contributions from parent	-	168	(168)	-
Other financing activities	-	-	16	16
Net cash (used) provided by financing activities	(237)	284	(235)	(188)
Cash provided (used) by discontinued operations				
Operating activities	-	123	-	123
Investing activities	-	(126)	-	(126)
Financing activities	-	-	-	-
Net decrease in cash and cash equivalents	(1)	(12)	(6)	(19)
Cash and cash equivalents at beginning of year	1	27	26	54
Cash and cash equivalents at end of year	$ -	$ 15	$ 20	$ 35

25. SUBSEQUENT EVENT

On January 25, 2006, we signed a definitive agreement to sell PT LLC to Level 3 Communications, Inc. (Level 3) for a purchase price of approximately $137 million, with half of the proceeds in cash and half in Level 3 common stock. We expect to use net cash proceeds of $70 million from the sale of our interest in PT LLC to reduce debt.

The sale is expected to close by mid-2006, and is subject to various closing conditions customary to such transactions. We expect to report PT LLC as a discontinued operation in the first quarter of 2006. The carrying amounts for the assets and liabilities of the discontinued operations disposal group included in the Consolidated Balance Sheets as of December 31 were as follows:

(in millions)	2005	2004
Total current assets	$ 12	$ 16
Total property, plant and equipment, net	79	75
Total other assets	23	39
Total current liabilities	8	15
Total long-term liabilities	35	34
Minority interest	24	21
Total capitalization	47	60

26. QUARTERLY FINANCIAL DATA (UNAUDITED)

Results of operations for an interim period may not give a true indication of results for the year. In the opinion of management, all adjustments necessary to fairly present amounts shown for interim periods have been made. Summarized quarterly financial data was as follows:

Progress Energy

(in millions except per share data)	First (a)(b)	Second (a)(b)	Third (a)(b)	Fourth (a)(b)
2005				
Operating revenues	**$ 2,168**	**$ 2,295**	**$ 3,067**	**$ 2,578**
Operating income	**252**	**143**	**558**	**332**
Income from continuing operations before cumulative effect of changes in accounting principles	**104**	**7**	**459**	**157**
Net income	**93**	**(1)**	**450**	**155**
Common stock data				
Basic earnings per common share				
Income from continuing operations before cumulative effect of changes in accounting principles	**0.43**	**0.03**	**1.86**	**0.63**
Net income	**0.38**	**(0.01)**	**1.82**	**0.62**
Diluted earnings per common share				
Income from continuing operations before cumulative effect of changes in accounting principles	**0.43**	**0.03**	**1.85**	**0.63**
Net income	**0.38**	**(0.01)**	**1.81**	**0.62**
Dividends declared per common share	**0.590**	**0.590**	**0.590**	**0.605**
Market price per share - High	**45.33**	**45.83**	**46.00**	**45.50**
- Low	**40.63**	**40.61**	**41.90**	**40.19**
2004				
Operating revenues	$ 1,987	$ 2,085	$ 2,445	$ 2,008
Operating income	283	288	567	306
Income from continuing operations before cumulative effect of changes in accounting principles	102	145	287	195
Net income	108	154	303	194
Common stock data				
Basic earnings per common share				
Income from continuing operations before cumulative effect of changes in accounting principles	0.42	0.59	1.18	0.81
Net income	0.45	0.63	1.25	0.80
Diluted earnings per common share				
Income from continuing operations before cumulative effect of changes in accounting principles	0.42	0.59	1.18	0.81
Net income	0.45	0.63	1.24	0.80
Dividends declared per common share	0.575	0.575	0.575	0.590
Market price per share - High	47.95	47.50	44.32	46.10
- Low	43.02	40.09	40.76	40.47

(a) Operating results have been restated for discontinued operations.
(b) Certain amounts have been reclassified to conform with current period presentation.

In the opinion of management, all adjustments necessary to fairly present amounts shown for interim periods have been made. Results of operations for an interim period may not give a true indication of results for the

year. First quarter 2005 includes $31 million recorded for estimated severance expense for workforce restructuring and implementation of an automated meter reading initiative at PEF (See Note 17). Second quarter 2005 includes a $141 million charge related to postretirement benefits for employees participating in the voluntary enhanced retirement program (See Note 17). The 2004 amounts were restated for discontinued operations (See Notes 3A and 3B). Fourth quarter 2004 includes a $31 million after-tax gain on sale of natural gas assets (See Note 3E) and $90 million of Section 29 tax credits being recorded (See Note 23D). Third quarter 2004 includes reversal of $79 million of Section 29 tax credits (See Note 23D).

PEC

Summarized quarterly financial data was as follows:

(in millions)	First (a)	Second (a)	Third (a)	Fourth (a)
2005				
Operating revenues	**$ 935**	**$ 861**	**$ 1,185**	**$ 1,010**
Operating income	**221**	**140**	**343**	**227**
Net income	**116**	**67**	**184**	**126**
2004				
Operating revenues	$ 901	$ 862	$ 1,014	$ 852
Operating income	236	192	320	141
Net income	115	96	175	75

(a) Certain amounts have been reclassified to conform with current period presentation.

In the opinion of management, all adjustments necessary to fairly present amounts shown for interim periods have been made. Results of operations for an interim period may not give a true indication of results for the year. First quarter 2005 includes $14 million recorded for estimated severance expense for workforce restructuring (See Note 17). Second quarter 2005 includes a $29 million charge related to postretirement benefits for employees participating in the voluntary enhanced retirement program (See Note 17). Fourth quarter 2004 includes $99 million of Clean Smokestacks Act amortization. Fourth quarter 2003 includes impairment of investments of $21 million ($13 million after-tax) (See Note 7). Fourth quarter 2003 includes a cumulative effect for DIG Issue C20 of $38 million ($23 million after-tax) (See Note 13).

PEF

Summarized quarterly financial data was as follows:

(in millions)	First (a)	Second (a)	Third (a)	Fourth (a)
2005				
Operating revenues	**$ 848**	**$ 908**	**$ 1,227**	**$ 972**
Operating income	**89**	**51**	**247**	**112**
Net income	**44**	**10**	**151**	**55**
2004				
Operating revenues	$ 784	$ 860	$ 1,029	$ 852
Operating income	103	157	245	115
Net income	50	84	140	61

(a) Certain amounts have been reclassified to conform with current period presentation.

In the opinion of management, all adjustments necessary to fairly present amounts shown for interim periods have been made. Results of operations for an interim period may not give a true indication of results for the year. First quarter 2005 includes $14 million recorded for estimated severance expense for workforce restructuring and implementation of an automated meter reading initiative (See Note 17). Second quarter 2005 includes a $90 million charge related to postretirement benefits for employees participating in the voluntary enhanced retirement program (See Note 17).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF PROGRESS ENERGY, INC.:

We have audited the consolidated financial statements of Progress Energy, Inc., and its subsidiaries (the Company) at December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, management's assessment of the effectiveness of the Company's internal control over financial reporting at December 31, 2005, and the effectiveness of the Company's internal control over financial reporting at December 31, 2005, and have issued our reports thereon dated March 6, 2006 (which reports on the consolidated financial statements express an unqualified opinion and include an explanatory paragraph concerning the adoption of new accounting principles in 2005 and 2003); such consolidated financial statements and reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 6, 2006

PROGRESS ENERGY, INC.

Schedule II - Valuation and Qualifying Accounts

For the Years Ended

(in millions)

Description	Balance at Beginning of Period	Additions Charged to Expenses	Other Additions	Deductions (a)	Balance at End of Period
Valuation and qualifying accounts deducted in the balance sheet from the related assets:					
DECEMBER 31, 2005					
Uncollectible accounts	**$ 22**	**$ 16**	**$ -**	**$ (19)**	**$ 19**
Fossil dismantlement reserve	**144**	**1**	**-**	**-**	**145**
Nuclear refueling outage reserve	**12**	**11**	**-**	**(21)(b)**	**2**
DECEMBER 31, 2004					
Uncollectible accounts	$ 28	$ 14	$ (4)	$ (16)	$ 22
Fossil dismantlement reserve	143	1	-	-	144
Nuclear refueling outage reserve	2	10	-	-	12
DECEMBER 31, 2003					
Uncollectible accounts	$ 17	$ 16	$ 4	$ (9)	$ 28
Fossil dismantlement reserve	142	1	-	-	143
Nuclear refueling outage reserve	10	8	-	(16)(b)	2

(a) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for uncollectible accounts, such deductions are reduced by recoveries of amounts previously written off.

(b) Represents payments of actual expenditures related to the outages.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC.:

We have audited the consolidated financial statements of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc., and its subsidiaries (PEC) at December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, and have issued our report thereon dated March 6, 2006 (which report expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of new accounting principles in 2005 and 2003); such consolidated financial statements and report are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of PEC listed in Item 15. This consolidated financial statement schedule is the responsibility of PEC's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 6, 2006

CAROLINA POWER & LIGHT COMPANY
d/b/a PROGRESS ENERGY CAROLINAS, INC.
Schedule II - Valuation and Qualifying Accounts
For the Years Ended
(in millions)

Description	Balance at Beginning of Period	Additions Charged to Expense	Other Additions	Deductions (a)	Balance at End of Period
Valuation and qualifying accounts deducted in the balance sheet from the related assets:					
DECEMBER 31, 2005					
Uncollectible accounts	**$ 10**	**$ 5**	**$ -**	**$ (11)**	**$ 4**
DECEMBER 31, 2004					
Uncollectible accounts	$ 17	$ 7	$ (4)	$ (10)	$ 10
DECEMBER 31, 2003					
Uncollectible accounts	$ 12	$ 12	$ 4	$ (11)	$ 17

(a) Deductions from provisions represent losses or expenses for which the respective provisions were created. Such deductions are reduced by recoveries of amounts previously written off.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDER OF FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC.:

We have audited the financial statements of Florida Power Corporation d/b/a Progress Energy Florida, Inc., (PEF) at December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, and have issued our report thereon dated March 6,, 2006 (which report expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of new accounting principles in 2005 and 2003); such financial statements and report are included elsewhere in this Form 10-K. Our audits also included the financial statement schedule of PEF listed in Item 15. This financial statement schedule is the responsibility of PEF's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 6, 2006

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.
Schedule II - Valuation and Qualifying Accounts
For the Years Ended
(in millions)

Description	Balance at Beginning Of Period	Additions Charged to Expense	Other Additions	Deductions (a)	Balance at End of Period
Valuation and qualifying accounts deducted in the balance sheet from the related assets:					
DECEMBER 31, 2005					
Uncollectible accounts	**$ 2**	**$ 10**	**$ -**	**$ (6)**	**$ 6**
Fossil dismantlement reserve	**144**	**1**	**-**	**-**	**145**
Nuclear refueling outage reserve	**12**	**11**	**-**	**(21)(b)**	**2**
DECEMBER 31, 2004					
Uncollectible accounts	$ 2	$ 5	$ -	$ (5)	$ 2
Fossil dismantlement reserve	143	1	-	-	144
Nuclear refueling outage reserve	2	10	-	-	12
DECEMBER 31, 2003					
Uncollectible accounts	$ 2	$ 5	$ -	$ (5)	$ 2
Fossil dismantlement reserve	142	1	-	-	143
Nuclear refueling outage reserve	10	8	-	(16)(b)	2

(a) Deductions from provisions represent losses or expenses for which the respective provisions were created. In the case of the provision for uncollectible accounts, such deductions are reduced by recoveries of amounts previously written off.
(b) Represents payments of actual expenditures related to the outages.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Progress Energy, Inc.

DISCLOSURE CONTROLS AND PROCEDURES

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

It is the responsibility of Progress Energy's management to establish and maintain adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15(d)-15(f) of the Securities Exchange Act of 1934, as amended. Progress Energy's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Internal control over financial reporting include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Progress Energy; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America; (3) provide reasonable assurance that receipts and expenditures of Progress Energy are being made only in accordance with authorizations of management and directors of Progress Energy; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Progress Energy's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Progress Energy's internal control over financial reporting at December 31, 2005. Management based this assessment on criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of Progress Energy's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of the board of directors.

Based on our assessment, management determined that, at December 31, 2005, Progress Energy maintained effective internal control over financial reporting.

Management's assessment of the effectiveness of Progress Energy's internal control over financial reporting at

December 31, 2005, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein in ITEM 9A, "Controls and Procedures."

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING.

On November 14, 2005, Progress Energy announced that Geoffrey S. Chatas, Executive Vice President and Chief Financial Officer of Progress Energy and its subsidiaries, resigned as an officer of Progress Energy and its subsidiaries to pursue other interests effective the close of business on November 14, 2005. Peter M. Scott III, President and Chief Executive Officer of Progress Energy Service Company, LLC, was appointed Chief Financial Officer of Progress Energy and its subsidiaries.

Other than the above-referenced item, there has been no change in Progress Energy's internal control over financial reporting during the quarter ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect its internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF PROGRESS ENERGY, INC.

We have audited management's assessment, included in the accompanying *Management's Report of Internal Controls*, that Progress Energy, Inc., and its subsidiaries (the "Company") maintained effective internal control over financial reporting at December 31, 2005, based on the criteria established in *Internal Control--Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over

financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting at December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control--Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting at December 31, 2005, based on the criteria established in *Internal Control--Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2005, of the Company and our report dated March 6, 2006, expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding the Company's adoption of Statement of Financial Accounting Standard No. 123R and Financial Accounting Standards Board Interpretation No. 47.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 6, 2006

PEC

Pursuant to the Securities Exchange Act of 1934, PEC carried out an evaluation, with the participation of its management, including PEC's Chief Executive Officer and Chief Financial Officer, of the effectiveness of PEC's disclosure controls and procedures (as defined under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, PEC's Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures are effective to ensure that information required to be disclosed by PEC in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to PEC's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

On November 14, 2005, Progress Energy announced that Geoffrey S. Chatas, Executive Vice President and Chief Financial Officer of Progress Energy and its subsidiary, PEC, resigned as an officer of Progress Energy and PEC to pursue other interests effective the close of business on November 14, 2005. Peter M. Scott III, President and Chief Executive Officer of Progress Energy Service Company, LLC, was appointed Chief Financial Officer of Progress Energy and PEC.

Other than the above-referenced item, there has been no change in PEC's internal control over financial reporting during the quarter ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PEF

Pursuant to the Securities Exchange Act of 1934, PEF carried out an evaluation, with the participation of its management, including PEF's Chief Executive Officer and Chief Financial Officer, of the effectiveness of PEF's disclosure controls and procedures (as defined under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, PEF's Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures are effective to ensure that information required to be disclosed by PEF in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to PEF's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

On November 14, 2005, Progress Energy announced that Geoffrey S. Chatas, Executive Vice President and Chief Financial Officer of Progress Energy and its subsidiary, PEF, resigned as an officer of Progress Energy and PEF to pursue other interests effective the close of business on November 14, 2005. Peter M. Scott III, President and Chief Executive Officer of Progress Energy Service Company, LLC, was appointed Chief Financial Officer of Progress Energy and PEF.

Other than the above-referenced item, there has been no change in PEF's internal control over financial reporting during the quarter ended December 31, 2005 that has materially affected, or is reasonably like to materially affect, PEF's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

a) Information on Progress Energy, Inc.'s directors is set forth in Progress Energy's definitive proxy statement for the 2006 Annual Meeting of Shareholders and incorporated by reference herein. Information on PEC's directors is set forth in PEC's definitive proxy statement for the 2006 Annual Meeting of Shareholders and incorporated by reference herein.

b) Information on both Progress Energy's and PEC's executive officers is set forth in PART I and incorporated by reference herein.

c) We have adopted a Code of Ethics that applies to all of our employees, including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Controller (or persons performing similar functions). Our board of directors has adopted our Code of Ethics as its own standard. Board members, Progress Energy officers and Progress Energy employees certify their compliance with the Code of Ethics on an annual basis. Our Code of Ethics is posted on our Web site at www.progress-energy.com and is available in print to any shareholder upon request by writing to Progress Energy, Inc.

We intend to satisfy the disclosure requirement under Item 10 of Form 8-K relating to amendments to or waivers from any provision of the Code of Ethics applicable to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Controller by posting such information on our Internet Web site, www.progress-energy.com.

d) The board of directors has determined that David L. Burner and Carlos A. Saladrigas are the "Audit Committee Financial Experts," as that term is defined in the rules promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002, and have designated them as such. Both Mr. Burner and Mr. Saladrigas are "independent," as that term is defined in the general independence standards of the New York Stock Exchange listing standards.

e) The following are available on our Web site and in print at no cost:

- Audit Committee Charter
- Corporate Governance Committee Charter
- Organization and Compensation Committee Charter
- Corporate Governance Guidelines

The information called for by ITEM 10 is omitted for PEF pursuant to Instruction I(2)(c) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

Information on Progress Energy's executive compensation is set forth in Progress Energy's definitive proxy statement for the 2006 Annual Meeting of Shareholders and incorporated by reference herein. Information on PEC's executive compensation is set forth in PEC's definitive proxy statement for the 2006 Annual Meeting of Shareholders and incorporated by reference herein.

The information called for by ITEM 11 is omitted for PEF pursuant to Instruction I(2)(c) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

a) Information regarding any person Progress Energy knows to be the beneficial owner of more than five (5%) percent of any class of its voting securities is set forth in its definitive proxy statement for the 2006 Annual Meeting of Shareholders and incorporated herein by reference.

b) Information regarding any person PEC knows to be the beneficial owner of more than five (5%) of any class of its voting securities is set forth in its definitive proxy statement
for the 2006 Annual Meeting of Shareholders and incorporated herein by reference.

b) Information on security ownership of the Progress Energy's and PEC's management is set forth respectively in Progress Energy's and PEC's definitive proxy statements for the 2006 Annual Meeting of Shareholders and incorporated by reference herein.

c) Information on the equity compensation plans of Progress Energy is set forth under the heading "Equity Compensation Plan Information" in Progress Energy's definitive proxy statement for the 2006 Annual Meeting of Shareholders and incorporated by reference herein.

The information called for by ITEM 12 is omitted for PEF pursuant to Instruction I(2)(c) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information on certain relationships and related transactions is set forth respectively in Progress Energy's and PEC's definitive proxy statements for the 2006 Annual Meeting of Shareholders and incorporated by reference herein.

The information called for by ITEM 13 is omitted for PEF pursuant to Instruction I(2)(c) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The Audit and Corporate Performance Committee of Progress Energy's board of directors ("Audit Committee") has actively monitored all services provided by its independent registered public accounting firm, Deloitte & Touche LLP, the member firms of Deloitte & Touche Tohmatsu, and their respective affiliates (collectively, "Deloitte") and the relationship between audit and nonaudit services provided by Deloitte. Progress Energy, Inc. has adopted policies and procedures for approving all audit and permissible nonaudit services rendered by Deloitte, and the fees billed for those services. The Chief Accounting Officer is responsible to the Audit Committee for enforcement of this procedure, and for reporting noncompliance. The Audit Committee specifically pre-approved the use of Deloitte for audit, audit-related, tax and nonaudit services, subject to the limitations of our pre-approved policy. Audit and audit-related services include assurance and related activities, assurance services associated with internal control over financial reporting, reports related to regulatory filings, consultations on dispositions and discontinued operations, employee benefit plan audits and general accounting and reporting advice. The preapproval policy provides that any audit and audit-related services covered by a detailed standing pre-approval whose project scope could not be defined at the time of standing approval that will involve an expenditure of over $50,000, will require individual approval by the Audit Committee in advance of Deloitte being engaged to render such services. Once the cumulative total of those projects less than $50,000 exceeds $500,000 for the year, each subsequent project, regardless of amount, must be approved individually in advance by the Audit Committee. Any approved projects with projected overruns must be communicated promptly to the Chief Accounting Officer for review and approval. Projected overruns that exceed Audit Committee project approvals by more than $50,000 must be approved by the Audit Committee separately from the original project.

The pre-approval policy requires management to obtain specific pre-approval from the Audit Committee for the use of Deloitte for any permissible nonaudit services, which, generally, are limited to tax services including, tax compliance, tax planning, and tax advice services such as return review and consultation and assistance. Other types of permissible nonaudit services will be considered for approval only in rare circumstances, which may include proposed services that provide significant economic or other benefits. In determining whether to approve these services, the Audit Committee will assess whether these services adversely impair the independence of Deloitte. Any permissible nonaudit services provided during a fiscal year that (i) do not aggregate more than 5% of the total fees paid to Deloitte for all services rendered during that fiscal year and (ii) were not recognized as nonaudit services at the time of the engagement must be brought to the attention of the Chief Accounting Officer for prompt submission to the Audit Committee for approval. These "de minimis" nonaudit services must be approved by the Audit Committee or its designated representative before the completion of the project. The policy also requires management to update the Audit Committee throughout the year as to the services provided by Deloitte and the costs of those services. The Audit Committee will assess the adequacy of this procedure as it deems necessary and revise it accordingly.

