BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in rates by Progress Energy Florida, Inc.

DOCKET NO. 090079-EI

Submitted for filing: March 20, 2009

DIRECT TESTIMONY
OF
Masceo S. DesChamps

On behalf of Progress Energy Florida

DOCUMENT NUMBER-DATE
02413 MAR 20 09
FPSC-COMMISSION CLERK

In re: Petition for rate increase by Progress Energy Florida, Inc.
Docket No. 090079-EI

DIRECT TESTIMONY OF
MASCEO S. DESCHAMPS

I. INTRODUCTION AND SUMMARY

Q. Please state your name and business address.

A. My name is Masceo S. DesChamps. My business address is 410 South Wilmington Street, Raleigh, North Carolina 27601.

Q. By whom are you employed and in what capacity?

A. I am the Director of Compensation and Benefits for Progress Energy Service Company, LLC.

Q. What are your duties and responsibilities with respect to Progress Energy Florida?

A. I am responsible for providing leadership in the planning, evaluation, design, implementation, and communication of all compensation and benefits plans for employees, executives, retirees, and Board members. The position is responsible for ensuring that Progress Energy sponsored compensation and benefit plans are competitive with peer utilities and other large employers, cost effective, internally equitable, aligned with Progress Energy's overall strategic objectives, and in compliance with applicable regulations. I direct the design and on-going evaluation of base, annual and long-term incentive compensation plans, merit and other salary increases, management of job evaluations, and wage and salary surveys. My responsibilities for employee benefits

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include the design and on-going evaluation of the qualified retirement plans (pension and 401(k)), and health and welfare benefits such as medical, dental, disability, life insurance, Accidental Death and Disability (AD&D) insurance, and vision insurance. In the area of executive compensation and benefits, I direct the administration of the plans and ensure the Company's executive compensation consultant understands the Company's business strategy and has Company data necessary for benchmarking the executive compensation program and making recommendations to the Organization and Compensation Committee of the Board of Directors.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Science Degree in Accounting from the University of South Carolina. I have been employed by Carolina Power & Light Company / Progress Energy Service Company, LLC for over 30 years working in a variety of positions in the areas of Accounting, Income Taxation, and for the past 15 years in various management positions in Human Resources. From 1992 to 1996, I was Director of Pension and Stock Plans Administration where my responsibility included the design and administration of the Company's 401(k) and Pension Plans. From 1997 to 2005, I held positions as Director – Employee Benefits, Program Leader – Employee Benefits, and Manager – Employee Benefits where my responsibilities included the design and administration of qualified retirement plans, health and welfare plans, and non-qualified benefits plans. In June 2005, I became Director – Compensation and Benefits with responsibility for all compensation, benefits, and executive compensation and benefits plans.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to explain certain portions of the Company's Operation and Maintenance ("O&M") expenses and explain why the Company's test year costs for these O&M expenses are reasonable. Specifically, I will explain why the Company's long-term incentive compensation, employee benefits, and pension expense costs are reasonable.

Q. Do you have any exhibits to your testimony?

A. Yes. I have supervised the preparation of the following exhibits to my direct testimony:

- Exhibit No. ___ (MSD-1), a list of the Minimum Filing Requirements (MFRs) schedules that I sponsor or co-sponsor;
- Exhibit No. ___ (MSD-2), which is a composite exhibit of the Progress Energy Pension Plan Actuarial Valuation Report and the Retirement Plan for Bargaining Unit Employees Actuarial Valuation Report;
- Exhibit No. ___ (MSD-3), the Nineteenth Edition of the National Health Care Trend Survey, conducted by Buck Consultants;
- Exhibit No. ___ (MSD-4), which is an excerpt of the 2007 Towers Perrin Benval Energy Services Study – Medical Plan Comparison for the bargaining and non-bargaining plans;
- Exhibit No. ___ (MSD-5), which is an excerpt of the 2007 Towers Perrin Benval Energy Services Study – Entire Benefit Program Comparison for the bargaining and non-bargaining plans;

- Exhibit No. ___ (MSD-6), which is a list of the utilities included in the peer group against which the Company benchmarks its executive program; and
- Exhibit No. ___ (MSD-7), which is an excerpt from the 2009 Hewitt Market Analysis of Executive Officer Compensation.

All of these exhibits are true and accurate.

Q. Do you sponsor any schedules of the Company's Minimum Filing Requirements (MFRs)?

A. Yes, I sponsor or co-sponsor the MFR schedules identified in Exhibit No. ___ (MSD-1), and they are true and accurate, subject to being updated in the course of this proceeding.

Q. Please summarize your testimony.

A. PEF's 2010 A&G expenses for corporate benefits costs which includes employee benefits, long-term incentive compensation, and pension expense are reasonable and appropriate for inclusion in base rates. In the area of employee benefits costs, PEF has taken reasonable measures to control cost increases. Despite these efforts, healthcare costs have increased at a rate higher than inflation. This escalation in healthcare expense has been the norm not only for PEF but also for individuals and businesses across the country. In addition, PEF will incur a pension expense driven by the current economic downturn. PEF engaged a third party actuarial consultant to determine the amount of that expense. Pension expense, to a large degree, is impacted by external market conditions that are beyond the control of the Company.

To set management long-term incentive compensation, the Company uses third party consultants to provide advice on general trends, perform benchmarking and competitive assessments of executive positions against peer utilities, and recommend plan designs. PEF targets its compensation levels to be at the 50th percentile of those peer utilities. Progress Energy competes with several peer utilities and companies for a limited pool of skilled and competent executives and managers. The long-term incentive compensation expenses are reasonable, because they are competitive, market-based and promote high standards of management performance to directly benefit customers over the long-term.

II. ADMINISTRATIVE AND GENERAL EXPENSES.

Q. Please provide an overview of PEF's 2010 A&G expenses.

A. I will explain portions of the Company's A&G expenses, with the exception of the Service Company costs which are addressed in the testimony of Ms. Sandy Wyckoff. PEF's A&G expenses include corporate benefit costs such as healthcare, long-term incentive compensation, employee benefits, pension expense, and other employee benefit costs. Schedule C-41 reflects the Company's variance to benchmark for 2010 in each category.

Q. Please generally explain PEF's general philosophy regarding attraction and retention of qualified employees.

A. Progress Energy Florida is committed to providing a competitive total rewards package that enables the Company to attract, retain and reward employees who work to high standards. Its compensation program is market-based at the 50th percentile within national, regional, and local comparative markets and aligns with a pay-for-performance philosophy. It combines fair and equitable market values for jobs with performance incentives and benefits to give employees total compensation opportunities that are comparable to those of employees in similar positions with competitor companies. When determining the total compensation package for employees, the Company benchmarks jobs and employee benefits with similar peer utilities and other national, regional, and local organizations.

According to Towers Perrin, a national human resources consulting firm that the Company uses to benchmark costs against other utilities, in a 2007-2008 workforce study U.S. employees rated competitive base pay as the number one driver in choosing an employer, with competitive health benefits as the second driver. Competitive retirement benefits are the number four driver for utilities. Progress Energy's need to compete for skilled labor in both national and local markets makes it imperative that the Company offer a competitive total rewards package that is attractive to an empowered, engaged, and successful workforce. Skilled and competent employees are necessary for the Company to provide cost-efficient and reliable electric service to its customers.

Q. Please explain the variance projected for "Pension Expense" and why you believe this cost item should be considered separately from other A&G costs.

A. There is an unfavorable benchmark variance reported in the MFRs for the Pension Expense of approximately $49.3 million. This item, along with other expenses associated with employee benefits and long-term incentive compensation, represents the majority of the unfavorable variance reported in the MFRs.

Pension Expense is determined using actuarial studies prepared by a third party actuarial firm. Copies of the most recent actuarial valuation reports dated October 2008 are attached to my testimony as composite Exhibit No. ___ (MSD-2). The Company worked with the actuaries in early 2009 to update pension expense to reflect current market conditions. As discussed more fully below, the Pension Expense is determined pursuant to the provisions of the Financial Accounting Standards Board, Statement No. 87 Employers' Accounting for Pensions. The Commission approved the use of FAS 87 for ratemaking purposes in Docket No. 910890-EI, Order No. PSC-92-1197-FOF-EI (October 22, 1992). Under these guidelines, a credit may be reflected when the expected return on plan assets exceeds our service cost and other components of pension expense. In contrast, an expense is reflected when the expected return on plan assets does not exceed service cost and other components of pension expense. In 2005, a pension credit was reflected in the rate case. In 2009, a pension expense is being reflected.

Pension expense is impacted by several factors, including the market performance of the investments held in the pension plan and the discount rate. Customer growth and the CPI have no impact on the calculation of pension expense. As a result, the Commission benchmark, which adjusts all O&M expenses in the MFRs by these factors, does not accurately reflect the factors that cause increases or decreases in the pension expense.

It is also important to note that the recent unexpected and unprecedented economic downturn has negatively impacted pension plans in general including the

Company's pension plan. According to Mercer, a national human resources consulting firm, at the end of 2007 the value of assets held by the S&P 1500 companies to support their global pension obligations was $1.66 trillion, as reported under the US Financial Accounting Standards. The value of the pension obligations was $1.60 trillion, resulting in a net surplus or credit of $60 billion. The 2008 financial crisis has reversed this positive financial position leaving a net deficit or expense of $409 billion among these companies at December 31, 2008. Pension liabilities of $1.62 trillion are now offset by pension assets estimated to be $1.21 trillion. Most of the decline in asset values occurred in the fourth quarter of 2008 as illustrated by the change in funding status (the ratio of assets to liabilities). At the end of 2007, the funding status was 104%. As of September 30, 2008 the funding status had fallen to 97%. During the fourth quarter of 2008, the funding status of these companies' pension plans plummeted 22% from 97% to 75%. To judge changes in the pension expense by customer growth and the CPI, as the Commission benchmark does, does not capture forces that affect changes in the value of the pension expense. The impact of the 2008 financial crisis clearly demonstrates why the Commission benchmark is not an appropriate mechanism to evaluate changes in the pension expense and it is appropriate to consider pension expense separately from other A&G costs.

Q. Please discuss the unfavorable variance described as employee benefit costs and why you believe that the O&M benchmark does not accurately reflect the experience with employee benefit costs.

A. Another driver behind the unfavorable benchmark variance is the cost of benefits for the Company's employees. Employee benefits include health and welfare, long term disability, retirement, and paid time-off benefits. Factors impacting employee benefits include but are not limited to plan design, employee participation, utilization of the benefits being offered, changes in actuarial assumptions, and market conditions. Applying the Commission O&M benchmark and adjusting for growth and the CPI, the unfavorable variance between the 2010 MFRs and the O&M benchmark is approximately $9.95 million.

The O&M benchmark uses the CPI plus customer growth to escalate costs and therefore assumes that all O&M costs will increase at the same rate. This may be a reasonable assumption for some O&M costs but it is not appropriate for employee benefit costs, which are impacted by a variety of factors including plan design, employee participation, utilization of the benefits being offered, changes in actuarial assumptions, and market conditions. In fact, the largest cost driver of employee benefits is health care costs, which are escalating at a rate that far exceeds the CPI. This is true not only for Progress Energy but for all businesses and individuals.

It is well documented in publications, national news, and the subject of political forums that health care costs are escalating at significantly higher rates than the CPI. In fact, the actual and projected inflation rate for health benefit cost is more than double the Commission's benchmark of approximately 12.5% for 2007 through 2010. Progress Energy's most recent annual health care cost trend was 9%. This annual trend is better than the national trends, which have ranged from 10% - 13% during this period.

Q. What has Progress Energy done to manage and contain the growth in the health benefit costs?

A. The Company is always looking for opportunities to manage and contain the growth in health care costs while also maintaining competitive health care benefits. Since 2006, the Company has been aggressively pursuing the implementation of a consumer driven health care approach designed to manage medical cost by encouraging plan participants to make responsible health care choices. This consumer driven approach includes adding a high deductible health plan in which the employee assumes a higher deductible in exchange for a lower premium; strategically modifying the pricing of medical plan options so more expensive plans require a higher employee contribution; providing employees an interactive tool to more effectively assess their health benefit plan needs, and adding a wellness program with incentives to educate and encourage employees to maintain a healthy lifestyle and become more well-informed healthcare consumers. In addition to the new consumer driven strategy, the Company has also actively re-negotiated benefit contracts to obtain more favorable terms and higher prescription drug rebates. The Company is continuing its aggressive cost management strategy in 2009.

The Company has done a very good job controlling health care costs in a climate where all businesses are struggling to balance increasing benefit costs with offering competitive, value-added employee benefit plans.

Q. What does the Company do to ensure that its health care plans are consistent with comparable companies?

A. Progress Energy monitors national studies, periodicals, and information regarding national trends to ensure that its programs are competitive with other companies and to identify additional cost-saving measures or programs to help mitigate or control benefit costs. The most recent study available to the Company, the Nineteenth Edition of the National Health Care Trend Survey, conducted by Buck Consultants, confirms that the trend factors for medical costs across the U.S. remain higher than inflation. This study is attached as Exhibit No. ___ (MSD-3) to my testimony. The reasons for the increasing trend can be found on page 4 of that study.

Progress Energy's health care costs are consistent with the national trends. Based on a recent national survey of health care plans costs by Mercer, the average total cost of health care per plan member (employees and their covered dependents) for Fortune 500 companies is $4,266. For Progress Energy, this cost is $3,616.

Progress Energy's benefit plans are also designed to be competitive. The Company uses the Benval Study to evaluate the competitiveness of its benefit programs. Participation in this survey provides Progress Energy with access to a comprehensive source of comparative benefit practices for major U.S. utilities. According to the 2007 Towers Perrin Benval Study, the relative value of the Company's medical benefit plans is among the lowest compared to the other eighteen utilities in our revenue class. See Exhibit No. __ (MSD-4). Additionally, the relative value of Progress Energy's entire benefit program (excluding employee contributions) for both bargaining and non-bargaining employees is among the lowest in the group. See Exhibit No. __ (MSD-5). Based upon this information, Progress Energy's benefit programs offer good value at a reasonable cost.

Q. Is there anything else that contributes to the unfavorable variance for employee benefits costs?

A. Yes, in addition to the higher inflation rate for health care costs, the variance is impacted by the number of people employed by Progress Energy in 2006, the benchmark year. In 2005, the Company offered the Voluntary Enhanced Retirement Program ("VERP") to certain employees, as a cost-savings measure. More than 700 Florida employees took advantage of VERP and retired in 2005 and 2006. The positions vacated by those employees who retired early under VERP were not eliminated; rather, they needed to be filled by new employees. However, not all the positions were filled in 2006, which is the year upon which the Commission benchmark is based. Because there were fewer participants in the employee benefit programs in 2006, the Commission benchmark is lower than it would have been if all those positions were filled. The Company has subsequently filled those vacancies and the 2010 test year expenses reflect the higher headcount.

Q. Please explain the unfavorable benchmark variance for long term incentive compensation.

A. Another driver behind the unfavorable benchmark variance is the cost of long term incentive compensation needed to attract and retain skilled and competent management to manage the Company. Applying the Commission O&M benchmark and adjusting only for customer growth and the CPI, the unfavorable variance between the 2010 MFRs and the O&M benchmark is approximately $8.2 million.

The Company's long term incentive compensation plans are designed to provide competitive and reasonable compensation and benefits that align the interests of customers, shareholders, employees, and management. These plans reward multi-year operational performance results that are consistent with reliable and efficient electric service and they are designed to attract and retain an experienced and capable management team. It is in the best interest of our customers and the Company to have skilled, engaged and high performing members of management who can sustain operating performance consistent with the delivery of reliable and effective electric service expected by our customers.

There are several factors that contribute to the variance for long-term incentive compensation plans between 2006 and 2010. The Company uses generally accepted accounting principles to record long-term incentive compensation over the life of the plan. The 2006 baseline expense for long-term incentive compensation is understated by approximately $2 million due to a lower than projected pay-out for the Performance Share Sub-Plan and the need to adjust the previously accrued expense to actual expense. The remaining $5.8 million is due to an increase in plan participants and plan changes designed to make the long-term incentive compensation plans more competitive and properly aligned with the peer utilities. Accordingly, many of the costs associated with the long term incentive compensation program are driven by market conditions that are not directly linked to the customer growth and CPI drivers associated with the Commission benchmark.

Q. How does the Company determine whether its long-term incentive compensation plans are competitive?

A. The Board of Directors, through its Organization and Compensation Committee (Committee), decides the appropriate level of long-term incentive compensation for the management team as a whole. The Committee engages a national human resources consulting firm to provide advice and guidance on current trends, performs benchmarking and market analysis, and makes plan design recommendations to ensure that the Company's compensation and benefit programs are competitive. The Company's market-based long term incentive compensation program is designed to establish compensation near the 50th percentile of the market, with the ability to pay higher or lower amounts based on individual and corporate performance. Through November 2007, that firm was Mercer Human Resources Consulting ("Mercer"), and since November 2007, the Company has used Hewitt Associates ("Hewitt"). The consultant is retained directly by and reports to the Committee, not management. All members of the committee are independent, outside directors.

Q. What additional steps has the Company undertaken with respect to benchmarking its executive compensation programs?

A. A peer group of 18 integrated utilities (utilities with transmission, distribution, and generation assets) has been selected for benchmarking executive compensation programs. This group includes companies that compete for the same talent and that have similar characteristics including revenue, market capitalization, percentage of regulated assets, and nuclear operations. A list of the utilities included in the peer group is attached as

Exhibit No. __ (MSD-6). Based on Hewitt's 2008 Total Compensation Measurement database, the Company's senior executive compensation programs are at or below the 50th percentile. Please see attached summary of the study, Exhibit No. __ (MSD-7).

In the first quarter of each year, the Committee's executive compensation consultant performs a detailed benchmarking analysis and competitive assessment of the base salaries and annual and long-term incentives of the Company's executives versus the executives in the peer group. The Consultant reviews the executive compensation plans and recommends ways to adjust the plans to ensure they are cost-effective and competitive. Since 2006, the Company has modified the peer group to include integrated utilities that are highly regulated and have similar revenue, market capitalization, percentage of regulated assets, and nuclear operations.

Q. How do all of the Company's compensation plans benefit the Company's customers?

A. Progress Energy competes with several peer utilities and companies for a limited pool of skilled and competent executives and managers. A capable management team is imperative to providing customers reliable and efficient electric service. The purpose of the executive and management compensation program is to attract and retain experienced executives and managers and reward them for achieving operational and financial performance and other qualitative results. These include high customer satisfaction, good corporate governance and citizenship, strong leadership of employees, fiscal responsibility, and good stewardship of the environment. These are all results that customers expect from their electric utility.

Q. Are PEF's total projected A&G Operation and Maintenance expenses for 2010, in the areas of employee benefits, long-term incentive compensation, and pension expense reasonable?

A. Yes, Progress Energy actively monitors the national, regional and local markets to set compensation and benefits for management and employees at competitive levels. Using the benchmarking tools available to the Company, our executive compensation and benefit programs are generally at or below average when compared to other utility companies in our peer group. The Company's projected A&G expenses for employee benefits and long term incentive compensation are thus reasonable.

Q. Does this conclude your testimony?

A. Yes.

MINIMUM FILING REQUIREMENT SCHEDULES
Sponsored, All or in Part, by Masceo S. DesChamps

C-35	Payroll & Fringe Benefit Increases Compared to CPI
C-41	O&M Benchmark Comparison by Function for A&G

Progress Energy Pension Plan

Actuarial Valuation Report

buckconsultants
an ACS company A C S

Progress Energy Pension Plan

Actuarial Valuation Report

Plan Year January 1, 2008 - December 31, 2008

October 2008

October 6, 2008

Retirement Committee
Progress Energy Pension Plan
Post Office Box 1551
Raleigh, NC 27602

Ladies and Gentlemen:

Progress Energy retained Buck Consultants, LLC (Buck) to complete this actuarial valuation of the Progress Energy Pension Plan. This report presents the results of the funding valuation for the plan year ending December 31, 2008. The report contains a Definition of Key Terms section (Section E) that contains definitions of many of the terms used in this report.

Data Used

Buck performed the valuation using participant data supplied by the Plan Administrator and financial data supplied by the Plan's Trustee. Buck did not audit the data although they were reviewed for reasonableness and consistency with the prior year's information. The results of the valuation are dependent on the accuracy of the data.

The Pension Protection Act of 2006 (PPA 2006)

On August 17, 2006, the President signed the Pension Protection Act of 2006. PPA 2006 made massive changes in the way that minimum required contributions and maximum deduction limits are calculated, changed the way that minimum lump sum distributions are calculated, made permanent the pay cap and maximum benefit limits that were introduced by EGTRRA in 2001, and changed participant and PBGC reporting requirements. The changes to minimum contribution calculations that are first effective for plan years beginning in 2008 are reflected in this report.

Technical correction legislation that could modify the calculation of the minimum required contribution has been proposed. If the technical corrections are passed, the required contribution shown in the report may need to be revised.

Changes is Assumptions and Methods for Determining Contributions

PPA 2006 has completely changed the methodology for determining contributions beginning with the 2008 plan year. Many new concepts, which are defined in Section E of this report, have been introduced and prior methodology has been eliminated. The use of the accrued benefit funding method is now mandated and liabilities are valued using interest rates determined from a yield curve based on high quality corporate bond rates. In addition the actuarial value of assets is subject to a more restrictive corridor around market value and the maximum number of years for smoothing asset values has been reduced to two. For poorly funded plans, certain retirement assumptions are also mandated.

Purpose of This Report

Buck has prepared this report for the Progress Energy Pension Plan for use in review of the operation of the Plan. It is expected that the plan sponsor will use this report for the purpose of determining contributions to be made to the Plan. The report can also be used in the preparation of various governmental filings including the plan's audited financial statements.

Use of this report for any other purpose may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. No one may make any representations or warranties based on any statements or conclusions contained in this report without the written consent of Buck.

Benefit Restrictions

Under PPA, a plan is subject to benefit restrictions if the Adjusted Funding Target Attainment Percentage (AFTAP) falls below certain thresholds which begin at 80%. Based on the current valuation, the plan is not subject to benefit restrictions during the 2008 plan year.

Actuarial Status of the Plan

Based on the data received, it is our opinion that this plan's funding is proceeding in accordance with the requirements of the Internal Revenue Code.

The actuarial assumptions used to value the Plan for funding purposes, other than interest and mortality, were selected by Kerry Schmidt and Kelly Branham, both of whom meet the applicable qualification standards of the American Academy of Actuaries. The assumptions are, individually and in the aggregate, reasonable and in combination represent our best estimate of anticipated experience under the Plan. The interest and mortality assumptions used are those as prescribed by PPA 2006.

Based on the foregoing, the cost results and actuarial exhibits presented in this report were determined on a *consistent and objective basis in accordance* with applicable Actuarial Standards of Practice and generally accepted actuarial procedures. They fully and fairly disclose the actuarial position of the Plan based on the employee and asset data submitted.

The report was prepared under the supervision of Kerry Schmidt a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA, and Kelly Branham, an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA, both of whom have met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

BUCK CONSULTANTS, LLC

Kerry N. Schmidt

Kerry N. Schmidt, F.S.A., E.A., M.A.A.A.
Principal, Consulting Actuary
Enrolled Actuary Number 08-02628
Primary Actuary for the Progress Energy Pension Plan

Kelly Q. Branham

Kelly Q. Branham, A.S.A., E.A., M.A.A.A.
Director, Consulting Actuary
Enrolled Actuary Number 08-05192

Table of Contents

Summary of Results

Overview

This report presents the results of a valuation of the Progress Energy Pension Plan as of January 1, 2008. Results are presented for the determination of contributions to be made for the 2008 plan year.

