

F. Guarantees

Applicants request authorization to guarantee or assume certain obligations of its affiliates or Member Utilities. Accordingly, Applicants request authorization to enter into guarantees, obtain letters of credit, enter into expense agreements or otherwise provide credit support with respect to the obligations of their affiliates or Member Utilities in the ordinary course of Applicants' business, in an amount not to exceed \$125 million outstanding at any one time during the Authorization Period.

Applicants state that certain of the guarantees may be in support of obligations that are not capable of exact quantification. In these cases, Applicants state that exposure under the guarantee will be by appropriate means including estimation of exposure based on loss experience or projected potential payment amounts. These estimates will be made in accordance with generally accepted accounting principles and/or sound financial practices.

G. Financial Representations

Applicants represent that at all times during the Authorization Period, ATCMI and ATC will each maintain common equity of at least 30% of its consolidated capitalization. Applicants further represent that, other than Class A and Class B shares and Member Interests, no security may be issued in reliance upon this order, unless: (i) The security to be issued, if rated, is rated investment grade; (ii) all outstanding rated securities of the issuer are rated investment grade; and (iii) all outstanding rated securities of ATCMI are rated investment grade. For purposes of this condition, a security will be considered rated investment grade if it is rated investment grade by at least one nationally recognized statistical rating organization, as that term is used in paragraphs (c)(2)(vi)(E), (F) and (H) of rule 15c3-1 under the 1934 Act. Applicants request that the Commission reserve jurisdiction over the issuance by ATCMI or ATC of any securities that are rated below investment grade. Applicants further request that the Commission reserve jurisdiction over the issuance of the securities for which authority is sought herein or any guarantee authority at any time that the conditions set forth in clauses (i) through (iii) above are not satisfied.

transmission system in the region. Applicants state that this acquisition of utility assets is subject to approval by the Public Service Commission of Wisconsin and so exempt from section 9(a)(1) under the 1935 Act.

Progress Energy, Inc. and Piedmont Natural Gas Company, Inc. (70-10115)

Progress Energy, Inc. ("Progress Energy"), a registered holding company, 410 South Wilmington Street, Raleigh, NC 27602, and Piedmont Natural Gas Company, Inc. ("Piedmont"), a gas utility company, 1915 Rexford Road, Charlotte, NC 28211, have filed a joint application-declaration under sections 3(a)(2) and 12(d) of the Act and rules 44 and 54 under the Act.

Progress Energy seeks approval to sell all of the issued and outstanding common stock of North Carolina Natural Gas Company ("NCNG") and its 50% share of the common stock of Eastern North Carolina Natural Gas Company ("Eastern NCNG") and preferred stock and other rights and interests in Eastern NCNG that it holds to Piedmont. Piedmont requests an order under section 3(a)(2) of the Act exempting it and its subsidiaries from all provisions of the Act except section 9(a)(2).

Progress Energy is a registered holding company that owns, directly or indirectly, all of the issued and outstanding common stock of two electric utility subsidiary companies, Carolina Power & Light Company ("CP&L") and Florida Power Corporation ("Florida Power"). CP&L generates, transmits, purchases and sells electricity in parts of North Carolina and South Carolina. Florida Power generates, transmits, purchases and sells electricity in parts of Florida. Together, CP&L and Florida Power provide electric utility service to approximately 2.7 million retail, commercial and industrial customers in an area having a population of more than 9 million people.

Progress Energy also owns all of the issued and outstanding common stock of NCNG, a gas utility company which serves approximately 176,000 residential, commercial, industrial and municipal customers primarily in eastern and south central North Carolina. NCNG's facilities include more than 1,000 miles of transmission pipeline and more than 2,900 miles of distribution mains.

NCNG has three direct, wholly-owned, non-utility subsidiaries: Cape Fear Energy Corporation ("Cape Fear"), which was previously engaged in purchasing natural gas for resale to large industrial and commercial users and the municipalities served by NCNG, as well as the business of providing energy management services, but is now inactive; NCNG Cardinal Pipeline Investment Corporation, which holds a 5% membership interest in Cardinal Pipeline Company, LLC, an intrastate

pipeline; and NCNG Pine Needle Investment Corporation, which holds a 5% membership interest in Pine Needle LNG Company, LLC, which owns a liquefied natural gas project in North Carolina.¹⁰

Progress Energy also owns 50% of the issued and outstanding common stock and 100% of the Series A preferred stock of Eastern NCNG, a North Carolina company that was granted a certificate of public convenience and necessity by the North Carolina Utilities Commission to construct a new natural gas distribution system and provide gas service to customers in 14 counties in eastern North Carolina. Albermarle Pamlico Economic Development Corporation ("APEC"), a North Carolina nonprofit corporation created to encourage infrastructure and economic development in eastern North Carolina, owns the remaining 50% of Eastern NCNG's issued and outstanding common stock.

For the twelve months ended December 31, 2002, Progress Energy had total operating revenues of \$7,945,120,000, of which \$6,600,689,000 (83.08%) were derived from electric utility operations and \$1,344,431,000 (16.92%) from other, unregulated, businesses, including sales of electricity by Progress Energy's exempt wholesale generator subsidiaries. At December 31, 2002, Progress Energy had total consolidated assets of \$21,352,704,000, including net utility plant of \$10,656,234,000. (As of December 31, 2002, NCNG's results of operations and assets and liabilities were reported as "discontinued operations" and, therefore, are not included in Progress Energy's year-end consolidated operating revenues and utility plant accounts.)

Piedmont, a North Carolina corporation, is a gas utility company that is engaged in the distribution of natural gas to 740,000 residential, commercial and industrial customers in parts of North Carolina, South Carolina and Tennessee.

For the fiscal year ended October 31, 2002, Piedmont reported on a consolidated basis total operating revenues of \$832,028,000, net operating revenues (operating revenues less cost of gas) of \$335,794,000, operating income of \$90,127,000, and net income of \$62,217,000 (including net income, reported on an equity basis, from non-utility businesses). At October 31, 2002,

¹⁰ Prior to the proposed sale of NCNG to Piedmont, the common stock of Cape Fear will be transferred by NCNG to Progress Energy or another non-utility subsidiary of Progress Energy. The other two companies will remain as subsidiaries of NCNG.