Information regarding principal accountant fees and services is set forth respectively in Progress Energy's and PEC's definitive proxy statements for the 2006 Annual Meeting of Shareholders and incorporated by reference herein.

PEF

Set forth in the table below is certain information relating to the aggregate fees billed by Deloitte for professional services rendered to PEF for the fiscal years ended December 31.

	2005	2004
Audit fees	$ 1,282,000	$ 1,394,000
Audit-related fees	18,000	3,000
Tax fees	179,000	165,000
All other fees	-	1,000
Total	$1,479,000	$ 1,563,000

Audit fees include fees billed for services rendered in connection with (i) the audits of the annual financial statements of PEF (ii) the audit of management's assessment of PEF's internal control over financial reporting; (iii) the reviews of the financial statements included in the Quarterly Reports on Form 10-Q of PEF and (iv) SEC filings, accounting consultations arising as part of the audits and comfort letters.

Audit-related fees include fees billed for (i) audits of the financial statements; (ii) special procedures and letter reports, (iii) benefit plan audits when fees are paid by PEF rather than directly by the plan; and (iv) accounting consultations for prospective transactions not arising directly from the audits.

Tax fees include fees billed for tax compliance matters and tax planning and advisory services.

All other fees include fees billed for rate case assistance and utility accounting training.

The Audit Committee has concluded that the provision of the nonaudit services listed above as "All other fees" is compatible with maintaining Deloitte's independence.

None of the services provided were approved by the Audit Committee pursuant to the "de minimis" waiver provisions described above.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a) The following documents are filed as part of the report:

1. Financial Statements Filed:
   See ITEM 8 -Financial Statements and Supplementary Data

2. Financial Statement Schedules Filed:
   See ITEM 8 -Financial Statements and Supplementary Data

3. Exhibits Filed:
   See EXHIBIT INDEX

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

Date: March 10, 2006

PROGRESS ENERGY, INC.
CAROLINA POWER & LIGHT COMPANY
(Registrants)

By: /s/ Robert B. McGehee
Robert B. McGehee
Chairman and Chief Executive Officer
Progress Energy, Inc.
Chairman
Carolina Power & Light Company

By: /s/ Fred N. Day IV
Fred N. Day IV
President and Chief Executive Officer
Carolina Power & Light Company

By: /s/ Peter M. Scott III
Peter M. Scott III
Executive Vice President and Chief Financial Officer
Progress Energy, Inc.
Carolina Power & Light Company

By: /s/ Jeffrey M. Stone
Jeffrey M. Stone
Chief Accounting Officer and Controller
Progress Energy, Inc.
Chief Accounting Officer
Carolina Power & Light Company

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Robert B. McGehee (Robert B. McGehee)	Chairman and Director	March 10, 2006
/s/ Edwin B. Borden (Edwin B. Borden)	Director	March 10, 2006
/s/ James E. Bostic, Jr. (James E. Bostic, Jr.)	Director	March 10, 2006
/s/ David L. Burner (David L. Burner)	Director	March 10, 2006

/s/ Charles W. Coker	Director	March 10, 2006
(Charles W. Coker)		
/s/ Richard L. Daugherty	Director	March 10, 2006
(Richard L. Daugherty)		
/s/ W.D. Frederick, Jr.	Director	March 10, 2006
(W.D. Frederick, Jr.)		
/s/ W. Steven Jones	Director	March 10, 2006
(W. Steven Jones)		
/s/ William O. McCoy	Director	March 10, 2006
(William O. McCoy)		
/s/ E. Marie McKee	Director	March 10, 2006
(E. Marie McKee)		
/s/ John H. Mullin, III	Director	March 10, 2006
(John H. Mullin, III)		
/s/Peter S. Rummell	Director	March 10, 2006
(Peter S. Rummell)		
/s/ Carlos A. Saladrigas	Director	March 10, 2006
(Carlos A. Saladrigas)		
/s/ Theresa M. Stone	Director	March 10, 2006
(Theresa M. Stone)		
/s/ Jean Giles Wittner	Director	March 10, 2006
(Jean Giles Wittner)		

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

FLORIDA POWER CORPORATION
Date: March 10, 2006 (Registrant)

By: /s/ H. William Habermeyer, Jr.
H. William Habermeyer, Jr.
President and Chief Executive Officer

By: /s/ Peter M. Scott III
Peter M. Scott III
Executive Vice President and Chief Financial Officer

By: /s/ Jeffrey M. Stone
Jeffrey M. Stone
Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Robert B. McGehee (Robert B. McGehee)	Chairman and Director	March 10, 2006
/s/ H. William Habermeyer, Jr. (H. William Habermeyer, Jr.)	Director	March 10, 2006
/s/ Peter M. Scott III (Peter M. Scott III)	Director	March 10, 2006
/s/ Fred N. Day IV (Fred N. Day IV)	Director	March 10, 2006
/s/ William D. Johnson (William D. Johnson)	Director	March 10, 2006
/s/ Jeffrey J. Lyash (Jeffrey J. Lyash)	Director	March 10, 2006
/s/ John R. McArthur (John R. McArthur)	Director	March 10, 2006

EXHIBIT INDEX

Number	Exhibit	Progress Energy, Inc.	PEC	PEF
*3a(1)	Restated Charter of Carolina Power & Light Company, as amended May 10, 1995 (filed as Exhibit No. 3(i) to Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995, File No. 1-3382).		X	
*3a(2)	Restated Charter of Carolina Power & Light Company as amended on May 10, 1996 (filed as Exhibit No. 3(i) to Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997, File No. 1-3382).		X	
*3a(3)	Amended and Restated Articles of Incorporation of Progress Energy, Inc. (f/k/a CP&L Energy, Inc.), as amended and restated on June 15, 2000 (filed as Exhibit No. 3a(1) to Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2000, File No. 1-15929 and No. 1-3382).	X		
*3b(4)	Amended and Restated Articles of Incorporation of Progress Energy, Inc. (f/k/a CP&L Energy, Inc.), as amended and restated on December 4, 2000 (filed as Exhibit 3b(1) to Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the SEC on March 28, 2002, File No. 1-15929).	X		
*3b(5)	By-Laws of Progress Energy, Inc., as amended on March 17, 2004 (filed as Exhibit No. 3(ii)(a) to Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004, File No. 1-15929).	X		
*3b(6)	By-Laws of Carolina Power & Light Company, as amended on March 17, 2004 (filed as Exhibit No. 3(ii)(b) to Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004, File No. 1-3382 and 1-15929).		X	
*3b(7)	Amended Articles of Incorporation of Florida Power Corporation (filed as Exhibit 3(a) to the Progress Energy Florida Annual Report on Form 10-K for the year ended December 31, 1991, as filed with the SEC on March 30, 1992, File No. 1-3274).			X
*3b(8)	Bylaws of Progress Energy Florida, as amended October 1, 2001 (filed as Exhibit 3.(d) to the Progress Energy Florida Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 16, 2005, File No. 1-8349 and 1-3274).			X
*4a(1)	Description of Preferred Stock and the rights of the holders thereof (as set forth in Article Fourth of the Restated Charter of Carolina Power & Light Company, as amended, and Sections 1-9, 15, 16, 22-27, and 31 of the By-Laws of Carolina Power & Light Company, as amended (filed as Exhibit 4(f), File No.33-25560).		X	

*4a(2)	Statement of Classification of Shares dated January 13, 1971, relating to the authorization of, and establishing the series designation, dividend rate and redemption prices for Carolina Power & Light Company's Serial Preferred Stock, $7.95 Series (filed as Exhibit 3(f), File No. 33-25560).	X
*4a(3)	Statement of Classification of Shares dated September 7, 1972, relating to the authorization of, and establishing the series designation, dividend rate and redemption prices for Carolina Power & Light Company's Serial Preferred Stock, $7.72 Series (filed as Exhibit 3(g), File No. 33-25560).	X
*4b(1)	Mortgage and Deed of Trust dated as of May 1, 1940 between Carolina Power & Light Company and The Bank of New York (formerly, Irving Trust Company) and Frederick G. Herbst (Douglas J. MacInnes, Successor), Trustees and the First through Fifth Supplemental Indentures thereto (Exhibit 2(b), File No. 2-64189); the Sixth through Sixty-sixth Supplemental Indentures (Exhibit 2(b)-5, File No. 2-16210; Exhibit 2(b)-6, File No. 2-16210; Exhibit 4(b)-8, File No. 2-19118; Exhibit 4(b)-2, File No. 2-22439; Exhibit 4(b)-2, File No. 2-24624; Exhibit 2(c), File No. 2-27297; Exhibit 2(c), File No. 2-30172; Exhibit 2(c), File No. 2-35694; Exhibit 2(c), File No. 2-37505; Exhibit 2(c), File No. 2-39002; Exhibit 2(c), File No. 2-41738; Exhibit 2(c), File No. 2-43439; Exhibit 2(c), File No. 2-47751; Exhibit 2(c), File No. 2-49347; Exhibit 2(c), File No. 2-53113; Exhibit 2(d), File No. 2-53113; Exhibit 2(c), File No. 2-59511; Exhibit 2(c), File No. 2-61611; Exhibit 2(d), File No. 2-64189; Exhibit 2(c), File No. 2-65514; Exhibits 2(c) and 2(d), File No. 2-66851; Exhibits 4(b)-1, 4(b)-2, and 4(b)-3, File No. 2-81299; Exhibits 4(c)-1 through 4(c)-8, File No. 2-95505; Exhibits 4(b) through 4(h), File No. 33-25560; Exhibits 4(b) and 4(c), File No. 33-33431; Exhibits 4(b) and 4(c), File No. 33-38298; Exhibits 4(h) and 4(i), File No. 33-42869; Exhibits 4(e)-(g), File No. 33-48607; Exhibits 4(e) and 4(f), File No. 33-55060; Exhibits 4(e) and 4(f), File No. 33-60014; Exhibits 4(a) and 4(b) to Post-Effective Amendment No. 1, File No. 33-38349; Exhibit 4(e), File No. 33-50597; Exhibit 4(e) and 4(f), File No. 33-57835; Exhibit to Current Report on Form 8-K dated August 28, 1997, File No. 1-3382; Form of Carolina Power & Light Company First Mortgage Bond, 6.80% Series Due August 15, 2007 filed as Exhibit 4 to Form 10-Q for the period ended September 30, 1998, File No. 1-3382; Exhibit 4(b), File No. 333-69237; and Exhibit 4(c) to Current Report on Form 8-K dated March 19, 1999, File No. 1-3382.); and the Sixty-eighth Supplemental Indenture (Exhibit No. 4(b) to Current Report on Form 8-K dated April 20, 2000, File No. 1-3382; and the Sixty-ninth Supplemental Indenture (Exhibit No. 4b(2) to Annual Report on Form 10-K dated March 29, 2001, File No. 1-3382); and the Seventieth Supplemental Indenture, (Exhibit 4b(3) to Annual Report on Form 10-K dated March 29, 2001, File No. 1-3382);and the Seventy-first Supplemental Indenture (Exhibit 4b(2) to Annual Report on Form 10-K dated March 28, 2002, File No. 1-3382 and 1-15929);	X

and the Seventy-second Supplemental Indenture (Exhibit 4 to PEC Report on Form 8-K dated September 12, 2003, File No. 1-3382); and the Seventy-third Supplemental Indenture (Exhibit 4 to PEC Report on Form 8-K dated March 22, 2005, File No. 1-3382); and the Seventy-fourth Supplemental Indenture (Exhibit 4 to PEC Report on Form 8-K dated November 30, 2005, File No. 1-3382).

*4b(2)	Indenture, dated as of January 1, 1944 (the "Indenture"), between Florida Power Corporation and Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees (filed as Exhibit B-18 to Florida Power's Registration Statement on Form A-2) (No. 2-5293) filed with the SEC on January 24, 1944).	X
*4b(3)	Seventh Supplemental Indenture (filed as Exhibit 4(b) to Florida Power Corporation's Registration Statement on Form S-3 (No. 33-16788) filed with the SEC on September 27, 1991); and the Eighth Supplemental Indenture (filed as Exhibit 4(c) to Florida Power Corporation's Registration Statement on Form S-3 (No. 33-16788) filed with the SEC on September 27, 1991); and the Sixteenth Supplemental Indenture (filed as Exhibit 4(d) to Florida Power Corporation's Registration Statement on Form S-3 (No. 33-16788) filed with the SEC on September 27, 1991); and the Twenty-ninth Supplemental Indenture (filed as Exhibit 4(c) to Florida Power Corporation's Registration Statement on Form S-3 (No. 2-79832) filed with the SEC on September 17, 1982); and the Thirty-eighth Supplemental Indenture (filed as exhibit 4(f) to Florida Power's Registration Statement on Form S-3 (No. 33-55273) as filed with the SEC on August 29, 1994); and the Thirty-ninth Supplemental Indenture (filed as Exhibit 4 to Current Report on Form 8-K filed with the SEC on July 23, 2001); and the Fortieth Supplemental Indenture (filed as Exhibit 4 to Current Report on Form 8-K filed with the SEC on February 18, 2003); and the Forty-first Supplemental Indenture (filed as Exhibit 4 to Current Report on Form 8-K filed with the SEC on February 21, 2003); and the Forty-second Supplemental Indenture (filed as Exhibit 4 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed with the SEC on September 11, 2003); and the Forty-third Supplemental Indenture (filed as Exhibit 4 to Current Report on Form 8-K filed with the SEC on November 21, 2003); and the Forty-fourth Supplemental Indenture (filed as Exhibit 4.(m) to the Progress Energy Florida Annual Report on Form 10-K dated March 16, 2005); and the Forty- fifth Supplemental Indenture (filed as Exhibit 4 to Current Report on Form 8-K, filed on May 16, 2005).	X

*4b(4)	Indenture, dated as of December 7, 2005, between Progress Energy Florida, Inc. and J.P. Morgan Trust Company, National Association, as Trustee with respect to Senior Notes, (filed as Exhibit 4(a) to Current Report on Form 8-K dated December 13, 2005, File No. 1-3274).			X
*4b(5)	Indenture, dated as of March 1, 1995, between Carolina Power & Light Company and Bankers Trust Company, as Trustee, with respect to Unsecured Subordinated Debt Securities (filed as Exhibit No. 4(c) to Current Report on Form 8-K dated April 13, 1995, File No. 1-3382).		X	
*4b(6)	Indenture, dated as of February 15, 2001, between Progress Energy, Inc. and Bank One Trust Company, N.A., as Trustee, with respect to Senior Notes (filed as Exhibit 4(a) to Form 8-K dated February 27, 2001, File No. 1-15929).	X		
*4c	Resolutions adopted by the Executive Committee of the Board of Directors at a meeting held on April 13, 1995, establishing the terms of the 8.55% Quarterly Income Capital Securities (Series A Subordinated Deferrable Interest Debentures) (filed as Exhibit 4(b) to Current Report on Form 8-K dated April 13, 1995, File No. 1-3382).		X	
*4d	Indenture (for Senior Notes), dated as of March 1, 1999 between Carolina Power & Light Company and The Bank of New York, as Trustee, (filed as Exhibit No. 4(a) to Current Report on Form 8-K dated March 19, 1999, File No. 1-3382), and the First and Second Supplemental Senior Note Indentures thereto (Exhibit No. 4(b) to Current Report on Form 8-K dated March 19, 1999, File No. 1-3382); Exhibit No. 4(a) to Current Report on Form 8-K dated April 20, 2000, File No. 1-3382).		X	
*4e	Indenture (For Debt Securities), dated as of October 28, 1999 between Carolina Power & Light Company and The Chase Manhattan Bank, as Trustee (filed as Exhibit 4(a) to Current Report on Form 8-K dated November 5, 1999, File No. 1-3382), (Exhibit 4(b) to Current Report on Form 8-K dated November 5, 1999, File No. 1-3382).		X	
*4f	Contingent Value Obligation Agreement, dated as of November 30, 2000, between CP&L Energy, Inc. and The Chase Manhattan Bank, as Trustee (Exhibit 4.1 to Current Report on Form 8-K dated December 12, 2000, File No. 1-3382).	X		

*10a(1)	Purchase, Construction and Ownership Agreement dated July 30, 1981 between Carolina Power & Light Company and North Carolina Municipal Power Agency Number 3 and Exhibits, together with resolution dated December 16, 1981 changing name to North Carolina Eastern Municipal Power Agency, amending letter dated February 18, 1982, and amendment dated February 24, 1982 (filed as Exhibit 10(a), File No. 33-25560).		X
*10a(2)	Operating and Fuel Agreement dated July 30, 1981 between Carolina Power & Light Company and North Carolina Municipal Power Agency Number 3 and Exhibits, together with resolution dated December 16, 1981 changing name to North Carolina Eastern Municipal Power Agency, amending letters dated August 21, 1981 and December 15, 1981, and amendment dated February 24, 1982 (filed as Exhibit 10(b), File No. 33-25560).		X
*10a(3)	Power Coordination Agreement dated July 30, 1981 between Carolina Power & Light Company and North Carolina Municipal Power Agency Number 3 and Exhibits, together with resolution dated December 16, 1981 changing name to North Carolina Eastern Municipal Power Agency and amending letter dated January 29, 1982 (filed as Exhibit 10(c), File No. 33-25560).		X
*10a(4)	Amendment dated December 16, 1982 to Purchase, Construction and Ownership Agreement dated July 30, 1981 between Carolina Power & Light Company and North Carolina Eastern Municipal Power Agency (filed as Exhibit 10(d), File No. 33-25560).		X
*10a(5)	Agreement Regarding New Resources and Interim Capacity between Carolina Power & Light Company and North Carolina Eastern Municipal Power Agency dated October 13, 1987 (filed as Exhibit 10(e), File No. 33-25560).		X
*10a(6)	Power Coordination Agreement - 1987A between North Carolina Eastern Municipal Power Agency and Carolina Power & Light Company for Contract Power From New Resources Period 1987-1993 dated October 13, 1987 (filed as Exhibit 10(f), File No. 33-25560).		X
*10b(1)	Progress Energy, Inc. $1,130,000,000 5-Year Revolving Credit Agreement dated as of August 5, 2004 (filed as Exhibit 10(i) to Quarterly Report on Form 10-Q for the period ended June 30, 2004, File No. 1-15929).	X	
*10b(2)	Amendment, dated as of March 11, 2005, to the $1,130,000,000 5-Year Revolving Credit Agreement among Progress Energy, Inc. and certain lenders, dated August 5, 2004 (filed as Exhibit 10b(10) to Annual Report on Form 10-K dated March 16, 2005, File No. 1-15929).	X	

*10b(3)	PEF 5-Year $450,000,000 Credit Agreement, dated as of March 28, 2005 (filed as Exhibit 10(ii) to Current Report on Form 8-K filed April 1, 2005, File No. 1-3274).			X
*10b(4)	PEC 5-¼-Year $450,000,000 Credit Agreement dated as of March 28, 2005 (filed as Exhibit 10(i) to Current Report on Form 8-K filed April 1, 2005, File No. 1-3382).		X	
-+*10c(1)	Retirement Plan for Outside Directors (filed as Exhibit 10(i), File No. 33-25560).		X	
-+*10c(2)	Resolutions of the Board of Directors dated May 8, 1991, amending the PEC Directors Deferred Compensation Plan (filed as Exhibit 10(b), File No. 33-48607).	X	X	
+*10c(3)	Resolutions of Board of Directors dated July 9, 1997, amending the Deferred Compensation Plan for Key Management Employees of Carolina Power & Light Company.		X	
+*10c(4)	Florida Progress Supplemental Executive Retirement Plan, as amended and restated effective February 20, 1997 (filed as Exhibit 10.(e) to the Florida Progress Annual Report on Form 10-K for the year ended December 31, 1999, as filed with the SEC on March 30, 2000, File No. 1-3274).			X
+*10c(5)	Executive Optional Deferred Compensation Plan (filed as Exhibit 10.(c) to the Florida Progress Annual Report on Form 10-K for the year ended December 31, 1996 as filed with the SEC on March 27, 1997, File No. 1-8349 and 1-3274).			X
-+*10c(6)	Carolina Power & Light Company Restricted Stock Agreement, as approved January 7, 1998, pursuant to the Company's 1997 Equity Incentive Plan (filed as Exhibit No. 10 to Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998, File No. 1-3382.)	X	X	X
+*10c(7)	Management Incentive Compensation Plan of Florida Progress Corporation, as amended December 14, 1999 (filed as Exhibit 10.(a) to the Progress Energy Florida Annual Report on Form 10-K for the year ended December 31, 1999, as filed with the SEC on March 30, 2000, File No. 1-8349 and 1-3274).			X
+*10c(8)	Progress Energy Florida Management Incentive Compensation Plan, effective January 1, 2001 (filed as Exhibit 10b(25) to the Progress Energy Florida Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the SEC on March 28, 2001, File No. 1-8349 and 1-3274).			X

