

PROGRESS ENERGY INC
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The following document was made available to Duke Energy Corporation employees on January 11, 2011

What Does the Merger Mean for You?

As with any major change, you probably have questions about the transition and how it might affect you personally. We won't know the answers to many of your questions until the integration team is much further in its work. The executives leading that effort are committed to keeping employees informed as decisions are made.

Integration team's work

The integration team, made up of representatives from both utilities, will be working over the next year to combine the organizations. A.R. Mullinax, senior vice president and chief information officer at Duke, and Paula Sims, senior vice president - corporate development and improvement at Progress, will co-lead this integration effort. The integration team will be charged with developing a plan to consolidate functions where it makes financial and operational sense and manage the transition. Once that plan is developed, we will have a better idea of impacts on the workforce. That comprehensive analysis performed will drive organizational decisions and staffing levels. The multi-year transition period also will help to further minimize reductions through attrition, retirements and managing of vacancies.

Impact on employees

We anticipate there will be job reductions at both companies as we merge operations in the years ahead. At this point, we do not have a predetermined number or goal. We will work to minimize the number of reductions by taking advantage of savings in other areas first (including fuel efficiencies and joint dispatch in the Carolinas).

We currently anticipate that no positions will be eliminated until the merger is approved, which is expected to take about a year. And reductions will be phased in over several years.

In the future when positions are eliminated, the companies will provide severance benefits for eligible employees who are not placed in the new organization.

Opportunities

It is important to remember that the larger, stronger company created from the combination will provide new opportunities for employees to grow in their careers.

Committed to bringing you more information

An employee meeting hosted by Duke Energy CEO Jim Rogers and Progress Energy CEO Bill Johnson will be held from **2 to 3 p.m. Thursday, Jan. 13**, at the Knight Theater in downtown Charlotte. Locations outside of Charlotte will be able to join in. Please look for details on the Portal.

Don't get distracted

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The merger will mean change for all of us and it's easy to get distracted by that, said A.R. Mullinax, who's leading the integration efforts. While the merger will form the largest utility in

the nation and present numerous opportunities, I ask that all employees remain focused on achieving their current objectives and meeting the needs of our customers.

Employees should also keep in mind that the two companies will continue to operate separately until the close of the transaction, he added.

If you have questions, please send them to: integration@duke-energy.com. We'll work with the Integration Team to address questions that are top-of-mind for our employees. Remember, answers to many questions may not be available until the team is further into its work. We'll keep you posted as details become firm.

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, anticipate, estimate, expect, project, intend, believe, target, forecast, and other words and terms of similar meaning. Forward-looking statements involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties. Duke 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, Duke Energy's or Progress 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. These risks, as well as other risks associated with the merger, will be more fully discussed in the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 that will be filed with the SEC 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. Each forward-looking statement speaks only as of the date of the particular statement and neither Duke Energy nor Progress 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, Duke Energy will file with the SEC a Registration Statement on Form S-4 that will include a joint proxy statement of Duke Energy and Progress Energy that also constitutes a prospectus of Duke Energy. Duke Energy and Progress Energy will deliver the joint proxy statement/prospectus to their respective shareholders. **Duke Energy and Progress Energy urge investors and shareholders to**

read the joint proxy statement/prospectus regarding the proposed merger when it becomes available, as well as other documents filed with the SEC, because they 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). You may also obtain these documents, free of charge, from Duke Energy's website (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's website (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 will be set forth in the joint proxy statement/prospectus when it is filed with the SEC. You can find information about Duke Energy's executive officers and directors in its definitive proxy statement filed with the SEC on March 22, 2010. You can find information about Progress Energy's executive officers and directors in its definitive proxy statement filed with the SEC on March 31, 2010. 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 when it becomes available. You can obtain free copies of these documents from Duke Energy and Progress Energy using the contact information above.