



August 13, 2004

To: **Former Holders of Common Shares of Cequel Energy Inc. ("Cequel")**

**IMPORTANT TIME SENSITIVE TAX INFORMATION for shareholders electing to receive consideration including Exchangeable Shares in the capital of Progress Energy Ltd. ("Amalco") in exchange for Common Shares in the capital of Cequel**

Capitalized terms not defined in this letter have the meaning ascribed to them in the Joint Information Circular and Proxy Statement with respect to a Plan of Arrangement (the "Arrangement") involving Cequel Energy Inc., Progress Energy Ltd., Progress Energy Trust, Cyries Energy Inc., ProEx Energy Ltd., Cequel Securityholders and Progress Securityholders dated May 28, 2004 (the "Circular").

You are receiving this package (the "Tax Election Filing Package") because you elected to receive Exchangeable Shares of Amalco pursuant to the Arrangement and indicated that you want to elect under section 85 of the *Income Tax Act* (Canada) (the "ITA") to defer the recognition of some or all of the gain that you may realize on the exchange of your Cequel Common Shares for consideration including Exchangeable Shares, as set out in the Circular.

Absent filing an election under section 85 of the ITA, you will be considered to have disposed of your Class X Preferred Shares and Cequel New Shares (which you received during the course of the Arrangement) for proceeds of disposition equal to the fair market value of the Exchangeable Shares and the Ancillary Rights, with the recognition of a capital gain or capital loss to the extent that such proceeds of disposition exceed, or are exceeded by, the aggregate adjusted cost base of the Class X Preferred Shares and Cequel New Shares so exchanged.

This Tax Election Filing Package contains:


- Detailed instructions regarding the completion of the Federal Election Form T2057 – "Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation";
- A Sample Form T2057 – note that if a former Progress Shareholder is a partnership and wishes to make the joint tax election, Form T2058 – "Election on Disposition of Property by a Partnership to a Taxable Canadian Corporation" must be completed instead of Form T2057;
- One (1) copy of a partially completed Form T2057 that must be completed by each former Cequel Shareholder (that is not a partnership) wishing to make the joint tax election;
- One (1) copy of a partially completed Form T2058 that must be completed by a former Cequel Shareholder that is a partnership wishing to make the joint tax election; and,
- A list of Canada Revenue Agency ("CRA") Tax Centres and Tax Services Offices.

**The contents of and instructions contained in the Tax Election Filing Package are of a general nature only and are not intended to be, nor should they be construed as, legal or tax advice to any particular former Cequel Shareholder. Former Cequel Shareholders are urged to consult their own tax advisors for specific advice in respect of the completion of all required documents having regard to their particular circumstances. Former Cequel Shareholders (and none of, Cequel Energy Inc., Progress Energy Ltd., Progress Energy Trust, Cyries Energy Inc., ProEx Energy Ltd., Computershare Trust Company of Canada, their officers, agents, employees or advisors) will be**

responsible for the proper completion and filing of all required forms, including any T2057 forms, T2058 forms, or forms required under applicable provincial legislation.

Many of the calculations and determinations required to properly complete the joint tax election are complex. Moreover, specific filing deadlines apply, and if these are not met, you will be exposed to penalties. Finally, if errors are made in the completion of the joint tax election forms, unexpected and unfavorable tax consequences may result. Progress Energy Ltd. thus strongly encourages all former Cequel Shareholders to seek competent professional assistance with respect to the preparation of the joint tax election.

Sincerely,



Russ Thomas  
Progress Energy Ltd.  
Senior Tax Analyst