+*10c(9)	1997 Equity Incentive Plan, Amended and Restated as of September 26, 2001 (filed as Exhibit 4.3 to Progress Energy Form S-8 dated September 27, 2001, File No. 1-3382).	X	X	X
-+*10c(10)	Performance Share Sub-Plan of the 1997 Equity Incentive Plan, as amended January 1, 2001 (filed as Exhibit 10c(11) to Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the SEC on March 28, 2002, File No. 1-3382 and 1-15929).	X	X	X
+*10c(11)	Progress Energy, Inc. Form of Stock Option Agreement (filed as Exhibit 4.4 to Form S-8 dated September 27, 2001, File No. 333-70332).	X	X	X
+*10c(12)	Progress Energy, Inc. Form of Stock Option Award (filed as Exhibit 4.5 to Form S-8 dated September 27, 2001, File No. 333-70332).	X	X	X
+*10c(13)	2002 Progress Energy, Inc. Equity Incentive Plan, amended and restated July 10, 2002 (filed as Exhibit 10(vi) to Quarterly Report on Form 10-Q for the period ended September 30, 2002, File No. 1-3382 and 1-15929).	X	X	X
+*10c(14)	Amended Performance Share Sub-Plan of the 2002 Progress Energy, Inc. Equity Incentive Plan effective as of January 1, 2005 (filed as Exhibit 10c(13) to Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 16, 2005, File No. 1-3382 and 1-15929).	X	X	X
+*10c(15)	Broad-Based Performance Share Sub-Plan, Exhibit B to the 2002 Progress Energy, Inc. Equity Incentive Plan (effective January 1, 2005) (filed as Exhibit 10(c) to Quarterly Report on Form 10-Q for the period ended September 30, 2005, File No. 1-3382, 1-15929 and 1-3274).	X	X	X
+10c(16)	Executive and Key Manager Performance Share Sub Plan, Exhibit A to the 2002 Progress Energy, Inc. Equity Incentive Plan.	X	X	X
+*10c(17)	Amended Management Incentive Compensation Plan of Progress Energy, Inc., effective January 1, 2005 (filed as Exhibit 10(i) to current report on Form 8-K dated December 13, 2004, File Nos. 1-3382, 1-3274, 1-15929 and 1-8349).	X	X	X
+*10c(18)	Progress Energy, Inc. Amended and Restated Management Deferred Compensation Plan, Adopted as of January 1, 2000, as Revised and Restated, effective January 1, 2005 (filed as Exhibit 10c(11) to Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 16, 2005, File No. 1-3382 and 1-15929).	X	X	X

+*10c(19)	Progress Energy, Inc. Management Change-in-Control Plan, Amended and Restated Effective as of January 1, 2005 (filed as Exhibit 10c(12) to Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 16, 2005, File No. 1-3382 and 1-15929).	X	X	X
+*10c(20)	Form of Deferred Compensation Plan for Directors--Method of Payment Agreement of Progress Energy, Inc., effective as of January 1, 2005 (filed as Exhibit 10(ii) to Current Report on Form 8-K dated December 13, 2004, File Nos. 1-3382, 1-3274, 1-15929 and 1-8349).	X	X	X
+*10c(21)	Amended and Restated Progress Energy, Inc. Restoration Retirement Plan, effective as of January 1, 2005 (filed as Exhibit 10c(15) to Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 16, 2005, File No. 1-3382 and 1-15929).	X	X	X
+*10c(22)	Amended and Restated Supplemental Senior Executive Retirement Plan of Progress Energy, Inc., amended, effective January 1, 2005 (filed as Exhibit 10c(16) to Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 16, 2005, File No. 1-3382 and 1-15929).	X	X	X
+*10c(23)	Amended Non-Employee Director Stock Unit Plan of Progress Energy, Inc. effective January 1, 2006 (filed as Exhibit 10 to Current Report on Form 8-K dated December 14, 2005, File No. 1-15929).	X	X	X
+*10c(24)	Form of Progress Energy, Inc. Restricted Stock Agreement pursuant to the 2002 Progress Energy Inc. Equity Incentive Plan, as amended July 2002 (filed as Exhibit 10c(18) to Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 16, 2005, File No. 1-3382 and 1-15929).	X	X	X
+*10c(25)	Agreement dated April 27, 1999 between Carolina Power & Light Company and Sherwood H. Smith, Jr. (filed as Exhibit 10b(32) to Annual Report on Form 10-K for the year ended December 31, 1999, as filed with the SEC on March 27, 2000, File No. 1-3382).		X	
+*10c(26)	Employment Agreement dated August 1, 2000 between CP&L Service Company LLC and Robert McGehee (filed as Exhibit 10(iv) to Quarterly Report on Form 10-Q for the period ended September 30, 2000, File No. 1-15929 and No. 1-3382).	X		

+*10c(27)	Form of Employment Agreement dated August 1, 2000 (i) between Carolina Power & Light Company and Don K. Davis; and (ii) between CP&L Service Company LLC and Peter M. Scott III (filed as Exhibit 10(v) to Quarterly Report on Form 10-Q for the period ended September 30, 2000, File No. 1-15929 and No. 1-3382).	X	X	X
+*10c(28)	Amendment, dated August 5, 2005, to Employment Agreement dated between Progress Energy Service Company, LLC and Peter M. Scott III (filed as Exhibit 10 to Quarterly Report on Form 10-Q for the period ended June 30, 2005, File No. 1-15929, 1-3382 and 1-3274).	X	X	X
+*10c(29)	Form of Employment Agreement dated August 1, 2000 between Carolina Power & Light Company and Fred Day IV, C.S. "Scotty" Hinnant and E. Michael Williams (filed as Exhibit 10(vi) to Quarterly Report on Form 10-Q for the period ended September 30, 2000, File No. 1-15929 and No. 1-3382).	X	X	
+*10c(30)	Employment Agreement dated November 30, 2000 between Carolina Power & Light Company, Florida Power Corporation and H. William Habermeyer, Jr. (filed as Exhibit 10.(b)(32) to the Progress Energy Florida Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the SEC on March 28, 2001, File No. 1-8349 and 1-3274).	X		X
+*10c(31)	Form of Employment Agreement between (i) Progress Energy Service Company and John R. McArthur, effective January 2003; (ii) Progress Energy Florida, Inc. and Jeffrey J. Lyash, dated December 15, 2003 effective January 2003 and (iii) Progress Energy Carolinas, Inc. and Lloyd M. Yates, dated January 1, 2005 (filed as Exhibit 10c(27) to Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the SEC on March 21, 2003, File No. 1-3382 and 1-15929).	X	X	X
+*10c(32)	Employment Agreement dated October 1, 2003 between Progress Energy Service Company LLC and Geoffrey S. Chatas (filed as Exhibit 10c(28) to the Progress Energy, Inc. Annual Report on Form 10-K for the year-ended December 31, 2003, as filed with the SEC on March 12, 2004, File No. 1-3382 and 1-15929).	X	X	X
+*10c(33)	General Release and Severance Agreement, dated November 14, 2005, between Geoffrey S. Chatas and Progress Energy Service Company, LLC (filed as Exhibit 99.1 to Current Report on Form 8-K as filed with the SEC on November 14, 2005, File No. 1-15929, 1-3382 and 1-3274).			

+*10c(34)	Agreement dated March 31, 2004 between Progress Energy, Inc. and William Cavanaugh III (filed as Exhibit 10c(28) to Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 16, 2005, File No. 1-3382 and 1-15929).	X	X	
+*10c(35)	Employment Agreement dated January 1, 2005 between Progress Energy Carolinas, Inc. and William D. Johnson (filed as Exhibit 10c(29) to Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 16, 2005, File No. 1-3382 and 1-15929).	X	X	X
+10c(36)	Amendment, effective as of April 1, 2005, to the Amended Management Incentive Compensation Plan of Progress Energy, Inc.	X	X	X
+10c(37)	Amendment, effective as of April 1, 2005, to the Amended and Restated Progress Energy, Inc. Management Deferred Compensation Plan.	X	X	X
*10d(1)	Agreement dated November 18, 2004 between Winchester Production Company, Ltd., TGG Pipeline Ltd., Progress Energy, Inc. and EnCana Oil & Gas (USA), Inc. (filed as Exhibit 10d(1) to Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the SEC on March 16, 2005, File No. 1-3382 and 1-15929).	X		X
*10d(2)	Precedent and Related Agreements among Florida Power Corporation d/b/a Progress Energy Florida, Inc. ("PEF"), Southern Natural Gas Company ("SNG"), Florida Gas Transmission Company ("FGT"), and BG LNG Services, LLC ("BG"), including: a) Precedent Agreement by and between SNG and PEF, dated December 2, 2004; b) Gas Sale and Purchase Contract between BG and PEF, dated December 1, 2004; c) Interim Firm Transportation Service Agreement by and between FGT and PEF, dated December 2, 2004; d) Letter Agreement between FGT and PEF, dated December 2, 2004 and Firm Transportation Service Agreement by and between FGT and PEF to be entered into upon satisfaction of certain conditions precedent; e) Discount Agreement between FGT and PEF, dated December 2, 2004; f) Amendment to Gas Sale and Purchase Contract between BG and PEF, dated January 28, 2005; and g) Letter Agreement between FGT and PEF, dated January 31, 2005, (filed as Exhibit 10.1 to Current Report on Form 8-K/A filed March 15, 2005). (Confidential treatment has been requested for portions of this exhibit. These portions have been omitted from the above-referenced Current Report and submitted separately to the SEC.)	X		X

*10d(3)	Agreement and Plan of Merger by and among Progress Rail Services Holdings Corp., PRSC Acquisition Corp., PMRC Acquisition Co., Progress Rail Services Corporation, Progress Metal Reclamation Company, Progress Fuels Corporation and Progress Energy, Inc. (with respect to Articles III, VI, VIII and IX) dated February 17, 2005 (filed as Exhibit 10(a) to Quarterly Report on Form 10-Q for the period ended September 30, 2005, File No. 1-15929, 1-3382 and 1-3274).	X		
12(a)	Computation of Ratio of Earnings to Fixed Charges.	X		
12(b)	Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Dividends Combined.		X	
12(c)	Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Dividends Combined.			X
21	Subsidiaries of Progress Energy, Inc.	X		
23(a)	Consent of Deloitte & Touche LLP.	X		
23(b)	Consent of Deloitte & Touche LLP.		X	
23(c)	Consent of Deloitte & Touche LLP.			X
31(a)	302 Certification of Chief Executive Officer	X		
31(b)	302 Certification of Chief Financial Officer	X		
31(c)	302 Certification of Chief Executive Officer		X	
31(d)	302 Certification of Chief Financial Officer		X	
31(e)	302 Certification of Chief Executive Officer			X
31(f)	302 Certification of Chief Financial Officer			X
32(a)	906 Certification of Chief Executive Officer	X		
32(b)	906 Certification of Chief Financial Officer	X		

32(c)	906 Certification of Chief Executive Officer	X	
32(d)	906 Certification of Chief Financial Officer	X	
32(e)	906 Certification of Chief Executive Officer		X
32(f)	906 Certification of Chief Financial Officer		X

*Incorporated herein by reference as indicated.
+Management contract or compensation plan or arrangement required to be filed as an exhibit to this report pursuant to Item 14 (c) of Form 10-K.
-Sponsorship of this management contract or compensation plan or arrangement was transferred from Carolina Power & Light Company to Progress Energy, Inc., effective August 1, 2000.

EXHIBIT A
TO
2002 EQUITY INCENTIVE PLAN

EXECUTIVE AND KEY MANAGER PERFORMANCE SHARE SUB-PLAN

(Effective January 1, 2005)

This Executive and Key Manager Performance Share Sub-Plan ("Sub-Plan") sets forth the rules and regulations adopted by the Committee for issuance of Performance Share Awards under Section 10 of the 2002 Equity Incentive Plan ("Plan"). These rules and regulations shall apply to Awards granted effective on and after January 1, 2005. In addition, the rules and regulations relating to the deferral of Awards set forth in this Sub-Plan shall apply to any Awards which become vested on or after January 1, 2005. Capitalized terms used in this Sub-Plan that are not defined herein shall have the meaning given in the Plan. In the event of any conflict between this Sub-Plan and the Plan, the terms and conditions of the Plan shall control. No Award Agreement shall be required for participation in this Sub-Plan.

Section 1. Definitions

When used in this Sub-Plan, the following terms shall have the meanings as set forth below, and are in addition to the definitions set forth in the Plan.

1.1 "Account" means the account used to record and track the number of Performance Shares granted to each Participant as provided in Section 2.4.

1.2 "Award" as used in this Sub-Plan means each aggregate award of Performance Shares as provided in Section 2.2.

1.3 "EBITDA" means earnings before interest, taxes, depreciation, and amortization as determined from time to time by the Committee.

1.4 "EBITDA Growth" means the percentage increase (if any) in EBITDA for any Year, as compared to the previous Year as determined from time to time by the Committee.

1.5 "Peer Group" means the peer group of utilities designated by the Committee prior to the beginning of the Performance Period for which an Award is granted.

1.6 "Performance Period" for purposes of this Sub-Plan means three consecutive Years beginning with the Year in which an Award is granted.

1.7 "Performance Schedule" means Attachment 1 to this Sub-Plan, which sets forth the Performance Measures applicable to this Sub-Plan.

1.8 "Performance Share" for purposes of this Sub-Plan means each unit of an Award granted to a Participant, the value of which is equal to the value of Company Stock as hereinafter provided.

1.9 "Retire" or "Retirement" means termination of employment on or after:

(a) becoming 65 years old with at least 5 years of service;

(b) becoming 55 years old with at least 15 years of service; or

(c) achieving at least 35 years of service, regardless of age.

1.10 "Salary" means the regular base rate of compensation payable by the Company to a Participant on an annual basis. Salary does not include bonuses, if any, or incentive compensation, if any. Such compensation shall not be reduced by any deferrals made under any other plans or programs maintained by the Company.

1.11 "Total Shareholder Return" means the total percentage return realized by the owner of a share of stock during a relevant Year or any part thereof. Total Shareholder Return is equal to the appreciation or depreciation in value of the stock (which is equal to the closing value of the stock on the last trading day of the relevant period minus the closing value of the stock on the last trading day of the preceding Year) plus the dividends declared during the relevant period, divided by the closing value of the stock on the last trading day of the preceding Year.

1.12 "Year" means a calendar year.

Section 2. Sub-Plan Participation and Awards

2.1 Participant Selection. Participants under this Sub-Plan shall be selected by the Committee in its sole discretion as provided in Section 4.2 of the Sponsor of the Plan.

2.2 Awards. Subject to any adjustments to be made under Section 2.5, the Compensation Committee may, in its sole discretion, grant Awards to some or all of the Participants in the form of a specific number of Performance Shares. The target and maximum value of any Award granted to any Participant in any calendar Year will be based upon the following:

Participant	Target Award	Maximum Award
CEO*	290% of Salary	362.5% of Salary
COO*	200% of Salary	250% of Salary
Presidents*/Executive VPs*	133% of Salary	166.25% of Salary
Senior VPs*	110% of Salary	137.5% of Salary
VP/Department Heads**		
Level I	100% of Salary	125% of Salary
Level II	80% of Salary	100% of Salary
Level III	60% of Salary	75% of Salary
Key Managers	55% of Salary	68.75% of Salary

* Senior Management Committee level position
**Levels shall be determined in the sole discretion of the Committee

2.3 Award Valuation at Grant. In calculating the value of an Award for purposes of Section 2.2, the value of each Performance Share shall be equal to the closing price of a share of Stock on the last trading day of the Year before the Performance Period begins. The Participant's Salary shall be determined as of the January 31 preceding the date the Award is granted, or such other time as is determined in the discretion of the Committee. Each Award is deemed to be granted on the day that it is approved by the Committee.

2.4 Accounting and Adjustment of Awards. The number of Performance Shares awarded to a Participant shall be recorded in a separate Account for each Participant. The number of Performance Shares recorded in a Participant's Account shall be adjusted to reflect any splits or other adjustments in the Stock. If any cash dividends are paid on the Stock, the number of Performance Shares in each Participant's Account shall be increased by a number equal to (i) the dividend multiplied by the number of Performance Shares in each Participant's Account, divided by (ii) the closing price of a share of Stock on the payment date of the dividend. No adjustment shall be made to any outstanding Awards of a Retired Participant for cash dividends paid on Stock during the Performance Period following the Retirement of the Participant.

2.5 Performance Schedule and Calculation of Awards. Except as otherwise provided, each Award shall become vested on January 1 immediately following the end of the applicable Performance Period, subject to adjustment in accordance with the following procedure:

(a) One-half of the Award shall be adjusted as follows:

(i) The Total Shareholder Return for the Company shall be determined for each Year during the Performance Period, and shall then be averaged (the "Company TSR").

(ii) The average Total Shareholder Return for the Peer Group utilities shall be determined for each Year during the Performance Period, and shall then be averaged (the "Peer Group TSR"). The two highest and two lowest performing utilities within the Peer Group shall be excluded for purposes of determining the Peer Group TSR.

(iii) The Peer Group TSR for the Performance Period shall be subtracted from the Company TSR for the Performance Period. The remainder shall then be used to determine the number of vested Performance Shares using the Performance Schedule, based on one-half of the number of Performance Shares in the Participant's Account.

(b) The other one-half of the Award shall be adjusted as follows:

(i) The EBITDA Growth for the Company shall be determined for each Year during the Performance Period, and shall then be averaged (the "Company EBITDA Growth").

(ii) The average EBITDA Growth for the Peer Group utilities shall be determined for each Year during the Performance period, and shall be averaged (the "Peer Group EBITDA Growth"). The two highest and two lowest performing utilities within the Peer Group shall be excluded for purposes of determining the Peer Group EBITDA Growth.

(iii) The Peer Group EBITDA Growth for the Performance Period shall be subtracted from the Company EBITDA Growth for the Performance Period. The remainder shall then be used to determine the number of vested Performance Shares using the Performance Schedule, based on one-half of the number of Performance Shares in the Participant's Account.

(c) The total number of vested Performance Shares payable to the Participant shall be the sum of the amounts determined in accordance with subsections (a) and (b) above.

(d) The Performance Measures and the Performance Schedule will not change during any Performance Period with regard to any Awards that have already been granted. The Committee reserves the right to modify or adjust the Performance Measures and/or the Performance Schedule in the Committee's sole discretion with regard to future grants.

2.6 Payment Options. Except as provided in Section 3, Awards shall be paid after expiration of the Performance Period. The Company will issue one share of Stock in payment for each vested Performance Share (rounded to the nearest whole Performance Share) credited to the Account of the Participant. Payment shall be made as follows:

(a) 100% during the month of April of the Year immediately following expiration of the Performance Period, or as soon as practical thereafter; or

(b) in accordance with an alternative payment election made by Participant substantially in the form attached hereto as Attachment 2, provided that such election is executed by the Participant and returned to the Vice President, Human Resources Department no later than the end of the first Year of the Performance Period. Once made, this election is irrevocable. A deferral election may only be made by a Participant who is employed as a Department Head or in a higher position on the date the deferral election is solicited.

2.7 Grantor Trust. In the case of a Change in Control, the Company shall, subject to the restrictions in this Section 2.7 and Section 13.12 of the Plan, irrevocably set aside shares of Stock or cash in one or more such grantor trusts in an amount that is sufficient to pay each Participant employed by such Company (or Designated Beneficiary), the net present value as of the date on which the Change in Control occurs, of the earned benefits to which Participants (or their Designated Beneficiaries) would be entitled pursuant to the terms of the Plan if the value of their deferral account (if any) established pursuant to section 2.6(b) would be paid in a lump sum upon the Change in Control. Any such trust shall be subject to the claims of the general creditors of the Sponsor or Company in the event of bankruptcy or insolvency of the Sponsor or Company.

