

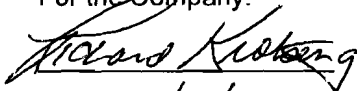
Memorandum of Understanding–Voluntary Enhanced Retirement Program

This Memorandum of Understanding (“Memorandum”) is agreed to between Progress Energy Florida (“Company”) and the IBEW System Council U-8 (“Union”). The purpose of this Memorandum is to document the parties’ agreement to the application of the Company’s Voluntary Enhanced Retirement Program (“VERP”) to bargaining unit employees.

1. The Company will make the VERP available to bargaining unit employees who qualify for the eligibility rules of the VERP.
2. The Union understands that part of the administration of the VERP includes the Company’s right to limit (“cap”) the number of employees who would otherwise be eligible to be offered the terms of the VERP. Any such limitations would be determined by the Company based on business needs and would be implemented by job classification and Departmental seniority.
3. Employees who are eligible for the VERP and who elect and are selected under the VERP may or may not be replaced. The decision to fill a position made vacant by an employee departing under the VERP shall be determined by the Company, consistent with the MOA and existing written agreements between the parties.
4. In order to maintain the integrity of the capping process, should the Company utilize it for a group or groups of bargaining unit employees, the parties agree that the job classification of a bargaining unit employee, for purposes of eligibility for the VERP only, will be his/her classification as of December 10, 2004.
5. The Company has approved an amendment to the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation to enhance the pension benefit otherwise available to eligible bargaining unit employees. The Union agrees that the provisions of the VERP are a one-time only event and do not otherwise change the normal provisions of the pension, retiree medical, and retiree life insurance plans nor impact any other benefit available to the bargaining unit employees. The Union agrees to the amendment, Appendix C-Retirement Plan for Bargaining Unit Employees of Florida Power Corporation Voluntary Enhanced Retirement Program, which is attached to this Memorandum.

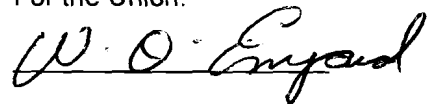
This shall be the complete agreement of the parties with regard to the VERP.

For the Company:



Date: 12/8/04

For the Union:



APPENDIX C

Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation Voluntary Enhanced Retirement Program

Preamble. Pursuant to Section 16.01 of the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation, as amended effective January 1, 2003 (the "Plan"), the Board of Directors of Florida Progress Corporation hereby amends Part A of the Plan to authorize this Voluntary Enhanced Retirement Program (the "Window Program") on the terms and conditions as set forth below.

Article 1. Purpose

The purpose of the Window Program is to provide Window Eligible Employees (as defined below) with an incentive to retire early. The Window Program is intended to supplement and be a part of the Plan, which is a defined benefit pension plan and trust sponsored by the Company. The Plan, as amended by this Appendix C, and the Trust Agreement(s) are intended to continue to meet the requirements of Sections 401(a) and 501(a) and related provisions of the Internal Revenue Code of 1986, as amended.

Article 2. Coverage

This Appendix C shall apply only to Window Eligible Employees that satisfy the eligibility and participation requirements for the Window Program as set forth in Article 4 of this Appendix C.

Article 3. Definitions

Capitalized terms used in the Window Program shall have meaning set forth below.

3.1 "General Release" means a general release and separation agreement in a form and subject to such terms and conditions as may be required by the Company in connection with the Window Eligible Employee's participation in the Window Program.

3.2 "New Accrued Benefit" shall have the meaning set forth in Section 5.1 of this Appendix C.

3.3 "Participating Employee" shall mean a Window Eligible Employee who meets the requirements of Section 4.1 of this Appendix C and who is approved by the Company to participate pursuant to Section 4.2 of this Appendix C.

3.4 “Retirement Date” shall have the meaning set forth in Section 5.1 of this Appendix C.

3.5 “Window Eligible Employee” shall mean any Employee who is (A) employed by the Company on December 31, 2004 and continuously through March 31, 2005 and who as of each such date is scheduled to work 40 hours a week, including any Employee (i) on short-term disability, (ii) who was on short-term disability and who has a pending claim for long-term disability benefits, or (iii) on other approved leave, (B) as of March 31, 2005 has attained age fifty (50) and completed five (5) years of Continuous Service, and (C) meets the eligibility requirements set forth in Section 4.1 of this Appendix C; provided, however the term Window Eligible Employee shall not include (1) any temporary Employee, (2) any Employee on long-term disability, or (3) any Employee who has received notice of severance from the Company prior to the commencement of the Window Period.

3.6 “Window Period” shall have the meaning set forth in Section 4.1 of this Appendix C.

3.7 “Window Program” shall have the meaning set forth in the Preamble and shall include any amendments thereto.

