SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-28077; 70-9643)

Progress Energy, Inc.

Supplemental Order Modifying Terms of Previous Order

December 20, 2005

Progress Energy, Inc. (“Progress”), Raleigh, North Carolina, a registered holding company, has filed with the Securities and Exchange Commission ("Commission") a post-effective amendment to its application-declaration under sections 6(a), 7, 9(a), 10, 12(b), 12(c), 12(d) and 12(e) of the Public Utility Holding Company Act of 1935, as amended ("Act") and rules 43, 44, 45, 54, 62 and 65 under the Act. The Commission issued a notice of the filing of the application-declaration on August 4, 2000 (HCAR No. 27208).

By order dated November 27, 2000 (HCAR No. 27284) (“Merger Order”), the Commission authorized Progress to acquire all of the issued and outstanding common stock of Florida Progress Corporation (“Florida Progress”). The transaction was consummated on November 30, 2000. Under the terms of the Merger Order, the Commission reserved jurisdiction over Progress Energy’s retention of certain specified direct and indirect nonutility subsidiaries and investments of Progress and Florida Progress. The Merger Order directed Progress to file an amendment no later than November 30, 2001, in which it would set forth the legal basis upon which it is entitled to retain its ownership interest in specified subsidiaries or commit to divest its interest in the subsidiaries prior to November 30, 2003.

Also, under the Merger Order the Commission directed Progress to either cause its indirect subsidiaries, CaroFund, Inc. (“CaroFund”) and CaroHome,LLC (“CaroHome”) to sell their interest in five entities that are developing historic and affordable housing tax credit

projects or, alternatively, to convert the ownership interests in the five entities into passive interests. The five entities are: Grove Arcade Restoration, LLC ("GAR"), HGA Development, LLC ("HGA"), Historic Property Management, LLC ("Historic Property"), Raleigh-CaroHome/WCK, LLC ("Raleigh-CaroHome") and Trinity Ridge LLC ("Trinity Ridge").

By order dated October 21, 2003 (HCAR No. 27740), the Commission granted a three-year extension (to November 30, 2006) to complete its divestiture of certain interests in other properties or businesses, and a one-year extension (to November 1, 2004) to sell or convert the Historic Property and Raleigh-CaroHome interests. With regard to the tax credit projects, in August, 2002, CaroHome and CaroFund sold substantially all their ownership interests in GAR to an unaffiliated third-party and now hold a 0.01% passive interest in GAR as a special member. CaroHome and CaroFund also reduced their ownership interests in HGA to .01%, although Historic Property, which holds that 0.01% interest, continues to be the sole managing member of HGA. In July 2003, CaroFund and CaroHome sold 100% of their ownership interests in Trinity Ridge to an unaffiliated third party. In April 2004, CaroHome sold its interests in Raleigh-CaroHome to an unaffiliated third party. CaroFund still owns a 0.01% interest as managing member of Raleigh-CaroHome.

By order dated October 19, 2004 (HCAR No. 27902) the Commission granted Progress a further extension of time, until December 31, 2005, to conclude transactions in the tax credit projects. Due to market conditions, slower-than-expected lease-up of housing units and commercial office space and other factors beyond Progress' control, the opportunities to sell or convert the interests in Historic Property and Raleigh-CaroHome had not materialized as quickly as expected, although negotiations had commenced in connection with both properties.

Progress is in the process of seeking a new managing member for Historic Property,

which, in turn, is the managing member of HGA. In the second quarter of 2005, Progress received a confidential, non-binding letter of intent for the purchase of its remaining ownership interest in Historic Property. Negotiations for the sale or conversion of its remaining interests are in progress. However, based on a number of issues raised in the current negotiations, including issues affecting the tax credits generated by HGA, a closing on the transaction is not likely to occur by December 31, 2005. The parties are discussing structuring alternatives and other points to address the tax credit issues and other business issues.

Progress also intends to sell down its interest in Raleigh-CaroHome and bring in a new managing member but leasing activity and stabilization of the property in the current market continues to be a challenge, and there are no interested buyers at present. Thus, a sales transaction for Raleigh-CaroHome by year end 2005 cannot be consummated.

For the reasons cited above, Progress does not believe that these transactions can be complete by February 8, 2006. The Energy Policy Act of 2005 repealed the Act effective February 8, 2006. An order extending the time for completing these transactions to February 8, 2006 would not be practicable or appropriate. Moreover, since the Act has been repealed and because Congress has not conferred jurisdiction requiring any other agency of the federal government to regulate Progress with respect to its holdings of these properties, it is appropriate for the Commission to modify its prior orders in this file to relieve Progress of its obligations to divest or convert its interests to passive interests in the Historic Property and Raleigh-CaroHome.

The proposed transaction is subject to Rule 54 under the Act, which provides that in determining whether to approve the issue or sale of any security by a registered holding company for purposes other than the acquisition of any exempt wholesale generator ("EWG") or foreign utility company ("FUCO"), or other transactions by that registered holding company or its

subsidiaries other than with respect to EWGs or FUCOs, the Commission shall not consider the effect of the capitalization or earnings of any EWG or FUCO subsidiary on the registered holding company if paragraphs (a), (b) and (c) of rule 53 are satisfied. Currently, Progress meets all of the conditions of rules 53(b) and 53(a), except for clause (1). As of September 30, 2005, Progress' "aggregate investment," in EWGs as defined in rule 53(a)(1), was approximately $1.324 billion, or about 53.17% of its consolidated retaining earnings for the four quarters ended September 30, 2005. However, by order dated July 17, 2002 (HCAR No. 27551) ("July 2002 Order") the Commission authorized Progress to increase its aggregate investment in EWGs to $4 billion. Therefore, although Progress' aggregate investment exceeds the 50% "safe harbor" limitation of rule 53, it was within the higher investment level authorized in the July 2002 Order. Rule 53(c) is inapplicable by its terms.

Fees, commission or expenses incurred in connection with this post-effective amendment are not expected to exceed $5,000. Progress states that no state or federal commission, other than this Commission, has jurisdiction over the proposed transaction.

Due notice of the filing of the application-declaration has been given in the manner prescribed in rule 23 under the Act, and no hearing has been requested of or ordered by the Commission. On the basis of the facts in the record, it is found that the applicable standards of the Act and rules under the Act are satisfied, and that no adverse findings are necessary.

IT IS ORDERED, under the applicable provisions of the Act and rules under the Act, that the application-declaration, as amended of Progress Energy, Inc. (70-9643), be granted and permitted to become effective immediately, subject to the terms and conditions contained in rule 24 under the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Jonathan G. Katz
Secretary