As of January 1, 2008, the Plan is considered not to be in At-Risk status for funding purposes and, therefore, liabilities are calculated using the plan's regular retirement assumptions.

Funding Results

This table summarizes the principal funding valuation results from the current valuation and the prior valuation. Any changes in actuarial assumptions, methods, or plan provisions between the two valuations are described below.

Plan Year	2008	2007
Valuation Date	January 1, 2008	January 1, 2007
Contribution levels		
Minimum Required Contribution	$16,186,205	$30,794,463
Estimated Maximum Tax-Deductible Contribution[1]	$879,698,796	$1,199,250,095
Assets and liabilities		
Market value of assets (includes receivable)	$1,743,602,370	$1,625,579,147
Actuarial value of assets	$1,743,602,370	$1,465,881,557
Funding Target	$1,727,025,181	N/A
Actuarial accrued liability	N/A	$1,410,877,806
Normal cost, beginning of the year	$32,763,394	$28,529,989
Funding Shortfall (E. – F. + G.3., not less than 0)	$0	N/A
At-Risk Status	Not-At-Risk	N/A

[1]Please see the definition in Section E, and consult with qualified tax counsel, before claiming a deduction. Amounts are estimates only and may change to *reflect future regulatory guidance or technical corrections* to applicable law. Please consult with your Buck actuary before contributing this amount.

Assets

For the year ended December 31, 2007, the Plan's market value of assets experienced a 12.36% return. Progress Energy has elected to use the market value of assets (with receivables) as the actuarial value of assets. Following is a *summary of asset returns during the past two years:*

	2007 Actual	2006 Actual
Market value (funding)	12.36%	13.09%
Actuarial value (funding)	24.94%	10.16%

The table below shows the derivation of the approximate rate of return on assets for the previous plan year:

Plan Year 2007	Market Value (funding)	Actuarial Value (funding)
Value at beginning of year	$1,625,579,147	$1,465,881,557
Contributions	$30,073,198	$30,073,198
Investment earnings	$207,534,893	$367,232,483
Benefits paid	($108,213,705)	($108,213,705)
Expenses paid	($11,371,163)	($11,371,163)
Value at end of year	$1,743,602,370	$1,743,602,370
Approximate rate of return	12.36%	24.94%

Summary of Results (continued)

Participant Data Results

This table summarizes the participant data used for the current valuation and the prior valuation:

Valuation Date	January 1, 2008	January 1, 2007
Number of Participants		
Actives - actively employed	7,971	7,908
Actives - leave of absence/LTD/transferred out	288	283
Actives - total	8,259	8,191
Retired participants and beneficiaries	6,073	5,943
Former employees with vested benefits	4,357	4,489
TOTAL PARTICIPANTS	18,689	18,623
Annual covered payroll for the year beginning on the valuation date[1]	$591,360,443	$568,161,718
Average annual covered payroll[1]	$74,188	$71,846
Average age - active participants[1]	45.6 years	45.4 years
Average service - active participants[1]	15.4 years	15.3 years

[1] Excludes leave of absence/LTD/transferred out participants

Economic Assumptions

The discount rates used to determine the target normal cost and funding target are mandated by PPA subject to limited choice by Progress Energy. Other economic assumptions used to determine statutory contribution limits must be reasonable taking into account the experience of the plan and reasonable expectations. Progress Energy has elected to use the full yield curve.

Valuation Date	
Effective Interest Rate (See Section E)	6.21%

Summary of Results (continued)

Additional Assumptions

The cost of providing plan benefits depends on additional economic factors such as future salary increases, as well as demographic factors such as retirement ages, mortality and employee termination. Demographic assumptions, other than mortality, used in the valuation were selected by the actuary to reflect the experience of the covered population and reasonable expectations. A complete description of the Plan's economic and demographic assumptions is given in Section B.

Plan Changes

The plan was updated to reflect increased pay caps and benefit limitations, increase in the interest credit for 2008 to 5.5%, and the addition of the 75% joint and contingent annuity option with "pop-up" feature. A complete summary of *Plan Provisions is included in Section C.*

Benefit Restrictions

In general, if the AFTAP falls below 80%, plan amendments increasing benefits are prohibited and the payment of lump sums is partially restricted. In addition, if the AFTAP falls below 60%, the payment of lump sums is fully restricted, benefit accruals under the plan must be frozen, and shutdown benefits may not be paid. Based on proposed IRS regulations and the 2008 AFTAP of 100.9%, the plan is not subject to benefit restrictions during the 2008 plan year. In addition, the plan will continue to be exempt from benefit restrictions through September 30, 2009, pending Buck's calculation of the 2009 AFTAP.

Section A-1

Progress Energy Pension Plan

Determination of Minimum Required Contributions and Maximum Tax-Deductible Contribution

Plan Year		January 1, 2008
A.	**Minimum Required Contribution, beginning of year**	
1.	Target Normal Cost	$32,763,394
2.	Shortfall Amortization	$0
3.	Reduction for Overfunding	($16,573,061)
4.	Reduction for Credit Balances[1]	($4,128)
5.	Minimum Contribution, [1.+2.+3.+4.,not less than 0]	$16,186,205

[1] Credit balances cannot be used to offset minimum required contributions if the FTAP for the prior plan year is less than 80%

B.	**Maximum Tax-Deductible Contribution, beginning of year**	
1.	Target Normal Cost	$32,763,394
2.	Funding Target	$1,727,025,181
3.	Estimated Cushion Amount[2]	$863,512,591
4.	Total	$2,623,301,166
5.	Actuarial Assets	$1,743,602,370
6.	Estimated Maximum Tax-Deductible Contribution (4. - 5., not less than $0 and not less than A.5.)[3]	$879,698,796

[2] The cushion amount is larger than the estimated amount shown; therefore the resulting maximum contribution is larger than the estimated amount shown. Please contact your Buck actuary for further refinement if needed. This amount is determined before considering combined plan limits that apply when an employer has both defined benefit and defined contribution plans.

[3] Please see the definition in Section E, and consult with qualified tax counsel, before claiming a deduction. Amounts may change to reflect future regulatory guidance or technical corrections to applicable law. Please consult with your Buck actuary before contributing this amount.

Section A-1
(continued)

Progress Energy Pension Plan

Determination of Minimum Required Contributions and Maximum Tax Deductible Contribution

C. Minimum Contribution Schedule

Contribution	2009 Plan Year		2008 Plan Year		2007 Plan Year	
Date	Amount	Reason	Amount	Reason	Amount	Reason
4/13/2007					$7,212,004*	Quarterly
7/13/2007					$5,626,492*	Quarterly
10/12/2007					$6,419,248*	Quarterly
1/11/2008					$6,419,248*	Quarterly
4/14/2008			$7,703,097**	Quarterly		
7/14/2008			$7,703,097**	Quarterly		
9/15/2008					$4,396,206*	Final
10/15/2008			$7,061,028**	Quarterly		
1/15/2009			$0	Quarterly		
4/15/2009	$0	Quarterly				
7/15/2009	$0	Quarterly				
9/15/2009			$0	Final		
10/15/2009	$0	Quarterly				
1/15/2010	$0	Quarterly				
9/15/2010	TBD	Final				
TOTAL	TBD		$22,467,222		$30,073,198	

* Contributions already made

** The contributions through October 15th were already budgeted and have been or will be made in the amounts shown even though in excess of the minimum quarterly requirement of $3,642,825.

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Section A-2

Progress Energy Pension Plan

Assets and Rate of Return Information

Development of Actuarial Value of Assets for Minimum Required and Maximum Contributions (equal to Market Value)

A.	Market value of assets, January 1, 2007 (with accrued contributions)	$1,625,579,147
B.	Employer contributions made in 2007 for 2007	$19,257,745
C.	Benefit payments	($108,213,705)
D.	Expenses	($11,371,163)
E.	Actual return	$207,534,892
F.	Market value of assets, January 1, 2008 (without accrued contributions)	$1,732,786,916
G.	Accrued contributions for 2007	$10,815,454
H.	Market value of assets, January 1, 2008 [F. + G.]	$1,743,602,370
I.	Actuarial value of assets as of January 1, 2008 [H.]	$1,743,602,370 [1]
J.	Actuarial value of assets as of January 1, 2007	$1,465,881,557 [1]
K.	Approximate rate of return (actuarial value)	24.94% [2]
L.	Approximate rate of return (market value)	12.36%

[1] The Actuarial Value of Assets (AVA) was set equal to the Market Value of Assets (MVA) at January 1, 2008 per PPA 2006. The prior method of calculating the AVA was to reflect a five-year phase in of the net investment gains and losses (calculated as the difference between expected and actual asset returns).

[2] The rate of return includes the impact due to the change in asset method.

Progress Energy Pension Plan

Summary of Funding Target and Target Normal Cost

Plan Year	January 1, 2008
A. Funding Target using regular valuation assumptions	
1. Actives	756,085,337
2. Retirees and beneficiaries	794,201,337
3. Terminated vested	176,738,507
4. Total	1,727,025,181
5. Target Normal Cost, beginning of year	32,763,394
B. Funding Target using at-risk assumptions (without expense load)	
1. Actives	N/A
2. Retirees and beneficiaries	N/A
3. Terminated vested	N/A
4. Total	N/A
5. At-Risk Target Normal Cost	N/A
C. Expense Load	
1. 4% of At-Risk Funding Target	N/A
2. $700 per plan participant	N/A
3. Total Expense Load	N/A
4. 4% of At-Risk Target Normal Cost	N/A
D. 1. Total At-Risk Funding Target including Expense Load [B.4+C.3.]	N/A
2. At-Risk Target Normal Cost including Expense Load [B.5.+C.4.]	N/A

Progress Energy Pension Plan

Determination of At-Risk Status

Plan Year	January 1, 2008
Determination of FTAP as of January 1, 2007*	
1. Actuarial Value of Assets, limited to a 90%-110% corridor around Market Value	$1,465,881,557
2. Credit Balance	
a. Credit Balance as of January 1, 2007	$16,597
b. Amount deemed surrendered under IRC §430(f)(5)	$0
c. Credit Balance after surrender	$16,597
3. Actuarial Value less Credit Balance (1. - 2.c.)	$1,465,864,960
4. Current Liability for preceding year	$1,760,992,109
5. Funding Target Attainment Percentage	83.24%
6. Threshold Percentage	65.00%
2008 At-Risk Status (At-Risk if 5. < 6.; otherwise Not-At-Risk)	Not-At-Risk

* In accordance with proposed IRS Regulations issued December 31, 2007

Section A-5

Progress Energy Pension Plan

Determination of Applicable Funding Target and Target Normal Cost for Minimum Contribution

	Plan Year	January 1, 2008
A.	1. Funding Target using regular assumptions	$1,727,025,181
	2. Target Normal Cost using regular assumptions	$32,763,394
B.	1. At-Risk Funding Target (without expense load)	N/A
	2. At-Risk Target Normal Cost (without expense load)	N/A
C.	1. At-Risk Funding Target (with expense load)	N/A
	2. At-Risk Target Normal Cost (with expense load)	N/A
D.	At-Risk status	Not-At-Risk
E.	Expense Load Applicability	N/A
F.	At-Risk Phase-in Percentage	N/A
G.	1. Applicable Funding Target [A.1. + F.*(B.1. or C.1., whichever is applicable, - A.1.)]	$1,727,025,181
	2. Applicable Target Normal Cost [A.2. + F.*(B.2. or C.2., whichever is applicable, - A.2.)]	$32,763,394

Determination of Applicable Funding Target and Target Normal Cost for Maximum Tax-Deductible Contribution

H.	1. Applicable Funding Target [G.1.]	$1,727,025,181
	2. Estimated Cushion Amount[1]	$863,512,591
	3. Total	$2,590,537,772
	4. Target Normal Cost for Maximum Tax-Deductible Contribution	$32,763,394

[1] The Cushion Amount equals 50% of the Funding Target plus the increase in the Funding Target due to future increases in compensation/benefit levels. We have ignored the future increase in compensation/benefit levels for this estimate which means the resulting maximum contribution will be understated.

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Section A-6

Progress Energy Pension Plan

Development of the Funding Standard Account for the 2007 Plan Year and Determination of Initial Funding Standard Carryover Balance

	Plan Year	January 1, 2007
A.	1. Normal Cost	$28,529,989
	2. Amortization Charges	$0
	3. Interest on 1. and 2.	$2,282,399
	4. Penalty Interest	$0
	5. Additional Funding Charge	$0
	6. Total Charges	$30,812,388
B.	1. Prior Year Credit Balance	$16,597
	2. Employer Contributions	$30,073,198
	3. Amortization Credits	$0
	4. Interest on 1., 2. And 3.	$726,721
	5. Full Funding Credit	$0
	6. Total Credits	$30,816,516
C.	Credit Balance/(Funding Deficiency) [B.6. - A.6.]	$4,128
D.	Reduction in Accordance with IRC §430(f)(5)*	$0
E.	Val Date Funding Standard Carryover Balance [C. - D., not less than 0]	$4,128

* The Plan Sponsor may elect to reduce the pre-PPA Carryover Balance in order to avoid at-risk status or benefit restrictions.

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Section A-7

Progress Energy Pension Plan

Determination of Shortfall Amortization Base

	Plan Year	**January 1, 2008**
A.	**Funding Target**	**$1,727,025,181**
B.	**Valuation Assets**	**$1,743,602,370**
C.	**Credit Balances**	
	1. Funding Standard Carryover Balance	**$4,128**
	2. Prefunding Balance	**$0**
	3. Total	**$4,128**
D.	**Funding Shortfall [A.-(B.-C.3.), not less than 0]**	**$0**
E.	**Funding Target Attainment Percentage [(B.-C.3.)/A.]**	**100.96%**
F.	**Funding Target Attainment Percentage for Shortfall Exemption [(B.-C.2.)/A.]**	**100.96%**
G.	**Threshold for Shortfall Exemption**	**92.00%** [1]
H.	**Outstanding Balance of Previously Established Shortfall Amortization Bases**	**$0**
I.	**Shortfall Amortization Base [0 if F.>G.; otherwise D.-H.]**	**$0**

[1] **The threshold is normally 100%, however, plans not subject to the additional funding charge in 2007 are exempt from establishing a shortfall amortization base if the FTAP>92% for 2008; 94% for 2009; 96% for 2010; 100% thereafter.**

Section A-8

Progress Energy Pension Plan

Determination of Required Quarterly Contributions

A.	Funding Shortfall for prior year*	$295,127,149
B.	Required Annual Payment	
	1. Prior year minimum contribution not reflecting credit balance, as of the end of the year	$30,812,388
	2. Current year minimum contribution not reflecting credit balance, as of the beginning of the year	$16,190,333
	3. 90% of 2.	$14,571,300
	4. Required annual payment [lesser of 1. or 3.]	$14,571,300
	5. Required quarterly contribution [if A.>0, 25%*4.; otherwise 0]	$3,642,825
C.	Funding shortfall for the 2008 plan year	$0
D.	Preliminary quarterly contributions for the 2009 plan year	
	1. 2008 minimum contribution not reflecting credit balance, as of beginning of the year	$16,190,333
	2. Preliminary 2009 quarterly contribution [25% of D1. (0 if C. = 0)]	$0

* A plan is exempt from quarterly contributions if the funding shortfall for the prior year is zero. For 2007, IRS guidance defines funding shortfall as the Current Liability less Actuarial Value of Assets.

Section A-9

Progress Energy Pension Plan

Valuation of Accumulated Plan Benefits

FAS 35 Accumulated Plan Benefits Information
(based on accrued benefits and plan continuation)

	Plan Year	2008	2007
A.	Actuarial present value of vested accumulated plan benefits		
	1. For retired participants and beneficiaries receiving payments	$637,177,855	$691,824,994
	2. For terminated vested participants	120,705,517	138,787,498
	3. For active participants	526,010,470	516,169,869
	Total	$1,283,893,842	$1,346,782,361
B.	Actuarial present value of non-vested accumulated plan benefits	$39,733,161	$49,931,088
C.	Actuarial present value of total accumulated plan benefits	$1,323,627,003	$1,396,713,449
D.	D. Pension assets at market value	$1,743,602,370	$1,625,579,147
E.	Unfunded accumulated plan benefits	($419,975,367)	($228,865,698)
F.	Funded ratio (D + C)	131.73%	116.39%
G.	Discount rate	9.00%	8.00%

Changes in Actuarial Present Value of Accumulated Plan Benefits

Present value of accumulated plan benefits as of January 1, 2007		$1,396,713,449
Changes during the plan year attributable to:		
Benefits paid	($108,213,705)	
Interest	$107,491,800	
Plan changes	$6,154,089	
Assumption changes	($109,110,141)	
Benefits accumulated and other	$30,591,511	
Net change		($73,086,446)
Present value of accumulated plan benefits as of January 1, 2008		$1,323,627,003

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Section B

Progress Energy Pension Plan

Actuarial Assumptions and Methods

1. Actuarial Cost Method

   The traditional credit cost method was used to determine all obligations.

2. Asset Valuation Method

   Actuarial value of assets is equal to the market value of assets with receivables.

3. Interest Rates

   - Used for calculating funding obligations
     PPA December 2007 full yield curve. The effective interest rate based on the full yield curve is 6.21%.

   - Used for calculating liabilities pursuant to SFAS 35
     9.00% per annum

   - Used for calculation of annuity conversion at age 65
     Funding: 6.00%
     FAS 35: 5.45%

4. Decrements

   - Mortality

For funding purposes:	RP-2000 2008 PPA Annuitant and Non-Annuitant Mortality Tables (sex distinct)
For annuity conversions (from cash balance):	1994 Group Annuity Reserve Mortality Table (50/50 blend) projected to 2002 (Rev Ruling 2001-62 mortality)
For lump sums:	IRS mandated 2008 Lump Sum mortality table (unisex)
For FAS35 (Healthy lives):	RP-2000 blended healthy employee and retiree mortality projected to the valuation date using scale AA (sex distinct)
For FAS35 (Disabled lives):	RP-2000 disabled mortality projected to the valuation date using scale AA (sex distinct)

Section B
(continued)

Progress Energy Pension Plan

Actuarial Assumptions and Methods

- Pre-Retirement Decrements and Assumed Salary Increase Rates

Representative values of the assumed annual rates of decrement and salary increase are shown in the tables below.

	Death *		Disability	Termination	Retirement		Salary
Age	Male	Female	Unisex Rates	Ultimate Rates	Less than 35 yrs svc	With 35 yrs svc	Increase
20	0.0222%	0.0132%	0.07%	8.00%			11.00%
25	0.0298	0.0150	0.08	7.40			9.50
30	0.0396	0.0210	0.10	6.40			7.60
35	0.0689	0.0368	0.13	5.40			6.10
40	0.0897	0.0499	0.22	4.55			4.90
45	0.1116	0.0776	0.34	3.95			4.20
50	0.1408	0.1130	0.60	3.90		15.00%	3.70
51	0.1472	0.1252	0.70	3.95		15.00	3.60
52	0.1538	0.1422	0.80	4.00		15.00	3.50
53	0.1647	0.1617	0.90	4.80		15.00	3.48
54	0.1767	0.1842	1.00	5.60		15.00	3.46
55	0.1948	0.2100	1.16	6.40	15.00%	30.00	3.44
56	0.2177	0.2400	1.32	7.20	10.00	30.00	3.42
57	0.2446	0.2682	1.48	8.00	10.00	30.00	3.40
58	0.2758	0.2933	1.68	8.80	10.00	20.00	3.32
59	0.3046	0.3207	1.94	9.60	15.00	20.00	3.24
60	0.3366	0.3503	2.26	10.40	20.00	20.00	3.16
61	0.3802	0.3818	2.62	11.20	20.00	20.00	3.08
62	0.4180	0.4149	3.08	12.00	30.00	40.00	3.00
63	0.4680	0.4490	3.60	12.00	15.00	15.00	3.00
64	0.5082	0.4838	4.20	12.00	35.00	25.00	3.00
65	0.5476	0.5187	4.80	12.00	30.00	80.00	3.00
66	0.5994	0.5531		12.00	30.00	80.00	3.00
67	0.6363	0.5866		12.00	30.00	80.00	3.00
68	0.6557	0.6189		12.00	30.00	80.00	3.00
69	0.6876	0.6495		12.00	30.00	80.00	3.00
70	0.7009	0.6784			100.00	100.00	

The termination rates shown are ultimate rates.
* Pre-commencement rates for funding purposes only

5. Marriage Assumptions

- Percent Married
  80% of active members are assumed to be married.

- Age Difference Between Spouses
  Husbands are assumed to be two years older than their wives.

Progress Energy Pension Plan

Actuarial Assumptions and Methods

6. Assumed Forms of Payment:

   Percentage Electing Lump Sum of Cash Balance:
   - Normal Retirees---70%
   - Early Retirees---70%
   - Vested Terminations--- 100%
   - Surviving Spouses---50%

   The remaining participants are assumed to elect the normal form of payment, which is 50% joint and contingent annuity with spouse as the beneficiary for married participants and life annuity for single participants.

7. Vested Terminated Commencement Assumption:

   It is assumed that upon exit from an active status, 70% of participants commence their benefits immediately, while 30% defer commencement of their benefits to age 65. For current deferred vested participants, it is assumed that participants will commence their benefit immediately if they terminated less than 2 years prior to the valuation date. If they terminated 2 or more years prior to the valuation date, it is assumed they will defer commencement of their benefit to age 65.

8. Expenses

   None assumed.

Progress Energy Pension Plan

Actuarial Assumptions and Methods

The following is a summary of the actuarial assumptions and methods which have been changed since the last valuation:

a) The interest rate used to determine the plans funding target was changed to the December 2007 PPA full yield curve.
b) The mortality rates used to determine the plan funding contribution were changed to the RP-2000 2008 PPA Annuitant and Non-Annuitant Mortality Tables.
c) The 417(e) lump sum basis was updated for PPA.
d) The discount rate used to determine SFAS35 liabilities was changed from 8.0% to 9.0%.
e) The annuity conversion rate at age 65 used to determine SFAS35 liabilities was changed from 6.00% to 5.45%.

Section C

Progress Energy Pension Plan

Plan Provisions

1. Monthly Accrued Benefit

1.70% of Average Final Compensation multiplied by Benefit Service
(to a maximum of 60% of Average Final Compensation),
less
1.43% of Social Security Benefit multiplied by Benefit Service
(to a maximum of 50% of the Social Security Benefit)

After December 31, 2003, the above formula is frozen.

On or after January 1, 1999, the Monthly Accrued Benefit is defined as the actuarial equivalent of the Cash Balance Account based on the 1994 Group Annuity Mortality (50/50 blend) projected to 2002 and the 30-year Treasury rate for the month of August prior to the start of the Plan year. The Treasury rate is used for ages 65 and older, and that rate plus .5% is used at ages prior to 65, with a minimum rate of 6.5% prior to 2002. The minimum benefit for employees other than former members of the Florida Progress Plan is $300 per month.