Section 3. Early Vesting and Forfeiture

3.1 Retirement, Death or Divestiture. If the Participant Retires or dies prior to expiration of the Performance Period, or terminates employment as the result of a Divestiture during a Performance Period, any outstanding Awards of the Participant for any unexpired Performance Period shall immediately become vested. Payment of the outstanding Awards of such Participant shall be subject to the following special provisions:

(a) In the event of the Retirement of the Participant, the Participant's outstanding Awards shall be adjusted in accordance with Section 2.5 and paid in accordance with Section 2.6 following the end of the Performance Period for the Award; provided, that if the Participant has elected to defer payment until a specified date certain and retires before the date specified in the deferral election, the Company will commence distribution of the Award as soon as practical on or after the later of: (i) the April 1 following the first anniversary of the date of Retirement, or (ii) the April 1 of the year following the end of the Performance Period, even though said date is earlier than the date specified in the deferral election.

(b) In the event of the death of the Participant, or termination of employment as the result of a Divestiture during a Performance Period, the Participant's outstanding Awards shall be adjusted and paid in accordance with Section 3.3.

3.2 Change in Control. In the event of a Change in Control prior to the expiration of the Performance Period, any outstanding Award of the Participant for any unexpired Performance Period shall be treated as follows:

(a) If the Award is assumed by the successor to the Sponsor as of the date of the Change in Control, each outstanding Award not previously forfeited shall continue to vest and shall be paid pursuant to the terms of this Sub-Plan; provided, however, that in the event the employment of the Participant is terminated by the Company without Cause following the Change in Control, any outstanding Award shall become vested as of the termination date, and the aggregate value of the Award shall be paid after being adjusted in accordance with Section 3.3.

(b) If the Award is not assumed by the successor to the Sponsor as of the date of the Change in Control, any outstanding Award shall become vested as of the date of the Change in Control, and the aggregate value of the Award shall be paid after being adjusted in accordance with Section 3.3.

3.3 Adjustment of Awards. Any Award which is vested prior to the end of the Performance Period due to the death of the Participant, termination of employment as a result of a Divestiture, or Change in Control during the Performance Period, shall be adjusted pursuant to the following procedure:

(a) One-half of the Award shall be adjusted as follows:

(i) The Company TSR shall be determined for each Year or partial Year, and a weighted average Company TSR shall be calculated for the period between the first day of the Performance Period and the date the Participant dies, the date of termination as a result of the Divestiture or the date that the Award is vested pursuant to Section 3.2 (the "Prorated Company TSR").

(ii) The average Peer Group TSR shall be determined for each Year or partial Year, and a weighted average Peer Group TSR shall be calculated for the period between the first day of the Performance Period and the date the Participant dies, the date of termination as a result of the Divestiture or the date that the Award is vested pursuant to Section 3.2 (the "Prorated Peer Group TSR"). The two highest and two lowest performing utilities within the Peer Group shall be excluded for purposes of determining the Peer Group TSR.

(iii) The Prorated Peer Group TSR for the Performance Period shall be subtracted from the Prorated Company TSR for the Performance Period. The remainder shall then be used to determine the vested Performance Shares using the Performance Schedule, based on one-half of the number of Performance Shares in the Participant's Account.

(b) The other one-half of the Award shall be adjusted as follows:

(i) The Company EBITDA Growth shall be determined for each Year or partial Year, and a weighted average Company EBITDA Growth shall be calculated for the period between the first day of the Performance Period and the end of the calendar quarter immediately preceding the date the Participant dies, the date of termination as a result of the Divestiture or the date that the Award is vested pursuant to Section 3.2 (the "Prorated Company EBITDA Growth").

(ii) The average Peer Group EBITDA Growth shall be determined for each Year or partial Year, and a weighted average Peer Group EBITDA Growth shall be calculated for the period between the first day of the Performance Period and the end of the calendar quarter immediately preceding the date the Participant dies, the date of termination as a result of the Divestiture or the date that the Award is vested pursuant to Section 3.2 (the "Prorated Peer Group EBITDA Growth"). The two highest and two lowest performing utilities within the Peer Group shall be excluded for purposes of determining the Peer Group EBITDA Growth.

(iii) The Prorated Peer Group EBITDA Growth for the Performance Period shall be subtracted from the Prorated Company EBITDA Growth for the Performance Period. The remainder shall then be used to determine the vested Performance Shares using the Performance Schedule, based on one-half of the number of Performance Shares in the Participant's Account.

(c) The total number of vested Performance Shares payable to the Participant shall be the sum of the amounts determined in accordance with subsections (a) and (b) above.

(d) In the event of the death of the Participant, payment shall be made within a reasonable time after the Participant dies to the Participant's Designated Beneficiary. In the event of the termination of employment of the Participant as a result of a Divestiture, payment shall be made within a reasonable time after the termination of the Participant, notwithstanding any election under Section 2.6; provided, that if the Participant is a "key employee" as defined in Section 416(i) of the Code (but determined without regard to the 50 employee limit on the number of officers treated as key employees), payment shall not be made before six months after the date of separation from service (or, if earlier, the date of death of the Participant) and the amount of any payment made in cash (*i.e.,* with respect to Awards granted prior to January 1, 2005) shall be based upon the value of the Performance Shares as determined by reference to the closing price of the Stock on the trading day occurring on or next following the date that is six months after the date of separation of the Participant (or, if earlier the date of death of the Participant). If the Award is vested pursuant to Section 3.2, the Award shall be paid within a reasonable time after the date of vesting, notwithstanding any election under Section 2.6. The Company will issue one share of Stock in payment for each Performance Share (rounded to the nearest whole Performance Share) credited to the Account of the Participant.

3.4 Termination of Employment. In the event that a Participant's employment with the Company terminates for any reason other than as provided in this Section 3, any Award made to the Participant which has not vested as provided in Section 2 or Section 3 shall be forfeited. Any vested Awards shall be paid within a reasonable time after termination (for reasons other than Retirement), notwithstanding any election to defer the payment of any Award under Section 2.6. However, if the Participant is a "key employee" as defined in Section 416(i) of the Code (but determined without regard to the 50 employee limit on the number of officers treated as key employees), payment shall not be made before six months after the date of separation from service for any reason including Retirement (or, if earlier, the date of death of the Participant) and the amount of any payment made in cash (*i.e.,* with respect to Awards granted prior to January 1, 2005) shall be based upon the value of the Performance Shares as determined by reference to the closing price of the Stock on the trading day occurring on or next following the date that is six months after the date of separation of the Participant (or, if earlier the date of death of the Participant).

Section 4. Non-Assignability of Awards

The Awards and any right to receive payment under the Plan and this Sub-Plan may not be anticipated, alienated, pledged, encumbered, or subject to any charge or legal process, and if any attempt is made to do so, or a Participant becomes bankrupt, then in the sole discretion of the Committee, any Award made to the Participant which has not vested as provided in Sections 2 and 3 shall be forfeited.

Section 5. Amendment and Termination

This Sub-Plan shall be subject to amendment, suspension, or termination as provided in the Plan.

ATTACHMENT 1

PERFORMANCE SCHEDULE

PERFORMANCE SHARE CALCULATION[1]

The following table shall be used to adjust one half of the Participant's Award in accordance with Section 2.5(a) or Section 3.3(a) of the Plan:

If the Company TSR2 minus the Peer Group TSR2 is:	*Then the 50% of the vested Performance Share Award shall be multiplied by:*
5% or better	2.00
4.0 - 4.99	1.75
3.0 - 3.99	1.50
2.0 - 2.99	1.25
1.0 - 1.99	1.00
(0.99) - 0.99	.50
(1.0) - (1.99)	.25
2.0) or less	0.00

The following table shall be used to adjust one half of the Participant's Award in accordance with Section 2.5(b) or Section 3.3(b) of the Plan:

If the Company EBITDA Growth2 minus the Peer Group EBITDA Growth2 is:	*Then the 50% of the vested Performance Share Award shall be multiplied by:*
5% or better	2.00
4.0 - 4.99	1.75
3.0 - 3.99	1.50
2.0 - 2.99	1.25
1.0 - 1.99	1.00
0.00 - 0.99	.50
Less than 0	0

[1] The number of Performance Shares as calculated above shall be paid in accordance with the provisions of Section 2.5 and 2.6 of the Sub-Plan.

[2] For purposes of Section 3, the Prorated Company TSR and EBITDA Growth and Prorated Peer Group TSR and EBITDA Growth shall be used, and the number of Performance Shares as calculated above shall be paid in accordance with the provisions of the Sub-Plan.

ATTACHMENT 2

Performance Share Sub-Plan
200_ Deferral Election Form

As a Participant in the Performance Share Sub-Plan of the 2002 Equity Incentive Plan ("Sub-Plan"), I hereby elect to defer payment of my Award otherwise payable to me by the Company and attributable to services to be performed by me during the Performance Period beginning on January __, 200__. This election shall apply to *[CHECK ONE]*:

[ ] 100% of the Award [ ] 50% of the Award
[ ] 75% of the Award [ ] 25% of the Award

Upon vesting, I understand that my Award shall continue to be recorded in my Account as Performance Shares as described in the Sub-Plan and adjusted to reflect the payment and reinvesting of the Company's common stock dividends over the deferral period, until paid in full.

I hereby elect to defer receipt (or commencement of receipt) of my Award until the date specified below, or as soon as practical thereafter *[CHECK ONE]*:*

[ ] a specific date certain at least 5 years from expiration
of the Performance Period: 4 / 1 /____
(month/day/year)

[ ] the April 1 following the date of retirement, or if later, the date which is six months after the date of my separation from service for any reason (including Retirement), if I am a "key employee" as defined in Section 416(i) of the Code (but determined without regard to the 50 employee limit on the number of officers treated as key employees).

[ ] the April 1 following the first anniversary of my date of retirement

* Notwithstanding any election above, if I elect a date certain distribution and I retire before that date certain, I understand that the Company will commence distribution of my Account as soon as practical on or after the later of: (i) the April 1 following the first anniversary of the date of retirement, or (ii) the April 1 of the year following the end of the Performance Period, even though said date is earlier than 5 years from the expiration of the Performance Period.

I hereby elect to be paid as described in the Sub-Plan in the form of *[CHECK ONE]*:

[ ] a single payment [ ] annual payments commencing on the date set forth above and payable on the anniversary date thereof over:

[ ] a two year period [ ] a three year period
[ ] a four year period [ ] a five year period

I understand that I will receive "earnings" on those deferred amounts when they are paid to me.

I understand that the election made as indicated herein is irrevocable and that all deferral elections are subject to the provisions of the Sub-Plan, including provisions that may affect timing of distributions.

I understand that this deferral election is subject to the requirements of Section 409A of Code, and regulations and other guidance issued thereunder. The Company makes no representation or guarantee that any tax treatment, including, but not limited to, federal, state and local income, or estate and gift tax treatment, will be applicable with respect to the amounts deferred. The Company shall have no responsibility for the tax consequences that I may incur as a result of Section 409A, regulations or guidance issued thereunder, or any other provision of the Internal Revenue Code. I understand it is my responsibility to consult a legal or tax advisor regarding the tax effects of this deferral election. I further acknowledge and agree that the Company may (but shall not be required to) modify this election as necessary to comply with Section 409A and any guidance or regulations issued thereunder. I further agree to cooperate in any manner necessary to ensure that this election is in compliance with Section 409A and any guidance or regulations issued thereunder.

I understand and acknowledge that my interests herein and my rights to receive distribution of the deferred amounts may not be anticipated, alienated, sold, transferred, assigned, pledged, encumbered, or subjected to any charge or legal process, and if any attempt is made to do so, or I become bankrupt, my interest may be terminated by the Committee, in its sole discretion, may cause the same to be held or applied for the benefit of one or more of my dependents or make any other disposition of such interests that it deems appropriate. I further understand that nothing in the Sub-Plan shall be interpreted or construed to require the Company in any manner to fund any obligation to me, or to my beneficiary(ies) in the event of my death.

_____ ____

(Signature) (Date)

_____ _____

(Print Name) (Company Location)

Received:
Agent of Chief Executive Officer

_____ _____

(Signature) (Date)

Exhibit 10c(36)

AMENDED MANAGEMENT INCENTIVE COMPENSATION PLAN
OF
PROGRESS ENERGY, INC.

Amendment, effective April 1, 2005

Section 22 was amended to read as follows:

22. "Retirement": A Participant's termination of employment from the Company on or after attaining (i) age 65 with 5 years of service, (ii) age 55 with 15 years of service, (iii) 35 years of service, or (iv) age 50 with 5 years of service as of March 31, 2005, and where the Participant elects during the period beginning March 15, 2005, and ending April 15, 2005, to retire no later than December 1, 2005, pursuant to the terms of the Voluntary Enhanced Retirement Program (a "VERP Participant"). Notwithstanding any other provision of the Plan to the contrary, a VERP Participant may elect on or before December 31, 2005, to (a) commence payment of the Plan Deferral Account as of (i) April 1, 2006, (ii) April 1, 2007, or (iii) April 1, 2011 (each a "Payment Commencement Date") and (b) provide for the payment of the Plan Deferral Account in the form of (i) a lump sum or (ii) annual installments over a period extending from two years to ten years following the Payment Commencement Date. In the event no other payment election is made by the VERP Participant prior to January 1, 2006, the VERP Participant shall be deemed to have elected for payment of the Plan Deferral Account to be made in accordance with the deferral election submitted by the VERP Participant; provided, that if the VERP Participant is a "key employee" as defined in Section 416(i) of the Code (but determined without regard to the 50 employee limit on the number of officers treated as key employees), the Payment Commencement Date shall not be earlier than six months after the date of Retirement of the VERP Participant (or, if earlier, the date of death of the Participant). A VERP Participant may not make any election with respect to the payment of the Plan Deferral Account after December 31, 2005.

Exhibit 10c(37)

PROGRESS ENERGY, INC.

AMENDED AND RESTATED

MANAGEMENT DEFERRED COMPENSATION PLAN

Amendment, effective April 1, 2005

Section 1.40 was amended to read as follows:

1.40 Retirement Date

The date a Participant retires from the Company on or after attaining (i) age 65 with 5 years of service, (ii) age 55 with 15 years of service, (iii) 35 years of (iv) eligibility for retirement under the SSERP if covered under such plan, or (v) age 50 with 5 years of service as of March 31, 2005, and where the Participant elects during the period beginning March 15, 2005, and ending April 15, 2005, to retire no later than December 1, 2005, pursuant to the terms of the Voluntary Enhanced Retirement Program (a "VERP Participant"). Notwithstanding any other provision of the Plan to the contrary, a VERP Participant may elect on or before December 31, 2005, to (a) commence payment of the Plan Year Accounts as of (i) April 1, 2006, (ii) April 1, 2007, or (iii) April 1, 2011 (each a "Payment Commencement Date") and (b) provide for the payment of such Plan Year Accounts in the form of (i) a lump sum or (ii) annual installments over a period extending from two years to ten years following the Payment Commencement Date. In the event no other payment election is made by the VERP Participant prior to January 1, 2006, the VERP Participant shall be deemed to have elected for payment of the Plan Year Accounts to be made in accordance with the Enrollment Form submitted by the VERP Participant; provided, that if the VERP Participant is a "key employee" as defined in Section 416(i) of the Code (but determined without regard to the 50 employee limit on the number of officers treated as key employees), the Payment Commencement Date shall not be earlier than six months after the date of Retirement of the VERP Participant (or, if earlier, the date of death of the Participant). A VERP Participant may not make any election with respect to the payment of the Plan Year Accounts after December 31, 2005.

Exhibit No. 12(a)

PROGRESS ENERGY, INC.
Computation of Ratio of Earnings to Fixed Charges
For the Years Ended December 31

(dollars in millions)	**2005**	2004	2003	2002	2001
Earnings, as defined:					
Income from continuing operations before minority interest	**$ 701**	$ 712	$ 813	$ 590	$ 723
Fixed charges, as below	**680**	667	659	683	688
Amortization of capitalized interest	**2**	1	1	-	-
Preferred dividend requirements	**(7)**	(7)	(7)	(7)	(7)
Minority interest	**26**	17	(2)	(1)	(2)
Capitalized interest	**(4)**	(7)	(20)	(38)	-
Income taxes, as below	**(50)**	101	(121)	(154)	(71)
Total earnings, as defined	**$ 1,348**	$ 1,484	$ 1,323	$ 1,073	$ 1,331
Fixed Charges, as defined:					
Interest on long-term debt	**$ 619**	$ 580	$ 592	$ 577	$ 556
Other interest	**38**	61	42	80	112
Imputed interest factor in rentals - charged principally to operating expenses	**16**	19	18	19	13
Preferred dividend requirements of subsidiaries	**7**	7	7	7	7
Total fixed charges, as defined	**$ 680**	$ 667	$ 659	$ 683	$ 688
Income Taxes:					
Income tax expense (benefit)	**$ (45)**	$ 106	$ (113)	$ (146)	$ (63)
Included in AFUDC - deferred taxes in book depreciation	**(5)**	(5)	(8)	(8)	(8)
Total income taxes	**$ (50)**	$ 101	$ (121)	$ (154)	$ (71)
Ratio of Earnings to Fixed Charges	**1.98**	2.22	2.01	1.57	1.93

Exhibit No. 12 (b)

CAROLINA POWER & LIGHT COMPANY
d/b/a PROGRESS ENERGY CAROLINAS, INC.
Computation of Ratio of Earnings to Fixed Charges and
Ratio of Earnings to Fixed Charges and Preferred Dividends Combined
For the Years Ended December 31

(dollars in millions)	**2005**	2004	2003	2002	2001
Earnings, as defined:					
Income before cumulative effect of changes in accounting principles	**$ 493**	$ 461	$ 504	$ 431	$ 364
Fixed charges, as below	**205**	201	206	224	264
Income taxes, as below	**234**	234	233	199	215
Total earnings, as defined	**$ 932**	$ 896	$ 943	$ 854	$ 843
Fixed Charges, as defined:					
Interest on long-term debt	**$ 191**	$ 183	$ 188	$ 205	$ 246
Other interest	**6**	11	11	12	11
Imputed interest factor in rentals - charged principally to operating expenses	**8**	7	7	7	7
Total fixed charges, as defined	**205**	201	206	224	264
Preferred dividends, as defined	**4**	5	4	4	5
Total fixed charges and preferred dividends combined	**$ 209**	$ 206	$ 210	$ 228	$ 269
Income Taxes:					
Income tax expense	**$ 239**	$ 239	$ 241	$ 207	$ 223
Included in AFUDC - deferred taxes in book depreciation	**(5)**	(5)	(8)	(8)	(8)
Total income taxes	**$ 234**	$ 234	$ 233	$ 199	$ 215
Ratio of Earnings to Fixed Charges	**4.55**	4.45	4.59	3.81	3.19
Ratio of Earnings to Fixed Charges and Preferred Dividends Combined	**4.46**	4.36	4.50	3.74	3.13

Exhibit No. 12 (c)

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.
Computation of Ratio of Earnings to Fixed Charges and
Ratio of Earnings to Fixed Charges and Preferred Dividends Combined
For the Years Ended December 31

(dollars in millions)	**2005**	2004	2003	2002	2001
Earnings, as defined:					
Net income	**$ 260**	$ 335	$ 297	$ 325	$ 311
Fixed charges, as below	**138**	122	103	114	117
Income taxes, as below	**121**	174	147	163	183
Total earnings, as defined	**$ 519**	$ 631	$ 547	$ 602	$ 611
Fixed Charges, as defined:					
Interest on long-term debt	**$ 116**	$ 107	$ 103	$ 99	$ 100
Other interest	**18**	10	(6)	10	14
Imputed interest factor in rentals - charged principally to operating expenses	**4**	5	6	5	3
Total fixed charges, as defined	**138**	122	103	114	117
Preferred dividends, as defined	**2**	2	2	3	3
Total fixed charges and preferred dividends combined	**$ 140**	$ 124	$ 105	$ 117	$ 120
Ratio of Earnings to Fixed Charges	**3.76**	5.17	5.31	5.27	5.22
Ratio of Earnings to Fixed Charges and Preferred Dividends Combined	**3.71**	5.08	5.21	5.13	5.09

Exhibit No. 21

PROGRESS ENERGY, INC.
List of Subsidiaries

The following is a list of certain direct and indirect subsidiaries of Progress Energy, Inc., and their respective states of incorporation as of December 31, 2005:

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.	North Carolina
Florida Progress Corporation	Florida
Florida Power Corporation d/b/a/ Progress Energy Florida, Inc.	Florida
Progress Capital Holdings, Inc.	Florida
Progress Telecommunications Corporation	Florida
Progress Telecom, LLC	Delaware
Progress Fuels Corporation	Florida
PV Holdings, Inc.	North Carolina
Progress Ventures, Inc. d/b/a Progress Energy Ventures, Inc.	North Carolina
Strategic Resource Solutions Corp.	North Carolina
Progress Energy Service Company, LLC	North Carolina

