

Mountain”) to a non-affiliated third party, Southwest Gas Corporation (“Southwest”).

Xcel Energy directly owns six utility subsidiaries that serve electric and/or natural gas customers in twelve states. These six utility subsidiaries are Black Mountain; Northern States Power Company; Northern States Power Company; Public Service Company of Colorado; Southwestern Public Service Co.; and Cheyenne Light, Fuel and Power Company. Their service territories include portions of Arizona, Colorado, Kansas, Michigan, Minnesota, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Wisconsin and Wyoming. Xcel Energy also owns or has an interest in a number of nonregulated businesses, the largest of which is NRG Energy Inc. (“NRG”), an independent power producer.¹

Black Mountain operates in Arizona and is certified by the Arizona Corporation Commission to provide natural gas and propane service within the State of Arizona. Black Mountain currently provides service to approximately 8,500 gas customers and about 2,500 propane customers and had revenues of approximately \$9.5 million in 2002.

Southwest is a natural gas service company serving over 1.4 million households, businesses and industries in Arizona, Nevada and portions of California. Southwest is certified to provide natural gas service in Arizona.

On May 24, 2002, Xcel and Southwest entered into a Stock Purchase Agreement under which Xcel Energy agreed to sell and transfer to Southwest, and Southwest agreed to purchase from Xcel Energy, all of the issued and outstanding common stock of Black Mountain (the “Stock”). In consideration for the sale and transfer of the Stock, Southwest agreed to pay to Xcel Energy \$18,700,000 in cash plus an additional amount of up to \$6,500,000 necessary to redeem, retire or defease certain long-term debt of Black Mountain at or prior to closing (“Consideration”). Declarant maintains that the Consideration was determined through arms-length negotiations

between representatives of Xcel Energy and Southwest and that the Consideration constitutes fair and adequate compensation for the Stock. Declarant states that in order to verify the fairness and adequacy of Consideration, Xcel Energy considered, among other factors, the discounted cash flow of Black Mountain and examined comparable transactions, including Xcel Energy’s acquisition of Black Mountain. The Consideration to be received by Xcel Energy will be contributed to Xcel Energy’s general funds and used for general corporate purposes.

Progress Energy, Inc., et al. (70–10130)

Progress Energy, Inc. (“Progress Energy”), a registered holding company; Progress Energy’s utility subsidiaries: Carolina Power & Light Company (“CP&L”), Florida Power Corporation (“FPC”), and North Carolina Natural Gas Corporation (“NCNG”); and Progress Energy’s nonutility subsidiaries: Florida Progress Corporation (“Florida Progress”), Progress Energy Service Company, LLC (“Progress Service”), PV Holdings, Inc. (“PV Holdings”), Progress Ventures, Inc. (“Progress Ventures”), Strategic Resource Solutions Corp. (“SRS”), Progress Energy Solutions, Inc. (“Progress Solutions”), Progress Real Estate Holdings, Inc. (“Progress Real Estate”), CaroFund, Inc., CaroHome, LLC, Capitan Corporation, Caronet, Inc. (“Caronet”), CaroFinancial, Inc., NCNG Cardinal Pipeline Investment Corporation, NCNG Pine Needle Investment Corporation, Cape Fear Energy Corp., Progress Capital Holdings, Inc. (“Progress Capital”), Progress Fuels Corporation (“Progress Fuels”), Progress Telecommunications Corporation (“Progress Telecommunications”), FPC Del, Inc. (“FPC Del”), and Florida Progress Funding Corporation (“Progress Funding”) have filed an application-declaration, as amended (“Application”), under sections 6(a), 7, 9(a), 10, and 12 of the Act and rules 26(c), 42, 43, 45, 46, 53, and 54 under the Act. The address for all of the Applicants is 410 South Wilmington Street, Raleigh, North Carolina 27602, except for FPC, Florida Progress, Progress Capital, FPC Del, and Progress Funding, for whom the address is One Progress Plaza, St. Petersburg, Florida 33701.

CP&L, FPC and NCNG are referred to collectively as the “Utility Subsidiaries.” The term “Nonutility Subsidiaries” includes the nonutility subsidiaries named above and their respective subsidiaries, as well as any other nonutility company later acquired

or formed, directly or indirectly, by Progress Energy under rule 58 or pursuant to an order of the Commission. The Utility Subsidiaries and Nonutility Subsidiaries are referred to collectively as the “Subsidiaries.” Progress Energy, Florida Progress and the Subsidiaries are referred to collectively as the “Applicants.”

Applicants request authority to engage in various financing transactions, credit support arrangements, and other related proposals, as more fully discussed below, commencing on the effective date of an order issued in this proceeding and ending September 30, 2006 (“Authorization Period”).

In a separate application (File No. 70–10115), Progress Energy is seeking authorization pursuant to section 12(d) of the Act to sell all of the issued and outstanding common stock of NCNG, and NCNG’s interest in Eastern North Carolina Natural Gas Company (“Eastern NCNG”). If the sale of NCNG and Eastern NCNG is consummated before the issuance of an order in this proceeding, the Application will be amended to delete NCNG and its subsidiaries as Applicants.

I. Introduction

Progress Energy is authorized under its Amended and Restated Articles of Incorporation to issue 500,000,000 shares of common stock, without par value (“Common Stock”), of which 239,823,869 shares were issued and outstanding as of March 31, 2003. Progress Energy is also authorized under its Amended and Restated Articles of Incorporation to issue 20,000,000 shares of preferred stock, without par value (“Preferred Stock”), of which none are currently issued and outstanding.

At March 31, 2003, Progress Energy had outstanding \$4.8 billion principal amount of senior unsecured notes having various maturity dates from 2004 through 2031. Progress Energy also has in place \$880.2 million in committed bank lines of credit primarily used to support its commercial paper program. At March 31, 2003 Progress Energy had \$91.8 million of commercial paper outstanding. Progress Energy’s senior unsecured debt is currently rated BBB by Standard & Poor’s Inc. (“S&P”) and Baa2 by Moody’s Investor Service (“Moody’s”). Progress Energy’s commercial paper is rated A–2 by S&P and P–2 by Moody’s.

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 (83.1%) were derived from electric utility operations and \$1,344,431,000

¹ On May 14, 2003, NRG filed a voluntary petition for relief under chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the “New York Bankruptcy Court”). The making of this voluntary filing constitutes an order for relief under the Bankruptcy Code and NRG as a result became a debtor in possession subject to the jurisdiction of the bankruptcy court and the requirements of the Bankruptcy Code. Under the requirements of the Bankruptcy Code (11 U.S.C. 363), any significant or out of the ordinary course transactions by NRG require the prior approval of the New York Bankruptcy Court.