Notes:

a) For employees who were members immediately before January 1, 1981, the Monthly Accrued Benefit will not be less than the monthly accrued benefit to which the member would have been entitled at age 65 calculated under the terms of the plan as in effect on December 31, 1980, assuming for this purpose that the member's compensation as of January 1, 1981 remains unchanged until the later of age 65 or his actual retirement age. For married members, the minimum Monthly Accrued Benefit will be a 50% joint and contingent benefit which is the actuarial equivalent to the monthly accrued benefit developed by the preceding formula.

b) In determining the Monthly Accrued Benefit prior to normal retirement date under the formula above, the Social Security offset is calculated by multiplying the potential Social Security offset at normal retirement age by the ratio of actual Benefit Service to projected Benefit Service at normal retirement (where all Benefit Service amounts are limited to 35 years).

c) All pensions are reduced by the amount of the retirement annuity, if any, that is payable to the member from John Hancock Mutual Life Insurance Company under the terminated Tide Water Power Company retirement plan.

d) Employees of North Carolina Natural Gas who were involved in the acquisition by Progress Energy have their accrued benefit under the North Carolina Natural Gas pension plan frozen as of December 31, 1999. This benefit maintains the eligibility and benefit provisions of the prior plan. Effective January 1, 2000, these employees start accruing benefits under the Progress Energy Pension Plan.

e) Employees of Florida Progress who were involved in the acquisition by Progress Energy have their accrued benefit under the Florida Progress pension plan frozen as of December 31, 2001. This benefit maintains the eligibility and benefit provisions of the prior plan. Effective January 1, 2002, these employees start accruing benefits under the Progress Energy Pension Plan.

f) VERP effective May 1, 2006 granted those participants electing to retire under the early retirement program an additional 5 years of age and service as detailed in the plan document.

Progress Energy Pension Plan

Plan Provisions

Cash Balance Account is determined as follows:

- Opening Account Balance
  - Present Value of Accrued Benefit under the pre-1/1/99 Plan payable at age 65 = Monthly Accrued Benefit at 1/1/99 x Factor x 12

Age	Factor	Age	Factor
21	1.00	45	7.05
25	1.40	50	7.30
30	2.80	55	8.50
35	4.30	60	9.00
40	5.80	65	10.60

- Percentage of Pay Credits ("Deposited" At End Of Plan Year)

Age at Beginning of Year	Basic Annual Credits	Additional Annual Credit*
Less than 35	3.00%	3.00%
35-39	3.50%	3.50%
40-44	4.25%	4.25%
45-49	5.00%	5.00%
50-54	6.00%	6.00%
55 and Over	7.00%	7.00%

*Additional Credit for pay in excess of 80% of Social Security Taxable Wage Base

- Interest Credits

Year Beginning 1/1	Annual Interest Rate on Entire "Account"
1999	7.5%
2000-2004	6.0%
2002-2004	6.0%
2006-2007	5.0%
2008	5.5%
2009 and later	4.0% (Guaranteed Minimum)

- Transition Plan (for existing employees at 1/1/99 with one year of credited service)
  - Part I: Greater Of Current Plan Or Cash Balance Plan Converted To Annuity For Termination/Retirement Over Next 5 Years (Through 12/31/2003)
  - Part II: Transition Credits Added To Cash Balance Account For 10 Years ("Deposited" At End Of Plan Year)

Completed Years Of Service At The Beginning Of Year	Transition Pay Credits For 10 Years
1-4	2.50%
5-9	3.25%
10-14	4.00%
≥15	5.00%

Progress Energy Pension Plan

Plan Provisions

- Transition Plan (for North Carolina Natural Gas employees at 1/1/2000) for accruals prior to January 1, 2007
  - Part I: Frozen Accrued Benefit as of 12/31/1999 Under the Pension Plan of North Carolina Natural Gas (maintaining all eligibility and benefit provisions of the prior plan)
  - Part II: Transition Credits Added To Cash Balance Account ("Deposited" at End of Plan Year)

Attained age at beginning of year of Credit	NCNG Transition Credits Made at End of each Plan Year Commencing on or after January 1, 2000 Based on Age of Supplement A Participant on January 1, 2000			
	Less than 35	35-44	45-54	55-65
Less than 29	.5%			
29-33	1.0			
34-38	1.5	2.5%		
39-43	2.0	3.5		
44-48	2.5	4.5	6.0%	
49-53	3.0	5.5	8.0	
54	3.5	6.5	11.0	9.5%
55	3.5	6.5	11.0	10.5
56	3.5	6.5	11.0	11.5
57	3.5	6.5	11.0	12.5
58	3.5	6.5	11.0	13.5
Attained age at beginning of year of Credit	NCNG Transition Credits Made at End of each Plan Year Commencing on or after January 1, 2000 Based on Age of Supplement A Participant on January 1, 2000			
	Less than 35	35-44	45-54	55-65
59	4.0	6.5	13.5	14.5
60	4.0	7.5	13.5	15.5
61	4.0	7.5	13.5	16.5
62	4.0	7.5	13.5	17.5
63	4.0	7.5	13.5	18.5
64 up to age 65	4.0	7.5	13.5	19.5

  - Part III: Special Additional Credits Added To Cash Balance Account ("Deposited" at End of Plan Year) for Certain Named Individuals Ending Upon Attainment of Age 65

Name	Special Additional Contribution
Employee 1	14.0%
Employee 2	10.0
Employee 3	8.0
Employee 4	6.5
Employee 5	5.0
Employee 6	5.0
Employee 7	3.0
Employee 8	2.5
Employee 9	2.0
Employee 10	1.5
Employee 11	0.5

Progress Energy Pension Plan

Plan Provisions

- Transition Plan (for Florida Progress employees at 1/1/2002 for accruals after January 1, 2002 and North Carolina Natural gas employees at January 1, 2000 for accruals after January 1, 2007)

  - Part I: Frozen Accrued Benefit as of 12/31/2001 Under the Pension Plan of Florida Progress (maintaining all eligibility and benefit provisions of the prior plan)

  - Part II: Transition Credits Added To Cash Balance Account ("Deposited" at End of Plan Year)

FPC Transition Credits Made at End of each Plan Year Commencing on or after January 1, 2002 Based on Age of Supplement B Participant on January 1, 2002				
Attained age at beginning of year of Credit	Less than 30	30-39	40-54*	55-64*
Less than 25	.25%			
25-29	1.00			
30-34	1.75	2.25%		
35-39	2.25	3.25		
40-44	2.75	4.00	5.00%	
45-49	3.50	5.75	6.25	
50-54	4.50	7.00	9.50	
55-59	7.25	8.75	11.50	14.00%
60-64	9.00	12.25	16.00	17.00

*Participants over age 40 with less than five years of vesting service as of December 31, 2001, receive 65% of the transition credit

2. Normal Retirement Age and Pension

   - Age
     Age 65 (employees who first become members on or after January 1, 1988 must also have attained their fifth anniversary of becoming a member)
   - Amount
     Monthly Accrued Benefit
   - Form of Payment

For Plan formula in effect prior to January 1, 1999:

Life annuity (normal form for single members);
50% joint and contingent annuity with spouse as beneficiary (normal form for married members);
Actuarially reduced 10-year certain and life annuity (optional)[1];
Actuarially reduced 75% joint and contingent annuity with spouse as beneficiary (optional for married members only)[1];
Actuarially reduced 100% joint and contingent annuity with spouse as beneficiary (optional for married members only)[1];
Actuarially reduced 75% joint and contingent annuity with "pop-up" feature[2] and with spouse as beneficiary (optional for married members only)[1];
Actuarially reduced 100% joint and contingent annuity with "pop-up" feature[2] and with spouse as beneficiary (optional for married members only)[1];
Actuarially equivalent lump sum payment (mandatory and only available if the present value of the monthly annuity at retirement is less than $5,000)

Progress Energy Pension Plan

Plan Provisions

For Plan formula in effect after December 31, 1998:

Life annuity (normal form for single members);
50% joint and contingent annuity with spouse as beneficiary (normal form for married members);
Refund of unpaid portion of cash balance upon death of retiree
Actuarially reduced 75% joint and contingent annuity with "pop-up" feature[2] and with spouse as beneficiary (optional for married members only)[1];
Actuarially reduced 100% joint and contingent annuity with "pop-up" feature[2] and with spouse as beneficiary (optional for married members only)[1];
Actuarially equivalent lump sum payment
Partial Lump Sum (25%, 50%, 75%), if age 50 or older; Minimum Annuity of $500 Per Month

3. Early Retirement Age and Pension

- Age
  Later of age 55 and attainment of at least 15 years of Eligibility Service, or
  Any age upon the attainment of at least 35 years of Eligibility Service
- Amount
  Monthly Accrued Benefit reduced 2.5% per year by which the member's Early Retirement Date precedes his Normal Retirement Date, except that members who have attained age 62 with at least 20 years of Eligibility Service may receive their Monthly Accrued Benefit immediately and members who are less than age 55 with at least 35 years of Eligibility Service will receive 75% of their Monthly Accrued Benefit.*
- Form of Payment
  Same as for Normal Retirement, plus, if annuity elected, actuarially reduced level income life annuity which, when combined with his estimated Social Security income, will provide an approximately level income for the life of the member (optional)

4. Late Retirement Age and Pension

- Age
  After Normal Retirement Age
- Amount
  Monthly Accrued Benefit
- Form of Payment
  Same as for Normal Retirement

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[1] The optional joint and survivor forms of payment for married members are actuarially reduced from the 50% joint and survivor form of payment; all other optional forms of payment are actuarially reduced from the life annuity form of payment.

[2] An annuity with a "pop-up" feature is one that increases to the amount of the unreduced accrued benefit upon the death of the contingent annuitant.

* North Carolina Natural Gas and Florida Progress frozen accrued benefits are reduced according to benefit provisions of the prior plan.

Progress Energy Pension Plan

Plan Provisions

5. Deferred Vested Pension

- Eligibility Requirement
  In order to be eligible for a Deferred Vested Pension, the member must be 100% vested in his Monthly Accrued Benefit.
- Amount
  Monthly Accrued Benefit (payable at Normal Retirement Age), or
  Actuarial Equivalent to the Monthly Accrued Benefit payable at Normal Retirement Age (payable at age 55 if member has earned at least 15 years of Vesting Service)
- Form of Payment
  Same as for Normal Retirement

6. Qualified Pre-Retirement Spouse Annuity (QPSA)

- For Vested Members Who Die in Active Service or Who Have Retired with a Deferred Early Retirement Pension

  Upon the death of the member while employed in active service, the member's spouse receives the greater of 50% of the Monthly Accrued Benefit or 50% of the pension that the deceased member would have received if, during the month before his death, he had retired on normal or early retirement, whichever is applicable. If the member has died in active service, then he must have been married to his spouse for at least one year prior to his death. The QPSA is payable to the spouse for life beginning on the first of the month following the member's death or, at the spouse's election, beginning as late as the member's Normal Retirement Date.

  Alternatively, the spouse may elect to receive the amount of the Cash Balance Account.

- For All Other Members Who Have Earned at Least Five Years of Vesting Service at the Time of Their Death

  Upon the death of the member prior to retirement, the member's spouse receives 50% of the Monthly Accrued Benefit that would have been payable to the member in the form of a 50% joint and contingent annuity had the member survived to Normal Retirement Age. The member must have been married to his spouse for at least one year prior to his death. The QPSA is payable to the spouse beginning on the member's Normal Retirement Date or, at the spouse's election, an actuarially equivalent QPSA is payable beginning on the member's Early Retirement Date provided that the member had earned at least 15 years of Benefit Service at the time of his death.

  Alternatively, the spouse may elect to receive the amount of the Cash Balance Account.

7. Disabled Members

Any member, while in receipt of disability payments under the Company's Long-Term Disability Group Insurance Plan, will be treated as a member in active service and will continue to accrue eligibility, vesting, and benefit service until his Normal Retirement Date or his Early Retirement Date and, upon retirement, his Monthly Accrued Benefit will be determined as if he had received compensation during the period when he received disability payments at his last rate of compensation that was in effect prior to the commencement of such payments.

8. Vesting Requirement

In order to become 100% vested in his Monthly Accrued Benefit, the member must earn at least three years of Vesting Service effective at January 1, 2008.

Progress Energy Pension Plan

Plan Provisions

9. Eligibility Service

Eligibility service is the total period of service as an employee with the Company, its predecessor companies, and any affiliated company. Eligibility service does not include any service preceding the initial 12-month period in which an employee first works 1,000 hours.

10. Vesting Service

Vesting service is the member's period of employment with the Company or with an affiliated company. Vesting service begins on the member's employment commencement date and ends on the member's Severance from Service Date as that term is defined in the Plan. In addition, if a member is terminated and is later re-employed within 12 months, then the period between his Severance from Service Date and his re-employment date is included in his Vesting Service.

11. Benefit Service

On and after January 1, 1981, benefit service is equal to all Vesting Service earned on or after that date while an employee is a member of the plan. Benefit service earned prior to that date is equal to creditable service determined in accordance with the terms of the plan as in effect on December 31, 1980. In addition, an employee's initial year of Eligibility Service and any subsequent year of Vesting Service while an employee but prior to becoming a member is included in the member's benefit service.

12. Average Final Compensation

Average final compensation is the average annual compensation of a member during the five consecutive years out of his last ten years of credited service affording the highest such average or during the entire period of his credited service if he has less than five years of credited service.

13. Compensation

Compensation considered under the plan includes base pay determined prior to any reduction pursuant to any 401(k) plan or any cafeteria plan of the Company and including deferred compensation within limits, but excluding commissions, overtime, special payments, fees, and allowances and including certain reactor operator supplements. Under the new EGTRRA provision, compensation is limited to $200,000 as indexed on a prospective basis. Prior to January 1, 2002, compensation was limited to $150,000 per year as indexed. Prior to January 1, 1994, compensation was limited to $200,000 per year as indexed.

14. Social Security Benefit

Social Security Benefit means the annual primary insurance amount payable under Title II of the Social Security Act as in effect on a member's date of termination, provided that, in the case of early retirement, it is assumed that the member will have no income which would be treated as wages for purposes of the Social Security Act between his date of retirement and his 65th birthday and, in the case of a vested deferred retirement, it is assumed that the member will remain in service to age 65 at his last rate of compensation.

Section C
(continued)

Progress Energy Pension Plan

Plan Provisions

15. Membership Requirement

All employees of Progress Energy who have attained age 21 and who have completed one year of eligibility service (after December 31, 1998, requirement is one year of eligibility service only) are eligible to become members of the plan, except that no leased or temporary employee hired after December 31, 1994 is eligible for membership. Each North Carolina Natural Gas employee who was not a Member in the Plan as of December 31, 1999, shall automatically become a member in the Plan as of January 1, 2000. Each Florida Progress employee who was not a Member in the Plan as of December 31, 2001, shall automatically become a member in the Plan as of January 1, 2002.

16. Initial Plan Effective Date

September 1, 1944

17. Retirement Transition Support Program

Employees who are not eligible for retirement in 1995 and who have attained age 50 with at least 10 years of service as of December 31, 1995 or whose age plus years of service as of December 31, 1995 is 65 or more are eligible to receive additional service for benefit accrual and retirement eligibility purposes under the Retirement Transition Support Program. The amount of the additional service is equal to the service that the employee would have earned after his employment termination date and before the earliest date on which he would have been eligible to retire had he remained in active employment. This program was also offered in 1996 and 1997.

18. Benefit Increase for Retirees and Eligible Beneficiaries

- A one-time increase in benefits was granted effective January 1, 1996 to all retirees and eligible beneficiaries who began receiving benefits under the plan before January 1, 1993. The increase was equal to 3.00% subject to a minimum increase of $20.00.

- A one-time increase in benefits was granted effective January 1,. 1999 to all retirees and eligible beneficiaries who began receiving benefits under the plan before January 1, 1996. The increase was equal to 3.00% subject to a minimum monthly increase of $25.00.

- A one-time increase in benefits was granted effective January 1, 2002 to all retirees and eligible beneficiaries who began receiving benefits under the plan before January 1, 1999. The increase was equal to 3.00% subject to a minimum monthly increase of $30.00.

- A one-time increase in benefits was granted effective July 1, 2006 to all retirees and eligible beneficiaries who began receiving benefits under the plan before January 1, 2002. For retirees who began receiving their benefits prior to January 1, 1990, the increase was equal to 3.00% for benefits greater than $1,000 per month and based on a table for benefits less than $1,000 per month. For retirees who began receiving their benefit after December 31, 1989 and prior to January 1, 2002, the increase was equal to 3.00% subject to a minimum monthly increase of $20.00.

19. Voluntary Early Retirement Program

Under the Voluntary Early Retirement Program, employees who have attained age 50 with at least 5 years of service as of March 31, 2005 and retire under the program are eligible to receive 5 years of additional service for benefit accrual and retirement eligibility purposes and 5 years added to their age for early retirement benefit calculation purposes.

Progress Energy Pension Plan

Plan Provisions

The following plan amendments have been adopted within the last plan year:

a) Compensation was limited to $230,000 as indexed in accordance with EGTRRA legislation.
b) Benefit limit was increased to $185,000 as indexed in accordance with EGTRRA legislation
c) The annual interest credit on each participant's cash balance account was increased to 5.5% for plan year 2008.
d) Added 75% joint and contingent annuity option with "pop-up" feature.

Section D

Progress Energy Pension Plan

Summary Information on Plan Participants

		January 1, 2008	January 1, 2007
A.	Active and LOA/LTD/Transferred out participants		
	1. Actives - actively employed		
	i. Fully or partially vested[1]	6,828	6,171
	ii. Non-vested[1]	1,143	1,737
	2. Actives - leave of absence/LTD/transferred out		
	i. Fully or partially vested[1]	286	270
	ii. Non-vested[1]	2	13
	3. Actives - total	8,259	8,191
	4. Average age[2]	45.63	45.39
	5. Average benefit service[2]	15.40	15.32
	6. Average eligible compensation[2]	$74,188	$71,846
B.	Retired participants		
	1. Number	4,874	4,853
	2. Average age	68.39	67.83
C.	Survivors and beneficiaries of participants		
	1. Number	1,100	986
	2. Average age	71.33	71.95
D.	Terminated vested participants		
	1. Number	4,357	4,489
	2. Average age	52.05	51.52
E.	Disabled participants		
	1. Number	99	104
	2. Average age	66.67	65.72

[1] Vesting requirement changed from 5 years to 3 years effective 1/1/2008

[2] Excludes leave of absence/LTD/transferred out participants

Section D
(continued)

Progress Energy Pension Plan

Age-Service Table (Attachment to Form 5500)

EIN: 56-2155481; PN 001
Line 8c - Schedule of Active Participant Data
(Distribution of Active Participants as of January 1, 2008 by Age and Service Groups)*
(Average Cash Balance Shown in Italics)

Attained Age	Completed Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
15-19	3									3
20-24	127 47,261 *2,378*	4								131
25-29	348 52,752 *3,456*	129 61,428 *9,762*	3							480
30-34	302 59,274 *4,192*	313 66,318 *12,150*	38 63,992 *25,772*	1						654
35-39	264 63,684 *5,152*	385 70,772 *15,242*	113 79,635 *40,244*	60 76,131 *43,322*	8					830
40-44	252 66,791 *6,670*	315 76,563 *20,565*	183 79,143 *49,811*	194 79,433 *56,481*	198 74,829 *83,065*	18				1,160
45-49	180 72,392 *9,374*	299 81,305 *29,241*	148 86,058 *66,887*	182 79,693 *73,438*	481 81,835 *122,045*	491 77,645 *143,625*	15			1,796
50-54	112 74,487 *11,408*	177 77,433 *35,307*	116 90,406 *88,004*	125 78,515 *86,321*	312 77,536 *135,996*	580 80,636 *177,528*	274 74,880 *204,479*	19		1,716
55-59	68 70,668 *13,457*	94 76,830 *40,453*	65 82,686 *87,923*	52 80,024 *114,443*	141 74,684 *148,700*	198 79,316 *200,690*	195 81,486 *268,585*	111 79,584 *297,208*	2	926
60-64	23 72,733 *12,727*	35 78,108 *45,363*	22 83,371 *112,615*	15	25 82,255 *182,414*	40 77,499 *207,328*	38 80,570 *277,521*	46 81,032 *305,899*	9	253
60-65	2	2	4	2	1	5		1	1	18
70+	2		3							5
Total	1,683	1,753	695	631	1,166	1,332	522	177	12	7,971 **

* Average January 1, 2008 annual rate of pay shown for cells with at least 20 participants
* Average January 1, 2008 cash balance shown in italics for cells with at least 20 participants
** Excludes 288 participants on leave of absence, LTD, or transferred out

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Progress Energy Pension Plan

Summary Information on Plan Participants

		Actives and LOAs/LTDs/TOs	Terminated Vested	Retirees and Beneficiaries	Total
A.	Participants as of 1/1/2007	8,191	4,489	5,943	18,623
B.	Changes due to:				
	1. Termination				
	Vested	-144	144	0	0
	Non-vested	-200	0	0	-200
	Lump sum distribution	-156	-53		-209
	Benefits expired			-75	-75
	2. Retirements	-25	-121	146	0
	3. Deaths				
	With or without survivors	-20	-85	-82	-187
	New Beneficiaries	0	0	148	148
	4. New entrants	595	0	0	595
	5. Rehires	22	-21	-1	0
	6. Data corrections	-4	4	-6	-6
	Total changes	68	-132	130	66
C.	Participants as of 1/1/2008	8,259	4,357	6,073	18,689

Section E

Definition of Key Terms

Adjusted Funding Target Attainment Percentage (AFTAP): The ratio of the Plan Assets, reduced by the Carryover Balance and Prefunding Balance, to the Funding Target for the plan. For this purpose, both assets and Funding Target include the value of annuity purchases made in the prior two years for non-highly compensated employees. The Funding Target assets are not reduced by the Carryover Balance and Prefunding Balance if the FTAP is greater than 100% (92% for 2008, 94% for 2009, or 96% for 2010). This ratio determines the applicability of any benefit restrictions and limitation on plan amendments.

At-Risk Status: A plan is determined to be At-Risk if, for the preceding plan year, the FTAP < 80% and FTAP, using At-Risk assumptions, < 70%. For 2008, 2009 and 2010 plan years the 80% requirement is replaced by 65%, 70% and 75%, respectively. Plans totaling fewer than 500 participants on a controlled group basis are deemed to be not At-Risk. At-Risk plans have different funding requirements than not At-Risk plans.

Carryover Balance (COB): An initial amount as of the beginning of the 2008 plan year equal to the credit balance in the Funding Standard Account as of the last day of the 2007 plan year, if any. In later years, the COB changes with interest at the rate earned by the FMV of assets and decreases by amounts used to reduce the Minimum Required Contribution. A plan sponsor may also elect to reduce the COB as of the beginning of any plan year, but not below zero.

Effective Interest Rate (EIR): The equivalent single interest rate that would produce the same Funding Target as the mandated 3-segment rates or, if applicable, the full yield curve.

Funding Shortfall (FS): The excess, if any, of the Funding Target over Plan Assets, with assets reduced by the Carryover Balance and the Prefunding Balance.

Funding Target (FT): The present value of all benefits accrued or earned under the plan as of the beginning of the plan year, based on mandated interest and mortality assumptions, and other assumptions selected by the actuary. There are three interest discount alternatives: a full yield curve, segment rates for expected payments for 0-4, 5-19, and 20+ years, and a three-year transition to the three-segment rates. The mandated Mortality assumption uses a projected RP2000 table.

Funding Target Attainment Percentage (FTAP): The ratio of the Plan Assets, reduced by the Carryover Balance and Prefunding Balance, to the Funding Target for the plan.

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Definition of Key Terms

Funding Target for At-Risk Plans (ARFT): Similar to the Funding Target for plans not At-Risk, with additional mandated assumptions:

1. Participants eligible to retire within the next 11 years will retire at the earliest possible date, but not before the end of the current plan year.
2. All participants will elect the form of benefit producing the highest present value.
3. If the plan has been At-Risk for 2 of the last 4 years, ARFT includes a load of $700 for each participant plus 4% of the Funding Target for plans not At-Risk. The ARFT phases in at 20% for each consecutive year the plan has been in At-Risk Status.

