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Fox Historical and Projected Financials

HISTORICAL FINANCIAL DATA

	1995	1996	1997	1998	1999	5-Yr. CAGR
EBITDA	\$803	\$848	\$697	\$947	\$922	3.5%
Net Income	239	248	114	282	315	7.1%
Total Debt / Total Capitalization	45.3%	48.1%	59.0%	58.1%	55.6%	--
Earnings per Share	\$2.50	\$2.57	\$1.17	\$2.90	\$3.21	6.4%
Dividend per Share	2.02	2.06	2.10	2.10	2.18	1.9%
Return on Equity	11.5%	12.9%	6.4%	15.1%	15.5%	--

PROJECTED FINANCIAL DATA

	2000E	2001E
EBITDA	\$1,136	\$1,153
Net Income	362	431
Total Debt / Total Capitalization (a)	53.3%	48.7%
Earnings per Share	\$3.66	\$4.37
Dividend per Share	2.22	2.26
Return on Equity	17.5%	20.0%

Source: Projections from Fox management.

(a) Includes straight debt, straight preferred stock and 50% of tax deductible preferred stock in total debt calculation.

OPC3 008123

Sum of Parts Valuation

(Dollars in millions, except per share amounts)

IMPLIED TOTAL FOX VALUATION

Public Market Comparables		\$3,195 - \$4,050	\$32.50 - \$41.25
Discounted Cash Flow Valuation		4,465 - 5,715	\$45.25 - \$58.00
Precedent Transactions		4,865 - 6,215	\$49.50 - \$63.25
Public Market + Premium	Premium 25.0% - 30.0%	3,994 - 5,265	\$40.50 - \$53.50

Note: Indicated valuation methodologies were applied to the Power Business; implied values are as of 12/31/99, assuming 98.5 million shares outstanding.

OPC3 008127

Cartridge Historical and Projected Financials

FYE December 31,	Actual		Projected	
	1998	1999	2000	2001
Revenues	\$3,130	\$3,238	\$3,499	\$3,693
% growth	3.5%	3.5%	8.1%	5.5%
EBITDA	\$1,392	\$1,398	\$1,562	\$1,664
% margin	44%	43%	45%	45%
Net Income	\$396	\$379	\$457	\$523
% margin	13%	12%	13%	14%
CapEx	\$663	\$996	\$1,071	\$1,259
Total Assets	\$8,347	\$9,494	\$9,401	\$10,104
Debt & Preferred / Total Capitalization	48.0%	50.3%	50.7%	53.0%
EBITDA / Interest	8.0x	7.8x	7.8x	7.2x
GAAP ROE	13.7%	11.9%	13.1%	14.3%

Source: Forward projections from Cartridge management.

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Fox Historical and Projected Financials

HISTORICAL FINANCIAL DATA

	1994	1995	1996	1997	1998	5-Year CAGR
Revenues	\$2,725	\$3,008	\$3,158	\$3,316	\$3,620	7.4%
EBITDA	723	803	848	697	947	7.0
Net Income	212	239	248	114	282	7.4
Total Debt / Total Capitalization	48.0%	45.3%	48.1%	59.0%	58.1%	
Earnings per Share	\$2.28	\$2.50	\$2.57	\$1.17	\$2.90	6.2
Dividend per Share	\$1.99	\$2.02	\$2.06	\$2.10	\$2.10	1.4
Return on Equity	10.7%	11.5%	12.9%	6.4%	15.1%	

PROJECTED FINANCIAL DATA

	1999E	2000E	2001E
Revenues	\$3,838	\$3,918	\$4,053
EBITDA	1,055	1,082	1,117
Net Income	305	335	360
Total Debt / Total Capitalization (a)	53.8%	50.5%	46.2%
Earnings per Share	\$3.11	\$3.38	\$3.58
Dividend per Share	\$2.18	\$2.22	\$2.26
Return on Equity	15.8%	16.2%	16.2%

Source: Projections from Fox management.

(a) Includes straight debt, straight preferred stock and 50% of tax deductible preferred stock in total debt calculation.

OPC3 008193

Sum of Parts Valuation

(Dollars in millions, except per share amounts)

IMPLIED TOTAL FOX VALUATION

Public Market Comparables		\$3,650 - \$4,325	\$37.25 - \$44.00
Discounted Cash Flow Valuation		4,560 - 5,700	\$46.50 - \$58.00
Precedent Transactions		4,880 - 5,795	\$49.75 - \$59.00
Public Market + Premium	Premium 25.0% - 30.0%	4,565 - 5,625	\$46.50 - \$57.25

Note: Indicated valuation methodologies were applied to the Power Business; implied values are as of 6/30/99, assuming 98.2 million shares outstanding.

OPC3 008196

Cartridge Historical and Projected Financials

FYE December 31,	Actual		Projected	
	1998	1999	2000	2001
Revenues				
Power	\$3,086	\$3,302	\$3,470	\$3,581
Interpath	44	34	76	136
TOTAL	\$3,130	\$3,336	\$3,546	\$3,717
% growth	4%	7%	6%	5%
EBITDA				
Power	\$1,409	\$1,578	\$1,636	\$1,670
Interpath	(17)	(14)	(7)	8
TOTAL	\$1,392	\$1,564	\$1,629	\$1,678
% margin	44%	47%	46%	45%
Net Income (a)	\$396	\$449	\$466	\$518
% margin	13%	13%	13%	14%
CapEx				
Power	\$332	\$1,077	\$961	\$1,116
Interpath	65	(29)	56	82
TOTAL	\$397	\$1,048	\$1,017	\$1,198
Total Assets	\$8,369	\$9,097	\$9,469	\$10,166
Debt / Total Capitalization	48.1%	43.1%	50.4%	52.3%
EBITDA / Interest	8.0x	9.0x	8.8x	8.4x
GAAP ROE	13.8%	13.7%	13.4%	15.1%

Source: Forward projections from Cartridge management.

(a) Excludes extraordinary gain on sale of Interpath in 1999. Forward figures reflect 40% of operations retained by Cartridge.

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Fox Historical and Projected Financials

HISTORICAL FINANCIAL DATA

	1994	1995	1996	1997	1998	5-Year CAGR
Revenues	\$2,725	\$3,008	\$3,158	\$3,316	\$3,620	7.4%
EBITDA	723	803	848	697	947	7.0
Net Income	212	239	248	114	282	7.4
Total Debt / Total Capitalization	48.0%	45.3%	48.1%	59.0%	58.1%	
Earnings per Share	\$2.28	\$2.50	\$2.57	\$1.17	\$2.90	6.2
Dividend per Share	\$1.99	\$2.02	\$2.06	\$2.10	\$2.10	1.4
Return on Equity	10.7%	11.5%	12.9%	6.4%	15.1%	

PROJECTED FINANCIAL DATA

	1999E	2000E	2001E
Revenues	\$3,838	\$3,918	\$4,053
EBITDA	1,055	1,082	1,117
Net Income	305	335	360
Total Debt / Total Capitalization (a)	53.8%	50.5%	46.2%
Earnings per Share	\$3.11	\$3.38	\$3.58
Dividend per Share	\$2.18	\$2.22	\$2.26
Return on Equity	15.8%	16.2%	16.2%

Source: Projections from Fox management.

(a) Includes straight debt, straight preferred stock and 50% of tax deductible preferred stock in total debt calculation.

Sum of Parts Valuation

(Dollars in millions, except per share amounts)

IMPLIED TOTAL FOX VALUATION

Public Market Comparables		\$3,650	--	\$4,325		\$37.25	--	\$44.00
Discounted Cash Flow Valuation		4,560	--	5,700		\$46.50	--	\$58.00
Precedent Transactions		4,880	--	5,795		\$49.75	--	\$59.00
	Premium							
Public Market + Premium	25.0% - 30.0%	4,565	--	5,625		\$46.50	--	\$57.25

Note: Indicated valuation methodologies were applied to the Power Business; implied values are as of 6/30/99, assuming 98.2 million shares outstanding.

