

Piedmont had \$1,445,088,000 in total consolidated assets, including net utility plant of \$1,158,523,000.

Progress Energy and Piedmont entered into a Stock Purchase Agreement, dated October 16, 2002, under which Progress Energy agreed to sell and Piedmont agreed to purchase all of the issued and outstanding common stock of NCNG, \$0.10 par value per share ("NCNG Shares"), and all of the shares of common stock and Series A preferred stock of Eastern NCNG that are held by Progress Energy, representing, respectively, 50% and 100% of the total number of shares of common stock and Series A preferred stock that are issued and outstanding (together, "ENCNG Shares"). In addition, Piedmont will assume all of Progress Energy's rights and obligations under a subscription letter, dated January 5, 2001, under which Progress Energy is committed to purchase from Eastern NCNG the remaining authorized but unissued shares of Series A preferred stock, and a shareholders' agreement, dated as of January 5, 2001, by and among Eastern NCNG, Progress Energy and APEC ("ENCNG Rights and Obligations"). Progress Energy requests approval under section 12(d) of the Act for the sale and transfer of the NCNG Shares, the ENCNG Shares and the ENCNG Rights and Obligations to Piedmont ("Transaction").

Under the Stock Purchase Agreement, Piedmont has agreed to pay \$417,500,000 in cash for the NCNG Shares, plus or minus the working capital on the balance sheet of NCNG for the end of the most recent month immediately preceding the closing of the Transaction. In addition, Piedmont has agreed to pay \$7,500,000 for the ENCNG Shares and the ENCNG Rights and Obligations.

Progress Energy states the sale of NCNG and Eastern NCNG will enable Progress Energy to strengthen its balance sheet and focus itself on its core electric utility business. Progress Energy states that the cash proceeds of the Transaction will be used by Progress Energy to pay down debt.

Piedmont states that, immediately following the purchase of the NCNG Shares, it will cause NCNG to be merged with and into Piedmont, with Piedmont as the surviving corporation. Piedmont will acquire and hold Eastern NCNG as a 50%-owned subsidiary company and will therefore become a holding company within the meaning of section 2(a)(7)(A) of the Act with respect to Eastern NCNG. Accordingly, Piedmont requests that the Commission issue an order under section 3(a)(2) of the Act exempting Piedmont and its subsidiary

companies as such from all provisions of the Act, except section 9(a)(2). Piedmont states that, following the Transaction, Piedmont will remain predominantly a public-utility company whose operations will be confined to North Carolina, its state of incorporation, and South Carolina and Tennessee, which are contiguous to North Carolina.

#### **Gulf Power Company (70-10117)**

Gulf Power Company ("Gulf"), One Energy Plaza, Pensacola, Florida 32520, a wholly owned electric utility subsidiary of The Southern Company ("Southern"), a registered holding company under the Act, has filed an application-declaration ("Application") under sections 6(a), 7, 9(a), 10 and 12(d) of the Act and rule 54 under the Act.

Gulf proposes to incur, from time to time or at any time on or before March 31, 2006 ("Authorization Period"), obligations in connection with the issuance and sale by public instrumentalities of one or more series of pollution control revenue bonds ("Revenue Bonds") in an aggregate principal amount of up to \$180,000,000. Gulf further proposes to issue and sell, from time to time or at any time on or before the Authorization Period, one or more series of its senior debentures, senior promissory notes or other senior debt instruments (individually, "Senior Note" and collectively, "Senior Notes"), one or more series of its first mortgage bonds and one or more series of its preferred stock in an aggregate amount of up to \$450,000,000 in any combination of issuance.

The Revenue Bonds will be issued for the benefit of Gulf to finance or refinance the costs of certain air and water pollution control facilities and sewage and solid waste disposal facilities at one or more of Gulf's electric generating plants or other facilities located in various counties. It is proposed that each such county or the otherwise appropriate public body or instrumentality ("County") will issue Revenue Bonds to finance or refinance the costs of the acquisition, construction, installation and equipping of said facilities at the plant or other facility located in its jurisdiction ("Project"). It is proposed that the Revenue Bonds will mature not more than 40 years from the first day of the month in which they are initially issued and may, if it is deemed advisable for purposes of the marketability of the Revenue Bonds, be entitled to the benefit of a mandatory redemption sinking fund calculated to retire a portion of the aggregate principal

amount of the Revenue Bonds prior to maturity.

Gulf proposes to enter into a Loan or Installment Sale Agreement with each County ("Agreement"), issuing such Revenue Bonds. Under the Agreement, the issuing County will loan to Gulf the proceeds of the sale of the County's Revenue Bonds, and Gulf may issue a non-negotiable promissory note ("Note"), or the County will undertake to purchase and sell the related Project to Gulf. The proceeds from the sale of the Revenue Bonds will be deposited with a Trustee ("Trustee") under an indenture to be entered into between the County and the Trustee ("Trust Indenture"), under which the Revenue Bonds are to be issued and secured, and will be applied by Gulf to payment of the cost of construction of the Project or to refund outstanding pollution control revenue obligations.

The Trust Indenture and the Agreement may give the holders of the Revenue Bonds the right, during such time as the Revenue Bonds bear interest at a fluctuating rate or otherwise, to require Gulf to purchase the Revenue Bonds from time to time, and arrangements may be made for the remarketing of any such Revenue Bonds through a remarketing agent. Gulf also may be required to purchase the Revenue Bonds, or the Revenue Bonds may be subject to mandatory redemption, at any time if the interest thereon is determined to be subject to federal income tax. Also in the event of taxability, interest on the Revenue Bonds may be effectively converted to a higher variable or fixed rate, and Gulf also may be required to indemnify the bondholders against any other additions to interest, penalties and additions to tax.

In order to obtain the benefit of ratings for the Revenue Bonds equivalent to the rating of Gulf's first mortgage bonds outstanding under the indenture dated as of September 1, 1941 between Gulf and JP Morgan Chase Bank (formerly The Chase Manhattan Bank), as trustee, as supplemented and amended ("Mortgage"), Gulf may determine to secure its obligations under the Note and/or the Agreement by delivering to the Trustee, to be held as collateral, a series of its first mortgage bonds ("Collateral Bonds"). The aggregate principal amount of the Collateral Bonds would be equal to either: (i) The principal amount of the Revenue Bonds or (ii) the sum of such principal amount of the Revenue Bonds plus interest payments thereon for a specified period.

As a further alternative to, or in conjunction with, securing its