Maximum Deductible Contribution: The largest plan contribution the sponsor can claim as a tax deduction for the fiscal year, as defined by Section 404 of the Internal Revenue Code. The plan sponsor must pay the contribution by the tax return filing deadline, with extensions. The plan sponsor should discuss with qualified tax counsel the tax deductibility of a contribution, which depends on tax law outside the actuary's expertise.

Minimum Required Contribution: The smallest amount the plan sponsor can contribute to the plan for the plan year to avoid incurring penalties and notice requirements, as defined by Section 430 of the Internal Revenue Code. In general, the plan sponsor must pay the minimum contribution in quarterly installments with a final payment made by 8½ months after the end of the plan year.

Plan Assets: The fair market value of the assets (FMV) as of the beginning of the plan year or, if elected, an average value. The averaging period may not exceed two years and the average value must be constrained to a +/-10% corridor around FMV. Plan Assets include receivable contributions for the prior plan year (the discounted value of such receivable contributions for plan years after 2008).

Prefunding Balance (PFB): The cumulative excess, if any, of employer contributions to the plan over the required minimum contribution for 2008 and later plan years. The PFB changes with interest at the rate earned by the assets and decreases by amounts used to reduce the Minimum Required Contribution. A plan sponsor may elect to waive any excess contribution credit to the PFB and may also elect to reduce the PFB as of the beginning of any plan year, but not below zero.

Section E
(continued)

Definition of Key Terms

Present Value of Accumulated Benefits (PVAB): The present value of anticipated future pension payments to all current plan participants and their beneficiaries. Only benefits that have been accrued through the valuation date are included; benefits expected to be earned in the future are excluded. The portion of benefits that have already been accrued but are not yet vested is excluded to the extent that the Actuarial Assumptions anticipate forfeiture of those benefits due to termination of employment before full vesting occurs.

Shortfall Amortization Base (SAB): The FS for the current plan year minus the present values of the remaining payments of any previously established SABs. A plan is exempt from establishing a SAB if the FS, using assets reduced by the PFB only, is zero. Calculations for 2008, 2009 and 2010 plan years, for purposes of this exemption, use the FT multiplied by a factor of 92%, 94% and 96%, respectively. However, such relief does not apply for plans established after 2007, plans that had deficit reduction contributions in 2007, plans that established a SAB in any prior year, or for any year after a year the FS was not zero.

Shortfall Amortization Installment (SAI): The amount necessary to amortize a Shortfall Amortization Base over 7 years.

Target Normal Cost (TNC): The present value of all benefits expected to accrue during the plan year, including the effect of compensation increases during the year.

Target Normal Cost for At-Risk Plans (ARTNC): Similar to the TNC for plans not At-Risk, with the additional mandated assumptions shown above. The ARTNC includes a load of 4% of the non-At-Risk TNC for plans that have also been At-Risk for at least 2 of the preceding 4 plan years. The ARTNC phases in at 20% for each consecutive year the plan has been in At-Risk Status.

Retirement Plan for Bargaining Unit Employees

Actuarial Valuation Report

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an ACS company

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Actuarial Valuation Report

Plan Year January 1, 2008 - December 31, 2008

October 2008

October 6, 2008

Retirement Committee
Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation
Post Office Box 1551
Raleigh, NC 27602

Ladies and Gentlemen:

Progress Energy retained Buck Consultants, LLC (Buck) to complete this actuarial valuation of the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation. This report presents the results of the funding valuation for the plan year ending December 31, 2008. The report contains a Definition of Key Terms section (Section E) that contains definitions of many of the terms used in this report.

Data Used

Buck performed the valuation using participant data supplied by the Plan Administrator and financial data supplied by the Plan's Trustee. Buck did not audit the data although they were reviewed for reasonableness and consistency with the prior year's information. The results of the valuation are dependent on the accuracy of the data.

The Pension Protection Act of 2006 (PPA 2006)

On August 17, 2006, the President signed the Pension Protection Act of 2006. PPA 2006 made massive changes in the way that minimum required contributions and maximum deduction limits are calculated, changed the way that minimum lump sum distributions are calculated, made permanent the pay cap and maximum benefit limits that were introduced by EGTRRA in 2001, and changed participant and PBGC reporting requirements. The changes to minimum contribution calculations that are first effective for plan years beginning in 2008 are reflected in this report.

Technical correction legislation that could modify the calculation of the minimum required contribution has been proposed. If the technical corrections are passed, the required contribution shown in the report may need to be revised.

Changes is Assumptions and Methods for Determining Contributions

PPA 2006 has completely changed the methodology for determining contributions beginning with the 2008 plan year. Many new concepts, which are defined in Section E of this report, have been introduced and prior methodology has been eliminated. The use of the accrued benefit funding method is now mandated and liabilities are valued using interest rates determined from a yield curve based on high quality corporate bond rates. In addition the actuarial value of assets is subject to a more restrictive corridor around market value and the maximum number of years for smoothing asset values has been reduced to two. For poorly funded plans, certain retirement assumptions are also mandated.

Purpose of This Report

Buck has prepared this report for the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation for use in review of the operation of the Plan. It is expected that the plan sponsor will use this report for the purpose of determining contributions to be made to the Plan. The report can also be used in the preparation of various governmental filings including the plan's audited financial statements.

Use of this report for any other purpose may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. No one may make any representations or warranties based on any statements or conclusions contained in this report without the written consent of Buck.

Benefit Restrictions

Under PPA, a plan is subject to benefit restrictions if the Adjusted Funding Target Attainment Percentage (AFTAP) falls below certain thresholds which begin at 80%. Based on the current valuation, the plan is not subject to benefit restrictions during the 2008 plan year.

Actuarial Status of the Plan

Based on the data received, it is our opinion that this plan's funding is proceeding in accordance with the requirements of the Internal Revenue Code.

The actuarial assumptions used to value the Plan for funding purposes, other than interest and mortality, were selected by Kerry Schmidt and Kelly Branham, both of whom meet the applicable qualification standards of the American Academy of Actuaries. The assumptions are, individually and in the aggregate, reasonable and in combination represent our best estimate of anticipated experience under the Plan. The interest and mortality assumptions used are those as prescribed by PPA 2006.

Based on the foregoing, the cost results and actuarial exhibits presented in this report were determined on a consistent and objective basis in accordance with applicable Actuarial Standards of Practice and generally accepted actuarial procedures. They fully and fairly disclose the actuarial position of the Plan based on the employee and asset data submitted.

The report was prepared under the supervision of Kerry Schmidt a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA, and Kelly Branham, an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA, both of whom have met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

BUCK CONSULTANTS, LLC

Kerry N. Schmidt

Kerry N. Schmidt, F.S.A., E.A., M.A.A.A.
Principal, Consulting Actuary
Enrolled Actuary Number 08-02628
Primary Actuary for the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Kelly Q. Branham

Kelly Q. Branham, A.S.A., E.A., M.A.A.A.
Director, Consulting Actuary
Enrolled Actuary Number 08-05192

Table of Contents

Summary of Results

Overview

This report presents the results of a valuation of the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation as of January 1, 2008. Results are presented for the determination of contributions to be made for the 2008 plan year.

As of January 1, 2008, the Plan is considered not to be in At-Risk status for funding purposes and, therefore, liabilities are calculated using the plan's regular retirement assumptions.

Funding Results

This table summarizes the principal funding valuation results from the current valuation and the prior valuation. Any changes in actuarial assumptions, methods, or plan provisions between the two valuations are described below.

Plan Year	2008	2007
Valuation Date	January 1, 2008	January 1, 2007
Contribution levels		
Minimum Required Contribution	$4,789,944	$0
Estimated Maximum Tax-Deductible Contribution[1]	$169,794,994	$218,590,433
Assets and liabilities		
Market value of assets (includes receivable)	$270,206,779	$251,609,733
Actuarial value of assets	$270,206,779	$230,543,669
Funding Target	$286,583,683	N/A
Actuarial accrued liability	N/A	$235,616,369
Normal cost, beginning of year	$10,126,248	$5,125,150
Funding Shortfall (E. – F. + G.3., not less than 0)	$21,713,208	N/A
At-Risk Status	Not-At-Risk	N/A

[1]Please see the definition in Section E, and consult with qualified tax counsel, before claiming a deduction. Amounts are estimates only and may change to reflect future regulatory guidance or technical corrections to applicable law. Please consult with your Buck actuary before contributing this amount.

Assets

For the year ended December 31, 2007, the Plan's market value of assets experienced a 12.07% return. Progress Energy has elected to use the market value of assets (with receivables) as the actuarial value of assets. Following is a summary of asset returns during the past two years:

	2007	2006
	Actual	Actual
Market value (funding)	12.07%	13.09%
Actuarial value (funding)	22.56%	10.16%

The table below shows the derivation of the approximate rate of return on assets for the previous plan year:

Plan Year 2007	Market Value (funding)	Actuarial Value (funding)
Value at beginning of year	$251,609,733	$230,543,669
Contributions	$3,046,253	$3,046,253
Investment earnings	$31,481,854	$52,547,918
Benefits paid	($14,149,679)	($14,149,679)
Expenses paid	($1,781,382)	($1,781,382)
Value at end of year	$270,206,779	$270,206,779
Approximate rate of return	12.07%	22.56%

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Summary of Results (continued)

Participant Data Results

This table summarizes the participant data used for the current valuation and the prior valuation:

Valuation Date	January 1, 2008	January 1, 2007
Number of Participants		
Actives - actively employed	2,210	2,390
Actives - leave of absence/LTD/transferred out	198	173
Actives - total	2,408	2,563
Retired participants and beneficiaries	793	752
Former employees with vested benefits	369	338
TOTAL PARTICIPANTS	3,570	3,653
Annual covered payroll for the year beginning on the valuation date[1]	$126,233,436	$128,439,259
Annual covered payroll[1]	$57,119	$53,740
Average age - active participants[1]	43.7 years	42.8 years
Average service - active participants[1]	13.2 years	11.9 years

[1] Excludes leave of absence/LTD/transferred out participants

Economic Assumptions

The discount rates used to determine the target normal cost and funding target are mandated by PPA subject to limited choice by Progress Energy. Other economic assumptions used to determine statutory contribution limits must be reasonable taking into account the experience of the plan and reasonable expectations. Progress Energy has elected to use the full yield curve.

Valuation Date	
Effective Interest Rate (See Section E)	6.35%

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Summary of Results (continued)

Additional Assumptions

The cost of providing plan benefits depends on additional economic factors such as future salary increases, as well as demographic factors such as retirement ages, mortality and employee termination. Demographic assumptions, other than mortality, used in the valuation were selected by the actuary to reflect the experience of the covered population and reasonable expectations. A complete description of the Plan's economic and demographic assumptions is given in Section B.

Plan Changes

The plan was updated to reflect increased pay caps and benefit limitations, increase in the interest credit for 2008 to 5.5%, changing vesting for cash balance participants from five to three years, and the addition of the 75% joint and contingent annuity option with "pop-up" feature. A complete summary of Plan Provisions is included in Section C.

Benefit Restrictions

In general, if the AFTAP falls below 80%, plan amendments increasing benefits are prohibited and the payment of lump sums is partially restricted. In addition, if the AFTAP falls below 60%, the payment of lump sums is fully restricted, benefit accruals under the plan must be frozen, and shutdown benefits may not be paid. Based on proposed IRS regulations and the 2008 AFTAP of 94.2%, the plan is not subject to benefit restrictions during the 2008 plan year. In addition, the plan will continue to be exempt from any benefit restrictions through September 30, 2009, pending Buck's calculation of the 2009 AFTAP.

Section A-1

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Determination of Minimum Required Contributions and Maximum Tax-Deductible Contribution

Plan Year		**January 1, 2008**
A.	**Minimum Required Contribution, beginning of year**	
1.	**Target Normal Cost**	**$10,126,248**
2.	**Shortfall Amortization**	**$0**
3.	**Reduction for Overfunding**	**$0**
4.	**Reduction for Credit Balances[1]**	**($5,336,304)**
5.	**Minimum Contribution, [1.+2.+3.+4.,not less than 0]**	**$4,789,944**

[1] **Credit balances cannot be used to offset minimum required contributions if the FTAP for the prior plan year is less than 80%**

B.	**Maximum Tax-Deductible Contribution, beginning of year**	
1.	**Target Normal Cost**	**$10,126,248**
2.	**Funding Target**	**$286,583,683**
3.	**Estimated Cushion Amount[2]**	**$143,291,842**
4.	**Total**	**$440,001,773**
5.	**Actuarial Assets**	**$270,206,779**
6.	**Estimated Maximum Tax-Deductible Contribution (4. - 5., not less than $0 and not less than A.5.)[3]**	**$169,794,994**

[2] **The cushion amount is larger than the estimated amount shown; therefore the resulting maximum contribution is larger than the estimated amount shown. Please contact your Buck actuary for further refinement if needed. This amount is determined before considering combined plan limits that apply when an employer has both defined benefit and defined contribution plans.**

[3] **Please see the definition in Section E, and consult with qualified tax counsel, before claiming a deduction. Amounts may change to reflect future regulatory guidance or technical corrections to applicable law. Please consult with your Buck actuary before contributing this amount.**

Section A-1
(continued)

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Determination of Minimum Required Contributions and Maximum Tax-Deductible Contribution

C. Minimum Contribution Schedule

Contribution	2009 Plan Year		2008 Plan Year		2007 Plan Year	
Date	Amount	Reason	Amount	Reason	Amount	Reason
4/13/2007					$1,892,175*	Quarterly
7/13/2007					$1,154,079*	Quarterly
10/12/2007					$0*	Quarterly
1/11/2008					$0*	Quarterly
4/14/2008			$0*	Quarterly		
7/14/2008			$0*	Quarterly		
9/15/2008					$0*	Final
10/15/2008			$146,952	Quarterly		
1/15/2009			$1,827,752	Quarterly		
4/15/2009	$2,531,562**	Quarterly				
7/15/2009	$2,531,562**	Quarterly				
9/15/2009			$3,260,072	Final		
10/15/2009	$2,531,562**	Quarterly				
1/15/2010	$2,531,562**	Quarterly				
9/15/2010	TBD	Final				
TOTAL	TBD		$5,234,776		$3,046,254	

* Contributions already made
** These amounts may change based on the results of the January 1, 2009 valuation

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Section A-2

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Assets and Rate of Return Information

Development of Actuarial Value of Assets for Minimum Required and Maximum Contributions (equal to Market Value)

A.	Market value of assets, January 1, 2007 (with accrued contributions)	$251,609,733
B.	Employer contributions made in 2007 for 2007	$3,046,254
C.	Benefit payments	($14,149,679)
D.	Expenses	($1,781,382)
E.	Actual return	$31,481,853
F.	Market value of assets, January 1, 2008 (without accrued contributions)	$270,206,779
G.	Accrued contributions for 2007	$0
H.	Market value of assets, January 1, 2008 [F. + G.]	$270,206,779
I.	Actuarial value of assets as of January 1, 2008 [H.]	$270,206,779 [1]
J.	Actuarial value of assets as of January 1, 2007	$230,543,669 [1]
K.	Approximate rate of return (actuarial value)	22.56% [2]
L.	Approximate rate of return (market value)	12.07%

[1] The Actuarial Value of Assets (AVA) was set equal to the Market Value of Assets (MVA) at January 1, 2008 per PPA 2006. The prior method of calculating the AVA was to reflect a five-year phase in of the net investment gains and losses (calculated as the difference between expected and actual asset returns).

[2] The rate of return includes impact due to change in asset method.

Section A-3

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Summary of Funding Target and Target Normal Cost

Plan Year	**January 1, 2008**
A. Funding Target using regular valuation assumptions	
1. Actives	**126,550,313**
2. Retirees and beneficiaries	**151,007,263**
3. Terminated vested	**9,026,105**
4. Total	**286,583,681**
5. Target Normal Cost, beginning of year	**10,126,248**
B. Funding Target using at-risk assumptions (without expense load)	
1. Actives	**N/A**
2. Retirees and beneficiaries	**N/A**
3. Terminated vested	**N/A**
4. Total	**N/A**
5. At-Risk Target Normal Cost	**N/A**
C. Expense Load	
1. 4% of At-Risk Funding Target	**N/A**
2. $700 per plan participant	**N/A**
3. Total Expense Load	**N/A**
4. 4% of At-Risk Target Normal Cost	**N/A**
D. 1. Total At-Risk Funding Target including Expense Load [B.4+C.3.]	**N/A**
2. At-Risk Target Normal Cost including Expense Load [B.5.+C.4.]	**N/A**

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Section A-4

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Determination of At-Risk Status

Plan Year	**January 1, 2008**
Determination of FTAP as of January 1, 2007*	
1. Actuarial Value of Assets, limited to a 90%-110% corridor around Market Value	**$230,543,669**
2. Credit Balance	
a. Credit Balance as of January 1, 2007	**$8,751,126**
b. Amount deemed surrendered under IRC §430(f)(5)	**$0**
c. Credit Balance after surrender	**$8,751,126**
3. Actuarial Value less Credit Balance (1. - 2.c.)	**$221,792,543**
4. Current Liability for preceding year	**$288,097,054**
5. Funding Target Attainment Percentage	**76.99%**
6. Threshold Percentage	**65.00%**
2008 At-Risk Status (At-Risk if 5. < 6.; otherwise Not-At-Risk)	**Not-At-Risk**

*** In accordance with proposed IRS Regulations issued December 31, 2007**

Section A-5

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Determination of Applicable Funding Target and Target Normal Cost for Minimum Contribution

	Plan Year	January 1, 2008
A.	1. Funding Target using regular assumptions	$286,583,683
	2. Target Normal Cost using regular assumptions	$10,126,248
B.	1. At-Risk Funding Target (without expense load)	N/A
	2. At-Risk Target Normal Cost (without expense load)	N/A
C.	1. At-Risk Funding Target (with expense load)	N/A
	2. At-Risk Target Normal Cost (with expense load)	N/A
D.	At-Risk status	Not-At-Risk
E.	Expense Load Applicability	N/A
F.	At-Risk Phase-in Percentage	N/A
G.	1. Applicable Funding Target [A.1. + F.*(B.1. or C.1., whichever is applicable, - A.1.)]	$286,583,683
	2. Applicable Target Normal Cost [A.2. + F.*(B.2. or C.2., whichever is applicable, - A.2.)]	$10,126,248

Determination of Applicable Funding Target and Target Normal Cost for Maximum Tax-Deductible Contribution

H.	1. Applicable Funding Target [G.1.]	$286,583,683
	2. Estimated Cushion Amount[1]	$143,291,842
	3. Total	$429,875,525
	4. Target Normal Cost for Maximum Tax-Deductible Contribution	$10,126,248

[1] The Cushion Amount equals 50% of the Funding Target plus the increase in the Funding Target due to future increases in compensation/benefit levels. We have ignored the future increase in compensation/benefit levels for this estimate which means the resulting maximum contribution will be understated.

Section A-6

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Development of the Funding Standard Account for the 2007 Plan Year and Determination of Initial Funding Standard Carryover Balance

	Plan Year	January 1, 2007
A.	1. Normal Cost	$5,125,150
	2. Amortization Charges	$2,408,172
	3. Interest on 1. and 2.	$602,666
	4. Penalty Interest	$0
	5. Additional Funding Charge	$0
	6. Total Charges	$8,135,988
B.	1. Prior Year Credit Balance	$8,751,126
	2. Employer Contributions	$3,046,254
	3. Amortization Credits	$763,871
	4. Interest on 1., 2. And 3.	$911,041
	5. Full Funding Credit	$0
	6. Total Credits	$13,472,292
C.	Credit Balance/(Funding Deficiency) [B.6. - A.6.]	$5,336,304
D.	Reduction in Accordance with IRC §430(f)(5)*	$0
E.	Val Date Funding Standard Carryover Balance [C. - D., not less than 0]	$5,336,304

* The Plan Sponsor may elect to reduce the pre-PPA Carryover Balance in order to avoid at-risk status or benefit restrictions.

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Section A-7

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Determination of Shortfall Amortization Base

	Plan Year	**January 1, 2008**
A.	**Funding Target**	**$286,583,683**
B.	**Valuation Assets**	**$270,206,779**
C.	**Credit Balances**	
	1. Funding Standard Carryover Balance	**$5,336,304**
	2. Prefunding Balance	**$0**
	3. Total	**$5,336,304**
D.	**Funding Shortfall [A.-(B.-C.3.), not less than 0]**	**$21,713,208**
E.	**Funding Target Attainment Percentage [(B.-C.3.)/A.]**	**92.42%**
F.	**Funding Target Attainment Percentage for Shortfall Exemption [(B.-C.2.)/A.]**	**94.29%**
G.	**Threshold for Shortfall Exemption**	**92.00%** [1]
H.	**Outstanding Balance of Previously Established Shortfall Amortization Bases**	**$0**
I.	**Shortfall Amortization Base [0 if F.>G.; otherwise D.-H.]**	**$0**

[1] **The threshold is normally 100%, however, plans not subject to the additional funding charge in 2007 are exempt from establishing a shortfall amortization base if the FTAP>92% for 2008; 94% for 2009; 96% for 2010; 100% thereafter.**

Section A-8

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Determination of Required Quarterly Contributions

A.	Funding Shortfall for prior year*	$66,304,511
B.	Required Annual Payment	
	1. Prior year minimum contribution not reflecting credit balance, as of the end of the year	$7,311,007
	2. Current year minimum contribution not reflecting credit balance, as of the beginning of the year	$10,126,248
	3. 90% of 2.	$9,113,623
	4. Required annual payment [lesser of 1. or 3.]	$7,311,007
	5. Required quarterly contribution [If A.>0, 25%*4.; otherwise 0]	$1,827,752
C.	Funding shortfall for the 2008 plan year	$21,713,208
D.	Preliminary quarterly contributions for the 2009 plan year	
	1. 2008 minimum contribution not reflecting credit balance, as of beginning of the year	$10,126,248
	2. Preliminary 2009 quarterly contribution [25% of D1. (0 if C. = 0)]	$2,531,562

* A plan is exempt from quarterly contributions if the funding shortfall for the prior year is zero. For 2007, IRS guidance defines funding shortfall as the Current Liability less Actuarial Value of Assets.

Section A-9

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Valuation of Accumulated Plan Benefits

FAS 35 Accumulated Plan Benefits Information
(based on accrued benefits and plan continuation)

	Plan Year	2008	2007
A.	Actuarial present value of vested accumulated plan benefits		
	1. For retired participants and beneficiaries receiving payments	$118,685,636	$125,562,588
	2. For terminated vested participants	5,473,881	8,070,084
	3. For active participants	59,215,018	61,044,240
	Total	$183,374,535	$194,676,912
B.	Actuarial present value of non-vested accumulated plan benefits	$20,263,248	$19,693,553
C.	Actuarial present value of total accumulated plan benefits	$203,637,783	$214,370,465
D.	D. Pension assets at market value	$270,206,779	$251,609,733
E.	Unfunded accumulated plan benefits	($66,568,996)	($37,239,268)
F.	Funded ratio (D ÷ C)	132.69%	117.37%
G.	Discount rate	9.00%	8.00%

Changes in Actuarial Present Value of Accumulated Plan Benefits

Present value of accumulated plan benefits as of January 1, 2007		$214,370,465
Changes during the plan year attributable to:		
Benefits paid	($14,149,679)	
Interest	$16,594,538	
Plan changes	$113,855	
Assumption changes	($23,055,562)	
Benefits accumulated and other	$9,764,166	
Net change		($10,732,682)
Present value of accumulated plan benefits as of January 1, 2008		$203,637,783

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Section B

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Actuarial Assumptions and Methods

1. Actuarial Cost Method

   The traditional unit credit cost method was used to determine all obligations.

2. Asset Valuation Method

   Actuarial value of assets for is equal to the market value of assets with receivables.