Cartridge Historical and Projected Financials

FYE December 31,	Actual		Projected	
	1998	1999	2000	2001
Revenues				
Power	\$3,086	\$3,302	\$3,470	\$3,581
Interpath	44	34	76	136
TOTAL	\$3,130	\$3,336	\$3,546	\$3,717
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EBITDA				
Power	\$1,409	\$1,578	\$1,636	\$1,670
Interpath	(17)	(14)	(7)	8
TOTAL	\$1,392	\$1,564	\$1,629	\$1,678
% margin	44%	47%	46%	45%
Net Income (a)				
	\$396	\$449	\$466	\$518
% margin	13%	13%	13%	14%
CapEx				
Power	\$332	\$1,077	\$961	\$1,116
Interpath	65	(29)	56	82
TOTAL	\$397	\$1,048	\$1,017	\$1,198
Total Assets	\$8,369	\$9,097	\$9,469	\$10,166
Debt / Total Capitalization	48.1%	43.1%	50.4%	52.3%
EBITDA / Interest	8.0x	9.0x	8.8x	8.4x
GAAP ROE	13.8%	13.7%	13.4%	15.1%

Source: Forward projections from Cartridge management.

(a) Excludes extraordinary gain on sale of Interpath in 1999. Forward figures reflect 40% of operations retained by Cartridge.

Consolidated Charlie

Standalone Financial Ratios

(Dollars in millions, except per share data)

	FYE December 31,		Projected FYE December 31,	
	1998	1999	2000	2001
Capitalization				
Cash	\$28.9	\$28.9	\$28.9	\$28.9
Actual Total Debt	2,667.6	2,659.4	2,971.9	3,366.8
Actual Net Debt	\$2,638.7	\$2,630.5	\$2,896.0	\$3,337.9
Purchased Power Agreements	\$362.0	\$362.0	\$314.0	\$309.0
Agency Total Debt	\$3,029.6	\$3,021.4	\$3,238.9	\$3,675.8
Agency Net Debt	3,000.7	2,992.5	3,210.0	3,646.9
Preferred	59.4	59.4	59.4	59.4
Common Equity	2,949.3	3,237.1	3,403.6	3,591.6
Actual Total Capitalization	\$5,676.3	\$5,950.8	\$6,387.8	\$7,017.8
Agency Total Capitalization	6,038.3	6,312.8	6,701.8	7,326.8
Interest Coverage Ratios				
Total Interest + Preferred Expense ^(a)	\$231.3	\$231.3	\$221.2	\$221.4
Total Interest Expense ^(a)	201.2	201.2	194.7	195.3
Net Interest Expense ^(a)	201.2	201.2	193.5	194.1
Funds From Operations	\$1,090.5	\$1,096.5	\$1,106.7	\$1,162.8
vs Total Interest Expense	5.43x	6.45x	6.68x	6.96x
vs Net Interest Expense	5.43x	6.45x	6.72x	6.99x
EBITDA	\$1,392.0	\$1,491.0	\$1,592.0	\$1,628.0
vs Total Interest Expense	6.9x	7.4x	8.2x	8.3x
vs Net Interest Expense	6.9x	7.4x	8.2x	8.4x
Leverage Ratios				
Actual Total Debt / Total Capitalization	47.0%	44.7%	45.8%	48.0%
Actual Net Debt / Total Capitalization	46.5%	44.2%	45.3%	47.6%
Agency Total Debt / Total Capitalization	50.2%	47.9%	48.3%	50.2%
Agency Net Debt / Total Capitalization	49.9%	47.6%	48.1%	50.0%
Total Debt / FFO	3.00x	2.43x	2.64x	2.90x
Net Debt / FFO	2.96x	2.40x	2.62x	2.87x

(a) Includes implied interest on PPA's at 7.50%

EXHIBIT 2.0 - CONFIDENTIAL - Actual 08/15/98

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PROJECT RAY

Pro Forma Financial Ratios

\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FFLINE Prides

CP 10/24/94 RTR 00/120

(dollars in millions, except per share data)

	Pro Forma		
	1999	2000	2001
Capitalization			
Cash	\$71.9	\$31.9	\$31.9
Hybrid Preferred ^(a)	1,092.7	1,092.7	1,092.7
FFLIME Prides	0.0	0.0	0.0
Fixed Debt	7,718.5	7,897.5	8,202.0
Actual Net Debt	\$8,779.3	\$8,958.3	\$9,262.7
Actual Total Debt	8,011.2	8,990.3	9,294.7
Purchased Power Agreements	\$697.0	\$649.0	\$644.0
Agency Net Debt	9,476.3	9,607.3	9,906.7
Agency Total Debt	9,508.2	9,639.3	9,938.7
Preferred Equity	92.9	92.9	92.9
Common Equity	5,081.7	5,233.2	5,411.7
Actual Total Capitalization	\$13,985.8	\$14,316.7	\$14,799.2
Agency Total Capitalization	14,682.8	14,965.3	15,443.2
Interest Coverage Ratios			
Total Interest + Preferred Expense ^(a)	\$746.1	\$721.4	\$715.6
Total Interest Expense ^(a)	689.3	668.2	662.8
Net Interest + Preferred Expense ^(a)	744.8	720.1	714.3
Net Interest Expense ^(a)	688.0	666.9	661.5
Funds From Operations	\$1,650.3	\$1,693.2	\$1,775.9
vs Total Interest Expense	3.39x	3.53x	3.68x
vs Net Interest Expense	3.40x	3.54x	3.68x
EBITDA	\$2,519.2	\$2,676.7	\$2,736.7
vs Total Interest Expense	3.7x	4.0x	4.1x
vs Net Interest + Preferred Expense	3.4x	3.7x	3.8x
vs Net Interest Expense	3.7x	4.0x	4.1x
Leverage Ratios			
Actual Total Debt + Preferred / Total Capitalization ^(a)	59.9%	59.7%	59.9%
Actual Net Debt + Preferred / Total Capitalization ^(a)	59.8%	59.7%	59.8%
Agency Total Debt + Preferred / Total Capitalization ^(a)	61.8%	61.5%	61.5%
Agency Net Debt + Preferred / Total Capitalization ^(a)	61.7%	61.4%	61.1%
Total Debt + Preferred / FFO ^(b)	5.07x	5.05x	4.99x
Net Debt + Preferred / FFO ^(b)	5.32x	5.29x	5.22x
Cumulative % of New Bank Debt Repaid	0.0%	(3.6%)	(7.3%)

(a) Includes 1300.0 million of Ray hybrid preferred.

(b) Assumes PPA's for Ray and Charlie with implied interest expense of 7.50%.

(c) Assumes 10.0% Equity Credit for Hybrid securities, 85.0% credit for FFLIME Prides, as applicable.

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CPIC 009179

FILED IN THE OFFICE OF THE SECRETARY OF STATE

PROJECT RAY

CFR 4014 Ratio 00/10/01

Pro Forma Financial Ratios

\$54.00 Offer, 65% Debt / 0% Hybrids / 35% Stock / 0% FELINE Prides

(dollars in millions, except per share data)

Capitalization	Pro Forma	Projected FYE December 31,	
	1999	2000	2001
Cash	\$11.9	\$11.9	\$11.9
Hybrid Preferred ^(a)	300.0	300.0	300.0
FELINE Prides	0.0	0.0	0.0
Fixed Debt	8,503.2	8,676.1	8,971.0
Actual Net Debt	\$8,771.3	\$8,944.1	\$9,242.1
Actual Total Debt	8,803.2	8,976.1	9,274.0
Purchased Power Agreements	\$697.0	\$619.0	\$641.0
Agency Net Debt	9,468.3	9,593.1	9,886.1
Agency Total Debt	9,500.2	9,625.1	9,918.0
Preferred Equity	92.9	92.9	92.9
Common Equity	5,081.7	5,239.8	5,425.2
Actual Total Capitalization	\$13,977.8	\$14,308.7	\$14,792.1
Agency Total Capitalization	14,674.8	14,957.7	15,436.1
Interest Coverage Ratios			
Total Interest + Preferred Expense ^(a)	\$235.6	\$210.9	\$204.6
Total Interest Expense ^(a)	678.8	657.7	651.8
Net Interest + Preferred Expense ^(a)	734.3	709.6	703.3
Net Interest Expense ^(a)	677.6	656.4	650.6
Funds From Operations	\$1,656.1	\$1,699.1	\$1,782.4
vs Total Interest Expense	3.44x	3.58x	3.73x
vs Net Interest Expense	3.44x	3.59x	3.74x
EBITDA	\$2,549.2	\$2,676.7	\$2,736.7
vs Total Interest Expense	3.8x	4.1x	4.2x
vs Net Interest + Preferred Expense	3.5x	3.8x	3.9x
vs Net Interest Expense	3.8x	4.1x	4.2x
Leverage Ratios			
Actual Total Debt + Preferred / Total Capitalization ^(b)	62.1%	61.9%	61.9%
Actual Net Debt + Preferred / Total Capitalization ^(b)	62.0%	61.8%	61.8%
Agency Total Debt + Preferred / Total Capitalization ^(b)	63.0%	63.5%	63.6%
Agency Net Debt + Preferred / Total Capitalization ^(b)	63.6%	63.5%	63.4%
Total Debt + Preferred / FFO ^(c)	5.24x	5.21x	5.14x
Net Debt + Preferred / FFO ^(c)	5.30x	5.26x	5.19x
Cumulative % of New Bank Debt Repaid	0.0%	(2.6%)	(5.3%)

(a) Includes \$300.0 million of Ray hybrid preferred.

