

Edgar Filing: PROGRESS ENERGY INC - Form 425

PROGRESS ENERGY INC
Form 425
August 10, 2011

Filed by Duke Energy Corporation

Pursuant to Rule 425 Under the Securities Act of 1933

And Deemed Filed Pursuant to Rule 14a-6

Under the Securities Exchange Act of 1934

Subject Company: Progress Energy, Inc.

Commission File No.: 333-172899

The following slides were made public by Duke Energy Corporation on August 10, 2011.

Duke Energy Corporation

Non-GAAP Reconciliations

Williams Capital Group East Coast Seminar

August 10, 2011

2011 Forecasted Adjusted Segment EBIT Business Mix

The materials for Duke Energy's Williams Capital Group East Coast Seminar meetings on August 10, 2011, include a discussion of Duke Energy's 2011 forecasted business mix by segment, based upon Duke Energy's forecasted 2011 adjusted segment EBIT. Additionally, the materials include a discussion of the pro-forma 2011 forecasted business mix by segment for the combined company, based upon Duke Energy's forecasted 2011 adjusted segment EBIT and Progress Energy Inc.'s (Progress Energy) forecasted 2011 adjusted EBIT (which is based on the midpoint of Progress Energy's forecasted 2011 ongoing EPS range of \$3.00 - \$3.20). Progress Energy's management's use of ongoing earnings per share to evaluate the operations of Progress Energy and to establish goals for management and employees is discussed further below.

The primary performance measure used by Duke Energy's management to evaluate segment performance is segment EBIT from continuing operations, which at the segment level represents all profits from continuing operations (both operating and non-operating), including any equity in earnings of unconsolidated affiliates, before deducting interest and taxes, and is net of the income attributable to non-controlling interests. Management believes segment EBIT from continuing operations, which is the GAAP measure used to report segment results, is a good indicator of each segment's operating performance as it represents the results of Duke Energy's ownership interests in continuing operations without regard to financing methods or capital structures. Duke Energy also uses adjusted segment EBIT as a measure of historical and anticipated future segment performance. When used for future periods, adjusted segment EBIT may also include any amounts that may be reported as discontinued operations or extraordinary items.

Adjusted segment EBIT is a non-GAAP financial measure as it represents reported segment EBIT adjusted for the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Special items represent certain charges and credits which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. Mark-to-market adjustments reflect the mark-to-market impact of derivative contracts, which is recognized in GAAP earnings immediately as such derivative contracts do not qualify for hedge accounting or regulatory accounting, used in Duke Energy's hedging of a portion of the economic value of certain of its generation assets in the Commercial Power segment. The economic value of the generation assets is subject to fluctuations in fair value due to market price volatility of the input and output commodities (e.g., coal, power) and, as such, the economic hedging involves both purchases and sales of those input and output commodities related to the generation assets. Because the operations of the generation assets are accounted for under the accrual method, management believes that excluding the impact of mark-to-market changes of the economic hedge contracts from adjusted earnings until settlement better matches the financial impacts of the hedge contract with the portion of the economic value of the underlying hedged asset.

Management believes that the presentation of adjusted segment EBIT provides useful information to investors, as it provides them an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment EBIT is reported segment EBIT, which represents segment results from continuing operations, including any special items. Due to the forward-looking nature of this non-GAAP financial measure for 2011 and future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project special items for future periods.

Dividend Payout Ratio

The materials for Duke Energy's Williams Capital Group East Coast Seminar meetings on August 10, 2011, include a discussion of Duke Energy's anticipated long-term dividend payout ratio of 65-70% based upon adjusted diluted EPS. This payout ratio is a non-GAAP financial measure as it is based upon forecasted diluted EPS from continuing operations attributable to Duke Energy Corporation shareholders, adjusted for the per-share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment, as discussed above under 2011 Forecasted Adjusted Segment EBIT Business Mix. The most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS from continuing operations attributable to Duke Energy Corporation common shareholders, which includes the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project special items or mark-to-market adjustments for future periods.

Progress Energy, Inc.

Non-GAAP Financial Measures

Williams Capital Group East Coast Seminar

August 10, 2011

Ongoing Earnings Per Share

Progress Energy's management uses ongoing earnings per share to evaluate the operations of the company and to establish goals for management and employees. Management believes this non-GAAP measure is appropriate for understanding the business and assessing our potential future performance, because excluded items are limited to those that we believe are not representative of our fundamental core earnings. Ongoing earnings as discussed in the materials for Duke Energy's William Capital Group East Coast Seminar meetings, may not be comparable to similarly titled measures used by other companies.

The ongoing earnings guidance excludes the impact, if any, from discontinued operations, the effects of certain identified gains and charges and any merger and integration costs from the proposed strategic combination with Duke Energy Corporation. Progress Energy is not able to provide a corresponding GAAP equivalent for the 2011 ongoing earnings guidance due to the uncertain nature and amount of these adjustments.