Exhibit No. 23(a)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 33-33520 on Form S-8, Post-Effective Amendment 1 to Registration Statement No. 33-38349 on Form S-3, Registration Statement No. 333-81278 on Form S-3, Registration Statement No. 333-81278-01 on Form S-3, Registration Statement No. 333-81278-02 on Form S-3, Registration Statement No. 333-81278-03 on Form S-3, Post-Effective Amendment 1 to Registration Statement No. 333-69738 on Form S-3, Registration Statement No. 333-70332 on Form S-8, Registration Statement No. 333-87274 on Form S-3, Post-Effective Amendment 1 to Registration Statement No. 333-47910 on Form S-3, Registration Statement No. 333-52328 on Form S-8, Post-Effective Amendment 1 to Registration Statement No. 333-89685 on Form S-8, Registration Statement No. 333-48164 on Form S-8, Registration Statement No. 333-114237 on Form S-3, Registration Statement No. 333-104951 on Form S-8 and Registration Statement No. 333-104952 on Form S-8 of our reports dated March 6, 2006, relating to the consolidated financial statements and consolidated financial statement schedule of Progress Energy, Inc. (which report on the consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of new accounting principles in 2005 and 2003) and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Progress Energy, Inc. for the year ended December 31, 2005.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 6, 2006

Exhibit No. 23(b)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-126966 on Form S-3 of our reports dated March 6, 2006, relating to the consolidated financial statements and consolidated financial statement schedule of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (PEC) (which report on the consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of new accounting principles in 2005 and 2003), appearing in this Annual Report on Form 10-K of PEC for the year ended December 31, 2005.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 6, 2006

Exhibit No. 23(c)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-126967 on Form S-3 of our reports dated March 6, 2006, relating to the financial statements and financial statement schedule of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (PEF) (which report on the financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of new accounting principles in 2005 and 2003) appearing in this Annual Report on Form 10-K of PEF for the year ended December 31, 2005.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 6, 2006

Exhibit No. 31(a)

CERTIFICATION

I, Robert B. McGehee, certify that:

1. I have reviewed this annual report on Form 10-K of Progress Energy, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2006

/s/ Robert B. McGehee
Robert B. McGehee
Chairman and Chief Executive Officer

Exhibit No. 31(b)

CERTIFICATION

I, Peter M. Scott III, certify that:

1. I have reviewed this annual report on Form 10-K of Progress Energy, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2006

/s/ Peter M. Scott III
Peter M. Scott III
Executive Vice President and
Chief Financial Officer

Exhibit No. 31(c)

CERTIFICATION

I, Fred N. Day, IV, certify that:

1. I have reviewed this annual report on Form 10-K of Carolina Power & Light Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   c) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2006

/s/ Fred N. Day IV
Fred N. Day IV
President and Chief Executive Officer

Exhibit No. 31(d)

CERTIFICATION

I, Peter M. Scott III, certify that:

1. I have reviewed this annual report on Form 10-K of Carolina Power & Light Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   c) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2006

/s/ Peter M. Scott III
Peter M. Scott III
Executive Vice President and
Chief Financial Officer

Exhibit No. 31(e)

CERTIFICATION

I, H. William Habermeyer, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Florida Power Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   c) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2006

/s/ H. William Habermeyer, Jr.
H. William Habermeyer, Jr.
President and Chief Executive Officer

Exhibit No. 31(f)

CERTIFICATION

I, Peter M. Scott III, certify that:

1. I have reviewed this annual report on Form 10-K of Florida Power Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   c) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2006

/s/ Peter M. Scott III
Peter M. Scott III
Executive Vice President and
Chief Financial Officer

Exhibit No. 32(a)

CERTIFICATION FURNISHED PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Progress Energy, Inc. (the "Company") for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert B. McGehee, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert B. McGehee
Robert B. McGehee
Chairman and Chief Executive Officer
March 10, 2006

This certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended.

Exhibit No. 32(b)

CERTIFICATION FURNISHED PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Progress Energy, Inc. (the "Company") for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Scott III, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Peter M. Scott III
Peter M. Scott III
Executive Vice President and
Chief Financial Officer
March 10, 2006

This certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended.

Exhibit No. 32(c)

CERTIFICATION FURNISHED PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Carolina Power & Light Company (the "Company") for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Fred N. Day, IV, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Fred N. Day IV
Fred N. Day IV
President and Chief Executive Officer
March 10, 2006

This certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended.

Exhibit No. 32(d)

CERTIFICATION FURNISHED PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Carolina Power & Light Company (the "Company") for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Scott III, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Peter M. Scott III
Peter M. Scott III
Executive Vice President and
Chief Financial Officer
March 10, 2006

This certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended.

Exhibit No. 32(e)

CERTIFICATION FURNISHED PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Florida Power Corporation (the "Company") for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. William Habermeyer, Jr., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ H. William Habermeyer, Jr.
H. William Habermeyer, Jr.
President and Chief Executive Officer
March 10, 2006

This certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended.

Exhibit No. 32(f)

CERTIFICATION FURNISHED PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Florida Power Corporation (the "Company") for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter M. Scott III, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Peter M. Scott III
Peter M. Scott III
Executive Vice President and
Chief Financial Officer
March 10, 2006

This certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended.

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

First Mortgage Bonds
4.50% Series due 2010

UNDERWRITING AGREEMENT

May 11, 2005

To the Representative named in Schedule I hereto
of the Underwriters named in Schedule II hereto

Dear Ladies and Gentlemen:

The undersigned Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "Company") hereby confirms its agreement with each of the several Underwriters hereinafter named as follows:

1. Underwriters and Representative. The term "Underwriters" as used herein shall be deemed to mean the firm or the several firms named in Schedule II of this Underwriting Agreement (the "Agreement") and any underwriter substituted as provided in paragraph 6, and the term "Underwriter" shall be deemed to mean any one of such Underwriters. If the firm or firms listed in Schedule I hereto (individually and collectively, the "Representative") are the same as the firm or firms listed in Schedule II hereto, then the terms "Underwriters" and "Representative," as used herein, shall each be deemed to refer to such firm or firms. Each Representative represents jointly and severally that they have been authorized by the Underwriters to execute this Agreement on their behalf and to act for them in the manner herein provided. All obligations of the Underwriters hereunder are several and not joint. If more than one firm is named in Schedule I hereto, any action under or in respect of this Agreement may be taken by such firms jointly as the Representative or by one of the firms acting on behalf of the Representative, and such action will be binding upon all the Underwriters.

2. Description of Securities. The Company proposes to issue and sell its First Mortgage Bonds of the designation, with the terms and in the amount specified in Schedule I hereto (the "Securities"), under its Indenture, dated as of January 1, 1944, with JPMorgan Chase Bank, N.A., as successor Trustee, as supplemented by the Seventh, Eighth, Sixteenth, Twenty-Ninth, Thirty-Eighth, Fortieth, Forty-First, Forty-Second, Forty-Third and Forty-Fourth supplemental indentures, and as it will be further supplemented by the Forty-Fifth Supplemental Indenture relating to the Securities (the "Forty-Fifth Supplemental Indenture"), in substantially the form heretofore delivered to the Representative, said Indenture as supplemented by the Seventh, Eighth, Sixteenth, Twenty-Ninth, Thirty-Eighth, Fortieth, Forty-First, Forty-Second, Forty-Third and Forty-Fourth supplemental indentures, and to be supplemented by the Forty-Fifth Supplemental Indenture being hereinafter referred to as the "Mortgage."

3. Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-103974) (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), for the registration of up to an aggregate of $1,000,000,000 principal amount of First Mortgage Bonds and Debt Securities (the "Registered Securities") in unallocated amounts. The Registration Statement was declared effective by the Commission on April 4, 2003. As of the date hereof, the Company has sold $250,000,000 of the Registered Securities. The term "Registration Statement" shall be deemed to include all amendments to the date hereof and all documents incorporated by reference therein (the "Incorporated Documents"). The combined prospectus included in the Registration Statement, as it is to be supplemented by a prospectus supplement, dated on the date hereof, substantially in the form delivered to the Representative prior to the execution hereof, relating to the Securities (the "Prospectus Supplement") and all prior amendments or supplements thereto (other than amendments or supplements relating to securities of the Company other than the Securities), including the Incorporated Documents, is hereinafter referred to as the "Prospectus." Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include the filing of any document under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), deemed to be incorporated therein after the date hereof and prior to the termination of the offering of the Securities by the Underwriters; and any references herein to the terms "Registration Statement" or "Prospectus" at a date after the filing of the Prospectus Supplement shall be deemed to refer to the Registration Statement or the Prospectus, as the case may be, as each may be amended or supplemented prior to such date.

(b) The Registration Statement, at the time and date it was declared effective by the Commission, complied, and the Registration Statement, the Prospectus and the Mortgage, as of the date hereof and at the Closing Date, will comply, in all material respects, with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement, at the time and date it was declared effective by the Commission, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus, as of its date and at the Closing Date, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that the foregoing representations and warranties in this subparagraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished herein or in writing to the Company by the Representative or by or on behalf of any Underwriter through the Representative expressly for use in the Prospectus or to any statements in or omissions from the Statement of Eligibility (Form T-1) of the Trustee. The Incorporated Documents, at the time they were each filed with the Commission, complied in all material respects with the applicable requirements of the Exchange Act

and the instructions, rules and regulations of the Commission thereunder, and any documents so filed and incorporated by reference subsequent to the date hereof and prior to the termination of the offering of the Securities by the Underwriters will, at the time they are each filed with the Commission, comply in all material respects with the requirements of the Exchange Act and the instructions, rules and regulations of the Commission thereunder; and, when read together with the Registration Statement and the Prospectus, none of such documents included or includes or will include any untrue statement of a material fact or omitted or omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) The Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida; has corporate power and authority to own, lease and operate its properties and to conduct its business as contemplated under this Agreement and the other agreements to which it is a party; and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(d) The historical financial statements incorporated by reference in the Registration Statement and the Prospectus present fairly the financial condition and operations of the Company at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except that the quarterly financial statements incorporated by reference from any Quarterly Reports on Form 10-Q contain condensed footnotes prepared in accordance with applicable Exchange Act rules and regulations; and any accounting firms that have audited any of the financial statements are independent registered public accounting firms as required by the Securities Act or the Exchange Act and the rules and regulations of the Commission thereunder.

(e) Except as reflected in, or contemplated by, the Registration Statement and the Prospectus, since the respective dates as of which information is given in the Registration Statement and Prospectus, and prior to the Closing Date, (i) there has not been any material adverse change in the business, properties, results of operations or financial condition of the Company, (ii) there has not been any material transaction entered into by the Company other than transactions contemplated by the Registration Statement and Prospectus or transactions arising in the ordinary course of business and (iii) the Company has no material contingent obligation that is not disclosed in the Registration Statement and Prospectus that could likely result in a material adverse change in the business, properties, results of operations or financial condition of the Company.

(f) The Company has full power and authority to execute, deliver and perform its obligations under this Agreement. The execution and delivery of this Agreement, the

consummation of the transactions herein contemplated and the fulfillment of the terms hereof on the part of the Company to be fulfilled have been duly authorized by all necessary corporate action of the Company in accordance with the provisions of its articles of incorporation, as amended (the "Charter"), by-laws and applicable law; and the Securities, when issued and delivered as provided herein, will constitute legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings.

(g) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, the Charter, the Company's by-laws, applicable law or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(h) The Securities conform in all material respects to the description contained in the Prospectus.

(i) The Company has no subsidiaries that meet the definition of "significant subsidiary" as defined in Section 210.1-02(w) of Regulation S-X promulgated under the Securities Act.

(j) The Mortgage (A) has been duly authorized, executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Forty-Fifth Supplemental Indenture by the Trustee, constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity and except for the effect on enforceability of federal or state law limiting, delaying or prohibiting the making of payments outside the United States); *provided, however*, that certain remedies, waivers and other provisions of the Mortgage may not be enforceable, but such unenforceability will not render the Mortgage invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided in the Securities or (ii) the right of the Trustee to exercise its right to foreclose under the Mortgage; and (B) conforms in all material respects to the description thereof in the Prospectus. The Mortgage (including the Forty-Fifth Supplemental Indenture upon its due execution by the Company and the Trustee in accordance with the Indenture) has been qualified under the 1939 Act.

(k) The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(l) Except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against or affecting the Company or its properties that are likely in the aggregate to result in any material adverse change in the business, properties, results of operations or financial condition of the Company, or that are likely in the aggregate to materially and adversely affect the Mortgage, the Securities or the consummation of this Agreement or the transactions contemplated herein or therein.

(m) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions herein contemplated or for the due execution, delivery or performance of the Mortgage by the Company, except such as have already been made or obtained or as may be required under the Securities Act or state securities laws and except for the qualification of the Forty-Fifth Supplemental Indenture under the 1939 Act.

4. Purchase and Sale. On the basis of the representations, warranties and covenants herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to each of the Underwriters, severally and not jointly, and each such Underwriter agrees, severally and not jointly, to purchase from the Company, the respective principal amount of Securities of each series set forth opposite the name of such Underwriter in Schedule II hereto at the purchase price set forth in Schedule I hereto.

5. Reoffering by Underwriters. The Underwriters agree to make promptly a *bona fide* public offering of the Securities to the public for sale as set forth in the Prospectus, subject, however, to the terms and conditions of this Agreement.

6. Time and Place of Closing; Default of Underwriters.

(a) Payment for the Securities shall be made at the place, time and date specified in Schedule I hereto against delivery of the Securities at the office of JPMorgan Chase Bank, N.A., 4 New York Plaza New York, New York 10004, or such other place, time and date as the Representative and the Company may agree. The hour and date of such delivery and payment are herein called the "Closing Date." Payment for the Securities shall be by wire transfer of immediately available funds against delivery to The Depository Trust Company or to JPMorgan Chase Bank, N.A., as custodian for The Depository Trust Company, in fully registered global form registered in the name of CEDE & Co., as nominee for the Depository Trust Company, for the respective accounts specified by the Representative not later than the close of business on the business day prior to the Closing Date or such other date and time not later than the Closing Date as agreed by The Depository Trust Company or JPMorgan Chase Bank, N.A. For the purpose of expediting the checking of the certificates by the Representative, the Company agrees to make the Securities available to the Representative not later than 10:00 A.M. New York time, on the last full business day prior to the Closing Date at said office of JPMorgan Chase Bank, N.A.

(b) If one or more Underwriters shall, for any reason other than a reason permitted hereunder, fail to take up and pay for the principal amount of the Securities of any series to be purchased by such one or more Underwriters, the Company shall immediately notify the Representative, and the non-defaulting Underwriters shall be obligated to take up and pay for (in addition to the respective principal amount of the Securities of such series set forth opposite their respective names in Schedule II hereto) the principal amount of such series of Securities that such defaulting Underwriter or Underwriters failed to take up and pay for, up to a principal amount thereof equal to 10% of the principal amount of all Securities of such series, each non-defaulting Underwriter shall do so on a pro-rata basis according to the amounts set forth opposite the name of such non-defaulting Underwriter in Schedule II, and such non-defaulting Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another Underwriter or Underwriters, satisfactory to the Company, to take up and pay for the remaining principal amount of the Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Securities still remain, then the Company or the Representative shall be entitled to an additional period of 24 hours within which to procure another party or parties, members of the National Association of Securities Dealers, Inc. (or if not members of such Association, who are not eligible for membership in said Association and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with said Association's Conduct Rules) and satisfactory to the Company, to purchase or agree to purchase such unpurchased Securities on the terms herein set forth. In any such case, either the Representative or the Company shall have the right to postpone the Closing Date for a period not to exceed three full business days from the date agreed upon in accordance with this paragraph 6, in order that the necessary changes in the Registration Statement and Prospectus and any other documents and arrangements may be effected. If (i) neither the non-defaulting Underwriters nor the Company has arranged for the purchase of such unpurchased Securities by another party or parties as above provided and (ii) the Company and the non-defaulting Underwriters have not mutually agreed to offer and sell the Securities other than the unpurchased Securities, then this Agreement shall terminate without any liability on the part of the Company or any Underwriter (other than an Underwriter that shall have failed or refused, in accordance with the terms hereof, to purchase and pay for the principal amount of the Securities that such Underwriter has agreed to purchase as provided in paragraph 4 hereof), except as otherwise provided in paragraph 7 and paragraph 8 hereof.

7. Covenants of the Company. The Company covenants with each Underwriter that:

(a) As soon as reasonably possible after the execution and delivery of this Agreement, the Company will file the Prospectus with the Commission pursuant to Rule 424 under the Securities Act ("Rule 424"), setting forth, among other things, the necessary information with respect to the terms of offering of the Securities. Upon request, the Company will promptly deliver to the Representative and to counsel for the Underwriters, to the extent not previously delivered, one fully executed copy or one conformed copy, certified by an officer of the Company, of the Registration Statement, as originally filed, and of all amendments thereto, if any, heretofore or hereafter made (other than those relating solely to Registered Securities other than the Securities), including any post-effective amendment (in each case including all exhibits filed therewith and all

documents incorporated therein not previously furnished to the Representative), including signed copies of each consent and certificate included therein or filed as an exhibit thereto, and will deliver to the Representative for distribution to the Underwriters as many conformed copies of the foregoing (excluding the exhibits, but including all documents incorporated therein) as the Representative may reasonably request. The Company will also send to the Underwriters as soon as practicable after the date of this Agreement and thereafter from time to time as many copies of the Prospectus as the Representative may reasonably request for the purposes required by the Securities Act.

(b) During such period (not exceeding nine months) after the commencement of the offering of the Securities as the Underwriters may be required by law to deliver a Prospectus, if any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Representative shall occur, which in the Company's reasonable opinion (after consultation with counsel for the Representative) should be set forth in a supplement to or an amendment of the Prospectus in order to make the Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser, or if it is necessary to amend the Prospectus to comply with the Securities Act, the Company will forthwith at its expense prepare and furnish to the Underwriters and dealers named by the Representative a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus that will supplement or amend the Prospectus so that as supplemented or amended it will comply with the Securities Act and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading. In case any Underwriter is required to deliver a Prospectus after the expiration of nine months after the commencement of the offering of the Securities, the Company, upon the request of the Representative, will furnish to the Representative, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Prospectus, complying with Section 10(a) of the Securities Act.

(c) The Company will make generally available to its security holders, as soon as reasonably practicable, but in any event not later than 16 months after the end of the fiscal quarter in which the filing of the Prospectus pursuant to Rule 424 occurs, an earning statement (in form complying with the provisions of Section 11(a) of the Securities Act, which need not be certified by independent public accountants) covering a period of twelve months beginning not later than the first day of the Company's fiscal quarter next following the filing of the Prospectus pursuant to Rule 424.

(d) The Company will use its best efforts promptly to do and perform all things to be done and performed by it hereunder prior to the Closing Date and to satisfy all conditions precedent to the delivery by it of the Securities.

(e) As soon as reasonably possible after the Closing Date, the Company will cause the Forty-Fifth Supplemental Indenture to be recorded in all recording offices in the State of Florida in which the property intended to be subject to the lien of the Mortgage is located.

(f) The Company will advise the Representative, or the Representative's counsel, promptly of the filing of the Prospectus pursuant to Rule 424 and of any amendment or supplement to the Prospectus or Registration Statement or of official notice of institution of proceedings for, or the entry of, a stop order suspending the effectiveness of the Registration Statement and, if such a stop order should be entered, use its best efforts to obtain the prompt removal thereof.

(g) The Company will use its best efforts to qualify the Securities, as may be required, for offer and sale under the Blue Sky or legal investment laws of such jurisdictions as the Representative may designate and will file and make in each year such statements or reports as are or may be reasonably required by the laws of such jurisdictions; *provided, however*, that the Company shall not be required to qualify as a foreign corporation or dealer in securities, or to file any general consents to service of process, under the laws of any jurisdiction.

(h) Prior to the termination of the offering of the Securities, the Company will not file any amendment to the Registration Statement or supplement to the Prospectus which shall not have previously been furnished to the Representative or of which the Representative shall not previously have been advised or to which the Representative shall reasonably object in writing and which has not been approved by the Underwriter(s) or their counsel acting on behalf of the Underwriters.