(b) Assumes PPA's for Ray and Charlie with implied interest expense of 7.50%.

(c) Assumes 40.0% Equity Credit for Hybrid securities, 85.0% credit for FELINE Prides, as applicable.

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Debt Assumptions
7th WACC
50/50
2.5
5th 11-2-2000
6th 11-17-2000

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PROJECT RAY

CP/Stock/FFO Ratio 08/11/99

Pro Forma Financial Ratios

\$54.00 Offer, 55% Debt / 0% Hybrids / 45% Stock / 0% FELINE Prides

(dollars in millions, except per share data)

	Pro Forma	Projected FYE December 31,	
	1999	2000	2001
Capitalization			
Cash	\$31.9	\$31.9	\$31.9
Hybrid Preferred ^(a)	300.0	300.0	300.0
FELINE Prides	0.0	0.0	0.0
Fixed Debt	7,969.4	8,146.7	8,450.1
Actual Net Debt	\$8,237.4	\$8,414.8	\$8,718.1
Actual Total Debt	8,269.4	8,446.7	8,750.1
Purchased Power Agreements	\$697.0	\$649.0	\$644.0
Agency Net Debt	8,934.4	9,063.8	9,362.1
Agency Total Debt	8,966.4	9,095.7	9,394.1
Preferred Equity	92.9	92.9	92.9
Common Equity	5,610.2	5,764.6	5,945.4
Actual Total Capitalization	\$13,922.5	\$14,304.2	\$14,788.3
Agency Total Capitalization	14,669.5	14,953.2	15,432.3
Interest Coverage Ratios			
Total Interest + Preferred Expense ^(a)	\$696.5	\$671.8	\$665.9
Total Interest Expense ^(a)	639.7	618.6	613.1
Net Interest + Preferred Expense ^(a)	695.2	670.5	664.6
Net Interest Expense ^(a)	638.5	617.3	611.8
Funds From Operations	\$1,678.9	\$1,723.3	\$1,806.1
vs Total Interest Expense	3.62x	3.79x	3.95x
vs Net Interest Expense	3.63x	3.79x	3.95x
EBITDA	\$2,549.2	\$2,676.7	\$2,736.7
vs Total Interest Expense	4.0x	4.3x	4.5x
vs Net Interest + Preferred Expense	3.7x	4.0x	4.1x
vs Net Interest Expense	4.0x	4.3x	4.5x
Leverage Ratios			
Actual Total Debt + Preferred / Total Capitalization ^(a)	58.3%	58.2%	58.4%
Actual Net Debt + Preferred / Total Capitalization ^(a)	58.2%	58.1%	58.3%
Agency Total Debt + Preferred / Total Capitalization ^(a)	60.3%	60.0%	60.1%
Agency Net Debt + Preferred / Total Capitalization ^(a)	60.2%	59.9%	60.0%
Total Debt + Preferred / FFO ^(a)	4.85x	4.83x	4.78x
Net Debt + Preferred / FFO ^(a)	4.91x	4.88x	4.83x
Cumulative % of New Bank Debt Repaid	0.0%	(3.3%)	(6.6%)

(a) Includes \$300.0 million of Ray hybrid preferred.

(b) Assumes PPA's for Ray and Charlie with imputed interest expense of 7.50%.

(c) Assumes 40.0% Equity Credit for Hybrid securities, 85.0% credit for FELINE Prides, as applicable.

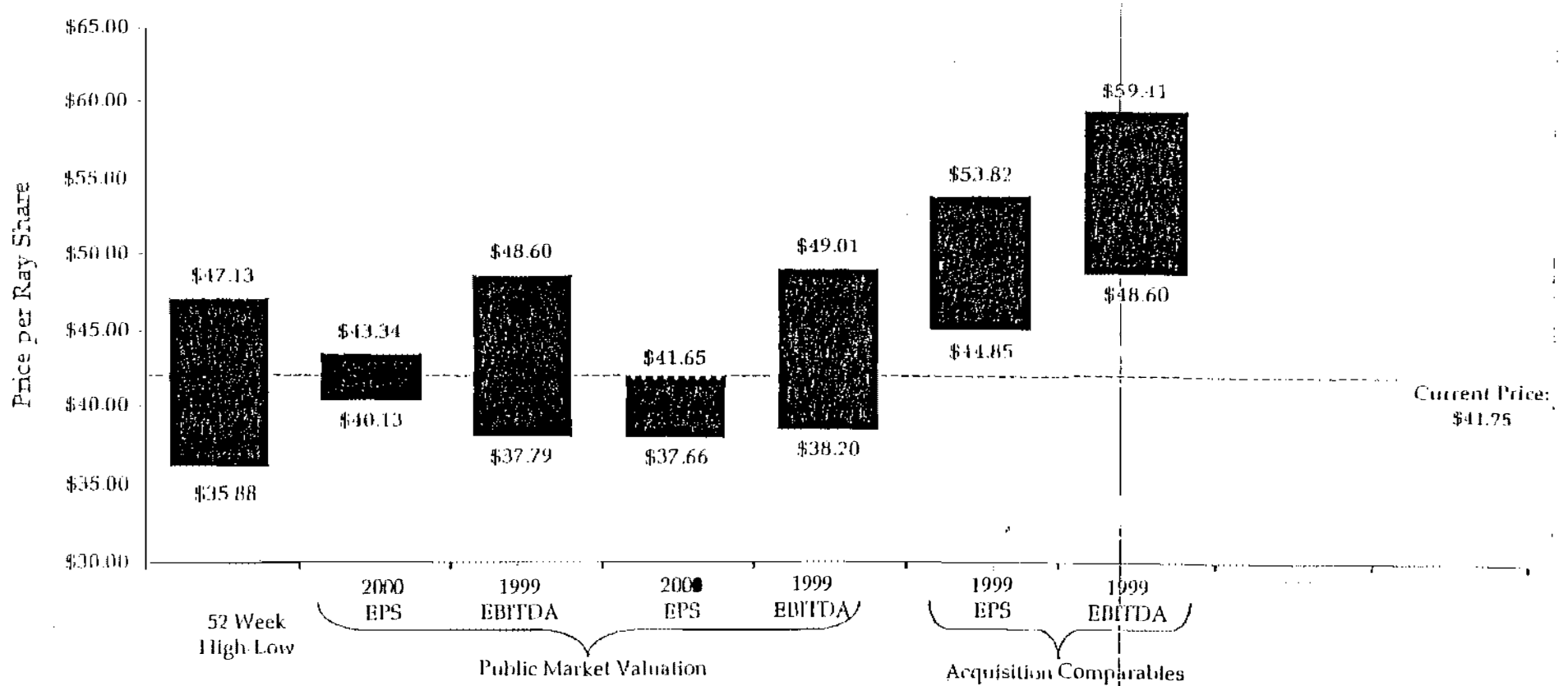
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Preliminary Valuation of Ray

Summary ^(a)

(Dollars in millions, except per share data)



Methodology	Bundled	Bundled	Segment	Segment	Bundled	Bundled
Multiple Range	12.5x - 13.5x	6.0x - 7.0x			15.0x - 18.0x	7.0x - 8.0x
Amount	\$3.21	\$1,058.2	\$318.7	\$1,058.2	\$2.99	\$1,058.2

(a) Assumes 97.9 million Ray shares outstanding and \$2,651.0 million of net debt.

