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December 14, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37, Concept Release on Auditor Independence and Audit Firm Rotation

Progress Energy, Inc. is pleased to comment on the PCAOB's Rulemaking Docket Matter No. 37, Concept Release on Auditor Independence and Audit Firm Rotation. Progress Energy, Inc. (Progress Energy, we or the Company) is a Fortune 250 integrated electric company primarily engaged in the regulated utility business in the United States (U.S.), with more than \$9 billion in annual revenues. Our wholly-owned regulated subsidiaries, Progress Energy Carolinas and Progress Energy Florida, collectively the Utilities, are primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina, South Carolina and Florida. As regulated entities, our rates are subject to cost-based regulation by the United States Federal Energy Regulatory Commission, our respective state utility regulatory commissions and the United States Nuclear Regulatory Commission.

Progress Energy supports the PCAOB's efforts to improve auditor independence and objectivity. However we do not support the concept of mandatory audit firm rotation outlined in the concept release. Not only do we feel that audit quality would suffer in the short-term, but we also believe that mandatory audit firm rotation would result in significant additional costs, including increased audit fees as well as increased internal personnel costs.

Role of Audit Committee

In summary, we believe that a company's Audit Committee is in the best position to evaluate whether the auditors are independent and objective or whether it is in the best interest of the shareholders to initiate the process of selecting a new audit firm. There are many standards and controls now in place that address auditor independence and objectivity, many of which were created as part of the Sarbanes-Oxley Act of 2002. Specifically, the role of the independent Audit Committee was enhanced and requirements were put in place aimed at strengthening independence of audit firms. Removing auditor selection responsibility from the Audit Committee is contrary to the enhanced role put in place by the Sarbanes-Oxley Act of 2002 and is not in the best interest of shareholders or ratepayers due to the reasons detailed within.

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Concerns Over Audit Quality

Progress Energy is a public company that operates within the energy industry, which for financial reporting purposes, is a specialized industry requiring specific accounting and auditing expertise. We believe it takes a significant amount of time to understand the complexities of operating in such a highly regulated and specialized industry. We also believe that a firm's ability to perform a high quality audit would require that firm to have a specialization within the industry. Currently, there are only a limited number of firms that have this specialized industry knowledge for companies as large as Progress Energy.

The ability of the auditors to obtain an in-depth understanding of a company's business and industry is critical to produce an effective and independent audit. This is even more critical for companies within an industry that is both specialized and highly regulated. In general, an audit firm that has a long tenure with a utility company is beneficial in that the knowledge they have accumulated over the years helps ensure the audit process is efficient and produces high quality results. The Sarbanes-Oxley Act of 2002 put into place mandatory audit partner rotation requirements which addresses concerns over objectivity for firms that have a long tenure with a particular company. Mandatory partner rotation brings a fresh perspective on accounting matters and issues, while ensuring the knowledge base built over years through staff and documentation remain in tact. Because of these factors, we believe that mandatory firm rotation could lead to increased risk and the potential for reduced audit quality. Simply put, there is an extended learning curve for new auditors to overcome in fully understanding companies' culture, business environment and operational and reporting risks, and control environment. We believe this learning curve creates new audit and reporting risk, rather than reduces such risks.

In addition, as with many public companies our size, we also utilize one or more Big 4 firms to perform non-audit services. Mandatory audit firm rotation could limit our choice of qualified service providers to provide such services. This issue is further complicated by the fact that not all Big 4 firms have equal expertise and resources in a particular industry. Due to independence requirements that would need to be established for firms rotating into audit services, public companies which use Big 4 firms as providers for non-audit services will have limited options and will have to devote a significant amount of resources to the selection process.

Concerns Over Increased Costs and Lost Productivity

In addition to the risk for reduced audit quality, mandatory firm rotation will also result in increased costs, which will ultimately be borne by our shareholders and ratepayers. In order for audit firms to gain the basic understanding they need to assess risk and perform their audit they will have to invest a significant amount of time (start-up costs) in the initial one to two years after the rotation. Audit firms recognize this concept, and frequently absorb this additional time spent in the early years after their appointment as an "investment" in the client relationship. In a mandatory rotation environment where auditor turnover is frequent, these start-up costs will

likely be billed to the companies, which will result in an increase in audit costs across all industries that will ultimately borne by investors.

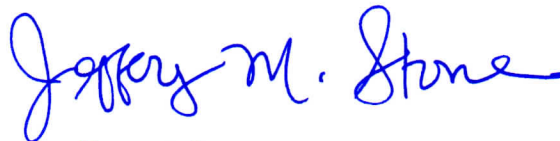
However, increased external audit fees are not the only costs that shareholders and ratepayers will see. There will also be indirect costs of mandatory firm rotation from losses in productivity due to time spent assisting audit firms in understanding a company's business, industry, and internal control environment. The increased time spent as a result of this process spans from our company's general accounting staff to the Audit Committee. Accounting staff would be required to spend significant additional amounts of time educating a new audit firm. This education would be in addition to their normal work and would likely take time away from important tasks such as evaluating the accounting impact of complex accounting transactions, preparing financial statement disclosures or performing critical month, quarter or year end activities. Management would be required to spend additional time educating the new audit firm on the company's business and industry as well as management's judgements and significant estimates. Senior management and audit committee members would be distracted from their normal responsibilities by the process of evaluating, selecting and educating new auditors. This can be a time consuming and costly process, which is one reason that changing audit firms is not a frequent event for most companies.

In summary, we do not support the concept of mandatory audit firm rotation outlined in the concept release. We urge the PCAOB to not pursue this questionable and costly change.

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We appreciate the opportunity to express our views and we would be happy to discuss them with the PCAOB at your convenience.

Sincerely,



Jeffrey M. Stone