8. Payment of Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing and filing of the Registration Statement and the printing of this Agreement, (ii) the delivery of the Securities to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the expenses in connection with the qualification of the Securities under securities laws in accordance with the provisions of paragraph 7(g) hereof, including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith, such fees and disbursements not to exceed $7,500, (v) the printing and delivery to the Underwriters of copies of the Registration Statement and all amendments thereto, and of the Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of the Blue Sky Survey and (vii) the preparation, execution, filing and recording by the Company of the Forty-Fifth Supplemental Indenture (such filing and recordation to be promptly made after execution and delivery of the Forty-Fifth Supplemental Indenture to the Trustee under the Mortgage in the counties in which the mortgaged property of the Company is located); and the Company will pay all taxes, if any (but not including any transfer taxes), on the issue of the Securities and the filing and recordation of the Forty-Fifth Supplemental Indenture. The fees and disbursements of Underwriters' counsel shall be paid by the Underwriters (subject, however, to the provisions of this paragraph 8 requiring payment by the Company of fees and disbursements not to exceed $7,500); *provided, however*, that if this Agreement is terminated in accordance with the provisions of paragraph 9, 10 or 12 hereof, the Company shall reimburse the Representative for the account of the Underwriters for the fees and disbursements of Underwriters' counsel. The Company shall not be required to pay any amount for any expenses of the Representative or of any other of the Underwriters except as provided in paragraph 7 hereof and in this paragraph 8. The Company shall not in any event be liable to any of the Underwriters for damages on account of the loss of anticipated profit.

9. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase and pay for the Securities shall be subject to the accuracy of the representations and warranties on the part of the Company as of the date hereof and the Closing Date, to the performance by the Company of its obligations to be performed hereunder prior to the Closing Date, and to the following further conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be pending before, or, to the Company's knowledge, threatened by, the Commission on the Closing Date. The Representative shall have received, prior to payment for the Securities, a certificate dated the Closing Date and signed by the Chairman, President, Treasurer or a Vice President of the Company to the effect that no such stop order is in effect and that no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) At the time of execution of this Agreement, or such later date as shall have been consented to by the Representative, there shall have been issued, and on the Closing Date there shall be in full force and effect, an order of the Florida Public Service Commission authorizing the issuance and sale of the Securities, which shall not contain any provision unacceptable to the Representative by reason of its being materially adverse to the Company (it being understood that no such order in effect on the date of this Agreement and heretofore furnished to the Representative or counsel for the Underwriters contains any such unacceptable provision).

(c) At the Closing Date, the Representative shall receive favorable opinions from: (1) Hunton & Williams LLP, counsel to the Company, which opinion shall be satisfactory in form and substance to counsel for the Underwriters, and (2) Dewey Ballantine LLP, counsel for the Underwriters, in each of which opinions (except as to subdivision (vi) (as to documents incorporated by reference, at the time they were filed with the Commission) as to which Dewey Ballantine LLP need express no opinion) said counsel may rely as to all matters of Florida law upon the opinion of R. Alexander Glenn, Deputy General Counsel–Florida of Progress Energy Service Company LLC, acting as counsel to the Company, to the effect that:

(i) The Mortgage has been duly and validly authorized by all necessary corporate action (with this opinion required in the Hunton & Williams LLP and Dewey Ballantine LLP opinions only as to the original Indenture dated as of January 1, 1944 and the supplemental indentures subsequent to, but not including, the Thirty-Eighth Supplemental Indenture), has been duly and validly executed and delivered by the Company (with this opinion required in the Hunton & Williams LLP and Dewey Ballantine LLP opinions only as to the original Indenture dated as of January 1, 1944 and the supplemental indentures subsequent to, but not including, the Thirty-Eighth Supplemental Indenture), and is a valid and binding mortgage of the Company enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealing (with this opinion required in the

Hunton & Williams LLP and Dewey Ballantine LLP opinions only as to the original Indenture dated as of January 1, 1944 and the supplemental indentures subsequent to, but not including, the Thirty-Eighth Supplemental Indenture); *provided, however*, that certain remedies, waivers and other provisions of the Mortgage may not be enforceable, but such unenforceability will not render the Mortgage invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided in the Securities or (ii) the right of the Trustee to exercise its right to foreclose under the Mortgage;

(ii) The Mortgage has been duly qualified under the 1939 Act;

(iii) Assuming authentication of the Securities by the Trustee in accordance with the Mortgage and delivery of the Securities to and payment for the Securities by the Underwriters, as provided in this Agreement, the Securities have been duly and validly authorized, executed and delivered and are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings, and are entitled to the benefits of the security afforded by the Mortgage, and are secured equally and ratably with all other bonds outstanding under the Mortgage except insofar as any sinking or other fund may afford additional security for the bonds of any particular series;

(iv) The statements made in the Prospectus under the caption "Description of First Mortgage Bonds" and in the Prospectus Supplement under the captions "Certain Terms of the Bonds" and "Description of First Mortgage Bonds," insofar as they purport to constitute summaries of the documents referred to therein, are accurate summaries in all material respects;

(v) This Agreement has been duly and validly authorized, executed and delivered by the Company;

(vi) The Registration Statement, at the time and date it was declared effective by the Commission, and the Prospectus, as of its date (except as to the financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein, upon which such opinions need not pass), complied as to form in all material respects with the requirements of the Securities Act and the 1939 Act and the applicable instructions, rules and regulations of the Commission thereunder; the documents or portions thereof filed with the Commission pursuant to the Exchange Act and deemed to be incorporated by reference in the Registration Statement and the Prospectus pursuant to Item 12 of Form S-3 (except as to financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1, upon which such opinions need not pass), at the time they were filed with the Commission, complied as to form in all material

respects with the requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement has become effective under the Securities Act and, to the best of the knowledge of said counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and not withdrawn, and no proceedings for a stop order with respect thereto are threatened or pending under Section 8 of the Securities Act; and

(vii) Nothing has come to the attention of said counsel that would lead them to believe that the Registration Statement, at the time and date it was declared effective by the Commission, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and nothing has come to the attention of said counsel that would lead them to believe that the Prospectus, as of its date and, as amended or supplemented, at the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except as to financial statements and other financial and statistical data constituting a part of the Registration Statement or the Prospectus or incorporated by reference therein and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1, upon which such opinions need not pass).

(d) At the Closing Date, the Representative shall receive from R. Alexander Glenn, Deputy General Counsel–Florida of Progress Energy Service Company, LLC, acting as counsel to the Company, a favorable opinion in form and substance satisfactory to counsel for the Underwriters, to the same effect with respect to the matters enumerated in subdivisions (i), (iii), (v) and (vii) of subparagraph (c) of this paragraph 9 as the opinions required by said subparagraph (c), and to the further effect that:

(i) The Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida;

(ii) The Company is duly authorized by its Charter to conduct the business that it is now conducting as set forth in the Prospectus;

(iii) The Company is an electrical utility engaged in the business of generating, transmitting, distributing and selling electric power to the general public in the State of Florida;

(iv) The Company has valid and subsisting franchises, licenses and permits adequate for the conduct of its business, except where the failure to hold such franchises, licenses and permits would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company;

(v) The Company has good and marketable title, with minor exceptions, restrictions and reservations in conveyances, and defects that are of the nature ordinarily found in properties of similar character and magnitude and that, in his opinion, will not in any substantial way impair the security afforded by the Mortgage, to all the properties described in the granting clauses of the Mortgage and upon which the Mortgage purports to create a lien. The description in the Mortgage of the above-mentioned properties is legally sufficient to constitute the Mortgage a lien upon said properties, including without limitation properties hereafter acquired by the Company (other than those expressly excepted and reserved therefrom). Said properties constitute substantially all the permanent physical properties and franchises (other than those expressly excepted and reserved therefrom) of the Company and are held by the Company free and clear of all liens and encumbrances except the lien of the Mortgage and excepted encumbrances, as defined in the Mortgage. The properties of the Company are subject to liens for current taxes, which it is the practice of the Company to pay regularly as and when due. The Company has easements for rights-of-way adequate for the operations and maintenance of its transmission and distribution lines that are not constructed upon public highways. The Company has followed the practice generally of acquiring (i) certain rights-of-way and easements and certain small parcels of fee property appurtenant thereto and for use in conjunction therewith and (ii) certain other properties of small or inconsequential value, without an examination of title and, as to the title to lands affected by said rights-of-way and easements, of not examining the title of the lessor or grantor whenever the lands affected by such rights-of-way and easements are not of such substantial value as in the opinion of the Company to justify the expense attendant upon examination of titles in connection therewith. In the opinion of said counsel, such practice of the Company is consistent with sound economic practice and with the method followed by other companies engaged in the same business and is reasonably adequate to assure the Company of good and marketable title to all such property acquired by it. It is the opinion of said counsel that any such conditions or defects as may be covered by the above recited exceptions are not substantial and would not materially interfere with the Company's use of such properties or with its business operations. The Company has the right of eminent domain in the State of Florida under which it may, if necessary, perfect or obtain title to privately owned land or acquire easements or rights-of-way required for use or used by the Company in its public utility operations;

(vi) The Mortgage has been recorded and filed in such manner and in such places as may be required by law in order fully to preserve and protect, in all material respects, the security of the bondholders and all rights of the Trustee thereunder; and the Forty-Fifth Supplemental Indenture relating to the Securities is in proper form for filing for record both as a real estate mortgage and as a security interest in all counties in the State of Florida in which any of the property (except as any therein or in the Mortgage are expressly excepted) described therein or in the Mortgage as subject to the lien of the Mortgage is located and, upon such recording, the Forty-Fifth Supplemental Indenture will constitute adequate record notice to perfect the lien of the Mortgage, and preserve and

protect, in all material respects, the security of the bondholders and all rights of the Trustee, as to all mortgaged and pledged property acquired by the Company subsequent to the recording of the Forty-Fourth Supplemental Indenture and prior to the recording of the Forty-Fifth Supplemental Indenture;

(vii) The Mortgage constitutes a valid, direct and first mortgage lien of record upon all franchises and properties now owned by the Company (other than those expressly excepted therefrom and other than those franchises and properties which are not, individually or in the aggregate, material to the Company or the security afforded by the Mortgage) situated in the State of Florida, as described or referred to in the granting clauses of the Mortgage, subject to the exceptions as to bankruptcy, insolvency and other laws stated in subdivision (i) of subparagraph (c) above;

(viii) The issuance and sale of the Securities have been duly authorized by all necessary corporate action on the part of the Company;

(ix) An order has been entered by the Florida Public Service Commission authorizing the issuance and sale of the Securities, and to the best of the knowledge of said counsel, said order is still in force and effect; and no further filing with, approval, authorization, consent or other order of any public board or body (except such as have been obtained under the Securities Act and as may be required under the state securities or Blue Sky laws of any jurisdiction) is legally required for the consummation of the transactions contemplated in this Agreement;

(x) Except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against the Company or any properties that are likely, in the aggregate, to result in any material adverse change in the business, properties, results of operations or financial condition of the Company or that are likely, in the aggregate, to materially and adversely affect the Mortgage, the Securities or the consummation of this Agreement, or the transactions contemplated herein or therein; and

(xi) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not (i) result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or the Company's by-laws or (ii) result in a material breach of any terms or provisions of, or constitute a default under, any applicable law, indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on business, properties, results of operations or financial condition of the Company.

(e) The Representative shall have received on the date hereof and shall receive on the Closing Date from Deloitte & Touche LLP, a letter addressed to the Representative containing statements and information of the type ordinarily included in accountants' SAS 72 "comfort letters" to underwriters with respect to the audit reports, financial statements and certain financial information contained in or incorporated by reference into the Prospectus.

(f) At the Closing Date, the Representative shall receive a certificate of the Chairman, President, Treasurer or a Vice President of the Company, dated the Closing Date, to the effect that the representations and warranties of the Company in this Agreement are true and correct as of the Closing Date.

(g) All legal proceedings taken in connection with the sale and delivery of the Securities shall have been satisfactory in form and substance to counsel for the Underwriters, and the Company, as of the Closing Date, shall be in compliance with any governing order of the Florida Public Service Commission, except where the failure to comply with such order would not be material to the offering or validity of the Securities.

In case any of the conditions specified above in this paragraph 9 shall not have been fulfilled or waived by 2:00 P.M. on the Closing Date, this Agreement may be terminated by the Representative by delivering written notice thereof to the Company. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8 hereof.

10. Conditions of the Company's Obligations. The obligations of the Company to deliver the Securities shall be subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date, and no proceedings for that purpose shall be pending before or threatened by the Commission on the Closing Date.

(b) Prior to 12:00 Noon, New York time, on the day following the date of this Agreement, or such later date as shall have been consented to by the Company, there shall have been issued and on the Closing Date there shall be in full force and effect an order of the Florida Public Service Commission authorizing the issuance and sale by the Company of the Securities, which shall not contain any provision unacceptable to the Company by reason of its being materially adverse to the Company (it being understood that the order in effect as of the date of this Agreement contains any such unacceptable provision).

In case any of the conditions specified in this paragraph 10 shall not have been fulfilled at the Closing Date, this Agreement may be terminated by the Company by delivering written notice thereof to the Representative. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8 hereof.

11. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Underwriter, each officer and director of each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each such Underwriter, each such officer and director, and each such controlling person for any legal or other expenses (including to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement, or alleged untrue statement, of a material fact contained in the Registration Statement or the Prospectus, or in the Registration Statement or Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however,* that the indemnity agreement contained in this paragraph 11 shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of or based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by any Underwriter through the Representative expressly for use in the Registration Statement or the Prospectus, or any amendment or supplement to any thereof, or arising out of, or based upon, statements in or omissions from that part of the Registration Statement that shall constitute the Statement of Eligibility under the 1939 Act (Form T-1) of the Trustee, and *provided, further,* that the indemnity agreement contained in this paragraph 11 shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of the Securities to any person if a copy of the Prospectus (excluding documents incorporated by reference therein) shall not have been given or sent to such person by or on behalf of such Underwriter with or prior to the written confirmation of the sale involved, unless such Prospectus failed to correct the omission or misstatement. The indemnity agreement of the Company contained in this paragraph 11 and the representations and warranties of the Company contained in paragraph 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter, and such officer or director or any such controlling person and shall survive the delivery of the Securities. The Underwriters agree to notify promptly the Company, and each other Underwriter, of the commencement of any litigation or proceedings against them or any of them, or any such officer or director or any such controlling person, in connection with the sale of the Securities.

(b) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless the Company, its officers who signed the Registration Statement and its directors, and each person who controls the Company within the meaning of Section 15 of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating

any such losses, claims, damages, or liabilities, or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by such Underwriter or through the Representative on behalf of such Underwriter expressly for use in the Registration Statement or the Prospectus or any amendment or supplement to any thereof. The indemnity agreement of all the respective Underwriters contained in this paragraph 11 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or any other Underwriter, or any such officer or director or any such controlling person, and shall survive the delivery of the Securities. The Company agrees promptly to notify the Representative of the commencement of any litigation or proceedings against the Company or any of its officers or directors, or any such controlling person, in connection with the sale of the Securities.

(c) The Company and each of the Underwriters agree that, upon the receipt of notice of the commencement of any action against it, its officers or directors, or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought hereunder. The Company and each of the Underwriters agree that the notification required by the preceding sentence shall be a material term of this Agreement. The omission so to notify such indemnifying party or parties of any such action shall relieve such indemnifying party or parties from any liability that it or they may have to the indemnified party on account of any indemnity agreement contained herein if such indemnifying party was materially prejudiced by such omission, but shall not relieve such indemnifying party or parties from any liability that it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, i it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party (or parties) and satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying parties will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them, as such expenses are incurred; *provided, however*, if the defendants (including any impleaded parties) in any such action include both the indemnified party and the indemnifying party, and counsel for the indemnified party shall have concluded, in its reasonable judgment, that there may be a conflict of interest involved in the representation by such counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory

to the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to one local counsel) representing the indemnified parties who are parties to such action). Each of the Company and the several Underwriters agrees that without the other party's prior written consent, which consent shall not be unreasonably withheld, it will not settle, compromise or consent to the entry of any judgment in any claim in respect of which indemnification may be sought under the indemnification provisions of this Agreement, unless such settlement, compromise or consent includes an unconditional release of such other party from all liability arising out of such claim.

(d) If the indemnification provided for in subparagraphs (a) or (b) above is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and of the Underwriters, on the other hand, in connection with the statements or omissions that resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, bear to the aggregate initial public offering price of the Securities as set forth on such cover. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subparagraph (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this subparagraph (d). The rights of contribution contained in this Section 11 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter of the Company and shall survive delivery of the Securities. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subparagraph (d), each officer and director of each Underwriter and each person, if any, who controls

an Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this subparagraph (d) are several in proportion to the number of Securities set forth opposite their respective names in Schedule II hereto and not joint.

(e) For purposes of this paragraph 11, it is understood and agreed that the only information provided by the Underwriters expressly for use in the Registration Statement and Prospectus were the following parts of the section titled "Underwriting": the second, third and fourth sentences of the second paragraph, the third sentence of the third paragraph, all of the fourth paragraph, all of the fifth paragraph, and all of the sixth paragraph.

12. Termination Date of this Agreement. This Agreement may be terminated by the Representative at any time prior to the Closing Date by delivering written notice thereof to the Company, if on or after the date of this Agreement but prior to such time (a) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange, or there shall have been established by the New York Stock Exchange or by the Commission or by any federal or state agency or by the decision of any court, any limitation on prices for such trading or any restrictions on the distribution of securities or (b) there shall have occurred any new outbreak of hostilities including, but not limited to, significant escalation of hostilities that existed prior to the date of this Agreement or any national or international calamity or crisis, or any material adverse change in the financial markets of the United States, the effect of which outbreak, escalation, calamity or crisis, or material adverse change on the financial markets of the United States shall be such as to make it impracticable, in the reasonable judgment of the Representative, for the Underwriters to enforce contracts for the sale of the Securities, or (c) the Company shall have sustained a substantial loss by fire, flood, accident or other calamity that renders it impracticable, in the reasonable judgment of the Representative, to consummate the sale of the Securities and the delivery of the Securities by the several Underwriters at the initial public offering price, or (d) there shall have been any downgrading or any notice of any intended or potential downgrading in the rating accorded the Company's securities by any "nationally recognized statistical rating organization" as that term is defined by the Commission for the purposes of Securities Act Rule 436(g)(2), or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Securities, or any of the Company's other outstanding debt, the effect of which in the reasonable judgment of the Representative, makes it impracticable or inadvisable to consummate the sale of the Securities and the delivery of the Securities by the several Underwriters at the initial public offering price or (e) there shall have been declared, by either federal or New York authorities, a general banking moratorium. This Agreement may also be terminated at any time prior to the Closing Date if in the reasonable judgment of the Representative the subject matter of any amendment or supplement to the Registration Statement or Prospectus (other than an amendment or supplement relating solely to the activity of any Underwriter or Underwriters) filed after the execution of this Agreement shall have materially impaired the marketability of the

Securities. Any termination hereof pursuant to this paragraph 12 shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8.

13. Miscellaneous. The validity and interpretation of this Agreement shall be governed by the laws of the State of New York. Unless otherwise specified, time of day refers to New York City time. This Agreement shall inure to the benefit of, and be binding upon, the Company, the several Underwriters, and with respect to the provisions of paragraph 11 hereof, the officers and directors and each controlling person referred to in paragraph 11 hereof, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors" as used in this Agreement shall not include any purchaser, as such purchaser, of any of the Securities from any of the several Underwriters.

14. Notices. All communications hereunder shall be in writing or by telefax and, if to the Underwriters, shall be mailed, transmitted by any standard form of telecommunication or delivered to the Representative at the address set forth in Schedule I hereto and if to the Company, shall be mailed or delivered to it at 410 South Wilmington Street, Raleigh, North Carolina 27601, Attention: Thomas R. Sullivan, Treasurer.

15. Counterparts. This Agreement may be simultaneously executed in counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

16. Defined Terms. Unless otherwise defined herein, capitalized terms used in this Underwriting Agreement shall have the meanings assigned to them in the Registration Statement.

[The remainder of this page has been intentionally left blank.]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed duplicate hereof whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

By: /S/ THOMAS R. SULLIVAN
Authorized Representative

Accepted as of the date first
above written, as Underwriter
named in, and as the Representative
of the other Underwriters named in, Schedule II.

BARCLAYS CAPITAL INC.