Implied Exchange Ratio Analysis

Contribution Analysis Implies That Charlie is Growing Faster Than Ray
(Dollars in Millions)

	FY 2000R		FY 2001B	
	\$	%	\$	%
EBITDA (a)				
Charlie	\$1,555.0	58.9%	\$1,646.0	59.5%
Ray	1,084.7	41.1%	1,119.6	40.5%
Total	\$2,639.7	100.0%	\$2,765.6	100.0%
Implied Exchange Ratio		1.061x		1.035x
EBIT (a)				
Charlie	\$946.0	58.7%	\$1,008.0	59.4%
Ray	665.9	41.3%	687.5	40.6%
Total	\$1,611.9	100.0%	\$1,695.5	100.0%
Implied Exchange Ratio		1.071x		1.038x
Net Income (a)				
Charlie	\$465.3	59.3%	\$517.7	60.2%
Ray	318.7	40.7%	342.9	39.8%
Total	\$784.0	100.0%	\$860.5	100.0%
Implied Exchange Ratio		1.042x		1.008x

(a) Excludes synergies and acquisition adjustments (incremental goodwill amortization, fees and expenses).

(b) Assumes projected Net Debt/Total Capitalization of 52.7%, 51.6%, and 48.4% in 2000, 2001, and 2002 respectively.

Implied Exchange Ratio Analysis

Discounted Cash Flow Analysis Justifies Paying Ray a Premium



	Charlie	Ray	Implied Exchange Ratio
Charlie High/Ray Low	\$55.54	\$45.70	0.823x
Charlie Mid/Ray Mid	\$49.38	\$51.46	1.042x
Charlie Low/Ray High	\$43.47	\$57.47	1.322x

CPC 009222

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Executive Summary

Preliminary Draft - Subject to Further Internal Review

Financing Impact

	Pro Forma Impact			
	EPS Accretion/(Dilution) ^(a)		2000 Debt/ Total Capitalization ^(b)	Hybrids as a % of Total Capitalization ^(c)
	2000	2001		
50.0% Debt / 50.0% Equity	(\$0.47)	(\$0.50)	60.3%	2.1%
% Dilution	(14.9%)	(14.8%)		
Pre-tax Synergies to Break-even	\$157.61	\$165.61		
50.0% Debt / 35.0% Equity / 15.0% TOPrS	(\$0.43)	(\$0.42)	63.7%	7.6%
% Dilution	(13.5%)	(11.7%)		
Pre-tax Synergies to Break-even	\$130.31	\$125.63		
50.0% Debt / 35.0% Equity / 15.0% Enh. TOPrS	(\$0.43)	(\$0.42)	62.1%	7.6%
% Dilution	(13.5%)	(11.7%)		
Pre-tax Synergies to Break-even	\$130.31	\$125.63		
50.0% Debt / 35.0% Equity / 15.0% FELINE PRIDES	(\$0.41)	(\$0.40)	61.4%	7.7%
% Dilution	(12.8%)	(11.2%)		
Pre-tax Synergies to Break-even	\$123.53	\$119.76		

(a) Base case Charlie and Ray projections. Excludes synergies and tax credits.

(b) Assumes the following equity credit: TOPrS - 40%, Enhanced TOPrS - 70%, FELINE PRIDES - 85%.

(c) Includes \$300 million of Trust Preferred Securities at Ray Capital.

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Merrill Lynch

Pro Forma Impact

Sensitivity to Structure and Operational Assumptions ^(a)

(Dollars in Millions, except per share amounts)

	Base Case		Base Case +50 bp Rate Case Reduction		Base Case + SynFuels		Total	
	2000	2001	2000	2001	2000	2001	2000	2001
^{37.50 + 12.50} 50% Debt / 35% Stock / 15% Hybrids								
Pro Forma EPS	\$2.79	\$3.01	\$2.79	\$2.98	\$2.87	\$3.10	\$2.87	\$3.07
Dilution - %	(13.8%)	(11.3%)	(13.8%)	(12.4%)	(11.1%)	(8.7%)	(11.1%)	(9.7%)
Breakeven Synergies Required	\$141.9	\$122.6	\$141.9	\$133.9	\$114.4	\$93.9	\$114.4	\$105.2
Debt + Hybrids / Total Capitalization	60.7%	60.9%	60.7%	60.9%	60.6%	60.6%	60.6%	60.7%
55% Debt / 45% Stock								
Pro Forma EPS	\$2.76	\$2.97	\$2.76	\$2.94	\$2.84	\$3.06	\$2.84	\$3.02
Dilution - %	(14.7%)	(12.6%)	(14.7%)	(13.5%)	(12.2%)	(10.1%)	(12.2%)	(11.1%)
Breakeven Synergies Required	\$160.8	\$144.7	\$160.8	\$156.0	\$133.3	\$116.0	\$133.3	\$127.3
Debt + Hybrids / Total Capitalization	59.2%	59.4%	59.2%	59.4%	59.1%	59.1%	59.1%	59.2%

HIGHER LEVERAGE
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 RESTRICTIVE REGULATORY
 LOW RISK CONCO STRATEGY
 ECONOMIC GROWTH
 REGULATORY

(a) Assumes Offer Price of \$54.00, Interest on Debt and Hybrids of 7.21% and 8.375%, respectively, and Charlie share price of \$39.50

Pro Forma Impact**Sensitivity to Structure and Operational Assumptions ^(a)***(Dollars in Millions, except per share amounts)*

	Charlie Share Price of \$37.27		Charlie Share Price of \$39.50		Charlie Share Price of \$41.00		Charlie Share Price of \$45.10	
	2000	2001	2000	2001	2000	2001	2000	2001
50% Debt / 35% Stock / 15% Hybrids								
Pro Forma EPS	\$2.83	\$3.02	\$2.87	\$3.07	\$2.90	\$3.09	\$2.96	\$3.16
Dilution - %	(12.4%)	(11.0%)	(11.1%)	(9.7%)	(10.4%)	(8.9%)	(8.4%)	(6.9%)
Breakeven Synergies Required	\$128.9	\$120.9	\$114.4	\$105.2	\$105.5	\$95.6	\$84.1	\$72.6
Debt + Hybrids / Total Capitalization	60.6%	60.7%	60.6%	60.7%	60.6%	60.6%	60.5%	60.5%
55% Debt / 45% Stock								
Pro Forma EPS	\$2.79	\$2.97	\$2.84	\$3.02	\$2.87	\$3.06	\$2.95	\$3.14
Dilution - %	(13.6%)	(12.6%)	(12.2%)	(11.1%)	(11.2%)	(10.1%)	(8.9%)	(7.7%)
Breakeven Synergies Required	\$152.0	\$147.5	\$133.3	\$127.3	\$121.8	\$115.0	\$94.4	\$85.4
Debt + Hybrids / Total Capitalization	59.1%	59.3%	59.1%	59.2%	59.0%	59.1%	58.9%	58.9%

*Note: Assumes 50 bp Rate Case and SynFuels tax credit.**(a) Assumes Offer Price of \$54.00, Interest on Debt and Hybrids of 7.21% and 8.375%, respectively, and Charlie share price of \$39.50*

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Pro Forma Impact

Sensitivity to Offer Price ^(a)

(Dollars in Millions, except per share amounts)

	Offer Price of \$54.00		Offer Price of \$52.50	
	2000	2001	2000	2001
<u>50% Debt / 35% Stock / 15% Hybrids</u>				
Pro Forma EPS	\$2.87	\$3.07	--	--
Dilution - %	(11.1%)	(9.7%)	--	--
Breakeven Synergies Required	\$114.4	\$105.2	--	--
Debt + Hybrids / Total Capitalization	60.6%	60.7%	--	--
<u>55% Debt / 45% Stock</u>				
Pro Forma EPS	\$2.84	\$3.02	\$2.90	\$3.08
Dilution - %	(12.2%)	(11.1%)	(10.4%)	(9.2%)
Breakeven Synergies Required	\$133.3	\$127.3	\$112.7	\$105.7
Debt + Hybrids / Total Capitalization	59.1%	59.2%	59.0%	59.1%

Note: Assumes 50 bp Rate Case and SynFuels tax credit.

