

Progress Energy or a Nonutility Subsidiary of Progress Energy, or any combination of the foregoing.<sup>2</sup> If Common Stock of Progress Energy is used as consideration in connection with any such acquisition, its market value on the date of issuance will be counted against the proposed Investment Limitation. The stated amount or principal amount of any other securities issued as consideration in any such transaction will also be counted against the Investment Limitation. Under no circumstances will any Nonutility Subsidiary acquire, directly or indirectly, any assets or properties the ownership or operation of which would cause such company to be considered an "electric utility company" or "gas utility company" as defined under the Act.

#### C. Payment of Dividends

1. *By Progress Energy and NCNG.* Progress Energy seeks authorization to declare and pay dividends on Common Stock and/or redeem or repurchase outstanding shares of Common Stock from time to time out of capital and unearned surplus, to the extent permitted under applicable corporate law and the terms of any applicable covenants in their respective financing documents, in an amount equal to (A) the sum of (1) CP&L's consolidated retained earnings prior to formation of Progress Energy as a holding company over CP&L in 2000, (2) Florida Progress's retained earnings prior to its acquisition in 2000 by Progress Energy, and (3) NCNG's retained earnings prior to the acquisition of NCNG by CP&L in 1999, plus (B) the amount, if any, recorded as an impairment to goodwill in accordance with SFAS No. 142. Progress Energy and NCNG request that the Commission reserve jurisdiction over the preceeding proposals pending completion of the record.

NCNG seeks authorization to pay dividends out of capital and unearned surplus in an amount equal to NCNG's retained earnings prior to the acquisition of NCNG by CP&L in 1999.

2. *By Nonutility Subsidiaries.* Progress Energy also proposes, on behalf of itself and each of its current and future non-exempt Nonutility Subsidiaries that they be permitted to pay dividends with respect to their securities and/or acquire, retire or redeem any of their securities that are held by any associate

company or affiliate from time to time, out of capital and unearned surplus (including revaluation reserve), to the extent permitted under applicable corporate law.

#### D. Expenditures in Connection With Development Activities

Progress Energy, through its Nonutility Subsidiaries (including Intermediate Subsidiaries) requests a continuation of its current authority to make expenditures in connection with certain preliminary development activities relating to exempt or authorized nonutility businesses in an amount at any time outstanding not to exceed \$250 million. Progress Energy proposes a "revolving fund" concept for permitted expenditures on the development activities. Thus, to the extent a Nonutility Subsidiary in respect of which expenditures for development activities were made subsequently becomes an EWG or FUCO or qualifies as an "energy-related company" under rule 58, the amount so expended will cease to be considered an expenditure for development activities, but will instead be considered as part of the "aggregate investment" in such entity under rule 53 or 58, as applicable.

#### E. Tax Allocation Agreement

The Applicants are authorized to file consolidated income tax returns and allocate the consolidated income tax liability of the group in accordance with a Tax Allocation agreement that does not satisfy all of the requirements of rule 45(c). Under the Tax Allocation agreement, Progress Energy is permitted to retain the benefit (*i.e.*, the tax savings) in consolidated tax liability that is attributable to the interest expense on the debt incurred to acquire Florida Progress, subject to certain limitations and restrictions.

The Applicants request authorization to continue to file consolidated income tax returns for tax years ending during the Authorization Period under the previously approved Tax Allocation agreement. The Applicants will supplement the quarterly report under rule 24 filed in this proceeding for the quarterly period in which they file their consolidated federal income tax return with information showing the calculation of the portion of Progress Energy's loss that is attributable to interest expense on the debt incurred to acquire Florida Progress and a spreadsheet showing the actual allocation of income taxes to each of the members of the consolidated group and the allocation of income taxes to each of the members of the consolidated group that would be required by rule 45(c).

#### Interstate Power and Light Company (70-10150)

Interstate Power and Light Company ("IP&L"), a wholly-owned public-utility subsidiary of Alliant Energy Corporation ("Alliant"), a registered holding company under the Act, 200 First Street SE., Cedar Rapids, Iowa, has filed an application-declaration ("Application") under sections 6(a), 7, 9(a) and 10 of the Act and rule 54 under the Act.

IP&L requests authority to enter into an amendment to a fuel lease it has with Arnold Fuel Inc. ("Arnold"). IP&L is engaged principally in the generation, purchase, transmission, distribution and sale of electric power and the purchase, distribution, transportation and sale of natural gas in portions of Iowa, Minnesota and Illinois. IP&L also provides steam service in selected markets in Iowa. IP&L owns a 70% undivided interest in the Duane Arnold Energy Center ("DAEC"), a 580 megawatt (net capacity) boiling water nuclear reactor located near Palo, Iowa, which was placed in commercial operation in 1974.<sup>3</sup> IP&L leases its 70% undivided interest in the nuclear fuel required for the DAEC according to a fuel lease, dated August 21, 1973, as amended ("Fuel Lease") with Arnold. Unless terminated by either party, the term of the Fuel Lease is automatically extended on an annual basis, provided that the term of the Lease Agreement may not be extended beyond December 31, 2023.

Under the terms of the Fuel Lease, Arnold is obligated to acquire and pay the acquisition costs relating to IP&L's 70% undivided interest in the separate nuclear fuel assemblies and components (including replacement nuclear material) which, when acquired, becomes a part of the nuclear fuel leased to IP&L ("Nuclear Fuel"). Arnold currently finances the costs relating to the Nuclear Fuel by issuing commercial paper promissory notes and/or receiving revolving credit loans under a credit agreement ("Credit Agreement") between Arnold and Bank One, NA, individually and as agent bank, and other banks that may become parties to the financing. Commercial paper notes may have maturities of up to 270 days. Revolving credit loans under the Credit Agreement mature on April 28, 2004 and bear interest at the "Alternate Base Rate," which is a fluctuating rate of

<sup>2</sup> In some instances, companies substantially all of whose assets consist of Energy-Related Assets may also be engaged in nonutility activities that would be permitted by rule 58 (*e.g.*, energy marketing, ownership, operation and servicing of fuel procurement, transportation, handling and storage facilities).

<sup>3</sup> The remaining 30% undivided interest in the DAEC is owned by Central Iowa Power Cooperative and Corn Belt Power Cooperative. The DAEC is operated by Nuclear Management Company, LLC, an indirect, 20% owned, non-utility subsidiary of Alliant.

<sup>4</sup> IP&L is successor to Iowa Electric Light and Power Company.