3. Interest Rates

   - Used for calculating funding liabilities
     PPA 12/31/2007 full yield curve. The effective interest rate based on the full yield curve is 6.35%

   - Used for calculating liabilities pursuant to SFAS 35
     9.00% per annum

   - Used for calculation of annuity conversion at age 65
     Funding: 6.00%
     FAS 35: 5.65%

4. Decrements
   - Mortality

For funding purposes:	RP-2000 2008 PPA Annuitant and Non-Annuitant Mortality Tables (sex distinct)
For annuity conversions (from cash balance):	1994 Group Annuity Reserve Mortality Table (50/50 blend) projected to 2002 (Rev. Ruling 2001-62 Mortality)
For FAS35 (Healthy lives):	RP-2000 blended healthy employee and retiree mortality projected to the valuation date using scale AA (sex distinct)
For FAS35 (Disabled lives):	RP-2000 disabled mortality projected to the valuation date using scale AA (sex distinct)

Section B
(continued)

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Actuarial Assumptions and Methods

- Pre-Retirement Decrements and Assumed Salary Increase Rates

Representative values of the assumed annual rates of decrement are shown in the table below.

	Death*		Disability		Termination		Retirement		
Age	Male	Female	FAE	Cash Balance	FAE	Cash Balance	FAE < 35 yrs svc	FAE >= 35 yrs svc	Cash Balance
20	0.0222%	0.0132%	0.070%	0.070%	8.00%	8.00%	-	-	-
25	0.0298	0.0150	0.080	0.080	7.40	7.40	-	-	-
30	0.0396	0.0210	0.010	0.010	6.85	6.40	-	-	-
35	0.0689	0.0368	0.130	0.130	6.60	5.40	-	-	-
40	0.0897	0.0499	0.170	0.220	6.20	4.55	-	-	-
45	0.1116	0.0776	0.250	0.340	5.40	3.95	-	-	-
50	0.1408	0.1130	0.450	0.600	4.55	3.90	-	-	-
51	0.1472	0.1252	0.575	0.700	4.40	3.95	-	-	-
52	0.1538	0.1422	0.700	0.800	4.25	4.00	-	-	-
53	0.1647	0.1617	0.800	0.900	4.20	4.80	-	-	-
54	0.1767	0.1842	0.900	1.000	4.15	5.60	-	-	-
55	0.1948	0.2100	1.000	1.160	4.10	6.40	10.0%	10.0%	15.0%
56	0.2177	0.2400	1.100	1.320	4.05	7.20	4.0	10.0	10.0
57	0.2446	0.2682	1.200	1.480	4.00	8.00	5.0	30.0	10.0
58	0.2758	0.2933	1.300	1.680	4.00	8.80	5.0	20.0	10.0
59	0.3046	0.3207	1.350	1.940	4.00	9.60	10.0	10.0	15.0
60	0.3366	0.3503	1.400	2.260	4.00	10.40	15.0	10.0	20.0
61	0.3802	0.3818	1.500	2.620	4.00	11.20	15.0	40.0	20.0
62	0.4180	0.4149	1.600	3.080	4.00	12.00	30.0	30.0	30.0
63	0.4680	0.4490	1.650	3.600	4.00	12.00	30.0	15.0	15.0
64	0.5082	0.4838	1.700	4.200	4.00	12.00	20.0	30.0	35.0
65	0.5476	0.5187				12.00	20.0	80.0	30.0
66	0.5994	0.5531				12.00	40.0	80.0	30.0
67	0.6363	0.5866				12.00	40.0	80.0	30.0
68	0.6557	0.6189				12.00	40.0	80.0	30.0
69	0.6876	0.6495				12.00	40.0	80.0	30.0
70	0.7009	0.6784					100.0	100.0	100.0

Termination rates shown for Cash Balance employees are ultimate rates.
* Pre-commencement rates for funding purposes only

Representative values of the assumed annual rates of salary increases are shown in the table below.

Age	Annual Rate of Salary Increase
20	10.30%
25	8.80
30	6.90
35	5.40
40	4.20
45	3.50
50	3.00
55	2.74
60	2.46
64	2.30

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Actuarial Assumptions and Methods

5. Marriage Assumptions

- Percent Married
  80% of active male members and 40% of active female members are assumed married.

- Age Difference Between Spouses
  Husbands are assumed to be two years older than their wives.

6. Assumed Forms of Payment:

Percentage Electing Lump Sum of Cash Balance:
- Normal Retirees---70%
- Early Retirees---70%
- Vested Terminations--- 100%
- Surviving Spouses---50%

The remaining cash balance participants are assumed to elect the normal form of payment, which is 50% joint and contingent annuity with spouse as the beneficiary for married participants and life annuity for single participants.

The final average pay participants are assumed to elect the life annuity form of payment.

7. Vested Terminated Commencement Assumption:

Cash Balance Participants:	It is assumed that upon exit from an active status, 70% of these participants commence their benefits immediately, while 30% defer commencement of their benefits to age 65. For current deferred vested participants, it is assumed that participants will commence their benefit immediately if they terminated less than 2 years prior to the valuation date. If they terminated 2 or more years prior to the valuation date, it is assumed they will defer commencement of their benefit to age 65.
FAE Participants:	It is assumed that all defer commencement of their benefits to age 65.

8. Temporary Employees

Non-vested temporary active employees who worked less than 750 hours in the past year (annualized for new hires) are assumed to work less than 1,000 hours in each future year and as such will never be vested under the current rules of the plan.

9. Expenses

None assumed.

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Actuarial Assumptions and Methods

The following is a summary of the actuarial assumptions and methods which have been changed since the last valuation:

a) The interest rate used to determine the plans funding target was changed to the December 2007 PPA full yield curve.
b) The mortality rates used to determine the plan funding contribution are the RP-2000 2008 PPA Annuitant and Non-Annuitant Mortality Tables.
c) The discount rate used to determine SFAS35 liabilities was changed from 8.0% to 9.0%.
d) The annuity conversion rate at age 65 used to determine SFAS35 liabilities was changed from 6.00% to 5.65%.

Section C

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Plan Provisions

1.	Effective Date	January 1, 1998
2.	Most Recent Amendment Effective Date	December 20, 2007

FINAL PAY PLAN - For Members hired prior to January 1, 2003:

3.	Eligibility for Participation	First of the month following hire date for employees covered under a collective bargaining agreement.
4.	Final Average Earnings	The average annual earnings of a participant during (i) the 48 highest paid consecutive months or (ii) the 4 highest paid calendar years, whichever produces the highest average.
5.	Normal and Postponed Retirement Income	
	Eligibility	Age 65 and fifth anniversary of the date of participation.
	Benefits	Annual benefits payable for life equal to (i) less (ii). (i) 1.80% of final average earnings per year of credited service not in excess of 35. (ii) 1-1/7% of Social Security benefit per year of credited service not in excess of 35.
6.	Early Retirement Income	
	Eligibility	Age 55 and 15 years of continuous service.
	Benefits	Accrued normal retirement income based on credited service at retirement reduced as follows for commencement before age 65:

Section C
(continued)

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Plan Provisions

Early-Retirement Reduction Percentages

Years by Which Benefit Commencement Precedes Age 65	Less Than 20 Years of Credited Service	20 - 35 Years of Credited Service
10	60%	65%
9	65	72
8	70	79
7	76	86
6	82	93
5	88	100
4	94	100
3	100	100
2	100	100
1	100	100
0	100	100

No reduction if 35 or more years of credited service

7. Disability Income

Eligibility: One year of continuous service and totally disabled.

Benefits: Annual income, payable for life or for period of continuous service if less than 10 years, equal to 40% of final average earnings minus 40% of Social Security benefit, not greater than projected normal retirement benefit and not less than accrued early retirement benefit.

8. Deferred Vested Retirement Income

Eligibility: 5 years of continuous service.

Benefits: Accrued normal retirement income at termination of employment deferred to age 65 reduced for years surviving spouse coverage in effect during deferral period. Reduced income available commencing at age 55 if participant had completed 15 or more years of continuous service.

9. Death Benefit

Eligibility: 5 years of continuous service and death in active service or during receipt of disability income before age 65 or death in active service after age 65.

Section C
(continued)

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Plan Provisions

Benefits

	More than 10 years of service or over age 65	Immediate benefit equal to a percentage of participant's projected normal retirement income adjusted for greater than 5 year age difference between participant and spouse, but not less than the actuarial equivalent of accrued 50% joint and survivor annuity.

Participant's Age		Percentage
Less than	35	10%
	35-39	15
	40-44	20
	45-49	25
	50-54	30
	55-59	35
	60-64	40

	Service between 5 and 10 years	Benefit commencing on the participant's normal retirement date equal to one half of the benefit which would have been payable to the participant in the form of a qualified 50% joint and survivor annuity.
10.	Minimum Retirement Income	Minimum retirement income or death benefit payable is equal to amount that would have been payable under the provisions of the Plan in effect prior to December 31, 1983 for participants then in the plan.
11.	Maximum Retirement Income	The amount of retirement income is limited so that it does not exceed the limitations of the Internal Revenue Code.
12.	Regular Form of Income	
	Single	Life Annuity.
	Married	Actuarially reduced 50% joint and survivor annuity.
13.	Optional Forms of Benefit	(1) Life annuity. (2) 10 years certain and life. (3) 25%-100% joint and survivor (pop-up) annuity. (4) Social Security leveling. (5) Lump sum cash out if over $5,000 but $7,500 or less.
14.	Contributions Non-contributory.	

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Plan Provisions

CASH BALANCE PLAN - for Members hired on and after January 1, 2003:

15. Eligibility for Participation

First of the month following hire date for employees covered under a collective bargaining agreement.

16. Cash Balance Account

The sum of all pay credits and interests credits awarded throughout the period of participation.

17. Pay Credits

As of each December 31 (or as of a member's date of termination, retirement or death, if earlier), a member's cash balance account is credited with an annual pay credit equal to a percentage of his pay for that year based on his attained age at the beginning of the year as follows:

Age	Credit
Less than 35	3.00%
35 – 39	3.50%
40 – 44	4.25%
45 – 49	5.00%
50 – 54	6.00%
55 and older	7.00%

An additional pay credit is granted for pay in excess of 80% of the Social Security Taxable Wage Base (SSTWB) for that year. The additional pay credit equals the credit percentage determined above times pay in excess of 80% of the SSTWB.

18. Interest Credits

As of each December 31 (or as of a member's date of termination, retirement or death, if earlier), a member's cash balance account is credited with an annual interest credit equal to a percentage of his cash balance account as of the beginning of that year as follows:

Year	Credit
2003	6.00%
2004	6.00%
2006-2007	5.00%
2008	5.50%
2009 and later	4.00%

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Plan Provisions

19. Normal and Postponed Retirement Pension

Eligibility	Age 65 and fifth anniversary of the date of participation.
Benefits	A single life annuity of equivalent actuarial value to the cash balance account. For this purpose, the 30-year Treasury bond rate for the month of August prior to the start of the Plan Year and the mortality assumption of 1994 Group Annuity Mortality (50/50 blend) projected to 2002 are used.

20. Early Retirement Pension

Eligibility	Three years of service and election of pension commencement within twelve months of employment termination or attainment of age 55.
Benefits	A single life annuity of equivalent actuarial value to the cash balance account. For this purpose, the 30-year Treasury bond rate for the month of August prior to the start of the Plan Year plus 0.5% and the mortality assumption of 1994 Group Annuity Mortality (50/50 blend) projected to 2002 are used.

21. Deferred Vested Pension

Eligibility	Three years of service.
Benefits	A single life annuity determined by accumulating the cash balance account interest credits to Normal Retirement Date then by converting the balance to a single life annuity of equivalent actuarial value. For this purpose, the 30-year Treasury bond rate for the month of August prior to the start of the Plan Year plus 0.5% (if commencing prior to age 65) and the mortality assumption of 1994 Group Annuity Mortality (50/50 blend) projected to 2002 are used.

22. Disability Income

Eligibility	One year of continuous service and totally disabled.
Benefits	Annual income, payable for life or for period of continuous service if less than 10 years, equal to 40% of final average earnings minus 40% of Social Security benefit, not greater than projected normal retirement pension and not less than the deferred vested pension.

23. Death Benefit

Eligibility	3 years of continuous service and death in active service or during receipt of disability income before age 65 or death in active service after age 65.

Section C
(continued)

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Plan Provisions

	Benefits	To a surviving spouse, a single life annuity of equivalent actuarial value to the member's vested cash balance account. For this purpose, the 30-year Treasury bond rate for the month of August prior to the start of the Plan Year plus 0.5% (if commencing prior to age 65) and the mortality assumption of 1994 Group Annuity Mortality (50/50 blend) projected to 2002 are used. Alternatively, the spouse may elect a lump-sum distribution To a beneficiary other than a surviving spouse, a lump-sum distribution equal to the member's cash balance account.
24.	Maximum Retirement Income	The amount of retirement income is limited so that it does not exceed the limitations of the Internal Revenue Code.
25.	Regular Form of Income	
	Single Married	Life Annuity. 50% joint and survivor annuity.
26.	Optional Forms of Benefit	(1) 100% joint and survivor (pop-up) annuity. (2) 75% joint and survivor (pop-up) annuity (3) Lump sum. (4) Refund annuity with lump-sum death benefit. (5) Partial lump sum of 25%, 50% or 75% of option (2) above, with the remainder paid as a life annuity or joint-and-survivor annuity.
27.	Contributions	Non-contributory.

SPECIAL PLAN AMENDMENTS APPLICABLE TO ALL PARTICIPANTS

28. Voluntary Early Retirement Program

Under the Voluntary Early Retirement Program, employees who have attained age 50 with at least 5 years of service as of March 31, 2005 and retire under the program are eligible to receive 5 years of additional service for benefit accrual and retirement eligibility purposes and 5 years added to their age for early retirement benefit calculation purposes.

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Plan Provisions

The following plan amendments have been adopted within the last plan year:

a) Compensation was limited to $230,000 as indexed in accordance with EGTRRA legislation.
b) Benefit limit was increased to $185,000 as indexed in accordance with EGTRRA legislation.
c) The annual interest credit on each participant's cash balance account was increased to 5.5% for plan year 2008.
d) The vesting requirement for members hired on and after January 1, 2003 (Cash Balance participants) was changed from five years to three years of vesting service for funding purposes.
e) Added 75% joint and contingent annuity option with "pop-up" feature.

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Summary Information on Plan Participants

		January 1, 2008	January 1, 2007
A.	Active and LOA/LTD/Transferred out participants		
	1. Actives - actively employed		
	i. Fully or partially vested[1]	1,894	1,664
	ii. Non-vested[1]	316	726
	2. Actives - leave of absence/LTD/transferred out		
	i. Fully or partially vested[1]	176	133
	ii. Non-vested[1]	22	40
	3. Actives - total	2,408	2,563
	4. Average age[2]	43.72	42.83
	5. Average benefit service[2]	13.21	11.90
	6. Average eligible compensation[2]	$57,119	$53,740
B.	Retired participants		
	1. Number	663	647
	2. Average age	62.50	61.54
C.	Survivors and beneficiaries of participants		
	1. Number	79	62
	2. Average age	55.83	55.59
D.	Terminated vested participants		
	1. Number	369	338
	2. Average age	48.54	48.59
E.	Disabled participants		
	1. Number	51	43
	2. Average age	55.71	56.09

[1] Vesting requirement changed from 5 years to 3 years effective 1/1/2008

[2] Excludes leave of absence/LTD/transferred out participants

Section D
(continued)

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Age-Service Table (Attachment to Form 5500)

EIN: 59-2147112; PN 004
Line 8c - Schedule of Active Participant Data
(Distribution of Active Participants as of January 1, 2008 by Age and Service Groups)*
(Average Cash Balance Shown in Italics)

Attained Age	Completed Years of Service										Total
	under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
15-19	1										1
20-24	26 31,486 *423*	76 39,799 *2,365*	3								105
25-29	14	94 42,864 *3,120*	72 53,113								180
30-34	16	83 45,916 *2,968*	102 57,959	13	2						216
35-39	10	83 47,123 *3,279*	110 57,535	32 61,723	25 63,305	1					261
40-44	6	72 55,678 *4,775*	83 58,783	29 63,281	62 64,265	56 63,148	8				316
45-49	13	60 54,926 *4,405*	71 56,617	29 61,877	72 63,558	133 62,983	89 62,342	5			472
50-54	6	29 58,009	50 56,482	24 56,386	33 63,593	76 62,693	115 63,833	38 63,972	3		374
55-59	1	21 55,356	17	11	15	34 61,942	47 62,185	37 61,146	11		194
60-64		12	5	6	6	11	10	5	17		72
60-65		1	3	3	3	2	3		1		16
70+		2		1							3
Total	93	533	516	148	218	313	272	86	32	0	2,210 **

* Average January 1, 2008 annual rate of pay shown for cells with at least 20 participants
* Average January 1, 2008 cash balance shown in italics for cells with at least 20 participants
** Excludes 198 participants on leave of absence, LTD, or transferred out

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Section D
(continued)

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation

Summary Information on Plan Participants

	Actives and LOAs/LTDs/TOs	Terminated Vested	Retirees and Beneficiaries	Total
A. Participants as of 1/1/2007	2,563	338	752	3,653
B. Changes due to:				
1. Termination				
Vested	-53	53	0	0
Non-vested	-179	0	0	-179
Lump sum distribution	-3	-1	0	-4
Benefits expired			-8	-8
2. Retirements	-37	-6	43	0
3. Deaths				
With or without survivors	-5	-9	-2	-16
New Beneficiaries	0	0	16	16
4. New entrants	106	0	0	106
5. Rehires	16	-6	-10	0
6. Data corrections	0	0	2	2
Total changes	-155	31	41	-83
C. Participants as of 1/1/2008	2,408	369	793	3,570

Section E

Definition of Key Terms

Adjusted Funding Target Attainment Percentage (AFTAP): The ratio of the Plan Assets, reduced by the Carryover Balance and Prefunding Balance, to the Funding Target for the plan. For this purpose, both assets and Funding Target include the value of annuity purchases made in the prior two years for non-highly compensated employees. The Funding Target assets are not reduced by the Carryover Balance and Prefunding Balance if the FTAP is greater than 100% (92% for 2008, 94% for 2009, or 96% for 2010). This ratio determines the applicability of any benefit restrictions and limitation on plan amendments.

At-Risk Status: A plan is determined to be At-Risk if, for the preceding plan year, the FTAP < 80% and FTAP, using At-Risk assumptions, < 70%. For 2008, 2009 and 2010 plan years the 80% requirement is replaced by 65%, 70% and 75%, respectively. Plans totaling fewer than 500 participants on a controlled group basis are deemed to be not At-Risk. At-Risk plans have different funding requirements than not At-Risk plans.

Carryover Balance (COB): An initial amount as of the beginning of the 2008 plan year equal to the credit balance in the Funding Standard Account as of the last day of the 2007 plan year, if any. In later years, the COB changes with interest at the rate earned by the FMV of assets and decreases by amounts used to reduce the Minimum Required Contribution. A plan sponsor may also elect to reduce the COB as of the beginning of any plan year, but not below zero.

Effective Interest Rate (EIR): The equivalent single interest rate that would produce the same Funding Target as the mandated 3-segment rates or, if applicable, the full yield curve.

Funding Shortfall (FS): The excess, if any, of the Funding Target over Plan Assets, with assets reduced by the Carryover Balance and the Prefunding Balance.

Funding Target (FT): The present value of all benefits accrued or earned under the plan as of the beginning of the plan year, based on mandated interest and mortality assumptions, and other assumptions selected by the actuary. There are three interest discount alternatives: a full yield curve, segment rates for expected payments for 0-4, 5-19, and 20+ years, and a three-year transition to the three-segment rates. The mandated Mortality assumption uses a projected RP2000 table.

Funding Target Attainment Percentage (FTAP): The ratio of the Plan Assets, reduced by the Carryover Balance and Prefunding Balance, to the Funding Target for the plan.

Section E
(continued)

Definition of Key Terms

Funding Target for At-Risk Plans (ARFT): Similar to the Funding Target for plans not At-Risk, with additional mandated assumptions:

1. Participants eligible to retire within the next 11 years will retire at the earliest possible date, but not before the end of the current plan year.
2. All participants will elect the form of benefit producing the highest present value.
3. If the plan has been At-Risk for 2 of the last 4 years, ARFT includes a load of $700 for each participant plus 4% of the Funding Target for plans not At-Risk. The ARFT phases in at 20% for each consecutive year the plan has been in At-Risk Status.

Maximum Deductible Contribution: The largest plan contribution the sponsor can claim as a tax deduction for the fiscal year, as defined by Section 404 of the Internal Revenue Code. The plan sponsor must pay the contribution by the tax return filing deadline, with extensions. The plan sponsor should discuss with qualified tax counsel the tax deductibility of a contribution, which depends on tax law outside the actuary's expertise.

Minimum Required Contribution: The smallest amount the plan sponsor can contribute to the plan for the plan year to avoid incurring penalties and notice requirements, as defined by Section 430 of the Internal Revenue Code. In general, the plan sponsor must pay the minimum contribution in quarterly installments with a final payment made by 8½ months after the end of the plan year.

Plan Assets: The fair market value of the assets (FMV) as of the beginning of the plan year or, if elected, an average value. The averaging period may not exceed two years and the average value must be constrained to a +/-10% corridor around FMV. Plan Assets include receivable contributions for the prior plan year (the discounted value of such receivable contributions for plan years after 2008).

Prefunding Balance (PFB): The cumulative excess, if any, of employer contributions to the plan over the required minimum contribution for 2008 and later plan years. The PFB changes with interest at the rate earned by the assets and decreases by amounts used to reduce the Minimum Required Contribution. A plan sponsor may elect to waive any excess contribution credit to the PFB and may also elect to reduce the PFB as of the beginning of any plan year, but not below zero.

Section E
(continued)

Definition of Key Terms

Present Value of Accumulated Benefits (PVAB): The present value of anticipated future pension payments to all current plan participants and their beneficiaries. Only benefits that have been accrued through the valuation date are included; benefits expected to be earned in the future are excluded. The portion of benefits that have already been accrued but are not yet vested is excluded to the extent that the Actuarial Assumptions anticipate forfeiture of those benefits due to termination of employment before full vesting occurs.

Shortfall Amortization Base (SAB): The FS for the current plan year minus the present values of the remaining payments of any previously established SABs. A plan is exempt from establishing a SAB if the FS, using assets reduced by the PFB only, is zero. Calculations for 2008, 2009 and 2010 plan years, for purposes of this exemption, use the FT multiplied by a factor of 92%, 94% and 96%, respectively. However, such relief does not apply for plans established after 2007, plans that had deficit reduction contributions in 2007, plans that established a SAB in any prior year, or for any year after a year the FS was not zero.

Shortfall Amortization Installment (SAI): The amount necessary to amortize a Shortfall Amortization Base over 7 years.

Target Normal Cost (TNC): The present value of all benefits expected to accrue during the plan year, including the effect of compensation increases during the year.

Target Normal Cost for At-Risk Plans (ARTNC): Similar to the TNC for plans not At-Risk, with the additional mandated assumptions shown above. The ARTNC includes a load of 4% of the non-At-Risk TNC for plans that have also been At-Risk for at least 2 of the preceding 4 plan years. The ARTNC phases in at 20% for each consecutive year the plan has been in At-Risk Status.