(a) Assumes Interest on Debt and Hybrids of 7.21% and 8.375%, respectively, and Charlie share price of \$39.50

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PROJECT RAY

Pro Forma Combined Income Statement

\$5400 Offer, 50% Cash / 15% Hybrid / 35% Stock / 0% FBLINB Prides

(dollars in millions, except per share data)

	Pro Forma	Projected FYE (December 31)	
	1995	2000	2001
Net Sales			
Charlie	\$3,336.0	\$3,516.0	\$3,717.0
Ray	3,637.4	3,918.1	4,053.4
Combined	7,173.4	7,434.1	7,770.4
ROUDDA			
Charlie	1,491.0	1,592.0	1,678.0
Ray	1,036.2	1,084.7	1,108.7
Start-Up Costs Savings	0.0	0.0	0.0
Synergies	0.0	0.0	0.0
Combined	2,549.2	2,676.7	2,736.7
Depreciation and Amortization			
Existing Charlie Depreciation	504.2	601.4	632.4
Existing Ray Depreciation	409.8	418.8	412.1
Reversed Old Ray Depreciation	0.0	0.0	0.0
New Depreciation (20.8 Years Avg. Life)	0.0	0.0	0.0
Existing Goodwill Amortization	2.8	5.6	5.6
New Goodwill Amortization	83.0	83.0	83.0
Combined	999.9	1,110.8	1,153.1
Combined EBIT	1,549.3	1,565.9	1,583.6
Other Income	200.6	(2.5)	36.3
Interest Expense			
Existing Charlie Fixed Debt Interest Expense	174.0	171.4	172.1
Existing Ray Fixed Debt Interest Expense	188.6	174.0	160.9
Revolving Bank Debt Interest Expense @ 7.25%	202.6	202.6	209.7
Bank Term Loan Interest Expense @ 8.0%	0.0	0.0	0.0
Hybrid Preferred Interest Expense @ 8.4%	66.4	66.4	66.4
FBLINB Prides Interest Expense @ 7.4%	0.0	0.0	0.0
Deferred Revolver Commitment Fee	0.0	0.0	0.0
Deferred Financing Fees	5.5	5.5	5.5
Interest Income @ 0%	(1.2)	(1.2)	(1.2)
Combined	635.9	618.3	613.2
Pre-tax Income	1,114.1	945.2	1,006.6
Taxes	476.7	380.8	401.9
Weighted Combined Tax Rate	39.7%	36.8%	36.7%
Tax Credits	(12.0)	(17.0)	(17.0)
FBLINB Prides Amortization Expense	0.0	0.0	0.0
Preferred Dividends	4.5	4.5	4.5
Pre-tax Income	\$641.9	\$526.9	\$617.3
Average Shares Outstanding	195.7	200.7	201.1
EPS (excluding one time gain)	\$3.28	\$2.63	\$3.07
Charlie Start-Up EPS	\$3.07	\$3.21	\$3.40
Pro Forma EPS	\$2.62	\$2.87	\$3.07
Pro Forma Accretion/(Dilution) - \$	\$(0.45)	\$(0.36)	\$(0.31)
Pro Forma Accretion/(Dilution) - %	(11.7%)	(11.1%)	(9.7%)
Additional Pre-Tax Synergies Required to Break Even	\$146.3	0.0	\$105.2
Pre-Tax Synergies (% of Ray Sales)	3.6%	0.0%	2.6%

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PROJECT RAY

Pro Forma Balance Sheet

\$54.00 Offer, 50% Cash / 15% Hybrids / 35% Stock / 0% FELINE Prides

(dollars in millions, except per share data)

	Pro Forma	Projected FYE December 31,	
	1999	2000	2001
Balance Sheet:			
Cash	\$31.9	\$31.9	\$31.9
Net Working Capital	653.4	576.0	557.9
Net PP&E	10,644.3	11,147.0	11,706.2
Existing Goodwill	355.9	350.3	344.7
New Goodwill	3,321.6	3,238.6	3,155.6
Deferred Financing Fees	43.0	37.5	32.1
Other Assets	2,032.9	1,992.2	1,984.0
Total Assets	\$17,083.2	\$17,373.7	\$17,812.4
Existing Fixed Debt	\$5,258.3	\$5,339.0	\$5,544.3
Revolving Bank Debt	2,760.2	2,858.5	2,957.7
Bank Term Loan	0.0	0.0	0.0
Hybrid Preferred	792.7	792.7	792.7
Accrued Merger Expenses	0.0	0.0	0.0
Deferred Yield Enhancement Payments	0.0	0.0	0.0
Other Liabilities	3,097.4	3,057.4	3,013.2
Deferred Taxes	0.0	0.0	0.0
Preferred Stock	92.9	92.9	92.9
FELINE Prides	0.0	0.0	0.0
Common Equity	5,081.7	5,233.2	5,411.7
Total Liab. & Equity	\$17,083.2	\$17,373.7	\$17,812.4
Check	(0.0)	(0.0)	(0.0)
Equity / Capitalization	36.6%	36.8%	36.8%

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PROJECT RAY

Pro Forma Cash Flow Statement

\$54.00 Offer, 50% Cash / 15% Hybrids / 35% Stock / 0% FRLINE Prides

(dollars in millions, except per share data)

	Projected FYE December 31,	
	1999	2000
Net Income		\$576.9
Annual Dividend		\$2.12
Dividends @		(425.5)
Depreciation & Amortization		1,022.2
Amortization of Existing Goodwill		5.6
Amortization of New Goodwill		83.0
Amortization of Deferred Financing Fees		5.5
Amortization of Accrued Merger Expenses		0.0
Yield Enhancement Payments		0.0
Change in Working Capital		77.4
Capital Expenditures		(1,524.9)
Deferred Taxes		0.0
Change in Other Assets and Liabilities		(5.3)
Less: Equity Income		6.0
Net Proceeds from Issuance of Stock		0.0
Required Debt Service of Existing Debt		80.7
Required Amortization of Bank Term Loan		0.0
Required Amortization of Hybrid Preferred		0.0
Preferred Dividends		0.0
Free Cash Flow		(98.4)
(Payment)/Borrowing of Revolving Bank Debt		98.4
Increase in Cash		0.0
Beginning Balance		31.9
Ending Balance		\$31.9

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PROJECT RAY

Pro Forma Combined Income Statement

154.00 Offer, 35% Cash / 0% Hybrid / 45% Stock / 0% PELINB Prides

(dollars in millions, except per share data)

	Pro Forma	Projected FYE December 31,	
	1999	2000	2001
Net Sales			
Charlie	\$3,336.0	\$3,546.0	\$3,717.0
Ray	3,832.6	3,918.1	4,031.1
Combined	7,173.6	7,464.1	7,770.1
EBITDA			
Charlie	1,491.0	1,597.0	1,638.0
Ray	1,058.2	1,064.7	1,108.7
Standalone Cost Savings	0.0	0.0	0.0
Synergies	0.0	0.0	0.0
Combined	2,549.2	2,661.7	2,736.7
Depreciation and Amortization			
Existing Charlie Depreciation	504.2	601.4	632.1
Existing Ray Depreciation	409.8	418.8	432.1
Reverse Old Ray Depreciation	0.0	0.0	0.0
New Depreciation (28.8 Years Avg. Life)	0.0	0.0	0.0
Existing Goodwill Amortization	2.6	3.6	3.6
New Goodwill Amortization	83.0	83.0	83.0
Combined	999.6	1,106.8	1,153.8
Combined EBIT	1,549.6	1,554.9	1,582.9
Other Income	200.6	(1.5)	36.3
Interest Expense			
Existing Charlie Fixed Debt Interest Expense	174.0	(71.1)	172.1
Existing Ray Fixed Debt Interest Expense	188.6	174.0	169.9
Revolving Bank Debt Interest Expense @ 7.1%	220.6	220.6	217.6
Bank Term Loan Interest Expense @ 8.0%	0.0	0.0	0.0
Hybrid Preferred Interest Expense @ 6.4%	0.0	0.0	0.0
FBI INB Prides Interest Expense @ 7.4%	0.0	0.0	0.0
Unsecured Revolver Commitment Fee	0.0	0.0	0.0
Deferred Financing Fees	4.2	4.2	4.2
Interest Income (4.0%)	(11.3)	(11.3)	(11.3)
Combined	566.1	564.7	563.5
Pre-tax Income	1,163.5	990.2	1,019.4
Taxes	494.4	399.0	420.1
Weighted Combined Tax Rate	39.7%	36.8%	36.7%
Tax Credits	(12.0)	(12.0)	(12.0)
FBI INB Prides Amortization Expense	0.0	0.0	0.0
Preferred Dividends	4.5	4.5	4.5
Net Income	<u>\$671.6</u>	<u>\$608.2</u>	<u>\$611.8</u>
Average Shares Outstanding	209.1	214.1	214.7
EPS (excluding one time gain)	\$3.21	\$2.84	\$2.85
Charlie Standalone EPS	\$3.07	\$1.23	\$3.40
Pro Forma EPS	\$2.59	\$2.84	\$3.02
Pro Forma Accretion/(Dilution) - \$	(\$0.47)	(\$0.39)	(\$0.38)
Pro Forma Accretion/(Dilution) - %	(15.5%)	(12.3%)	(11.1%)
Additional Pre-tax Synergies Required to Break Even	\$164.7	\$	\$127.1