By: /S/ PAMELA KENDALL
Authorized Representative

WACHOVIA CAPITAL MARKETS, LLC

By: /S/ JIM WILLIAMS
Authorized Representative

[Signature Page of PEF First Mortgage Bond Underwriting Agreement)]

SCHEDULE I

Underwriting Agreement dated May 11, 2005

Representative and Addresses:	Barclays Capital Inc. 200 Park Avenue New York, New York 10166 Wachovia Capital Markets, LLC One Wachovia Center 301 South College Street Charlotte, NC 28288-0602	
Supplemental Indenture:	Forty-Fifth, dated as of May 1, 2005	
Designation:	First Mortgage Bonds, 4.50% Series due 2010	
	Principal Amount:	$300,000,000
	Date of Maturity:	June 1, 2010
	Interest Rate:	4.50% per annum, payable June 1 and December 1 of each year, commencing December 1, 2005.
	Purchase Price:	99.295% of the principal amount thereof, plus no accrued interest to the date of payment and delivery.
	Public Offering Price:	99.895% of the principal amount thereof, plus no accrued interest to the date of payment and delivery.
Redemption Terms:	Optional — redeemable prior to maturity, in whole or in part, at the option of the Company at a make-whole redemption price (as defined and described in further detail in the Prospectus Supplement). Special — redeemable prior to maturity, in whole but not in part, upon the occurrence of specific events, at the option of the Company at a make-whole redemption price (as defined and described in further detail in the Prospectus Supplement).	
Closing Date and Location:	May 16, 2005 Hunton & Williams LLP One Hannover Square, Suite 1400 421 Fayetteville St. Mall Raleigh, North Carolina 27601	

SCHEDULE II

Underwriter	Principal Amount of Bonds
Barclays Capital Inc	$ 112,500,000
Wachovia Capital Markets, LLC	$ 112,500,000
Banc of America Securities LLC	$ 22,500,000
Greenwich Capital Markets, Inc.	$ 22,500,000
Calyon Securities (USA) Inc.	$ 15,000,000
Goldman, Sachs & Co.	$ 15,000,000
Total	$ 300,000,000

Exhibit 1

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

Series A Floating Rate Senior Notes due 2008

UNDERWRITING AGREEMENT

December 7, 200

To the Representative named in Schedule I hereto
of the Underwriters named in Section 1 herein

Dear Ladies and Gentlemen:

The undersigned Florida Power Corporation d/b/a Progress Energy Florida, Inc. (the "Company") hereby confirms its agreement with each of the several Underwriters hereinafter named as follows:

1. Underwriters and Representative. The term "Underwriters" as used in this Agreement (the "Agreement") shall be deemed to mean the following firms, and any underwriter substituted as provided in paragraph 6, and the term "Underwriter" shall be deemed to mean any one of such Underwriters:

Barclays Capital Inc.
Lehman Brothers Inc.
BNP Paribas Securities Corp.
Calyon Securities (USA) Inc.
SunTrust Capital Markets, Inc.
UBS Securities LLC
Deutsche Bank Securities Inc.
Mellon Financial Markets, LLC

If the firm or firms listed as Representatives in Schedule I hereto (individually and collectively, the "Representative") are the only firm or firms serving as underwriters, then the terms "Underwriters" and "Representative," as used herein, shall each be deemed to refer to such firm or firms. Each Representative represents jointly and severally that they have been authorized by the Underwriters to execute this Agreement on their behalf and to act for them in the manner herein provided. All obligations of the Underwriters hereunder are several and not joint. If more than one firm is named as Representative in Schedule I hereto, any action under or in respect of this Agreement may be taken by such firms jointly as the Representative or by one of the firms acting on behalf of the Representative, and such action will be binding upon all the Underwriters.

2. Description of Securities. The Company proposes to issue and sell its debt securities of the designation, with the terms and in the amount specified in Schedule I hereto (the "Securities") under a governing indenture dated as of December 7, 2005 (the "Base Indenture") between the Company and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee") as supplemented and amended by an officer's certificate dated as of December 13,

2005 (the "Officer's Certificate"; and the Base Indenture as so supplemented, the "Indenture") in substantially the form heretofore delivered to the Representative.

3. Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-103974) (the "New Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), for the registration of up to an aggregate of $1,000,000,000 principal amount of First Mortgage Bonds and Debt Securities in unallocated amounts. The New Registration Statement also constituted post-effective amendment No. 1 to a registration statement on Form S-3 (No. 333-63204) (the "Post-Effective Amendment" and together with the New Registration Statement, the "Registration Statement") under the Securities Act relating to an aggregate amount of $50,000,000 principal amount of the Company's securities, which had been previously registered under the Securities Act but remained unsold at the time the Post-Effective Amendment became effective. The Registration Statement contained a combined prospectus for the sale of up to an aggregate of $1,050,000,000 principal amount of the Companies First Mortgage Bonds and Debt Securities (the "Registered Securities"). The Registration Statement was declared effective by the Commission on April 4, 2003. As of the date hereof, the Company has sold $600,000,000 aggregate principal amount of Registered Securities. The term "Registration Statement" shall be deemed to include all amendments to the date hereof and all documents incorporated by reference therein (the "Incorporated Documents"). The base prospectus filed as part of the Registration Statement, in the form in which it has most recently been filed with the Commission prior to the date of this Agreement, is hereinafter called the "Basic Prospectus." The Basic Prospectus included in the Registration Statement, as supplemented by a preliminary prospectus supplement, dated December 7, 2005, relating to the Securities, and all prior amendments or supplements thereto (other than amendments or supplements relating to the Registered Securities other than the Securities), including the Incorporated Documents, is hereinafter referred to as the "Preliminary Prospectus." The Preliminary Prospectus, as amended and supplemented, including the Incorporated Documents, at or immediately prior to the Applicable Time (as defined below) is hereinafter called the "Pricing Prospectus." The Basic Prospectus included in the Registration Statement, as it is to be supplemented by a prospectus supplement, dated on the date hereof, substantially in the form delivered to the Representative prior to the execution hereof, relating to the Securities (the "Prospectus Supplement") and all prior amendments or supplements thereto (other than amendments or supplements relating to securities of the Company other than the Securities), including the Incorporated Documents, is hereinafter referred to as the "Prospectus." Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Securities Act and the filing of any document under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), deemed to be incorporated therein after the date hereof and prior to the termination of the offering of the Securities by the Underwriters; and any

references herein to the terms "Registration Statement" or "Prospectus" at a date after the filing of the Prospectus Supplement shall be deemed to refer to the Registration Statement or the Prospectus, as the case may be, as each may be amended or supplemented prior to such date.

For purposes of this Agreement, the "Applicable Time" is 1:00 p.m. (NY Time) on the date of this Agreement; the documents listed in Schedule II, taken together, are collectively referred to as the "Pricing Disclosure Package."

(b) The Registration Statement, at the time and date it was declared effective by the Commission, complied, and the Registration Statement, the Prospectus and the Indenture, as of the date hereof and at the Closing Date, will comply, in all material respects, with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement, at the time and date it was declared effective by the Commission, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; the Pricing Disclosure Package as of the Applicable Time did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Prospectus, as of its date and at the Closing Date, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the foregoing representations and warranties in this subparagraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished herein or in writing to the Company by the Representative or by or on behalf of any Underwriter through the Representative expressly for use in the Prospectus or to any statements in or omissions from the Statement of Eligibility ("Form T-1") of the Trustee. The Incorporated Documents, at the time they were each filed with the Commission, complied in all material respects with the applicable requirements of the Exchange Act and the instructions, rules and regulations of the Commission thereunder, and any documents so filed and incorporated by reference subsequent to the date hereof and prior to the termination of the offering of the Securities by the Underwriters will, at the time they are each filed with the Commission, comply in all material respects with the requirements of the Exchange Act and the instructions, rules and regulations of the Commission thereunder; and, when read together with the Registration Statement, the Pricing Prospectus, the Permitted Free Writing Prospectuses (as defined in Section 5 (a)) and the Prospectus, none of such documents included or includes or will include any untrue statement of a material fact or omitted or omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each Permitted Free Writing Prospectus listed on Schedule II does not conflict in any material respect with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus.

(c) The Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida; has corporate power and authority to own, lease and operate its properties and to conduct its business as contemplated under this Agreement and the other agreements to which it is a party; and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(d) The historical financial statements incorporated by reference in the Registration Statement, the Pricing Prospectus and the Prospectus present fairly the financial condition and operations of the Company at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except that the quarterly financial statements incorporated by reference from any Quarterly Reports on Form 10-Q contain condensed footnotes prepared in accordance with applicable Exchange Act rules and regulations; and any accounting firms that have audited any of the financial statements are independent registered public accounting firms as required by the Securities Act or the Exchange Act and the rules and regulations of the Commission thereunder.

(e) Except as reflected in, or contemplated by, the Registration Statement and the Pricing Prospectus, since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, and prior to the Closing Date, (i) there has not been any material adverse change in the business, properties, results of operations or financial condition of the Company, (ii) there has not been any material transaction entered into by the Company other than transactions contemplated by the Registration Statement and the Pricing Prospectus or transactions arising in the ordinary course of business and (iii) the Company has no material contingent obligation that is not disclosed in the Registration Statement and the Pricing Prospectus that could likely result in a material adverse change in the business, properties, results of operations or financial condition of the Company.

(f) The Company has full power and authority to execute, deliver and perform its obligations under this Agreement. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of the terms hereof on the part of the Company to be fulfilled have been duly authorized by all necessary corporate action of the Company in accordance with the provisions of its articles of incorporation, as amended (the "Charter"), by-laws and applicable law.

(g) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, the Charter, the Company's by-laws, applicable law or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any

of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on the business, properties, results of operations or financial condition of the Company.

(h) The Securities conform in all material respects to the description contained in the Pricing Disclosure Package and the Prospectus.

(i) The Company has no subsidiaries that meet the definition of "significant subsidiary" as defined in Section 210.1-02(w) of Regulation S-X promulgated under the Securities Act.

(j) The Indenture (i) has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (A) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting creditors' rights generally and (B) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity and except for the effect on enforceability of federal or state law limiting, delaying or prohibiting the making of payments outside the United States); and (ii) conforms in all material respects to the description thereof in the Pricing Disclosure Package and the Prospectus. The Indenture has been qualified under the 1939 Act.

(k) The Securities have been duly authorized by the Company and, when authenticated in the manner provided for in the Indenture and delivered against payment of the required consideration therefor, will constitute valid and legally binding obligations of the Company, entitled to the benefits of the Indenture enforceable against the Company in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity and except for the effect on enforceability of federal or state law limiting, delaying or prohibiting the making of payments outside the United States).

(l) The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(m) Except as described in or contemplated by the Pricing Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against or affecting the Company or its properties that are likely in the aggregate to result in any material adverse change in the business, properties, results of operations or financial condition of the Company, or that are likely in the aggregate to materially and adversely affect the Indenture, the Securities or the consummation of this Agreement or the transactions contemplated herein or therein.

(n) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is

necessary or required for the performance by the Company of its obligations hereunder in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions herein contemplated or for the due execution, delivery or performance of the Indenture by the Company, except such as have already been made or obtained or as may be required under the Securities Act or state securities laws and except for the qualification of the Indenture under the 1939 Act.

4. Purchase and Sale. On the basis of the representations, warranties and covenants herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to each of the Underwriters, severally and not jointly, and each such Underwriter agrees, severally and not jointly, to purchase from the Company, the respective principal amount of Securities set forth opposite the name of such Underwriter below at a purchase price of 99.65% of the principal amount thereof:

Underwriter	Principal Amount of Securities
Barclays Capital Inc.	$ 146,250,000
Lehman Brothers Inc.	$ 146,250,000
BNP Paribas Securities Corp.	$ 31,500,000
Calyon Securities (USA) Inc.	$ 31,500,000
SunTrust Capital Markets, Inc.	$ 31,500,000
UBS Securities LLC	$ 31,500,000
Deutsche Bank Securities Inc.	$ 22,500,000
Mellon Financial Markets, LLC	$ 9,000,000
Total	$ 450,000,000

The Underwriters agree to make promptly a bona fide public offering of the Securities to the public for sale as set forth in the Prospectus, subject, however, to the terms and conditions of this Agreement. The Underwriters agree that (i) no sales of the Securities will occur before investors are presented with the information that is contained in the Pricing Disclosure Package and (ii) such information that is presented to investors is consistent with the information that is contained in the Pricing Disclosure Package.

5. Free Writing Prospectuses.

(a) The Company represents and agrees that, without the prior consent of the Representative, it has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus" as defined in Rule 405 under the Act, other than a Permitted Free Writing Prospectus; each Underwriter represents and agrees that, without the prior consent of the Company and the Representative, it has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus," as defined in Rule 405 under the Act, other than a Permitted Free Writing Prospectus or a free writing prospectus that is not required to be filed by the Company pursuant to Rule 433 under the Securities Act (an "Underwriter Free Writing Prospectus"). Any such free writing prospectus the use of which is consented to by the Company and the Representative is referred to herein as a "Permitted Free Writing

Prospectus". The only Permitted Free Writing Prospectus as of the time of this Agreement is the pricing term sheet referred to in paragraph 5 (b) below.

(b) The Company agrees to file a pricing term sheet, in the form of Schedule I hereto and approved by the Representative pursuant to Rule 433(d) under the Securities Act within the time period prescribed by such Rule.

(c) The Company and the Underwriters have complied and will comply with the requirements of Rule 433 under the Securities Act applicable to any free writing prospectus, including timely Commission filing where required and legending.

(d) The Company agrees that if at any time following issuance of a Permitted Free Writing Prospectus any event occurred or occurs as a result of which such Permitted Free Writing Prospectus would conflict in any material respect with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representative and, if requested by the Representative, will prepare and furnish without charge to each Underwriter a Permitted Free Writing Prospectus or other document which will correct such conflict, statement or omission; provided, however, that this representation and warranty shall not apply to any statements or omissions in a Permitted Free Writing Prospectus made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representative, expressly for use therein.

6. Time and Place of Closing; Default of Underwriters.

(a) Payment for the Securities shall be made at the place, time and date specified in Schedule I hereto against delivery of the Securities at the office of J.P. Morgan Trust Company, National Association, 4 New York Plaza New York, New York 10004, or such other place, time and date as the Representative and the Company may agree. The hour and date of such delivery and payment are herein called the "Closing Date." Payment for the Securities shall be by wire transfer of immediately available funds against delivery to The Depository Trust Company or to J.P. Morgan Trust Company, National Association, as custodian for The Depository Trust Company, in fully registered global form registered in the name of CEDE & Co., as nominee for The Depository Trust Company, for the respective accounts specified by the Representative not later than the close of business on the business day prior to the Closing Date or such other date and time not later than the Closing Date as agreed by The Depository Trust Company or J.P. Morgan Trust Company, National Association. For the purpose of expediting the checking of the certificates by the Representative, the Company agrees to make the Securities available to the Representative not later than 10:00 A.M. New York time, on the last full business day prior to the Closing Date at said office of J.P. Morgan Trust Company, National Association.

(b) If one or more Underwriters shall, for any reason other than a reason permitted hereunder, fail to take up and pay for the principal amount of the Securities to be purchased by such one or more Underwriters, the Company shall immediately notify the Representative, and the non-defaulting Underwriters shall be obligated to take up and pay for (in addition to the respective principal amount of the Securities set forth opposite their respective names in Section 4) the principal amount of such Securities that such defaulting Underwriter or Underwriters failed to take up and pay for, up to a principal amount thereof equal to 10% of the principal amount of such Securities. Each non-defaulting Underwriter shall do so on a pro-rata basis according to the amounts set forth opposite the name of such non-defaulting Underwriter in Section 4, and such non-defaulting Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another Underwriter or Underwriters, satisfactory to the Company, to take up and pay for the remaining principal amount of the Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Securities still remain, then the Company or the Representative shall be entitled to an additional period of 24 hours within which to procure another party or parties, members of the National Association of Securities Dealers, Inc. (or if not members of such Association, who are not eligible for membership in said Association and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with said Association's Conduct Rules) and satisfactory to the Company, to purchase or agree to purchase such unpurchased Securities on the terms herein set forth. In any such case, either the Representative or the Company shall have the right to postpone the Closing Date for a period not to exceed three full business days from the date agreed upon in accordance with this paragraph 6, in order that the necessary changes in the Registration Statement and Prospectus and any other documents and arrangements may be effected. If (i) neither the non-defaulting Underwriters nor the Company has arranged for the purchase of such unpurchased Securities by another party or parties as above provided and (ii) the Company and the non-defaulting Underwriters have not mutually agreed to offer and sell the Securities other than the unpurchased Securities, then this Agreement shall terminate without any liability on the part of the Company or any Underwriter (other than an Underwriter that shall have failed or refused, in accordance with the terms hereof, to purchase and pay for the principal amount of the Securities that such Underwriter has agreed to purchase as provided in paragraph 4 hereof), except as otherwise provided in paragraph 7 and paragraph 8 hereof.

7. Covenants of the Company. The Company covenants with each Underwriter that:

(a) As soon as reasonably possible after the execution and delivery of this Agreement, the Company will file the Prospectus with the Commission pursuant to Rule 424 under the Securities Act ("Rule 424"), setting forth, among other things, the necessary information with respect to the terms of offering of the Securities and make any other required filings pursuant to Rule 433 under the Securities Act. Upon request, the Company will promptly deliver to the Representative and to counsel for the Underwriters, to the extent not previously delivered, one fully executed copy or one conformed copy, certified by an officer of the Company, of the Registration Statement, as

originally filed, and of all amendments thereto, if any, heretofore or hereafter made (other than those relating solely to Registered Securities other than the Securities), including any post-effective amendment (in each case including all exhibits filed therewith and all documents incorporated therein not previously furnished to the Representative), including signed copies of each consent and certificate included therein or filed as an exhibit thereto, and will deliver to the Representative for distribution to the Underwriters as many conformed copies of the foregoing (excluding the exhibits, but including all documents incorporated therein) as the Representative may reasonably request. The Company will also send to the Underwriters as soon as practicable after the date of this Agreement and thereafter from time to time as many copies of the Prospectus and the Preliminary Prospectus as the Representative may reasonably request for the purposes required by the Securities Act.

(b) During such period (not exceeding nine months) after the commencement of the offering of the Securities as the Underwriters may be required by law to deliver a Prospectus, if any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Representative shall occur, which in the Company's reasonable opinion (after consultation with counsel for the Representative) should be set forth in a supplement to or an amendment of the Prospectus in order to make the Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser, or if it is necessary to amend the Prospectus to comply with the Securities Act, the Company will forthwith at its expense prepare and furnish to the Underwriters and dealers named by the Representative a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus that will supplement or amend the Prospectus so that as supplemented or amended it will comply with the Securities Act and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading. In case any Underwriter is required to deliver a Prospectus after the expiration of nine months after the commencement of the offering of the Securities, the Company, upon the request of the Representative, will furnish to the Representative, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Prospectus, complying with Section 10(a) of the Securities Act.

(c) The Company will make generally available to its security holders, as soon as reasonably practicable, but in any event not later than 16 months after the end of the fiscal quarter in which the filing of the Prospectus pursuant to Rule 424 occurs, an earning statement (in form complying with the provisions of Section 11(a) of the Securities Act, which need not be certified by independent public accountants) covering a period of twelve months beginning not later than the first day of the Company's fiscal quarter next following the filing of the Prospectus pursuant to Rule 424.

(d) The Company will use its best efforts promptly to do and perform all things to be done and performed by it hereunder prior to the Closing Date and to satisfy all conditions precedent to the delivery by it of the Securities.

(e) The Company will advise the Representative, or the Representative's counsel, promptly of the filing of the Prospectus pursuant to Rule 424 and of any amendment or supplement to the Prospectus or Registration Statement or of official notice of institution of proceedings for, or the entry of, a stop order suspending the effectiveness of the Registration Statement and, if such a stop order should be entered, use its best efforts to obtain the prompt removal thereof.

(f) The Company will use its best efforts to qualify the Securities, as may be required, for offer and sale under the Blue Sky or legal investment laws of such jurisdictions as the Representative may designate, and will file and make in each year such statements or reports as are or may be reasonably required by the laws of such jurisdictions; provided, however, that the Company shall not be required to qualify as a foreign corporation or dealer in securities, or to file any general consents to service of process, under the laws of any jurisdiction.

(g) Prior to the termination of the offering of the Securities, the Company will not file any amendment to the Registration Statement or supplement to the Pricing Prospectus or the Prospectus which shall not have previously been furnished to the Representative or of which the Representative shall not previously have been advised or to which the Representative shall reasonably object in writing and which has not been approved by the Underwriter(s) or their counsel acting on behalf of the Underwriters.