[essential intelligence]

BUCK SURVEYS

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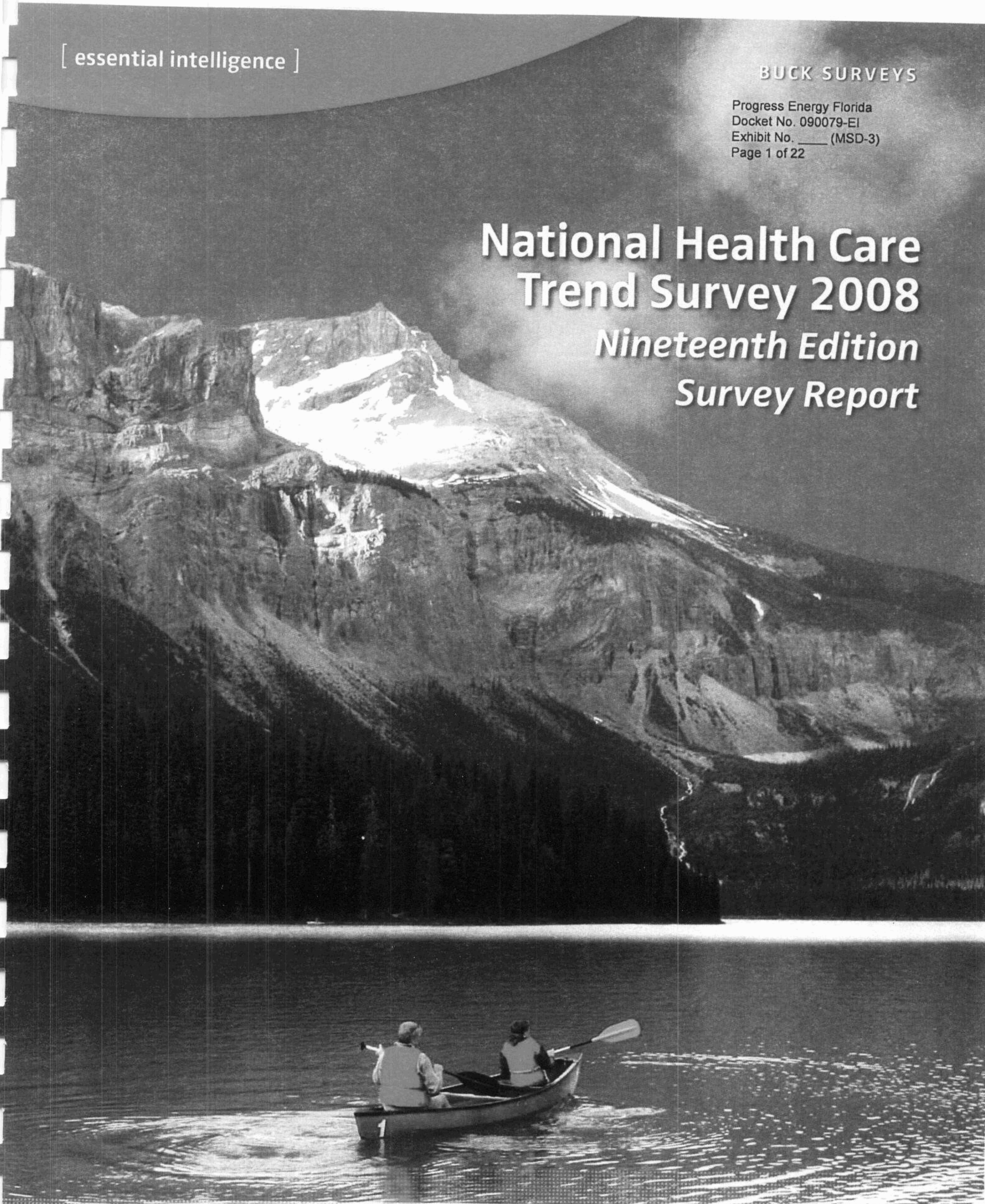
National Health Care Trend Survey 2008

Nineteenth Edition

Survey Report



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INTRODUCTION

This is Buck Consultants' nineteenth **National Health Care Trend Survey**, in which we analyze the trend factors used by health maintenance organizations (HMOs), Blue Cross/Blue Shield plans and health insurers to project employers' future health care costs. We also surveyed a number of third-party administrators of health benefit plans (primarily pharmacy benefit managers).

Seventy-nine insurers or administrators responded to our survey request in March 2008. Insurers provided us with a set of the annual trend factors they are currently using to project employers' health care costs for 2009. Insurers reporting medical trends reported a total of approximately 98.7 million covered lives.

Insurers provided us with different factors by coverage — medical, prescription drug, dental, and vision care. In general, the trend factors provide for increases resulting from:

- Inflation,
- Utilization of services,
- Technology (e.g., new services),
- Changes in the mix of services, and
- Mandated benefits.

Throughout this report, the weighted average trend rates are weighted by the reported number of covered lives for medical, Medicare Supplement, prescription drug, dental, and vision coverage. The reported number of covered lives, for each type of coverage, represents employees plus dependents for commercial business only, including self-funding, as of March 2008.

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QUALIFICATIONS TO THE REPORT

Trend Factors

The trend factors shown in this report reflect insurers' projected rates of increase in health care costs. The final premium rate increase requested by an insurer will also reflect:

- Changes in the insurer's administrative expenses and risk changes;
- Changes in any explicit margins for conservatism; and
- Recovery of any prior period losses.

Therefore, employees could see premium rate increases that differ from the health care trend factors summarized in this report.

Timing of Survey

This survey was originally a semiannual survey but is now conducted on an annual basis. Some insurers may update their trends more frequently. The trend factors collected for this survey (labeled Nineteenth Edition/Second Half 2008) are being used by insurers to calculate premium and funding rates for health insurance plans effective July 2008 and later. All weighted average trend rates are based on participants from the 19th edition of the survey. Shown below are the previous data collection cycles and the respective trend factor effective dates.

Collection Cycle	Trend Factor Effective Date
Nineteenth Edition/Second Half 2008	7/2008
Eighteenth Edition/Second Half 2007	7/2007
Seventeenth Edition/First Half 2007	1/2007
Sixteenth Edition/Second Half 2006	7/2006
Fifteenth Edition/First Half 2006	1/2006
Fourteenth Edition/Second Half 2005	7/2005
Thirteenth Edition/First Half 2005	1/2005
Twelfth Edition/Second Half 2004	7/2004
Eleventh Edition/First Half 2004	1/2004
Tenth Edition/Second Half 2003	7/2003
Ninth Edition/First Half 2003	1/2003
Eighth Edition/Second Half 2002	7/2002
Seventh Edition/First Half 2002	1/2002
Sixth Edition/Second Half 2001	7/2001
Fifth Edition/First Half 2001	1/2001
Fourth Edition/Second Half 2000	7/2000
Third Edition/First Half 2000	1/2000
Second Edition/Second Half 1999	7/1999
First Edition/First Half 1999	1/1999

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SUMMARY OF SURVEY RESULTS

The following table summarizes the weighted average trend factors for each type of coverage for the second half, 2008:

	Weighted Average Annual Trend	n
Medical (Excluding Rx)		
Indemnity (Comprehensive Major Medical with $200 deductible)	13.0%	38
PPO	11.1%	53
POS	10.8%	42
HMO	11.1%	45
High Deductible Consumer Driven (with $1500 deductible & Rx)	10.7%	41
Medicare Supplement (with Rx coverage)	7.1%	25
Medicare Supplement (without Rx coverage)	6.9%	36
Prescription Drug		
Card Program ($5/$10 Copay) – *All Respondents*	8.6%	51
Pharmacy Benefit Managers	7.8%	4
Health Insurers	11.4%	47
Dental		
Reasonable & Customary (100/80/50)	6.7%	33
Scheduled	2.9%	15
Dental PPO	5.8%	38
Dental HMO	5.1%	19
Vision		
Reasonable & Customary	1.5%	15
Scheduled	1.5%	22

Note: Throughout the report, the weighted average trend rates are weighted by the reported number of covered lives for medical, Medicare supplement, prescription drug, dental and vision coverages. The reported number of covered lives, for each type of coverage, represents employees plus dependents for commercial business only, including self-funding, as of March 2008.

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MEDICAL

Health insurers (and administrators) reported trend factors of 10-13%, depending upon the type of medical plans — 0.2% to 0.4% higher than the factors reported in the prior survey.

The trend factors still remain higher than inflation. Some of the reasons for this occurring are as follows:

- Health care is subject to increases due to greater utilization of services. There continue to be increases as a result of new diagnostic tests (i.e., lab and x-ray).
- Medicare and Medicaid continue to limit reimbursement to providers, putting providers under greater pressure to shift unreimbursed costs to their commercial patients.
- In addition to the state governments mandating coverage of certain benefits (e.g., expanded mental health benefits, prosthetic parity), the Federal government has entered the mandate business.
- Many health insurers are conservative in projecting their costs.
- Providers—particularly hospitals—are under increased regulatory scrutiny (e.g., complying with the new privacy rules), which increases their costs and puts pressure on them to raise their fees.
- Providers—particularly hospitals—have consolidated, giving them greater bargaining leverage with managed care organizations. As a result, these providers have been able to negotiate higher fees.
- Providers have shown increased willingness to drop out of managed care networks if they perceive the reimbursement rates to be inadequate. As a result, many providers are now successfully negotiating increases in their reimbursements.
- The risk of medical malpractice may lead some providers to be more cautious and to order more diagnostic tests. Large increases in medical malpractice premiums are causing providers to increase their fees.
- Advances in medicine continue to accelerate. While technology may ultimately be the key to restraining health care costs, many advances lead to increases in cost in the short run.

Some insurers have increased their trend factors as a reaction to the recent increases in energy and food costs; this general inflationary cost pressure could lead to health care providers increasing their fees.

The trend factor for plans that supplement Medicare, at about 7%, is lower than for plans covering active employees. The lower trends are a result of the ability of Medicare to limit (or freeze) reimbursement to participating providers, which "spills over" to Medicare supplement plans.

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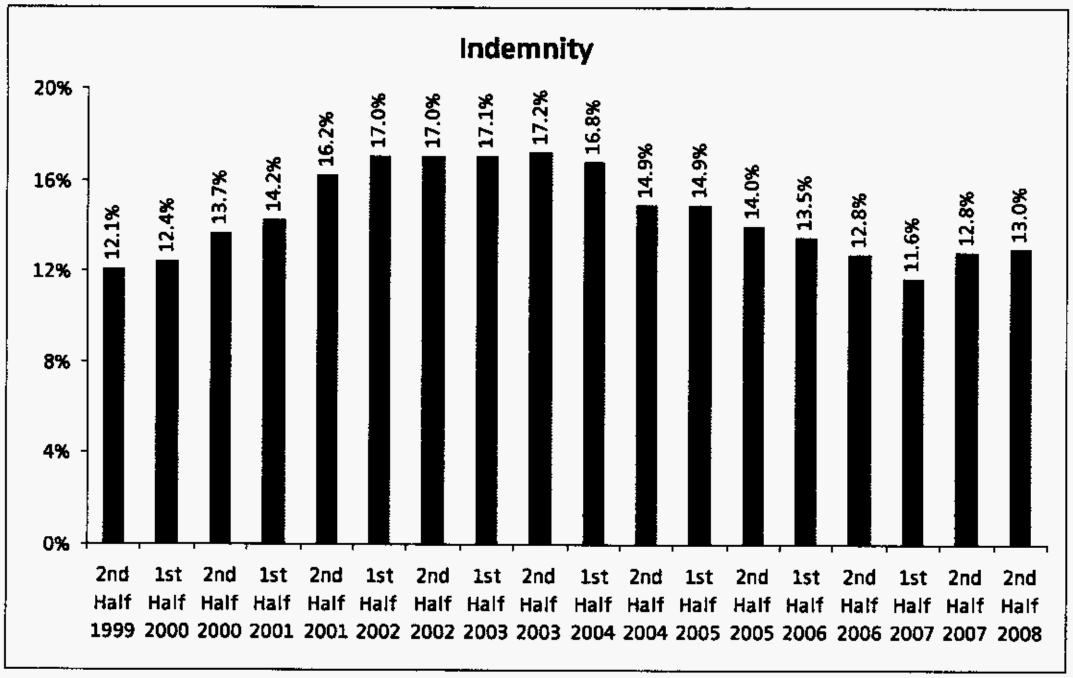

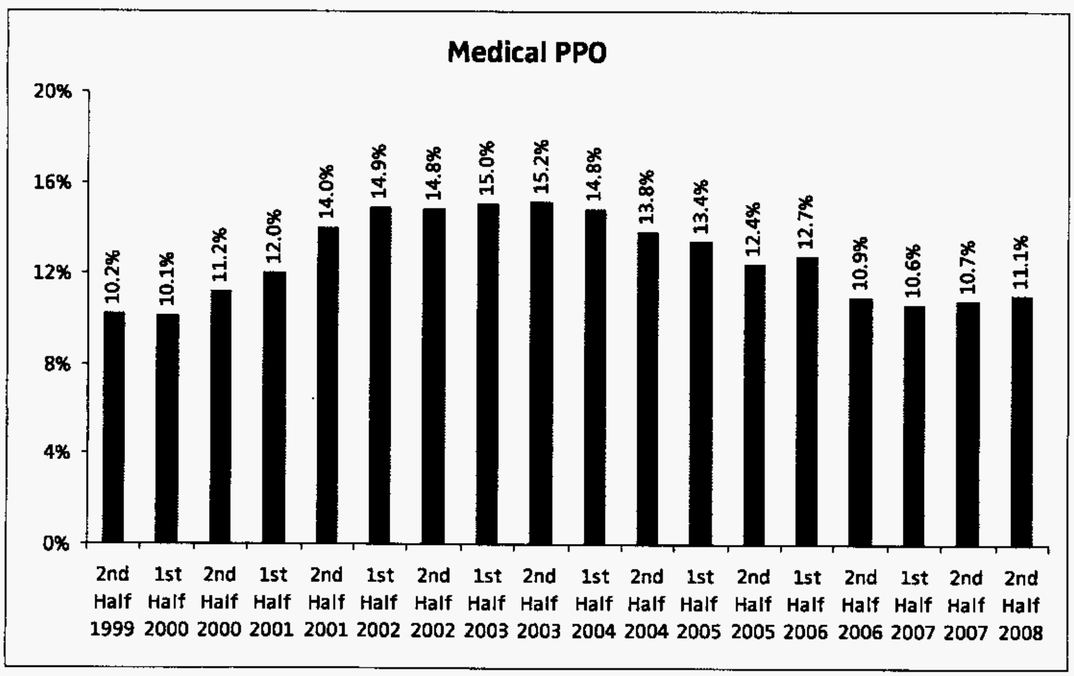

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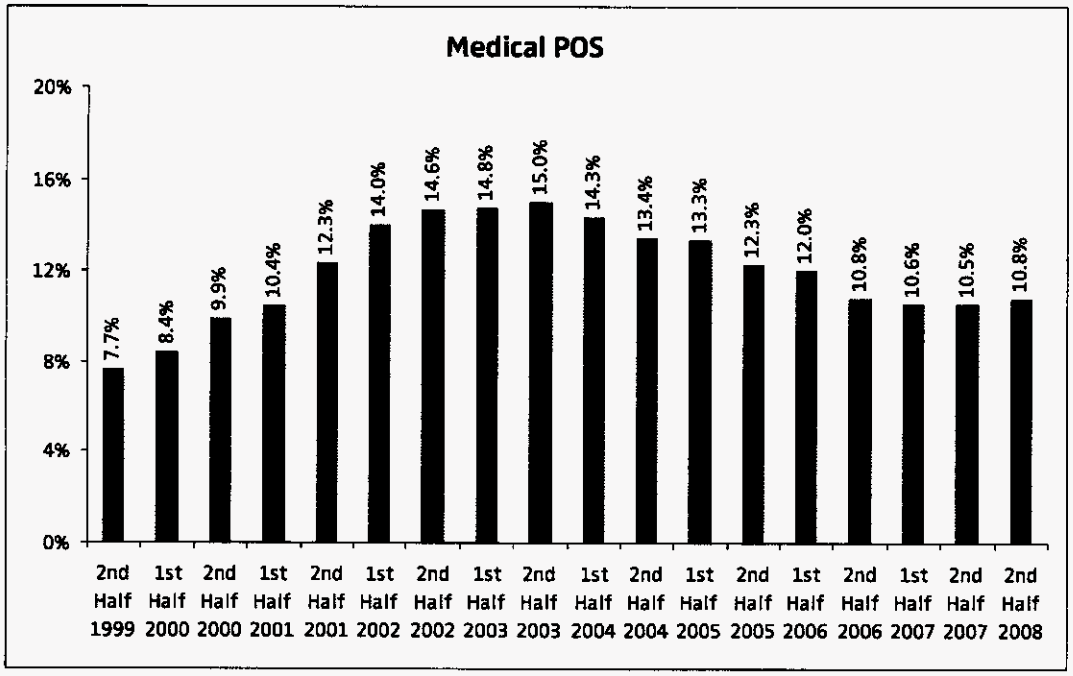

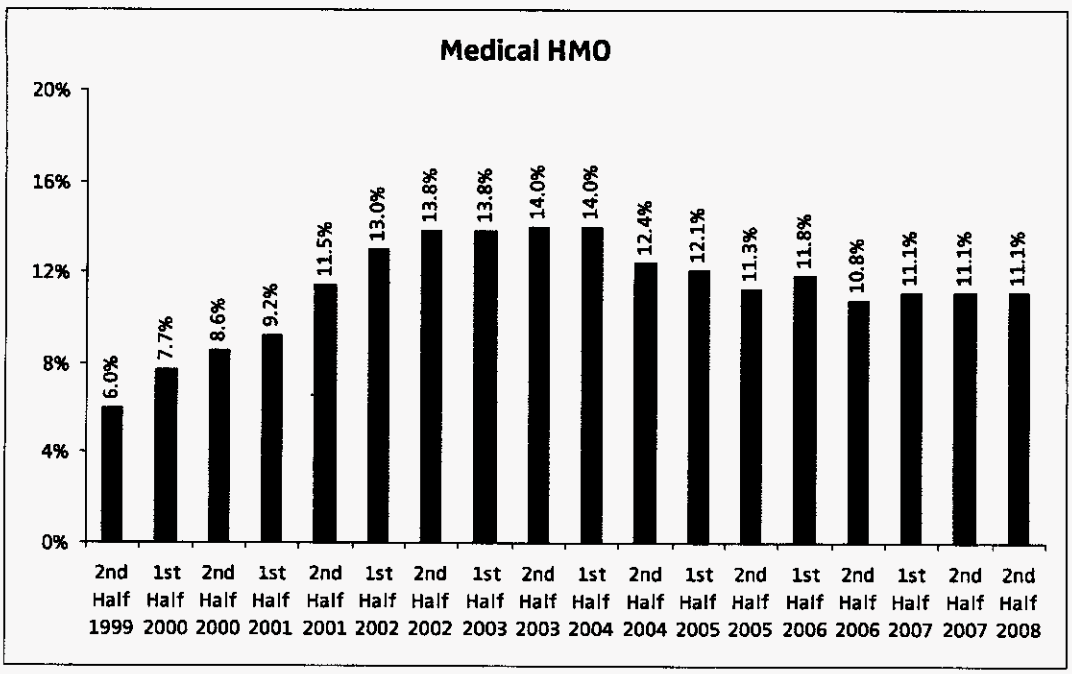

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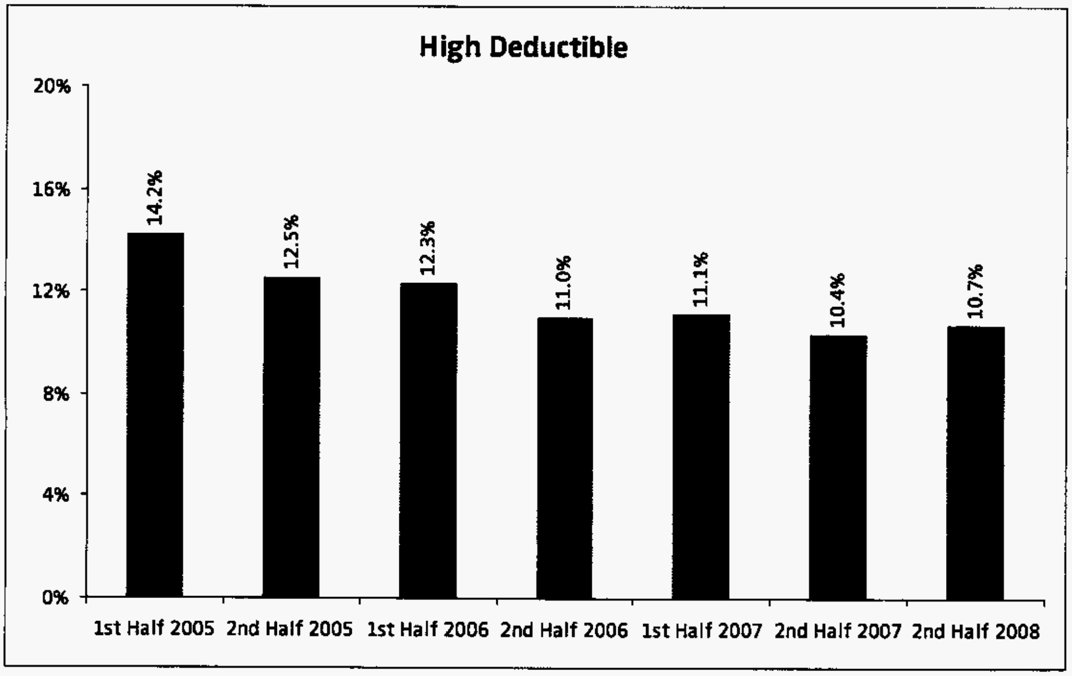

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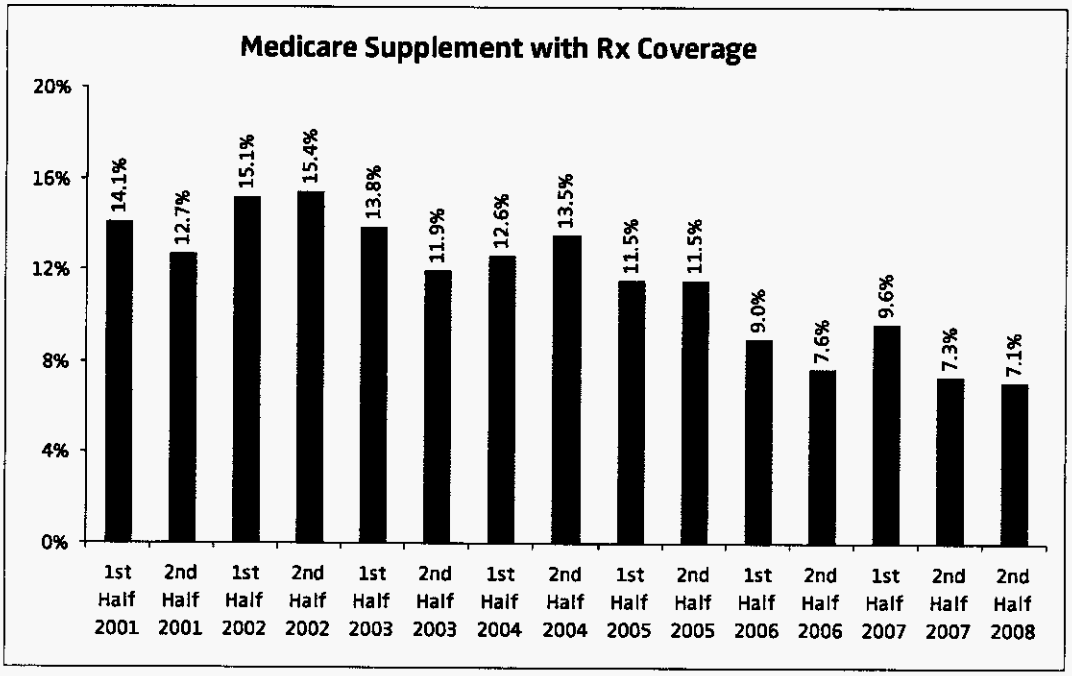

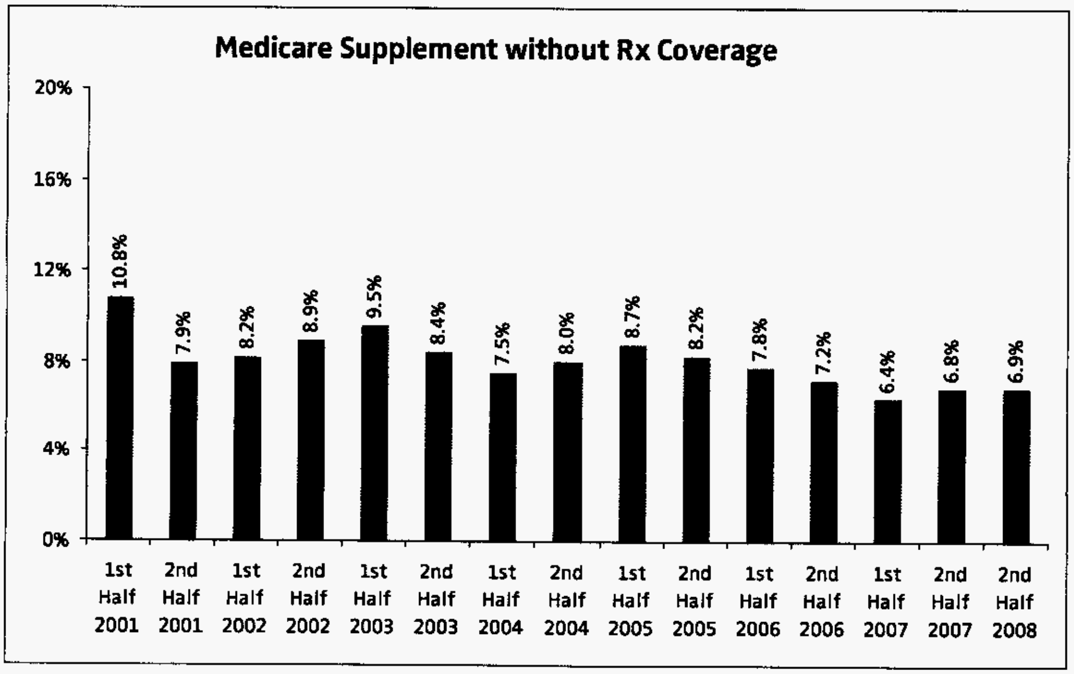

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PRESCRIPTION

The weighted average prescription drug trend reported by health insurers was 11.4%, 0.3% lower than was reported in the prior survey. The trend reported by pharmacy benefit managers was 7.8%, which is 0.3% higher than reported in the prior survey but 3.6% less than the health insurer trend. Pharmacy benefit managers generally do not take any underwriting risk and are therefore less conservative than insurers in projecting pharmacy costs.