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PROJECT RAY

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Pro Forma Balance Sheet**\$54.00 Offer, 55% Cash / 0% Hybrids / 45% Stock / 0% PELINE Prides***(dollars in millions, except per share data)*

	<i>Pro Forma</i>	<i>Projected FYF December 31,</i>	
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Balance Sheet:			
Cash	\$31.9	\$31.9	\$31.9
Net Working Capital	653.4	576.0	557.9
Net PP&E	10,644.3	11,147.0	11,706.2
Existing Goodwill	355.9	350.3	344.7
New Goodwill	3,321.6	3,238.6	3,155.6
Deferred Financing Fees	29.7	25.4	21.2
Other Assets	2,032.9	1,992.2	1,984.0
Total Assets	<u>\$17,069.8</u>	<u>\$17,361.5</u>	<u>\$17,801.5</u>
Existing Fixed Debt	\$5,258.3	\$5,339.0	\$5,544.3
Revolving Bank Debt	3,011.1	3,107.7	3,205.8
Bank Term Loan	0.0	0.0	0.0
Hybrid Preferred	0.0	0.0	0.0
Accrued Merger Expenses	0.0	0.0	0.0
Deferred Yield Enhancement Payments	0.0	0.0	0.0
Other Liabilities	3,097.4	3,057.4	3,013.2
Deferred Taxes	0.0	0.0	0.0
Preferred Stock	92.9	92.9	92.9
PELINE Prides	0.0	0.0	0.0
Common Equity	5,610.2	5,764.6	5,945.4
Total Liab. & Equity	<u>\$17,069.9</u>	<u>\$17,361.5</u>	<u>\$17,801.5</u>
Check	(0.0)	(0.0)	(0.0)
Equity / Capitalization	40.4%	40.6%	40.5%

PROJECT RAY

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Pro Forma Cash Flow Statement**\$54.00 Offer, 55% Cash / 0% Hybrids / 45% Stock / 0% PRLINE Prides***(dollars in millions, except per share data)*

	<i>Pro Forma</i>	<i>Projected FYE December 31,</i>	
	<i>1999</i>	<i>2000</i>	<i>2001</i>
Net Income		\$608.2	\$648.8
Annual Dividend		\$2.12	\$2.18
Dividends @		(453.8)	(468.0)
Depreciation & Amortization		1,022.2	1,064.5
Amortization of Existing Goodwill		5.6	5.6
Amortization of New Goodwill		83.0	83.0
Amortization of Deferred Financing Fees		4.2	4.2
Amortization of Accrued Merger Expenses		0.0	0.0
Yield Enhancement Payments		0.0	0.0
Change in Working Capital		77.4	18.1
Capital Expenditures		(1,524.9)	(1,623.6)
Deferred Taxes		0.0	0.0
Change in Other Assets and Liabilities		(5.3)	(10.0)
Less: Equity Income		6.0	(26.0)
Net Proceeds from Issuance of Stock		0.0	0.0
Required Debt Service of Existing Debt		80.7	205.3
Required Amortization of Bank Term Loan		0.0	0.0
Required Amortization of Hybrid Preferred		0.0	0.0
Preferred Dividends		0.0	0.0
Free Cash Flow		(96.6)	(98.1)
(Payment)/Borrowing of Revolving Bank Debt		96.6	98.1
Increase in Cash		0.0	0.0
Beginning Balance		31.9	31.9
Ending Balance		\$31.9	\$31.9

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PROJECT RAY

Pro Forma Combined Income Statement

\$52.50 Offer, 55% Cash / 0% Hybrid / 45% Stock / 0% PELIFB Prides

(Dollars in millions, except per share data)

	Pro Forma	Projected FYE December 31,	
	1999	2000	2001
Net Sales			
Charlie	\$3,336.0	\$3,516.0	\$3,717.0
Ray	3,837.6	3,918.1	4,033.4
Combined	7,173.6	7,434.1	7,750.4
EBITDA			
Charlie	1,191.0	1,592.0	1,628.0
Ray	1,058.2	1,084.7	1,106.7
Stardustone Cost Savings	0.0	0.0	0.0
Synergies	0.0	0.0	0.0
Combined	2,549.2	2,676.7	2,734.7
Depreciation and Amortization			
Existing Charlie Depreciation	501.2	603.4	632.4
Existing Ray Depreciation	409.8	418.8	432.1
Reverse Old Ray Depreciation	0.0	0.0	0.0
New Depreciation (28.8 Year Avg. Life)	0.0	0.0	0.0
Existing Goodwill Amortization	2.4	5.6	5.6
New Goodwill Amortization	72.4	72.4	72.4
Combined	996.2	1,107.1	1,149.4
Combined EBIT	1,553.0	1,569.6	1,587.2
Other Income	200.8	(2.5)	36.3
Interest Expense			
Existing Charlie Fixed Debt Interest Expense	174.0	171.1	172.1
Existing Ray Fixed Debt Interest Expense	188.6	174.0	160.9
Revolving Bank Debt Interest Expense @ 7.2%	214.4	214.4	220.9
Bank Term Loan Interest Expense @ 8.0%	0.0	0.0	0.0
Hybrid Preferred Interest Expense @ 8.4%	0.0	0.0	0.0
PELIFB Prides Interest Expense @ 7.4%	0.0	0.0	0.0
Unused Revolver Commitment Fee	0.0	0.0	0.0
Deferred Financing Fee	4.1	4.1	4.1
Interest Income (4.0%)	(11.3)	(11.3)	(11.3)
Combined	579.9	567.4	556.7
Pretax Income	1,173.6	1,001.7	1,066.8
Taxes	498.9	401.4	422.6
Weighted Combined Tax Rate	39.7%	36.8%	36.7%
Tax Credits	(12.0)	(17.0)	(17.0)
PELIFB Pride Amortization Expense	0.0	0.0	0.0
Preferred Dividends	4.5	4.5	4.5
Net Income	\$682.3	\$615.9	\$606.7
Average Shares Outstanding	207.4	212.4	213.0
BPS (excluding one-time gain)	\$2.65	\$2.90	\$3.08
Charlie Shareholder EPS	\$3.07	\$3.27	\$3.40
Pro Forma BPS	\$2.65	\$2.90	\$3.08
Pro Forma Accretion/(Dilution) - \$	(\$0.42)	(\$0.34)	(\$0.31)
Pro Forma Accretion/(Dilution) - %	(13.4%)	(10.4%)	(9.2%)
Additional Pre-tax Synergies Required to Break Even	\$141.9	\$112.7	\$105.7
Pre-Tax Synergies (% of Ray Sales)	3.7%	2.9%	2.6%

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PROJECT RAY**Pro Forma Balance Sheet****\$52.50 Offer, 55% Cash / 0% Hybrids / 45% Stock / 0% FELINE Prides***(dollars in millions, except per share data)*

	<i>Pro Forma</i>	<i>Projected FYE December 31,</i>	
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Balance Sheet:			
Cash	\$31.9	\$31.9	\$31.9
Net Working Capital	653.4	576.0	557.9
Net PP&E	10,644.3	11,147.0	11,706.2
Existing Goodwill	355.9	350.3	344.7
New Goodwill	3,174.9	3,095.5	3,016.1
Deferred Financing Fees	28.8	24.7	20.6
Other Assets	2,032.9	1,992.2	1,984.0
Total Assets	<u>\$16,922.2</u>	<u>\$17,217.7</u>	<u>\$17,661.4</u>
Existing Fixed Debt	\$5,258.3	\$5,339.0	\$5,544.3
Revolving Bank Debt	2,929.5	3,018.8	3,109.0
Bank Term Loan	0.0	0.0	0.0
Hybrid Preferred	0.0	0.0	0.0
Accrued Merger Expenses	0.0	0.0	0.0
Deferred Yield Enhancement Payments	0.0	0.0	0.0
Other Liabilities	3,097.4	3,057.4	3,013.2
Deferred Taxes	0.0	0.0	0.0
Preferred Stock	92.9	92.9	92.9
FELINE Prides	0.0	0.0	0.0
Common Equity	5,544.1	5,709.7	5,902.1
Total Liab. & Equity	<u>\$16,922.2</u>	<u>\$17,217.7</u>	<u>\$17,661.5</u>
Check	(0.0)	(0.0)	(0.0)
Equity / Capitalization	40.4%	40.6%	40.5%