Article 4. Eligibility and Participation

4.1 Eligibility Requirements. Only Window Eligible Employees may participate in the Window Program. A Window Eligible Employee who is a Participant in the Plan shall be eligible for benefits under the Window Program if, and only if:

- (a) The Window Eligible Employee elects to participate in the Window Program during the period beginning March 15, 2005 and ending April 15, 2005 (the “Window Period”) in a form (i) provided by the Company, (ii) received by the Company by April 15, 2005, and (iii) in effect on April 15, 2005; and
- (b) The Window Eligible Employee executes a General Release on or after the effective date of the election described under Section 4.1(a) above, which is received by the Company not later than April 15, 2005, and does not later revoke it within a period of seven days following the later of (1) the end of the Window Period or (2) forty-five (45) days after receiving formal notice of the Window Program. For purposes of clarification, in the event a Window Eligible Employee makes an election to participate in the Window Program and cancels such election, and makes a

subsequent election, an executed General Release will be required for that subsequent election.

A Window Eligible Employee's participation in the Window Program is subject to approval by the Company in accordance with Section 4.2 hereof.

4.2 Company Approval. No Window Eligible Employee who satisfies the requirements of Section 4.1 of this Appendix C shall be a Participating Employee in the Window Program unless such participation is approved by the Company based on the criteria described herein. Any Window Eligible Employee who elects to participate in the Window Program is eligible to become a Participating Employee subject to limitations set by the Company based on the number of Window Eligible Employees electing to participate and the business needs of each department, or identifiable work classification or work group. Any such limitations shall be administered on a seniority basis and Window Eligible Employees electing to participate in the Program will be notified no later than May 9, 2005 of the Company's approval or non approval of their participation in the Window Program. Participating Employees must retire as of the Retirement Date.

Article 5. Benefits

5.1 Window Benefit.

(a) For each Participating Employee, (1) his or her Accrued Normal Retirement Income at Normal Retirement shall be the greater of (A) his or her Accrued Normal Retirement Income recalculated with an additional five (5) years of Credited Service determined as of the Retirement Date not in excess of 40 years and utilizing Final Average Earnings as of December 31, 2004 multiplied by the reduction factors set forth in Appendix A utilizing an additional five (5) years of Continuous Service and attained age (the "New Accrued Benefit") or (B) his or her Accrued Normal Retirement Income without application of this Appendix C and (2) his or her immediate benefit commencing as of the Retirement Date or later shall be the greater of (X) the New Accrued Benefit or (Y) his or her Accrued Normal Retirement Income without application of this Appendix C subject to applicable reductions under the Plan. "Retirement Date" shall mean June 1, 2005 or such later date on or prior to December 1, 2005 as determined by the Company in its sole discretion and communicated to the Participating Employee no later than May 20, 2005.

(b) The age 55 factor of Appendix A of Part A of the Plan for an "Employee with less than 20 years of credited service at retirement" shall be utilized for a Participating Employee who after application of the

enhancements described in Section 5.1(a) of this Appendix C does not meet the requirements of having attained age 55 and having completed 15 years of Continuous Service.

(c) Additional years of age under this Appendix C shall be included with respect to the determination of the Social Security Benefit.

5.2 Actuarial Equivalent. All determinations of Actuarial Equivalents shall be based on a Participating Employee's actual age and interest rate at the date of such determination.

5.3 Modified Window Benefit For Persons Participating In Appendix L of the Progress Energy Pension Plan. A Participating Employee who is actively accruing benefits under the Progress Energy Pension Plan as of January 1, 2005 with an accrued benefit under this Plan shall be not be entitled to the benefits under Section 5.1(a) and shall only be entitled to:

(a) the benefits set forth in Section 5.1(b) and 5.1(c) of this Appendix C utilizing the additional five years of Continuous Service and attained age provided for in Section 5.1(a) of this Appendix C but not the additional five years of Credited Service or Final Average Earnings as of December 31, 2004; and

(b) an additional 5 years of Continuous Service and attained age solely for purposes of calculating an immediate annuity as of the Retirement Date; provided, however, that in no event shall the immediate annuity under Section 5.3 of this Appendix C commencing after the Retirement Date be greater than an immediate annuity calculated as of the Retirement Date.

Article 6. Administration of the Window Program

The Window Program, as set forth in this Appendix C, shall be administered by the Plan Administrator in accordance with the provisions of Section 13.04 of the Plan and the Plan Administrator shall adopt procedural rules for the administration of the Window Program.

Article 7. Program Funding

The Window Program shall be funded as a part of the Plan and the payment of all Window Program benefits shall be made by the Trustee from assets of the Fund. Provisions of the Plan and the Trust Agreement(s) relating to funding shall be equally applicable with respect to the Window Program.

Article 8. Other Program Provisions

Except as herein expressly amended or as the context may otherwise clearly require, all of the provisions of the Plan shall apply with equal force and effect for purposes of interpretation and administration of the Window Program.