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June 28, 2004

Ms. Suzanne Q. Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

Letter of Comment No: 5461
File Reference: 1102-100

Subject: File Reference No. 1102-100; Proposed Statement of Financial Accounting Standards – Share-Based Payment, an amendment of FASB Statements No. 123 and 95

Dear Ms. Bielstein:

Progress Energy, Inc. (Progress Energy) is pleased to comment on the Proposed Statement.

We are in agreement with the basic principles underlying the Proposed Statement and agree with most of the detailed provisions. There are, however, several provisions that should be clarified or reconsidered in order to improve the existing proposal. We have listed below the areas that we believe need to be addressed and have included our concerns and/or recommendations for each.

Issue 4(b): Option Pricing Models

We do not believe the Board should indicate that one model is preferable relative to another model. Such a "preference" is somewhat ambiguous and can be interpreted essentially as a requirement. Instead, we believe the standard should allow entities to assess their own circumstances and cost-benefit considerations in selecting a model.

Issue 11: Income Taxes

We disagree with the Proposed Statement's provisions for accounting for income taxes. We believe there is no conceptual difference between income tax excesses or deficiencies due to changes in value subsequent to the grant date and that such income tax effects should be treated in the same manner. In addition, we believe that such effects are similar to other permanent differences and should be recorded as part of income tax expense in the income statement.

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Issue 12: Disclosures

We believe the minimum disclosure requirements are excessive given the relative magnitude of share-based compensation to total expense for most companies. For example, if Progress Energy had expensed stock options in 2003, its total share-based compensation would have been approximately 0.6% of total operating expenses. We believe the current disclosures required by SFAS No. 123 are sufficient to provide financial statement users a reasonable understanding of share-based compensation and assumptions being used to compute expense.

Additional Implementation Guidance - Liability Awards

Illustration 11 in Appendix B addresses the accounting for a cash-settled share appreciation right, which is fair valued similar to a stock option. We believe an additional illustration of a share-based liability award should be provided in which the award by its nature is at fair value, such as in a phantom stock program. The additional illustration should help reduce questions that might arise in implementing the standard.

Effective Date

We are very concerned with the proposed effective date of 2005 for calendar year companies. With the final standard to be issued in the latter part of 2004, financial statement preparers will have little time to assess the provisions of the final standard and prepare for a January 1, 2005 implementation. Such preparations are likely to include internal system and process changes as well as coordination of information changes with third party plan administrators. While we recognize the Board's desire to move to a fair value model, we believe the effective date should be delayed one year to allow adequate time to prepare for implementation. The current pro forma disclosure requirements of SFAS No. 123 provide financial statement users with information that helps to mitigate the effects of a delay in the Proposed Statement.

We appreciate the opportunity to provide input to the standard setting process.

Yours very truly,



RHB/mdf