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PROJECT RAY**Pro Forma Cash Flow Statement****\$52.50 Offer, 55% Cash / 0% Hybrids / 45% Stock / 0% FELINE Pridea***(dollars in millions, except per share data)*

	<i>Pro Forma</i>	<i>Projected FYE December 31,</i>	
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Net Income		\$615.9	\$656.7
Annual Dividend		\$2.12	\$2.18
Dividends @		(450.3)	(464.3)
Depreciation & Amortization		1,022.2	1,064.5
Amortization of Existing Goodwill		5.6	5.6
Amortization of New Goodwill		79.4	79.4
Amortization of Deferred Financing Fees		4.1	4.1
Amortization of Accrued Merger Expenses		0.0	0.0
Yield Enhancement Payments		0.0	0.0
Change in Working Capital		77.4	18.1
Capital Expenditures		(1,524.9)	(1,623.6)
Deferred Taxes		0.0	0.0
Change in Other Assets and Liabilities		(5.3)	(10.0)
Less: Equity Income		6.0	(26.0)
Net Proceeds from Issuance of Stock		0.0	0.0
Required Debt Service of Existing Debt		80.7	205.3
Required Amortization of Bank Term Loan		0.0	0.0
Required Amortization of Hybrid Preferred		0.0	0.0
Preferred Dividends		0.0	0.0
Free Cash Flow		(89.2)	(90.2)
(Payment)/Borrowing of Revolving Bank Debt		89.2	90.2
Increase in Cash		0.0	0.0
Beginning Balance		31.9	31.9
Ending Balance		\$31.9	\$31.9

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PROJECT RAY

Pro Forma Combined Income Statement

\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FELINE Prides

(dollars in millions, except per share data)

	Pro Forma	Projected FVE December 31,	
	1999	2000	2001
Net Sales			
Charlie	\$3,316.0	\$3,546.0	\$3,717.0
Ray	1,837.6	1,918.1	4,053.4
Combined	7,173.6	7,464.1	7,770.4
EBITDA			
Charlie	1,491.0	1,592.0	1,628.0
Ray	1,058.2	1,084.7	1,119.6
Rate Case Adjustments	0.0	0.0	(10.9)
Synergies	80.0	80.0	80.0
Combined	2,629.2	2,756.7	2,816.7
Depreciation and Amortization			
Existing Charlie Depreciation	504.2	603.4	632.4
Existing Ray Depreciation	409.8	418.8	432.1
Reverse Old Ray Depreciation	0.0	0.0	0.0
New Depreciation (28.8 Years Avg. Life)	0.0	0.0	0.0
Existing Goodwill Amortization	2.8	5.6	5.6
New Goodwill Amortization	83.0	83.0	83.0
Combined	999.9	1,110.8	1,153.1
Combined EBIT	1,629.3	1,645.9	1,663.6
Other Income	200.6	(2.5)	36.3
Interest Expense			
Existing Charlie Fixed Debt Interest Expense	174.0	171.3	172.4
Existing Ray Fixed Debt Interest Expense	188.6	174.0	160.9
Revolving Bank Debt Interest Expense @ 6.7%	7.9	9.2	11.8
Bank Term Loan Interest Expense	191.1	191.1	191.1
Hybrid Preferred Interest Expense @ 8.4%	66.4	66.4	66.4
FELINE Prides Interest Expense @ 7.4%	0.0	0.0	0.0
Unused Revolver Commitment Fee	0.0	0.0	0.0
Deferred Financing Fees	5.5	5.5	5.5
Interest Income (4.0%)	(1.3)	(1.3)	(1.3)
Combined	612.2	616.1	606.7
Pretax Income	1,197.7	1,027.3	1,093.1
Taxes	509.9	411.0	433.6
Weighted Combined Tax Rate	39.7%	36.4%	36.7%
Tax Credits	(12.0)	(17.0)	(17.0)
FELINE Pride Amortization Expense	0.0	0.0	0.0
Preferred Dividends	4.5	4.5	4.5
Net Income	\$695.7	\$628.8	\$672.1
Average Shares Outstanding	193.7	198.7	199.3
EPS (excluding one-time gain)	\$2.90	\$3.16	\$3.37
Charlie Standalone EPS	\$3.07	\$3.23	\$3.46
Pro Forma EPS	\$2.90	\$3.16	\$3.37
Pro Forma Accretion/Dilution - \$	(\$0.16)	(\$0.07)	(\$0.02)
Pro Forma Accretion/Dilution - %	(5.3%)	(2.1%)	(0.7%)
Additional Pre-tax Synergies Required to Break Even	\$52.5	\$21.9	\$7.6
Pre-tax Synergies (% of Ray Sales)	1.4%	0.6%	0.2%

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PROJECT RAY

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Pro Forma Balance Sheet

\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FELINE Prides

(dollars in millions, except per share data)

	Pro Forma	Projected FYE December 31,	
	1999	2000	2001
Balance Sheet:			
Cash	\$31.9	\$31.9	\$31.9
Net Working Capital	653.4	576.0	557.9
Net PP&E	10,644.3	11,147.0	11,706.2
Existing Goodwill	355.9	350.3	344.7
New Goodwill	3,321.6	3,238.6	3,155.6
Deferred Financing Fees	43.0	37.5	32.1
Other Assets	2,032.9	1,992.2	1,981.0
Total Assets	<u>\$17,083.2</u>	<u>\$17,373.6</u>	<u>\$17,812.4</u>
Existing Fixed Debt	\$5,258.3	\$5,342.9	\$5,550.6
Revolving Bank Debt	118.1	157.6	194.7
Bank Term Loan - Tranche A	880.8	880.8	880.8
Bank Term Loan - Tranche B	880.8	880.8	880.8
Bank Term Loan - Tranche C	880.8	880.8	880.8
Hybrid Preferred	792.7	792.7	792.7
Accrued Merger Expenses	0.0	0.0	0.0
Deferred Yield Enhancement Payments	0.0	0.0	0.0
Other Liabilities	3,097.4	3,057.4	3,013.2
Deferred Taxes	0.0	0.0	0.0
Preferred Stock	92.9	92.9	92.9
FELINE Prides	0.0	0.0	0.0
Common Equity	5,081.4	5,287.9	5,525.9
Total Liab. & Equity	<u>\$17,083.2</u>	<u>\$17,373.7</u>	<u>\$17,812.4</u>
Check	(0.0)	(0.0)	(0.0)
Equity / Capitalization	36.6%	37.2%	37.6%

PROJECT RAY

Pro Forma Cash Flow Statement

\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FELINE Priles

(dollars in millions, except per share data)

	<i>Pro Forma</i>	<i>Projected FYE December 31,</i>	
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Net Income		\$628.8	\$672.1
Annual Dividend		\$2.06	\$2.12
Dividends @		(422.3)	(434.0)
Depreciation & Amortization		1,022.2	1,064.5
Amortization of Existing Goodwill		5.6	5.6
Amortization of New Goodwill		83.0	83.0
Amortization of Deferred Financing Fees		5.5	5.5
Amortization of Accrued Merger Expenses		0.0	0.0
Yield Enhancement Payments		0.0	0.0
Change in Working Capital		77.4	18.1
Capital Expenditures		(1,524.9)	(1,623.6)
Deferred Taxes		0.0	0.0
Deferred Taxes from Standalone Entities		(102.0)	(133.2)
Change in Other Assets and Liabilities		96.7	123.2
Less: Equity Income		6.0	(26.0)
Net Proceeds from Issuance of Stock		0.0	0.0
Required Debt Service of Existing Debt		84.6	207.8
Required Amortization of Bank Term Loan		0.0	0.0
Required Amortization of Hybrid Preferred		0.0	0.0
Preferred Dividends		0.0	0.0
Free Cash Flow		(39.5)	(37.1)
(Payment)/Borrowing of Revolving Bank Debt		39.5	37.1
Increase in Cash		0.0	0.0
Beginning Balance		31.9	31.9
Ending Balance		\$31.9	\$31.9

