

(16.9%) from nonutility businesses, including sales of electricity by Progress Energy's exempt wholesale generator ("EWG") subsidiaries. For the three months ended March 31, 2003, Progress Energy had total operating revenues of \$2,016,004,000, of which \$1,653,887,000 (82%) were derived from electric utility operations and \$362,117,000 (18%) from nonutility businesses.

At March 31, 2003, Progress Energy had total consolidated assets of \$23,172,892,000 including net utility plant of \$12,033,791,000 (as of December 31, 2002 and March 31, 2003, 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 or March 31, 2003 year-to-date consolidated operating revenues and utility plant accounts).

II. Current Financing Authority

By order dated December 12, 2000 in File No. 70-9659 (Holding Co. Act Release No. 27297), as supplemented and modified by orders dated September 20, 2001 (Holding Co. Act Release No. 27440), March 15, 2002 (Holding Co. Act Release No. 27500), April 18, 2002 (Holding Co. Act Release No. 27522), and May 5, 2003 (Holding Co. Act Release No. 27673) (collectively, the "December 2000 Order"), the Commission authorized Progress Energy and its Subsidiaries to engage in a program of external financing, intrasystem financing, and other related transactions from time to time through September 30, 2003.

Under the December 2000 Order, the Commission authorized, among other things:

(i) Progress Energy to issue and sell common stock, preferred securities, unsecured long-term debt, short-term debt and other securities, including to issue and/or purchase shares of its common stock in the open market for purposes of reissuing the shares under its dividend reinvestment plan and other stock-based plans maintained for the benefit of employees, officers, and non-employee directors (collectively, the "Stock Plans");

(ii) Progress Energy to maintain the credit arrangements entered into to finance, in part, the acquisition of Florida Progress;

(iii) Progress Energy to enter into and perform interest rate hedging transactions to manage volatility of interest rates associated with its outstanding indebtedness and with respect to anticipated debt offerings;

(iv) CP&L to issue and sell short-term debt;

(v) NCNG to issue and sell long-term debt and preferred securities;

(vi) Progress Energy to issue guarantees and provide other forms of credit support with respect to obligations of its subsidiaries;

(vii) Florida Progress to maintain guarantees of obligations outstanding at the time Florida Progress was acquired, as well as other forms of credit support provided by Progress Capital to its nonutility subsidiaries;

(viii) Nonutility subsidiaries of Progress Energy to provide guarantees and other forms of credit support for other Nonutility subsidiaries;

(ix) Progress Energy to establish and fund, and the Utility Subsidiaries and certain Nonutility Subsidiaries to participate in separate money pool systems (the "Utility Money Pool," the "Nonutility Money Pool" and, together, the "Money Pools");

(x) Progress Energy and the Nonutility Subsidiaries to make loans to less than wholly-owned Nonutility Subsidiaries;

(xi) Progress Energy and Subsidiaries to acquire, directly or indirectly, the equity securities of one or more special purpose entities ("Financing Subsidiaries") created specifically for the purpose of facilitating a financing and to guarantee the securities issued by such Financing Subsidiary;

(xii) Nonutility Subsidiaries to declare and pay dividends out of capital and unearned surplus, subject to certain limitations;

(xiii) Progress Energy and its consolidated subsidiaries to enter into an agreement allocating taxes;

(xiv) Progress Energy to invest up to \$1 billion in certain nonutility assets in the United States; and

(xv) Progress Energy to spend up to \$250 million on certain development activities relating to nonutility business activities.

In addition to the financing and investment activities authorized above, the Applicants are also authorized under to the December 2000 Order to engage in the following transactions for a period of time that is not limited by the authorization period under the December 2000 Order:

(xvi) Progress Energy to organize and acquire, directly or indirectly, the securities of one or more intermediate Nonutility Subsidiaries ("Intermediate Subsidiaries") to act as holding companies for Nonutility Subsidiaries and to consolidate or otherwise reorganize its ownership interests in existing and future Nonutility Subsidiaries under Intermediate Subsidiaries, and to engage in development and administrative

activities relating to the nonutility businesses;

(xvii) Wholly-owned Subsidiaries are authorized to change their capitalization;

(xviii) Nonutility Subsidiaries are authorized to engage in certain energy-related activities permitted by rule 58 outside the United States, subject to the reservation of jurisdiction of certain energy-related activities;

(xix) Nonutility Subsidiaries are authorized to render services to each other at fair market prices in certain circumstances; and

(xx) Progress Energy and NCNG are authorized to pay dividends out of capital surplus, subject to specified limitations.

Finally, pursuant to an order dated July 17, 2002 (Holding Co. Act Release No. 27551), the Commission authorized Progress Energy to increase its "aggregate investment" as defined under rule 53(a) in EWGs to \$4 billion using the proceeds of financings and guarantees previously authorized, or authorized in the future. The Commission reserved jurisdiction over the use of the proceeds of authorized financings to invest in foreign utility companies ("FUCOs").

Applicants state that the authority sought in the current Application will supersede and replace the current authorization of the Applicants under the December 2000 Order to engage in the financing activities and related transaction described above in subsections (i) through and including (xv). The authorizations for the transactions described in paragraphs (xvi) through and including (xix) will remain unchanged. Progress Energy and NCNG are requesting a modification of their authority to pay dividends out of capital and unearned surplus (as set forth in paragraph (xx) above) in order to reflect changes to purchase accounting rules that became effective after the December 2000 Order.

III. Financing Conditions

Applicants request authority to engage in various financing transactions during the Authorization Period. Applicants state that the following general terms will be applicable, where appropriate, to the proposed financing activities requested by the Applicants:

A. Effective Cost of Money

The effective cost of capital on unsecured notes and debentures and other forms of unsecured long-term debt securities ("Long-term Debt"), Preferred Stock or other types of preferred securities (including specifically trust preferred securities or monthly income