The trend factors still remain higher than inflation, for many of the same reasons cited in the medical section. Additional reasons unique to prescription drugs include the following:

- The increase in number and usage of pharmaceutical products that improve the quality of life and/or enhance lifestyles.
- Aggressive marketing campaigns designed to motivate consumers to demand prescriptions for specific drugs.
- Advances in the types of prescriptions available in virtually all therapeutic classes (at generally higher costs).
- Increase in the usage of high-cost biotech drugs.
- Drug manufacturers are establishing prices to recover their costs and research and development expenses, as well as to maintain or improve their margins.

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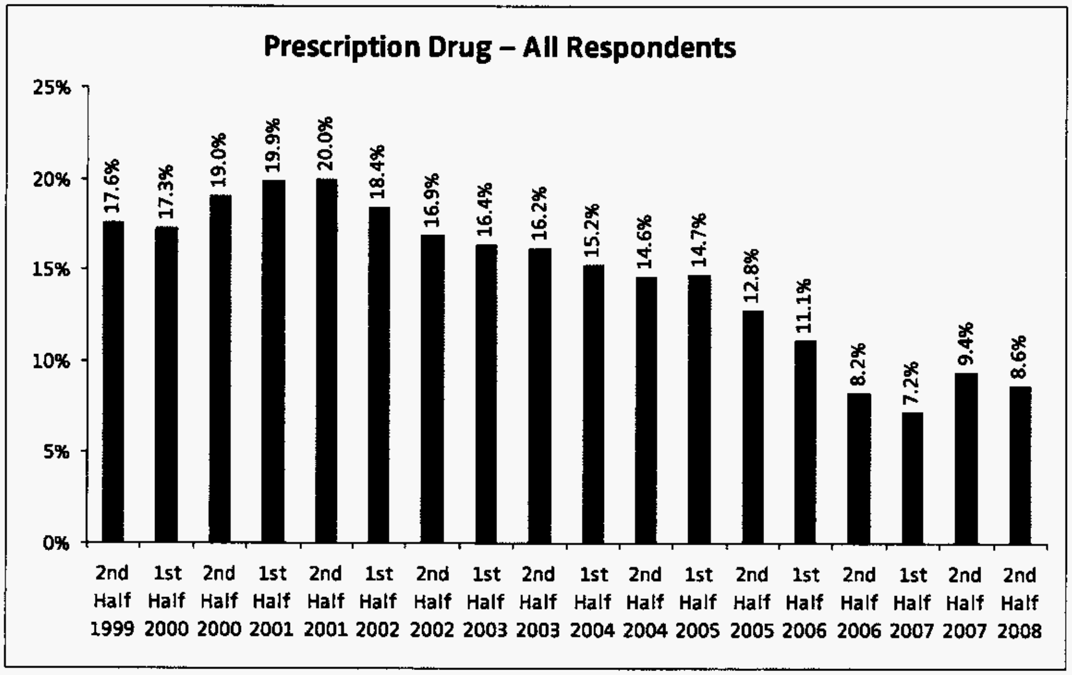

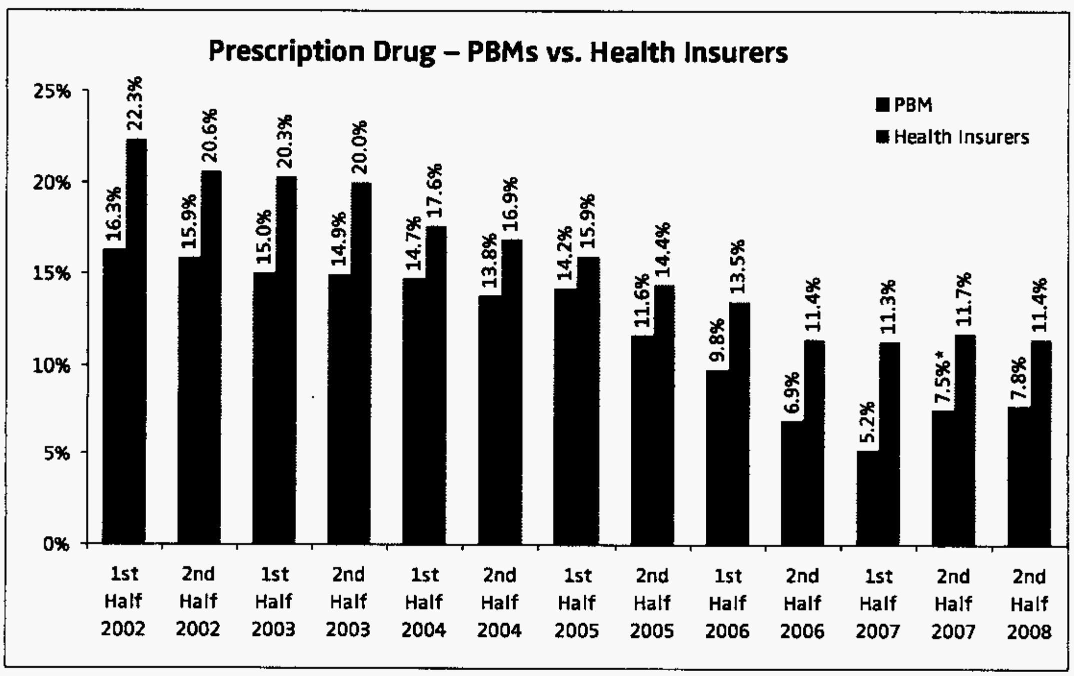

**Data corrected from 2nd half 2007 report.*

Note: Collection of data began in November 2001.

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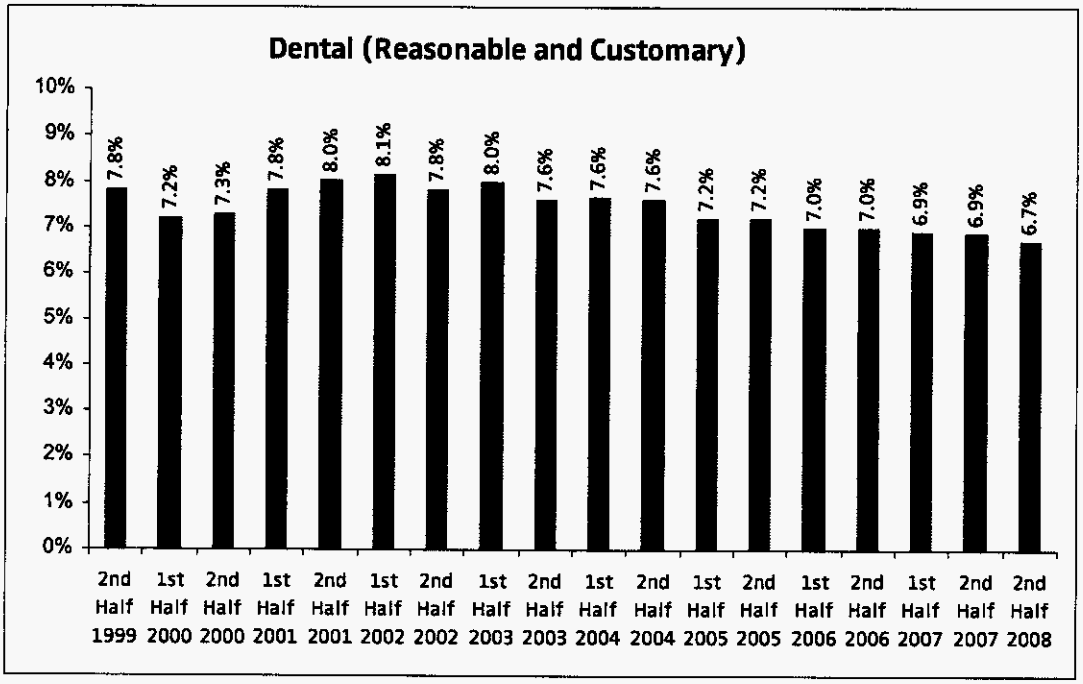
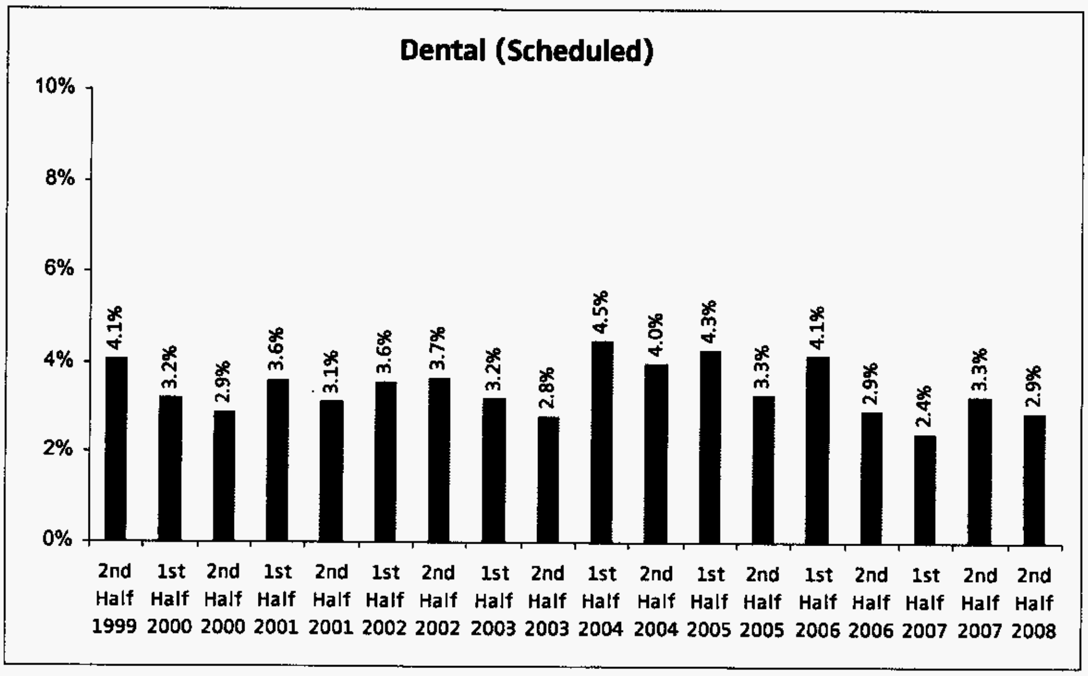
DENTAL





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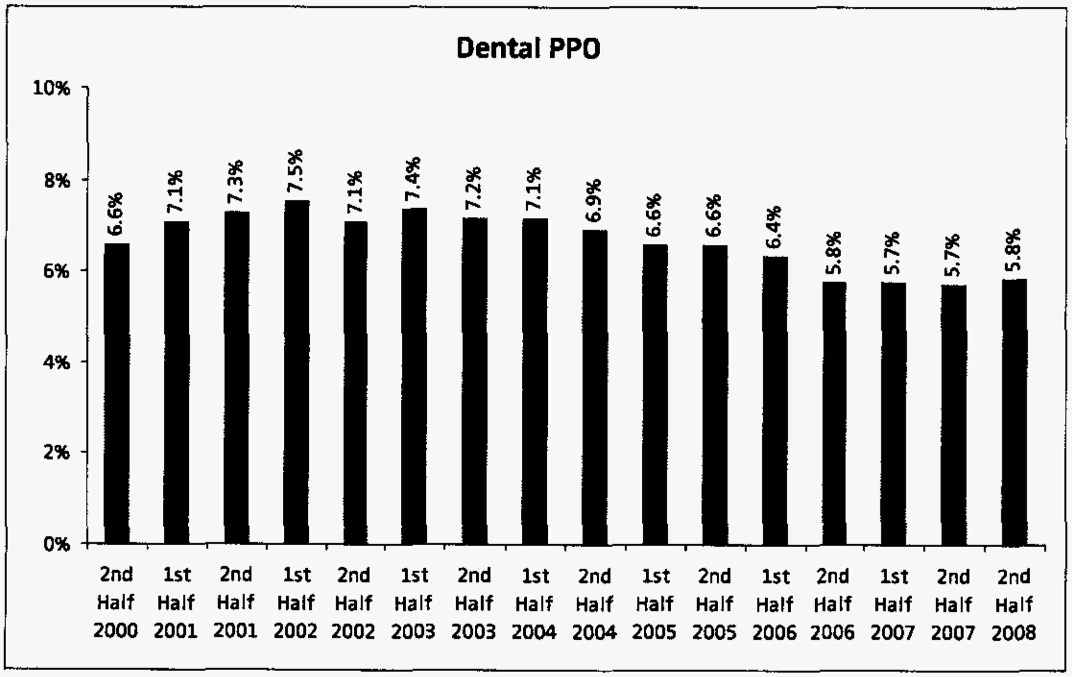

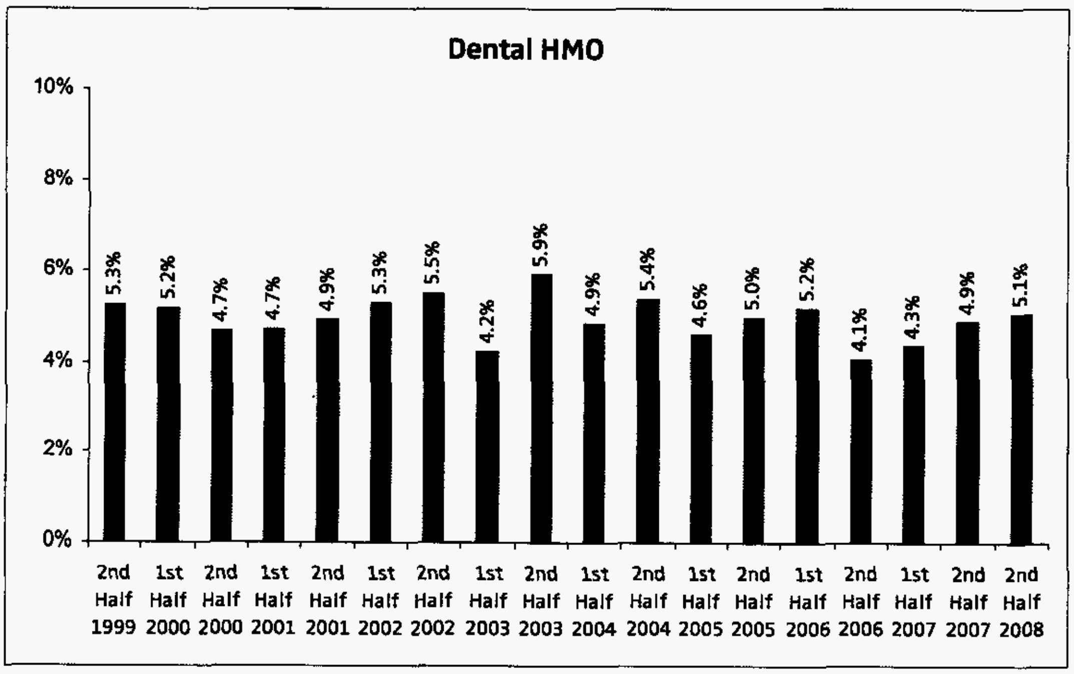

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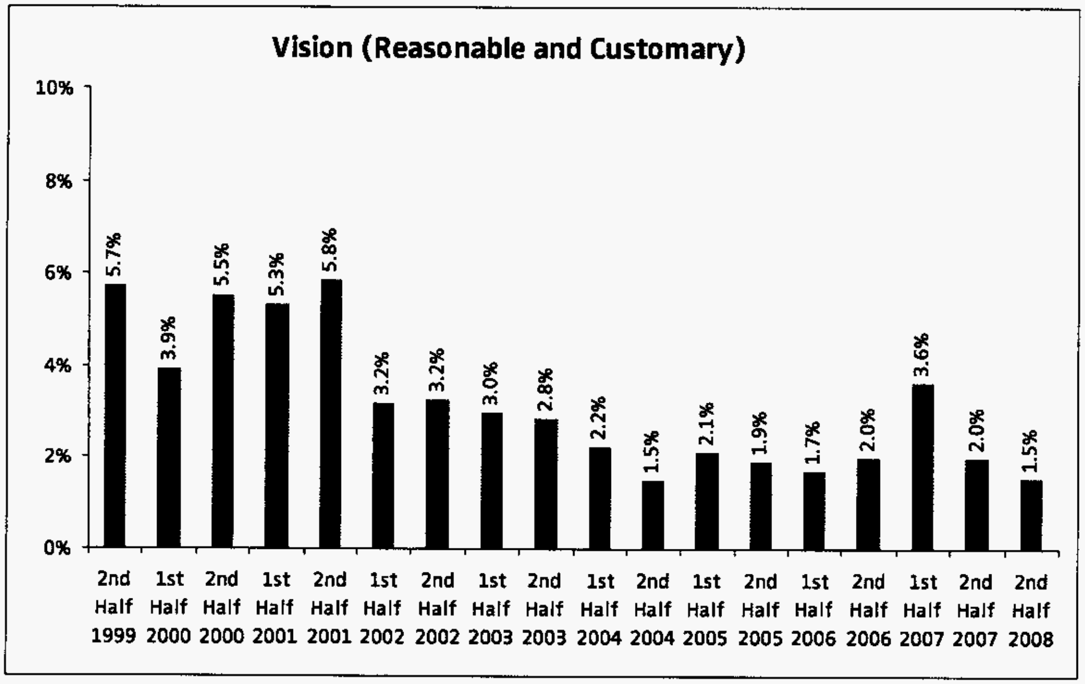
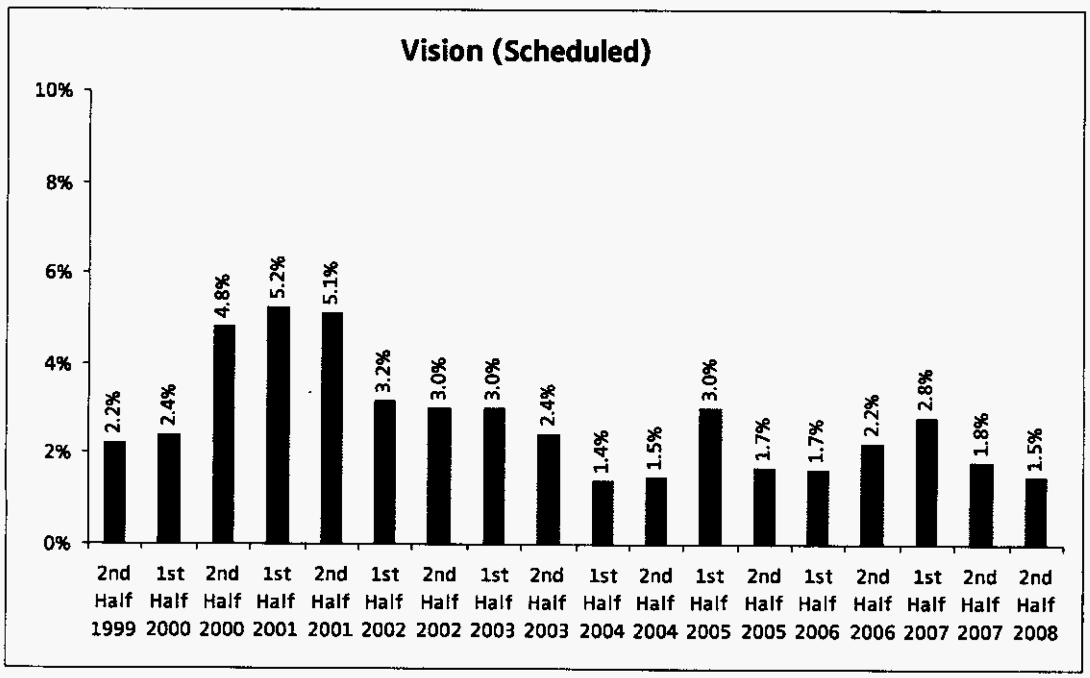
VISION





