

PROGRESS ENERGY INC  
Form 425  
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Subject Company: Progress Energy, Inc.  
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The following document was made available on the Duke Energy Corporation internal website on April 4, 2011.

#### **UPDATE ON FILINGS**

On April 4, Duke Energy and Progress Energy jointly filed an application with the N.C. Utilities Commission, requesting approval of the companies' proposed merger. The combination will occur at the holding-company level. Once approved, Progress Energy, Inc. will become a wholly owned subsidiary of Duke Energy Corp.

It is anticipated that Duke Energy Carolinas and Progress Energy Carolinas will be combined into a single legal entity at some point in the future. In the meantime, the two utilities will continue to operate as separate entities with separate rate schedules. Before a combination would occur, software, computer systems, business practices, procedures and equipment must be standardized and other issues resolved.

By law, the NCUC must determine whether the merger is justified by the public convenience and necessity. The broad standard allows the commission to consider expected benefits, costs, service quality impacts and other factors.

#### **OTHER FILINGS**

Duke Energy and/or Progress Energy also have filed applications seeking regulatory approval with the Federal Energy Regulatory

Further fuel savings are anticipated as the companies leverage best practices for fuel procurement and use, including rail transportation services and coal-blending practices, purchases of limestone and other reagents used for emission reduction and elimination of duplicative fuel-related functions. These initiatives are estimated to save more than \$330 million in the first five years after the merger is completed (2012 -2016).

The combination will allow Duke Energy Carolinas and Progress Energy Carolinas to implement a single Open Access Transmission Tariff for our service territories. The tariff will reduce the cost for wholesale customers to move power between and through both utility systems, because they will pay only one transmission charge (versus two today).

#### **EXPECTED BENEFITS ALL STATES**

The merger will create the nation's largest electric utility, as measured by enterprise value, market capitalization, generation assets, customers and numerous other criteria. The combined company will have more than 7.1 million electric customers in six states and the largest regulated nuclear fleet in the country.

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Commission (which assesses market power-related issues), the Kentucky Public Service Commission (to approve the merger and the Nuclear Regulatory Commission (to approve the indirect transfer of NRC licenses). Both companies have already made merger-related filings with the Department of Justice and Securities and Exchange Commission.

Fillings will also be made with the S.C. Public Service Commission (for merger-related filings) and the Federal Communications Commission (to approve the transfer of indirect control over FCC licenses). Informational filings will be made in Indiana, Florida and Ohio.

### **EXPECTED BENEFITS CAROLINAS**

The merger will create estimated savings of approximately \$700 million in the Carolinas over the first five years after the merger is completed through efficiencies gained by jointly operating and managing the Carolinas utilities power plant systems and through reduced fuel costs.

The creation of joint-dispatch capability (the ability to jointly dispatch the two generation fleets as a single system to serve both utilities customers) is expected to reduce the combined company's fuel costs by more than \$360 million in the first five years after the merger is completed (2012-2016). These savings come from the use of the combined system's lowest-cost generation to meet our total customer demand. The savings (which will help offset fuel cost increases) should flow directly to customers through the annual adjustment of the fuel component in retail rates, beginning in 2012.

The initial cost savings estimated for the merger are based on fuel-related efficiencies. Other savings should occur over time as a result of the combination and integration of the companies' information technology systems, supply-chain functions, generation operations, corporate and administrative programs and inventories. Savings will be reflected in customer rates over time as they are achieved.

There will be positions eliminated, resulting in additional cost reductions; however, we are committed to achieving as many reductions as possible through normal attrition, retirements and managing vacancies.

The savings from operating as a combined utility will help offset the impact of expected rate increases in the next few years. The entire U.S. electric infrastructure faces rising costs as aging infrastructure is replaced and as new federal and state regulations become applicable. The merger should enable the utilities to make these significant investments with lower overall impact to customers.