8. Payment of Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing and filing of the Registration Statement and the printing of this Agreement, (ii) the delivery of the Securities to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the expenses in connection with the qualification of the Securities under securities laws in accordance with the provisions of paragraph 7(f) hereof, including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith, such fees and disbursements not to exceed $7,500, (v) the printing and delivery to the Underwriters of copies of the Registration Statement and all amendments thereto, of the Preliminary Prospectus, any Permitted Free Writing Prospectus and the Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of the Blue Sky Survey, and (vii) the preparation and execution by the Company of the Indenture; and the Company will pay all taxes, if any (but not including any transfer taxes), on the issue of the Securities. The fees and disbursements of Underwriters' counsel shall be paid by the Underwriters (subject, however, to the provisions of this paragraph 8 requiring payment by the Company of fees and disbursements not to exceed $7,500); provided, however, that if this Agreement is terminated in accordance with the provisions of paragraph 9, 10 or 12 hereof, the Company shall reimburse the Representative for the account of the Underwriters for the fees and disbursements of Underwriters' counsel. The Company shall not be required to pay any amount for any expenses of the Representative or of any other of the Underwriters except as provided in paragraph 7 hereof and in this paragraph 8. The Company shall not in any event be liable to any of the Underwriters for damages on account of the loss of anticipated profit.

9. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase and pay for the Securities shall be subject to the accuracy of the

representations and warranties on the part of the Company as of the date hereof and the Closing Date, to the performance by the Company of its obligations to be performed hereunder prior to the Closing Date, and to the following further conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be pending before, or, to the Company's knowledge, threatened by, the Commission on the Closing Date. The Representative shall have received, prior to payment for the Securities, a certificate dated the Closing Date and signed by the Chairman, President, Treasurer or a Vice President of the Company to the effect that no such stop order is in effect and that no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) At the time of execution of this Agreement, or such later date as shall have been consented to by the Representative, there shall have been issued, and on the Closing Date there shall be in full force and effect, an order of the Florida Public Service Commission authorizing the issuance and sale of the Securities, which shall not contain any provision unacceptable to the Representative by reason of its being materially adverse to the Company (it being understood that no such order in effect on the date of this Agreement and heretofore furnished to the Representative or counsel for the Underwriters contains any such unacceptable provision).

(c) At the Closing Date, the Representative shall receive favorable opinions from: (1) Hunton & Williams LLP, counsel to the Company, which opinion shall be satisfactory in form and substance to counsel for the Underwriters, and (2) Dewey Ballantine LLP, counsel for the Underwriters, in each of which opinions (except as to subdivision (vi) (as to documents incorporated by reference, at the time they were filed with the Commission) as to which Dewey Ballantine LLP need express no opinion) said counsel may rely as to all matters of Florida law upon the opinion of R. Alexander Glenn, Deputy General Counsel – Florida of Progress Energy Service Company LLC, acting as counsel to the Company, to the effect that:

(i) the Indenture has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered by the Company, and is a valid and binding obligation of the Company enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings;

(ii) the Indenture has been duly qualified under the 1939 Act;

(iii) assuming authentication of the Securities by the Trustee in accordance with the Indenture and delivery of the Securities to and payment for the Securities by the Underwriters, as provided in this Agreement, the Securities have been duly and validly authorized, executed and delivered and are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting

mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealings, and are entitled to the benefits of the Indenture;

(iv) the statements made in the Prospectus under the caption "Description of Debt Securities" and in the Prospectus Supplement under the caption "Description of Senior Notes," insofar as they purport to constitute summaries of the documents referred to therein, are accurate in all material respects;

(v) this Agreement has been duly and validly authorized, executed and delivered by the Company;

(vi) the Registration Statement, at the time and date it was declared effective by the Commission, and the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses and the Prospectus, as of their respective dates (except as to the financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein, upon which such opinions need not pass), complied as to form in all material respects with the requirements of the Securities Act and the 1939 Act and the applicable instructions, rules and regulations of the Commission thereunder; the documents or portions thereof filed with the Commission pursuant to the Exchange Act and deemed to be incorporated by reference in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, and the Prospectus pursuant to Item 12 of Form S-3 (except as to financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1, upon which such opinions need not pass), at the time they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement has become effective under the Securities Act and, to the best of the knowledge of said counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and not withdrawn, and no proceedings for a stop order with respect thereto are threatened or pending under Section 8 of the Securities Act; and

(vii) nothing has come to the attention of said counsel that would lead them to believe that the Registration Statement, at the time and date it was declared effective by the Commission, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and nothing has come to the attention of said counsel that would lead them to believe that (x) the Pricing Disclosure Package, as of the Applicable Time, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (y) the Prospectus, as of its date and, as amended or supplemented, at the

Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except as to financial statements and other financial and statistical data constituting a part of the Registration Statement, the Pricing Disclosure Package or the Prospectus or incorporated by reference therein and that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1, upon which such opinions need not pass).

(d) At the Closing Date, the Representative shall receive from R. Alexander Glenn, Deputy General Counsel — Florida of Progress Energy Service Company, LLC, acting as counsel to the Company, a favorable opinion in form and substance satisfactory to counsel for the Underwriters, to the same effect with respect to the matters enumerated in subdivisions (i), (iii), (v) and (vii) of subparagraph (c) of this paragraph 9 as the opinions required by said subparagraph (c), and to the further effect that:

(i) the Company has been incorporated, is validly existing as a corporation and its status is active under the laws of the State of Florida;

(ii) the Company is duly authorized by its Charter to conduct the business that it is now conducting as set forth in the Prospectus;

(iii) the Company is an electrical utility engaged in the business of generating, transmitting, distributing and selling electric power to the general public in the State of Florida;

(iv) the Company has valid and subsisting franchises, licenses and permits adequate for the conduct of its business, except where the failure to hold such franchises, licenses and permits would not have a material adverse effect on the business, properties, results of operations or financial condition of the Company;

(v) the issuance and sale of the Securities have been duly authorized by all necessary corporate action on the part of the Company;

(vi) an order has been entered by the Florida Public Service Commission authorizing the issuance and sale of the Securities; and to the best of the knowledge of said counsel, said order is still in force and effect; and no further filing with, approval, authorization, consent or other order of, any public board or body (except such as have been obtained under the Securities Act and as may be required under the state securities or Blue Sky laws of any jurisdiction) is legally required for the consummation of the transactions contemplated in this Agreement;

(vii) except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings (regulatory or otherwise) against the Company or any properties that are likely, in the aggregate, to result in any

material adverse change in the business, properties, results of operations or financial condition of the Company or that are likely, in the aggregate, to materially and adversely affect the Indenture, the Securities or the consummation of this Agreement, or the transactions contemplated herein or therein; and

(viii) the consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not (i) result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or the Company's by-laws or (ii) result in a material breach of any terms or provisions of, or constitute a default under, any applicable law, indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its assets, properties or operations that, in the case of any such breach or default, would have a material adverse effect on business, properties, results of operations or financial condition of the Company.

(e) The Representative shall have received on the date hereof and shall receive on the Closing Date from Deloitte & Touche LLP, a letter addressed to the Representative containing statements and information of the type ordinarily included in accountants' SAS 72 "comfort letters" to underwriters with respect to the audit reports, financial statements and certain financial information contained in or incorporated by reference into the Prospectus.

(f) At the Closing Date, the Representative shall receive a certificate of the Chairman, President, Treasurer or a Vice President of the Company, dated the Closing Date, to the effect that the representations and warranties of the Company in this Agreement are true and correct as of the Closing Date.

(g) The Permitted Free Writing Prospectus, and any other material required pursuant to Rule 433(d) under the Securities Act, shall have been filed by the Company with the Commission within the applicable time periods prescribed by Rule 433.

(h) All legal proceedings taken in connection with the sale and delivery of the Securities shall have been satisfactory in form and substance to counsel for the Underwriters, and the Company, as of the Closing Date, shall be in compliance with any governing order of the Florida Public Service Commission, except where the failure to comply with such order would not be material to the offering or validity of the Securities.

In case any of the conditions specified above in this paragraph 9 shall not have been fulfilled or waived by 2:00 P.M. on the Closing Date, this Agreement may be terminated by the Representative by delivering written notice thereof to the Company. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8 hereof.

10. Conditions of the Company's Obligations. The obligations of the Company to deliver the Securities shall be subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date, and no proceedings for that purpose shall be pending before or threatened by the Commission on the Closing Date.

(b) Prior to 12:00 Noon, New York time, on the day following the date of this Agreement, or such later date as shall have been consented to by the Company, there shall have been issued and on the Closing Date there shall be in full force and effect an order of the Florida Public Service Commission authorizing the issuance and sale by the Company of the Securities, which shall not contain any provision unacceptable to the Company by reason of its being materially adverse to the Company (it being understood that the order in effect as of the date of this Agreement contains any such unacceptable provision).

In case any of the conditions specified in this paragraph 10 shall not have been fulfilled at the Closing Date, this Agreement may be terminated by the Company by delivering written notice thereof to the Representative. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8 hereof.

11. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Underwriter, each officer and director of each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each such Underwriter, each such officer and director, and each such controlling person for any legal or other expenses (including to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement, or alleged untrue statement, of a material fact contained in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses or the Prospectus, or in the Registration Statement or Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or in any free writing prospectus used by the Company other than a Permitted Free Writing Prospectus, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the indemnity agreement contained in this paragraph 11 shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of or based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by any Underwriter through the Representative expressly for use in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses or the Prospectus, or any amendment or supplement to any thereof, or arising out of, or based upon, statements in or omissions from that part of the Registration Statement that shall constitute the Statement of Eligibility under the 1939 Act (Form T-1)

of the Trustee, and provided, further, that the indemnity agreement contained in this paragraph 11 shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of the Securities to any person if a copy of the Permitted Free Writing Prospectus or Prospectus (excluding documents incorporated by reference therein) shall not have been given or sent to such person by or on behalf of such Underwriter at or prior to the entry into the contract of sale, unless such Prospectus or Permitted Free Writing Prospectus failed to correct the omission or misstatement. The indemnity agreement of the Company contained in this paragraph 11 and the representations and warranties of the Company contained in paragraph 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter, and such officer or director or any such controlling person and shall survive the delivery of the Securities. The Underwriters agree to notify promptly the Company, and each other Underwriter, of the commencement of any litigation or proceedings against them or any of them, or any such officer or director, or any such controlling person, in connection with the sale of the Securities.

(b) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless the Company, its officers who signed the Registration Statement and its directors, and each person who controls the Company within the meaning of Section 15 of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages, or liabilities, or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectuses, the Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or any Underwriter Free Writing Prospectus used by such Underwriter (but only to the extent that the content of such Underwriter Free Writing Prospectus that is subject to indemnification is materially inconsistent with the information contained in the Permitted Free Writing Prospectus or the Prospectus) or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by such Underwriter or through the Representative on behalf of such Underwriter expressly for use in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Permitted Free Writing Prospectus or the Prospectus or any amendment or supplement to any thereof. The indemnity agreement of all the respective Underwriters contained in this paragraph 11 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or any other Underwriter, or any such officer or director or any such controlling person, and shall survive the delivery of the Securities. The Company agrees promptly to notify the Representative of the commencement of any litigation or proceedings against the Company or any of its

officers or directors, or any such controlling person, in connection with the sale of the Securities.

(c) The Company and each of the Underwriters agree that, upon the receipt of notice of the commencement of any action against it, its officers or directors, or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought hereunder. The Company and each of the Underwriters agree that the notification required by the preceding sentence shall be a material term of this Agreement. The omission so to notify such indemnifying party or parties of any such action shall relieve such indemnifying party or parties from any liability that it or they may have to the indemnified party on account of any indemnity agreement contained herein if such indemnifying party was materially prejudiced by such omission, but shall not relieve such indemnifying party or parties from any liability that it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party (or parties) and satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying parties will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them, as such expenses are incurred; provided, however, if the defendants (including any impleaded parties) in any such action include both the indemnified party and the indemnifying party, and counsel for the indemnified party shall have concluded, in its reasonable judgment, that there may be a conflict of interest involved in the representation by such counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to one local counsel) representing the indemnified parties who are parties to such action). Each of the Company and the several Underwriters agrees that without the other party's prior written consent, which consent shall not be unreasonably withheld, it will not settle, compromise or consent to the entry of any judgment in any claim in respect of which indemnification may be sought under the indemnification provisions of this Agreement, unless such settlement, compromise or consent includes an unconditional release of such other party from all liability arising out of such claim.

(d) If the indemnification provided for in subparagraphs (a) or (b) above is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such

proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and of the Underwriters, on the other hand, in connection with the statements or omissions that resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, bear to the aggregate initial public offering price of the Securities as set forth on such cover. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subparagraph (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this subparagraph (d). The rights of contribution contained in this Section 11 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter of the Company and shall survive delivery of the Securities. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subparagraph (d), each officer and director of each Underwriter and each person, if any, who controls an Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this subparagraph (d) are several in proportion to the number of Securities set forth opposite their respective names in Section 4 and not joint.

(e) For purposes of this paragraph 11, it is understood and agreed that the only information provided by the Underwriters expressly for use in the Registration Statement, the Pricing Prospectus, the Permitted Free Writing Prospectuses and Prospectus were the following parts of the section titled "Underwriting": the second and third sentences of the second paragraph, the third sentence of the third paragraph, the fourth paragraph, the fifth paragraph and the sixth paragraph.

12. Termination Date of this Agreement. This Agreement may be terminated by the Representative at any time prior to the Closing Date by delivering written notice thereof to the Company, if on or after the date of this Agreement but prior to such time (a) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange, or there shall have been established by the New York Stock Exchange or by the Commission or by any federal or state agency or by the decision of any court, any limitation on prices for such trading or any restrictions on the distribution of securities or (b) there shall have occurred any new outbreak of hostilities including, but not limited to, significant escalation of hostilities that existed prior to the date of this Agreement or any national or international calamity or crisis, or any material adverse change in the financial markets of the United States, the effect of which outbreak, escalation, calamity or crisis, or material adverse change on the financial markets of the United States shall be such as to make it impracticable, in the reasonable judgment of the Representative, for the Underwriters to enforce contracts for the sale of the Securities, or (c) the Company shall have sustained a substantial loss by fire, flood, accident o other calamity that renders it impracticable, in the reasonable judgment of the Representative, to consummate the sale of the Securities and the delivery of the Securities by the several Underwriters at the initial public offering price, or (d) there shall have been any downgrading or any notice of any intended or potential downgrading in the rating accorded the Company's securities by any "nationally recognized statistical rating organization" as that term is defined by the Commission for the purposes of Securities Act Rule 436(g)(2), or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Securities, or any of the Company's other outstanding debt, the effect of which in the reasonable judgment of the Representative, makes it impracticable or inadvisable to consummate the sale of the Securities and the delivery of the Securities by the several Underwriters at the initial public offering price or (e) there shall have been declared, by either federal or New York authorities, a general banking moratorium. This Agreement may also be terminated at any time prior to the Closing Date if in the reasonable judgment of the Representative the subject matter of any amendment or supplement to the Registration Statement, the Pricing Prospectus or Prospectus (other than an amendment or supplement relating solely to the activity of any Underwriter or Underwriters) filed after the execution of this Agreement shall have materially impaired the marketability of the Securities. Any termination hereof pursuant to this paragraph 12 shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8.

13. Miscellaneous. The validity and interpretation of this Agreement shall be governed by the laws of the State of New York. Unless otherwise specified, time of day refers to New York City time. This Agreement shall inure to the benefit of, and be binding upon, the Company, the several Underwriters, and with respect to the provisions of paragraph 11 hereof, the officers and directors and each controlling person referred to in paragraph 11 hereof, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors" as used in this Agreement shall not include any purchaser, as such purchaser, of any of the Securities from any of the several Underwriters.

14. Nature of Relationship. The Company acknowledges and agrees that (i) in connection with all aspects of each transaction contemplated by this Agreement, the Company

and the Underwriters have an arms length business relationship that creates no fiduciary duty on the part of any party and each expressly disclaims any fiduciary relationship, (ii) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, (iii) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate, and (iv) any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company.

15. Notices. All communications hereunder shall be in writing or by telefax and, if to the Underwriters, shall be mailed, transmitted by any standard form of telecommunication or delivered to the Representatives at Barclays Capital Inc., 200 Park Avenue, New York, New York 10166 and Lehman Brothers Inc., 745 Seventh Avenue, 30th Floor, New York City, New York 10019, and if to the Company, shall be mailed or delivered to it at 410 South Wilmington Street, Raleigh, North Carolina 27601, Attention: Thomas R. Sullivan, Treasurer.

16. Counterparts. This Agreement may be simultaneously executed in counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

17. Defined Terms. Unless otherwise defined herein, capitalized terms used in this Underwriting Agreement shall have the meanings assigned to them in the Registration Statement.

[The remainder of this page has been intentionally left blank.]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed duplicate ıereof whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

By: /s/ Thomas R. Sullivan
Authorized Representative

Accepted as of the date first above written, as Underwriter named in, and as the Representative of the other Underwriters named in, Section 1 of this Agreement.

BARCLAYS CAPITAL INC.

By: /s/ Pamela Kendall
Authorized Representative

LEHMAN BROTHERS INC.

By: /s/ Martin Goldberg
Authorized Representative

[Signature Page of PEF Senior Notes Underwriting Agreement]

SCHEDULE I

PRICING TERM SHEET

Underwriting Agreement dated December 7, 2005

Representatives:	Barclays Capital Inc. Lehman Brothers Inc.
Designation:	Series A Floating Rate Senior Notes due 2008
Principal Amount:	$450,000,000
Maturity:	November 14, 2008
Interest Rate:	Floating rate based on the three-month LIBOR rate (calculated as described in the Preliminary Prospectus Supplement dated December 7, 2005) plus 0.40%; reset quarterly.
Interest Payment Dates:	Payable quarterly on February 14, May 14, August 14 and November 14, commencing February 14, 2006.
Public Offering Price:	100% of the principal amount thereof.
Redemption Terms:	On June 13, 2006 or any interest payment date thereafter, redeemable prior to maturity, in whole or in part, at the option of the Company at a redemption price of 100% (as described in further detail in the Preliminary Prospectus Supplement dated December 7, 2005).
Settlement:	December 13, 2005
CUSIP:	341099 CF 4

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov (and more specifically, at the URL link http://sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000037637&owner=include). **Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling toll-free at 1-888-227-2275 ext. 2663 or collect at 1-212-526-9664.**

SCHEDULE II

PRICING DISCLOSURE PACKAGE

) Prospectus dated April 4, 2003

:) Preliminary Prospectus Supplement dated December 7, 2005 (which shall be deemed to include the Incorporated Documents)

·) Permitted Free Writing Prospectuses

a) Pricing Term Sheet attached as Schedule I hereto

4.50% Series Due June 1, 2010

Underwriter	Address	Amount Underwritten	Underwriter Fees	Affiliation w/ Florida Power Co.
Barclays Capital Inc.	200 Park Avenue; New York, NY 10166	$ 112,500,000	$ 675,000	None
Wachovia Capital Markets, LLC	301 South College Street; Charlotte, NC 28288-0602	$ 112,500,000	$ 675,000	None
Banc of America Securities LLC	214 North Tryon Street; Charlotte, NC 28255	$ 22,500,000	$ 135,000	None
Greenwich Capital Markets, Inc.	600 Steamboat Road; Greenwich, CT 06830	$ 22,500,000	$ 135,000	None
Calyon Securities (USA) Inc.	1301 Avenue of the Americas; New York, NY 10019	$ 15,000,000	$ 90,000	None
Goldman, Sachs & Co.	85 Broad Street; New York, NY 10004	$ 15,000,000	$ 90,000	None
		$ 300,000,000	$ 1,800,000	

U/W Discount 60 bp

EXHIBIT (5)-b

Series A Floating Rate Senior Notes, due November 14, 2008

Underwriter	Address	Amount Underwritten	Underwriter Fees	Affiliation w/ Florida Power Co.
Barclays Capital Inc.	200 Park Avenue; New York, NY 10166	$ 146,250,000	$ 511,875	None
Lehman Brothers Inc.	745 Seventh Avenue; New York, NY 10019	$ 146,250,000	$ 511,875	None
BNP Paribas Securities Corp.	787 Seventh Avenue; New York, NY 10019	$ 31,500,000	$ 110,250	None
Calyon Securities (USA) Inc.	1301 Avenue of the Americas; New York, NY 10019	$ 31,500,000	$ 110,250	None
SunTrust Capital Markets, Inc.	303 Peachtree Street; Atlanta, GA 30308	$ 31,500,000	$ 110,250	None
UBS Securities LLC	677 Washington Boulevard; Stamford, CT 06901	$ 31,500,000	$ 110,250	None
Deutsche Bank Securities Inc.	60 Wall Street; New York, NY 10005	$ 22,500,000	$ 78,750	None
Mellon Financial Markets, LLC	One Mellon Center; Pittsburgh, PA 15258	$ 9,000,000	$ 31,500	None
		$ 450,000,000	$ 1,575,000	

U/W Discount 35 bp