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Financial Accounting Standards Board
Norwalk, Connecticut

RE: File Reference 1200-300 and File Reference 1200-400

Letter of Comment No: 11
File Reference: 1200-300
Date Received: 4/13/04

Gentlemen:

Progress Energy, Inc. (Progress Energy) is pleased to provide below its comments on two Exposure Drafts.

Exchange of Productive Assets (File Reference 1200-300)

Progress Energy understands the intent of the exception for exchanges that lack commercial substance. We are, however, concerned that the commercial substance guidance might be very difficult to apply in practice. For example, there could be difficulties in attributing cash flows to the level necessary to evaluate individual exchange transactions. Also, the future use of property given up might be somewhat uncertain.

We suggest that a principled-based approach to a lack of commercial substance might be more workable. That is, the standard could specify qualitative attributes indicating that a transaction lacks commercial substance.

Accounting Changes and Error Corrections (File Reference 1200-400)

Progress Energy has the following two concerns with the proposal to require retrospective application to all comparative financial statements when reporting most changes in accounting principles, rather than reporting the cumulative effect of an accounting change.

- We believe financial statement readers might be very confused by earnings amounts that change. There could even be circumstances where an earnings amount could change multiple times.
- For public companies, the restatement of earnings could lead to amended filings with the Securities and Exchange Commission. Such amended filings are costly and, as indicated above, could lead to confusion among readers.

Due to these concerns, Progress Energy supports the Opinion 20 approach whereby most accounting changes are recognized by reporting in net income of the period of the change the cumulative effect of changing to a new accounting principle.

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

Yours very truly,

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