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APPENDIX

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CURRENT MEDICAL TREND RATES

Trend Rate	Indemnity	PPO	POS	HMO	High Deductible Consumer Driven	Medicare Supplement (wth Rx Coverage)	Medicare Supplement (without Rx Coverage)
Less than 2.0%						8.0%	5.6%
2.0%							
2.5%					2.4%		
3.0%							2.8%
3.5%						4.0%	2.8%
4.0%						4.0%	5.6%
4.5%							
5.0%		3.8%		2.2%	4.9%	4.0%	8.3%
5.5%			2.4%	2.2%	2.4%		
6.0%		1.9%	4.8%	2.2%		4.0%	5.6%
6.5%						8.0%	5.6%
7.0%	2.6%	1.9%	2.4%		2.4%	36.0%	36.1%
7.5%	2.6%	3.8%	2.4%	2.2%	4.9%		2.8%
8.0%			2.4%	2.2%	2.4%	4.0%	2.8%
8.5%	2.6%	7.5%	7.1%	6.7%	4.9%	4.0%	2.8%
9.0%		7.5%	9.5%	6.7%	12.2%		5.6%
9.5%	5.3%			6.7%		4.0%	
10.0%	21.1%	11.3%	9.5%	13.3%	2.4%	4.0%	
10.5%	2.6%	3.8%	11.9%	4.4%	12.2%	4.0%	2.8%
11.0%		17.0%	16.7%	15.6%	17.1%	4.0%	5.6%
11.5%	10.5%	13.2%	7.1%	8.9%	9.8%	4.0%	2.8%
12.0%	2.6%	11.3%	11.9%	11.1%	9.8%		2.8%
12.5%	2.6%	7.5%	7.1%	6.7%	4.9%	4.0%	
13.0%		3.8%	2.4%				
13.5%	5.3%	1.9%		2.2%	2.4%		
14.0%	2.6%						
14.5%	18.4%						
15.0%							
15.5%	15.8%	1.9%		4.4%	2.4%		
16.0%							
16.5%			2.4%				
17.0%							
17.5%	2.6%						
18.0%	2.6%	1.9%		2.2%	2.4%		
18.5%							
19.0%							
19.5%							
20.0%							
Greater than 20.5%							
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Number of Observations	n = 38	n = 53	n = 42	n = 45	n = 41	n = 25	n = 36
Weighted Average	12.98%	11.06%	10.76%	11.07%	10.71%	7.06%	6.86%
Simple Average	12.10%	10.64%	10.32%	10.59%	9.90%	7.03%	6.79%

Grouped to the nearest half-point interval

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CURRENT STAND-ALONE PRESCRIPTION DRUG TREND RATES

Trend Rate	Card Program
Less than 2.0%	
2.0%	
2.5%	7.8%
3.0%	
3.5%	
4.0%	
4.5%	
5.0%	
5.5%	
6.0%	3.9%
6.5%	3.9%
7.0%	
7.5%	5.9%
8.0%	3.9%
8.5%	2.0%
9.0%	3.9%
9.5%	2.0%
10.0%	7.8%
10.5%	9.8%
11.0%	5.9%
11.5%	7.8%
12.0%	7.8%
12.5%	2.0%
13.0%	5.9%
13.5%	2.0%
14.0%	13.7%
14.5%	2.0%
15.0%	
15.5%	
16.0%	
16.5%	
17.0%	
17.5%	
18.0%	
18.5%	
19.0%	
19.5%	
20.0%	2.0%
Greater than 20%	
Total	**100.0%**
Number of Observations	n = 51
Weighted Average	8.63%
Simple Average	10.33%

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CURRENT DENTAL TREND RATES

Trend Rate	Reasonable & Customary	Scheduled	Dental PPO	Dental HMO
Less than 2.0%			2.6%	
2.0%	3.0%	13.3%	2.6%	15.8%
2.5%		6.7%		
3.0%		13.3%	7.9%	
3.5%			2.6%	
4.0%			2.6%	10.5%
4.5%	6.1%		10.5%	10.5%
5.0%			10.5%	10.5%
5.5%	9.1%	13.3%	5.3%	10.5%
6.0%	15.2%	20.0%	15.8%	5.3%
6.5%	9.1%		5.3%	5.3%
7.0%	33.3%	26.7%	21.1%	21.1%
7.5%	6.1%		7.9%	
8.0%	6.1%		2.6%	5.3%
8.5%	6.1%			
9.0%				
9.5%				
10.0%				
10.5%	3.0%	6.7%	2.6%	5.3%
11.0%				
11.5%	3.0%			
12.0%				
12.5%				
13.0%				
13.5%				
14.0%				
14.5%				
15.0%				
15.5%				
16.0%				
16.5%				
17.0%				
17.5%				
18.0%				
18.5%				
19.0%				
19.5%				
20.0%				
Greater than 20.5%				
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Number of Observations	n = 33	n = 15	n = 38	n = 19
Weighted Average	6.72%	2.86%	5.84%	5.05%
Simple Average	5.89%	3.78%	5.11%	4.45%

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CURRENT VISION TREND RATES

Trend Rate	Reasonable & Customary	Scheduled
0.0%	53.3%	40.9%
0.5%		
1.0%	6.7%	4.5%
1.5%		
2.0%	6.7%	
2.5%	13.3%	9.1%
3.0%	6.7%	18.2%
3.5%		
4.0%		
4.5%		
5.0%		18.2%
5.5%		
6.0%		
6.5%		
7.0%	6.7%	4.5%
7.5%		
8.0%		
8.5%		
9.0%		
9.5%		
10.0%		
Greater than 10%	6.7%	4.5%
Total	**100.0%**	**100.0%**
Number of Observations	n = 15	n = 22
Weighted Average	1.51%	1.48%
Simple Average	1.92%	2.53%

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PARTICIPATING ORGANIZATIONS

Aetna - Mid-Atlantic
Aetna - North Central
Aetna - Northeast
Aetna - Southeast
Aetna - Southwest
Aetna - West
American Fidelity
Arkansas Blue Cross/Blue Shield
Assurant Health
Blue Cross of Idaho
Blue Cross/Blue Shield
Blue Cross/Blue Shield of Alabama
Blue Cross/Blue Shield of Arizona
Blue Cross/Blue Shield of Florida
Blue Cross/Blue Shield of Illinois
Blue Cross/Blue Shield of Kansas
Blue Cross/Blue Shield of Louisiana
Blue Cross/Blue Shield of Massachusetts
Blue Cross/Blue Shield of Minnesota
Blue Cross/Blue Shield of New Mexico
Blue Cross/Blue Shield of North Carolina
Blue Cross/Blue Shield of Oklahoma
Blue Cross/Blue Shield of Tennessee
Blue Cross/Blue Shield of Texas
Capital BlueCross
CareFirst Blue Cross/Blue Shield
CareFirst Blue Cross/Blue Shield - CareFirst BlueChoice
CareFirst Blue Cross/Blue Shield - CFMI
CareFirst Blue Cross/Blue Shield - GHMSI
Celtic Insurance Company
CIGNA HealthCare
CompBenefits Corporation (Humana)
CVS Caremark
Davis Vision, Inc.
Delta Dental of Illinois
Delta Dental of Indiana
Delta Dental of Michigan
Delta Dental of Missouri
Delta Dental of New Jersey
Delta Dental of Ohio
Excellus Blue Cross/Blue Shield - Central NY Region
Excellus Blue Cross/Blue Shield - Rochester
Excellus Blue Cross/Blue Shield - Utica Region
Express Scripts
Great-West Healthcare, now part of CIGNA
Harvard Pilgrim Health Care
Health Alliance Medical Plans
HealthNow NY
Highmark dba Highmark Blue Cross/Blue Shield
Highmark dba Highmark Blue Shield
Horizon Blue Cross/Blue Shield of New Jersey
Humana Specialty Benefits
Kaiser Permanente Colorado
Kaiser Permanente Georgia
Kaiser Permanente Hawaii
Kaiser Permanente Mid Atlantic States
Kaiser Permanente Northern California
Kaiser Permanente Northwest
Kaiser Permanente Ohio
Kaiser Permanente Southern California
Kaiser Permanente-Group Health Cooperative
Keystone Health Plan West
Mennonite Mutual Aid
MetLife
Northeast Delta Dental
Paramount Care Inc.
Prescription Solutions
Regence - Idaho
Regence - Oregon
Regence - Utah
Regence - Washington
Sentry Insurance
Standard Insurance
UnitedHealthcare
Vision Service Plan
Wellmark Blue Cross/Blue Shield of Iowa
Wellmark Blue Cross/Blue Shield of South Dakota
Wellmark Health Plan of Iowa
WellPoint NextRx

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ABOUT BUCK CONSULTANTS

Buck Consultants, an ACS company, is a global HR consulting firm that helps organizations develop, deploy, and manage their human capital. We combine our legacy in HR with the BPO expertise, global reach, and core technologies of ACS, to provide end-to-end solutions that help our clients solve complex HR — and business — issues.

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- Manchester
- Maumee
- Minneapolis
- Montreal
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- San Francisco
- San Juan
- Secaucus
- Singapore
- St. Louis
- Stamford
- Tampa
- Toronto
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About Buck Surveys

Our group of experts conducts a series of surveys for HR professionals, ranging from detailed compensation surveys to specific benefits-related data resources for organizations spanning the globe. These surveys provide the quality data that companies can rely on to make decisions critical to organizational success.

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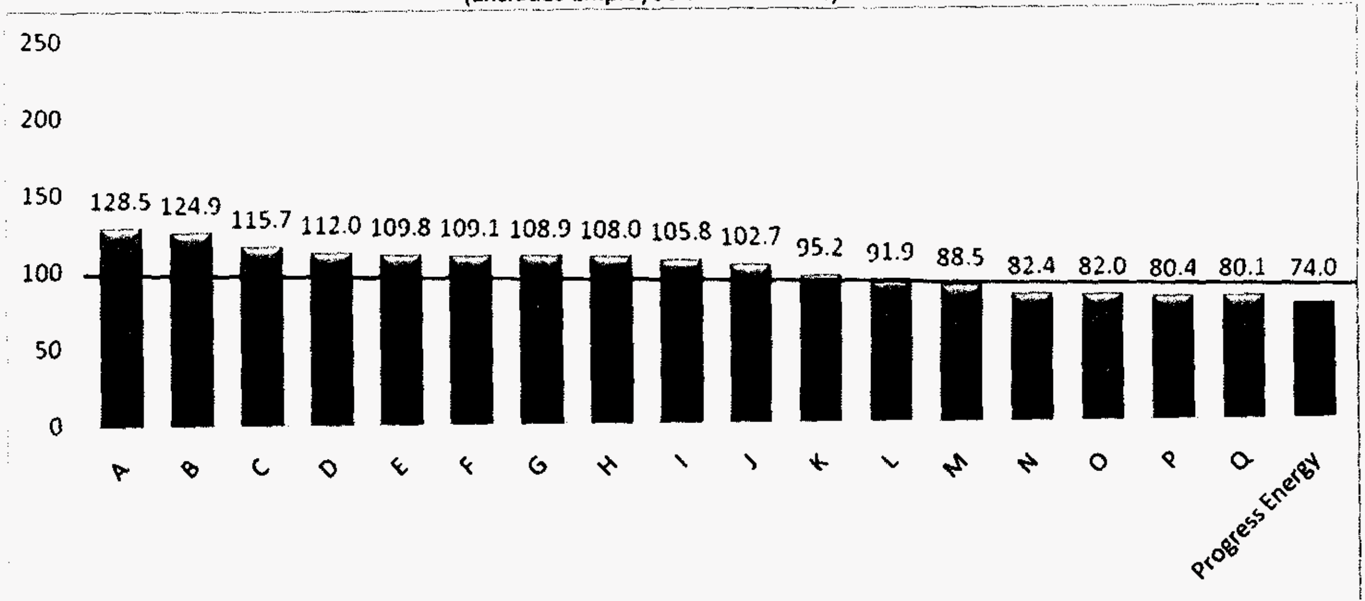
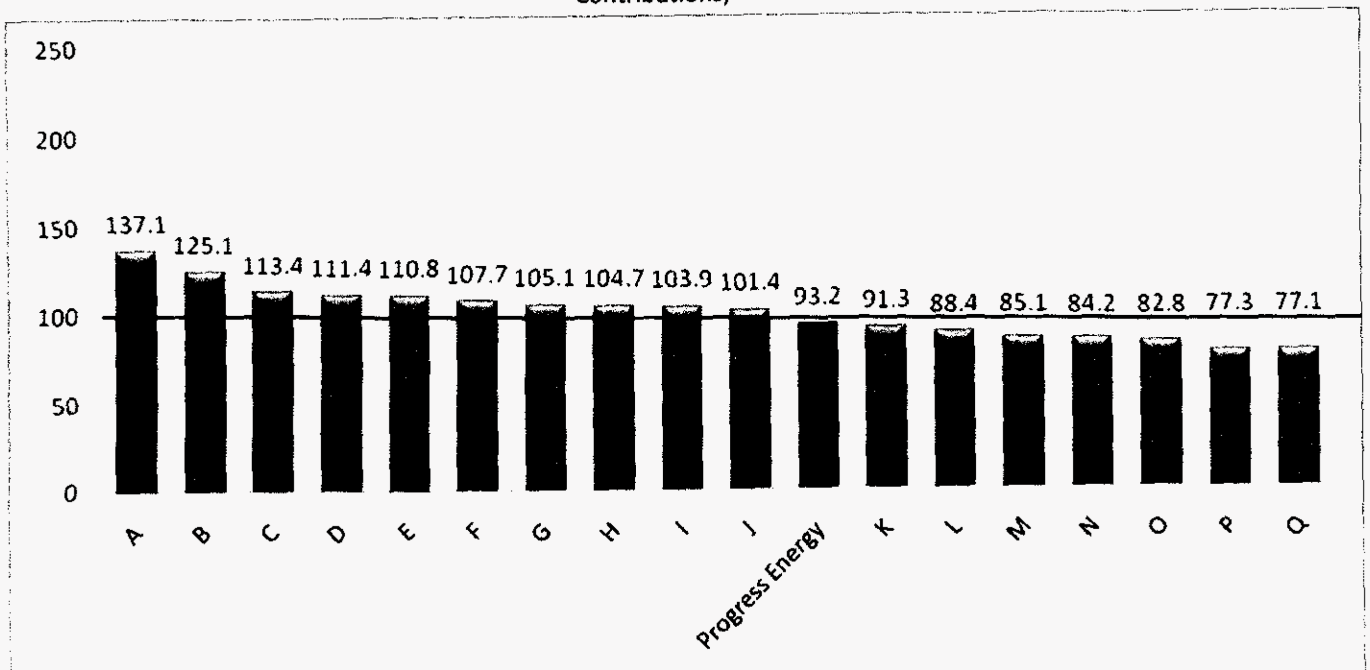
2007 Benval Energy Services Study – Revenue Group C[1]
Medical Plan Comparison

Non-Bargaining Medical Plan – Employer Cost
(Excludes Employee Contributions)



Bargaining Medical Plan – Employer Cost
(Excludes Employee
Contributions)



1 Source: Towers Perrin, 2007 Energy Services Benval Study
Revenue Group C includes energy companies with revenues of $6 billion and over.

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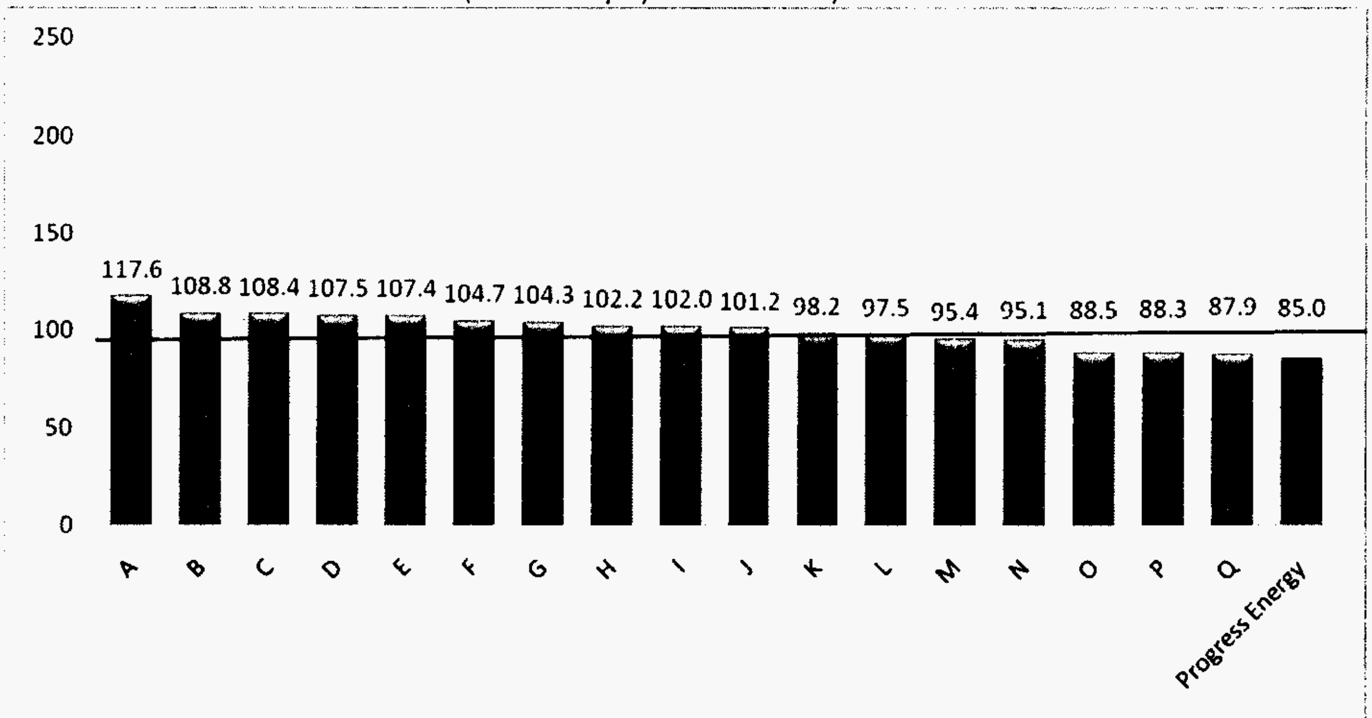
2007 Benval Energy Services Study – Revenue Group C[1]

Entire Benefit Program Comparison

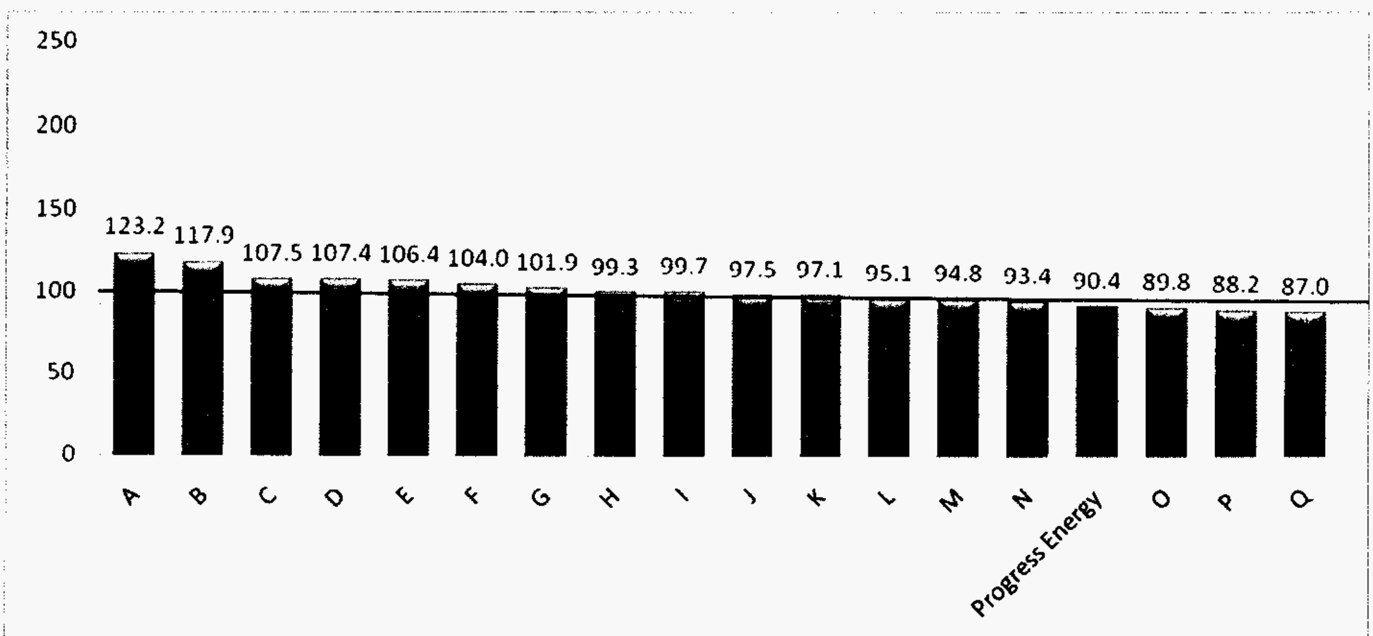
Non-Bargaining Benefit Program – Employer Cost

(Excludes Employee Contributions)



Bargaining Benefit Program – Employer Cost

(Excludes Employee Contributions)



[1] Source: Towers Perrin, 2007 Energy Services Benval Study
Revenue Group C includes energy companies with revenues of $6 billion and over.

Executive Compensation
Peer Group of Utilities Used for Benchmarking Purposes

Allegheny Energy, Inc.

Ameren Corporation

American Electric Power Company, Inc.

Dominion Resources, Inc.

Duke Energy Corporation

DTE Energy Company

Edison International

Entergy Corporation

Exelon Corporation

FirstEnergy Corporation

FPL Group, Inc.

PG&E Corporation

Pinnacle West Capital Corporation

PPL Corporation

SCANA Corporation

Southern Company

TECO Energy

Xcel Energy, Inc.

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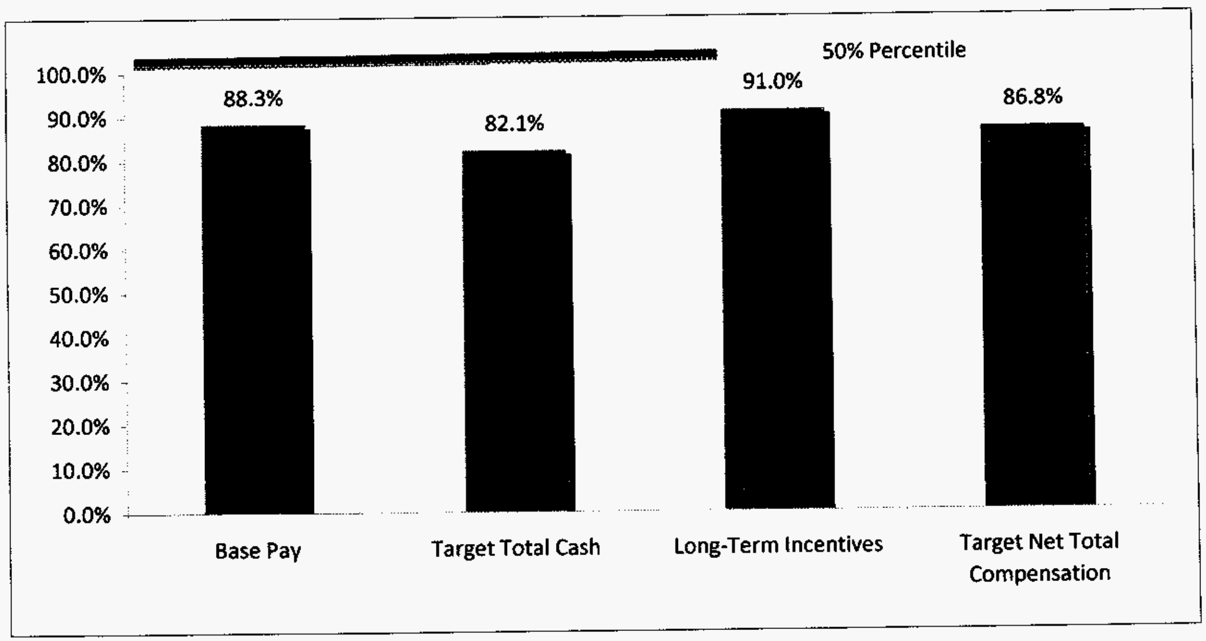

*Data Source: Hewitt's 2008 Total Compensation database