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Vice President - Controller Accounting Progress Energy Service Company, LLC

August 15, 2008

Mr. Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 10856-5116



LETTER OF COMMENT NO. 37

File Reference No. 1590-100

Re: Exposure Draft of Proposed Statement of Financial Accounting Standards on Accounting for Hedging Activities, an amendment of FASB Statement No.133

Dear Mr. Golden:

Progress Energy, Inc. (Progress Energy) appreciates the opportunity to comment on the subject Exposure Draft. We agree with the FASB's general attempt to simplify accounting for hedging activities and resolve certain practice issues.

The Edison Electric Institute (EEI) is submitting a comment letter that reflects the consensus views of its members on the Exposure Draft. Progress Energy fully supports and endorses the comments provided by EEI.

In addition, we have concerns about the Board's decision to eliminate the ability to hedge interest rate risk, i.e., the "bifurcation-by-risk" approach, except in limited circumstances. We are particularly concerned about hedges related to forecasted debt issuances. However, the bases for that concern are generally applicable to hedges related to existing debt when such hedges are entered into subsequent to the inception of the related debt.

Our concerns generally parallel the beliefs of the dissenting board members discussed in the Alternative Views section of the Exposure Draft. Managing interest rate risk using derivative instruments designed strictly to hedge interest rate changes is a common risk management strategy. Requiring credit risk to be included in the measure of the hypothetical derivative will not reflect this risk management strategy and will distort the reporting of the effectiveness of the hedge in achieving its intended purpose. In addition, for reasons others have noted and as described in the Alternative Views section in paragraph A57, it is rare and generally not considered desirable for entities to hedge their own credit risk. Finally, there are significant challenges to modeling a forward credit

spread curve or new issue concessions, as observable market data may not be available. For example, the new issue concession included in the re-offer spread of a debt issuance is not tracked on an index and can vary materially from one period to the next. Changes in the market, not related directly to the credit of the issuing company, can cause volatility to the company's financial statements based on an amount that is subjective even after the debt is issued. We fail to see how recording the hypothetical effects of changes in an entity's credit spread in earnings is an improvement in financial reporting or achieves the FASB's goal of simplifying the accounting for hedging activities.

For the reasons cited above, we recommend that the Board retain the "bifurcation-by-risk" model.

We appreciate the Board's consideration of our recommendation. If you would like to further discuss our comments, please let me know.

Sincerely yours,

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