

A. Common Stock

Progress Energy proposes to issue and sell Common Stock (and/or options, warrants, forward equity purchase contracts or other rights exercisable or exchangeable for or convertible into Common Stock) in accordance with underwriting agreements of a type generally standard in the industry. Public distributions may be made through private negotiation with underwriters, dealers or agents or effected through competitive bidding among underwriters. In addition, sales may be made through private placements or other non-public offerings to one or more persons. All such sales will be at rates or prices and under conditions negotiated or based upon, or otherwise determined by, competitive capital markets.

Progress Energy also proposes to issue Common Stock in public or privately-negotiated transactions as consideration for the equity securities or assets of other companies, provided that the acquisition of any such equity securities or assets has been authorized by the Commission or is exempt under the Act or the rules thereunder. Progress Energy may use original issue shares of Common Stock in such transactions or use Common Stock purchased on the open market for such purpose.

The ability to offer Common Stock as consideration in connection with an acquisition may make the transaction more economical for Progress Energy as well as for the seller of the business being acquired. If original issue shares of Common Stock are used in such transactions, the value of such shares would be based upon the closing price on the day prior to the date of issuance (or, if appropriate, the date of a binding contract providing for the issuance of the Common Stock) or based upon average high and low prices for a period as negotiated by the parties and counted against the proposed External Financing Limit.

B. Preferred Securities

Applicants request authorization to issue Preferred Securities in one or more series with such rights, preferences and priorities as may be designated in the document creating each series, as determined by Progress Energy's Board of Directors. Dividends or distributions on the securities will be made periodically and to the extent funds are legally available for such purpose, but may be made subject to terms which allow the issuer to defer dividend payments for specified periods. Progress Energy may also issue and sell Equity-Linked Securities, typically in the form

of stock purchase units, which combine a security with a fixed obligation (e.g., preferred stock or debt) with a stock purchase contract that is exercisable (either mandatorily or at the option of the holder) within a relatively short period (e.g., three to six years after issuance).

C. Long-Term Debt

Applicants request authority to issue Long-term Debt directly by Progress Energy or indirectly through one or more Financing Subsidiaries in the form of notes, medium-term notes or debentures under one or more indentures, or long-term indebtedness under agreements with banks or other institutional lenders. Each series of Long-term Debt would have such designation, aggregate principal amount, maturity, interest rate(s) or methods of determining the same, terms of payment of interest, redemption provisions, sinking fund terms and other terms and conditions as Progress Energy may determine at the time of issuance. Any Long-term Debt (1) may be convertible into any other securities of Progress Energy, (2) will have maturities ranging from one to 50 years, (3) may be subject to optional and/or mandatory redemption, in whole or in part, at par or at various premiums above the principal amount thereof, (4) may be entitled to mandatory or optional sinking fund provisions, (5) may provide for reset of the coupon under a remarketing arrangement, (6) may be subject to tender or the obligation of the issuer to repurchase at the election of the holder or upon the occurrence of a specified event, (7) may be called from existing investors by a third party, and (8) may be entitled to the benefit of affirmative or negative financial or other covenants.

D. Short-Term Debt

Progress Energy proposes to issue and sell from time to time Short-term Debt in an aggregate principal amount at any time outstanding not to exceed \$1.5 billion. Specifically, Progress Energy may sell commercial paper, from time to time, in established domestic or European commercial paper markets. Such commercial paper would typically be sold to dealers at the discount rate per annum prevailing at the date of issuance for commercial paper of comparable quality and maturities sold to commercial paper dealers generally. It is expected that the dealers acquiring commercial paper from Progress Energy will reoffer such paper at a discount to corporate, institutional and, with respect to European commercial paper, individual investors. It is anticipated

that Progress Energy's commercial paper will be reoffered to investors such as commercial banks, insurance companies, pension funds, investment trusts, foundations, colleges and universities, finance companies and nonfinancial corporations. Progress Energy also proposes to maintain and renew from time to time committed bank lines of credit, provided that only the principal amount of any actual borrowings under the lines of credit will be counted against the proposed limit on Short-term Debt set forth above. Progress Energy may also engage in other types of short-term financing, including borrowings under uncommitted lines, generally available to borrowers with comparable credit ratings as it may deem appropriate in light of its needs and market conditions at the time of issuance.

E. Stock Plans

Progress Energy requests authorization to issue shares of its Common Stock, and/or options, warrants, stock appreciation rights, units, hypothetical shares and similar securities for purposes of delivery under its Stock Plans, as they may be amended or extended, or similar plans or plan funding arrangements that may be adopted in the future. The net proceeds of any new issuances of shares of Common Stock by Progress Energy will be counted toward the external Financing Limit. Progress Energy also requests authorization to purchase or cause to be purchased on the open market up to 11 million shares of Common Stock for purposes of delivery under its Stock Plans.

V. Utility Subsidiary Financing

CP&L and NCNG request authorization to issue and sell the following securities during the Authorization Period:

A. Short-Term Debt of CP&L

CP&L requests authorization to issue and sell from time to time during the Authorization Period Short-term Debt in an aggregate principal amount outstanding at any one time not to exceed \$1 billion. Subject to such limitation, CP&L would engage in short-term financing as it may deem appropriate in light of its needs and market conditions at the time of issuance. Short-term financing could include, without limitation, commercial paper sold in established domestic or European commercial paper markets in a manner similar to Progress Energy, bank lines and debt securities issued under its indentures and note programs.