### **Cautionary Statements Regarding Forward-Looking Information**

*This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as may, will, should, anticipate, estimate, expect, project, intend, plan, believe, target, forecast, and other words and terms of similar meaning. Forward-looking statements involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties. Progress Energy cautions readers that any forward-looking statement is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement. Such forward-looking statements include, but are not limited to, statements about the benefits of the proposed merger involving Duke Energy and Progress Energy, including future financial and operating results, Progress Energy's or Duke Energy's plans, objectives, expectations and intentions, the expected timing of completion of the transaction, and other statements that are not historical facts. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include risks and uncertainties relating to: the ability to obtain the requisite Duke Energy and Progress Energy shareholder approvals; the risk that Progress Energy or Duke Energy may be unable to obtain governmental and regulatory approvals required for the merger, or required governmental and regulatory approvals may delay the merger or result in the imposition of conditions that could cause the parties to abandon the merger; the risk that a condition to closing of the merger may not be satisfied; the timing to consummate the proposed merger; the risk that the businesses will not be integrated successfully; the risk that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; the diversion of management time on merger-related issues; general worldwide economic conditions and related uncertainties; the effect of changes in governmental regulations; and other factors we discuss or refer to in the Risk Factors section of our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC). These risks, as well as other risks associated with the merger, are more fully discussed in the preliminary joint proxy statement/prospectus that is included in the Registration Statement on Form S-4 that was filed by Duke Energy with the SEC on March 17, 2011 in connection with the merger. Additional risks and uncertainties are identified and discussed in Progress Energy's and Duke Energy's reports filed with the SEC and available at the SEC's website at [www.sec.gov](http://www.sec.gov). Each forward-looking statement speaks only as of the date of the particular statement and neither Progress Energy nor Duke Energy undertakes any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.*

### **Additional Information and Where to Find It**

*This document does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. In connection with the proposed merger between Duke Energy and Progress Energy, on March 17, 2011, Duke Energy filed with the SEC a Registration Statement on Form S-4 that included a preliminary joint proxy statement of Duke Energy and Progress Energy that also constitutes a preliminary prospectus of Duke Energy. These materials are not yet final and may be amended. Duke Energy and Progress Energy will deliver the definitive joint proxy statement/prospectus to their respective shareholders. Duke Energy and Progress Energy urge investors and shareholders to read the preliminary joint proxy statement/prospectus regarding the proposed merger and the definitive joint proxy statement/prospectus, when it becomes available, as well as other documents filed with the SEC, because they contain or will contain important information. You may obtain copies of all documents filed with the SEC regarding this transaction, free of charge, at the SEC's website ([www.sec.gov](http://www.sec.gov)). You may also obtain these documents, free of charge, from Duke Energy's website ([www.duke-energy.com](http://www.duke-energy.com)) under the heading Investors and then under the heading Financials/SEC Filings. You may also obtain these documents, free of charge, from Progress Energy's website ([www.progress-energy.com](http://www.progress-energy.com)) under the tab Investors and then under the heading SEC Filings.*

### **Participants in the Merger Solicitation**

*Duke Energy, Progress Energy, and their respective directors, executive officers and certain other members of management and employees may be soliciting proxies from Duke Energy and Progress Energy shareholders in favor of the merger and related matters. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of Duke Energy and Progress Energy shareholders in connection with the proposed merger is contained in the preliminary joint proxy statement/prospectus and will be contained in the definitive joint proxy statement/prospectus when it becomes available. You can find information about Duke Energy's executive officers and directors in its definitive proxy statement filed with the SEC on March 17, 2011. You can find information about Progress Energy's executive officers and directors in its definitive proxy statement filed with the SEC on March 31, 2011 and Amendment No. 1 to its Annual Report on Form 10-K filed with the SEC on March 17, 2011. Additional information about Duke Energy's executive officers and directors and Progress Energy's executive officers and directors can be found in the above-referenced Registration Statement on Form S-4. You can obtain free copies of these documents from Duke Energy and Progress Energy using the contact information above.*