PROJECT RAY

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Pro Forma Debt Schedule

\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FELINE Prides

(dollars in millions, except per share data)

	<i>Projected FYE December 31,</i>		
	<u>2000</u>	<u>2001</u>	
Free Cash Flow	(39.5)	(37.1)	
Plus: Beginning Cash Balance	31.9	31.9	
Less: Ending Cash Balance	(31.9)	(31.9)	
Issuance / (Repurchase) of Equity	0.0	0.0	
Total Cash Available for redemptions and debt service	<u>(39.5)</u>	<u>(37.1)</u>	
<u>Debt Issuance / (Repayments)</u>			
Revolver	\$39.5	\$37.1	
Bank Term Loan - Tranche A	0.0	0.0	
Bank Term Loan - Tranche B	0.0	0.0	
Bank Term Loan - Tranche C	0.0	0.0	
Total Debt Issuance / (Repayments)	<u>39.5</u>	<u>37.1</u>	
Cash Available after all repayments	0.0	0.0	
Ending Cash Balance	<u>\$31.9</u>	<u>\$31.9</u>	
<u>Debt Balance</u>			
Revolver	118.1	157.6	194.7
Bank Term Loan - Tranche A	880.8	880.8	880.8
Bank Term Loan - Tranche B	880.8	880.8	880.8
Bank Term Loan - Tranche C	880.8	880.8	880.8
Total Debt Balance	<u>2,760.5</u>	<u>2,800.0</u>	<u>2,837.1</u>
<u>Debt Interest Expense</u>			
Revolver	7.9	9.2	11.8
Bank Term Loan - Tranche A	59.0	59.0	59.0
Bank Term Loan - Tranche B	64.1	64.1	64.1
Bank Term Loan - Tranche C	68.0	68.0	68.0
Total Interest Expense	<u>199.0</u>	<u>200.3</u>	<u>202.9</u>
<u>Debt Interest Expense</u>			
Revolver	6.704%	6.704%	6.704%
Bank Term Loan - Tranche A	6.704%	6.704%	6.704%
Bank Term Loan - Tranche B	7.272%	7.272%	7.272%
Bank Term Loan - Tranche C	7.716%	7.716%	7.716%

PROJECT RAY

Pro Forma Financial Ratios

\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FELINE Prides

(dollars in millions, except per share data)

	Pro Forma	Projected FIVE December 31	
	1999	2000	2001
Capitalization			
Cash	\$31.9	\$31.9	\$31.9
Hybrid Preferred ^(a)	1,092.7	1,092.7	1,092.7
FELINE Prides	0.0	0.0	0.0
Fixed Debt ^(b)	7,218.8	7,842.9	8,087.8
Actual Net Debt	\$8,779.6	\$8,903.6	\$9,148.5
Actual Total Debt	8,811.5	8,935.6	9,180.5
Purchased Power Agreements	\$697.0	\$649.0	\$644.0
Agency Net Debt	9,476.6	9,552.6	9,792.5
Agency Total Debt	9,508.5	9,584.6	9,824.5
Preferred Equity	92.9	92.9	92.9
Common Equity	5,081.4	5,287.9	5,525.9
Actual Total Capitalization	\$13,985.8	\$14,316.3	\$14,799.2
Agency Total Capitalization	14,682.8	14,965.3	15,443.2
Interest Coverage Ratios			
Total Interest + Preferred Expense ^(a)	\$742.5	\$719.2	\$709.1
Total Interest Expense ^(a)	685.8	666.1	656.3
Net Interest + Preferred Expense ^(a)	741.2	718.0	707.8
Net Interest Expense ^(a)	684.5	664.8	655.0
Funds From Operations	\$1,700.7	\$1,745.1	\$1,830.6
vs Total Interest Expense	3.48x	3.62x	3.79x
vs Net Interest Expense	3.48x	3.62x	3.79x
EBITDA	\$2,629.2	\$2,756.7	\$2,816.7
vs Total Interest Expense	3.8x	4.1x	4.3x
vs Net Interest Expense	3.8x	4.1x	4.3x
Leverage Ratios			
Actual Total Debt + Preferred / Total Capitalization ^(a)	59.9%	59.4%	59.1%
Actual Net Debt + Preferred / Total Capitalization ^(a)	59.8%	59.3%	59.0%
Agency Total Debt + Preferred / Total Capitalization ^(a)	61.8%	61.1%	60.8%
Agency Net Debt + Preferred / Total Capitalization ^(a)	61.7%	61.0%	60.7%
FFO / Total Debt + Preferred ^(a)	20.3%	20.5%	20.9%
FFO / Net Debt + Preferred ^(a)	19.4%	19.6%	20.0%
Cumulative % of New Bank Debt Repaid	0.0%	(1.4%)	(2.8%)

(a) Includes \$300.0 of Ray hybrid preferred.

(b) Assumes PPA's for Ray and Charlie with implied interest expense of 7.50%.

(c) Assumes 40.0% Equity Credit for Hybrid securities, 55.0% credit for FELINE Prides, as applicable.

Consolidated Charlie

Standalone Income Statement

(dollars in millions, except per share data)

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	FYE December 31,		Projected FYE December 31, ^(a)	
	1998	1999	2000	2001
Revenue	\$3,130.0	\$3,336.0	\$3,546.0	\$3,717.0
EBITDA	1,392.0	1,491.0	1,592.0	1,628.0
Depreciation & Amortization	495.0	504.2	603.4	632.4
Goodwill Amortization	0.0	2.8	5.6	5.6
EBIT ^(b)	897.0	984.0	983.0	990.0
Other Income / Gain on Sale	(67.0)	206.0	(6.0)	26.0
Interest Income	4.00%	0.0	0.0	(1.2)
Interest Expense		174.0	172.7	154.5
Revolver Interest Expense	6.00%	0.0	1.4	16.7
Net Interest Expense		174.0	174.0	171.2
Pretax Income ^(b)		656.0	1,016.0	806.9
Taxes		257.5	423.6	306.3
Preferred Dividends		3.0	3.0	3.0
Net Income ^(b)		\$395.5	\$589.5	\$497.6
Shares Outstanding		143.9	148.9	153.9
EPS (Primary)		\$2.75	\$3.96	\$3.23
EPS (Primary) Excl. Gain on Sale		\$2.75	\$3.07	\$3.23

Assumptions:

Net Sales Growth	--	6.6%	6.3%	4.8%
EBITDA (% of Sales)	44.5%	44.7%	44.9%	43.8%
Depreciation (% of PP&E)	8.2%	7.8%	8.7%	8.3%
EBIT (% of Sales)	28.7%	29.5%	27.7%	26.6%
Other Income (% of Sales)	(2.1%)	--	(0.2%)	0.7%
Effective Interest Rate on LTD		6.54%	6.14%	5.31%
Tax Rate	39.3%	41.7%	37.7%	37.3%
Dividend Payout Ratio	72.8%	50.5%	63.7%	62.4%
EPS Growth	--	44.0%	(18.3%)	5.0%

(a) Source: Charlie Management estimates dated 7/16/99.

(b) Excludes extraordinary and non-recurring items.

Consolidated Charlie

Standalone Balance Sheet

(dollars in millions, except per share data)

	<i>FYE December 31,</i>		<i>Projected FYE December 31, (a)</i>	
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Balance Sheet:				
Cash	\$28.9	\$28.9	\$28.9	\$28.9
Net Working Capital	283.7	296.7	237.7	217.7
Net PP&E	6,069.5	6,442.3	6,949.9	7,579.5
Existing Goodwill	230.0	227.2	221.6	216.0
Other Assets	1,247.0	1,138.6	1,132.6	1,158.6
Total Assets	\$7,859.1	\$8,133.7	\$8,570.7	\$9,200.7
Existing Debt	\$2,667.6	\$2,614.6	\$2,416.6	\$2,416.6
Revolving Bank Debt	0.0	45.1	512.5	956.9
Other Liabilities	2,182.8	2,182.8	2,182.8	2,182.8
Preferred Stock	59.4	59.4	59.4	59.4
Equity	2,949.3	3,231.8	3,399.4	3,585.0
Total Liab. & Equity	\$7,859.1	\$8,133.7	\$8,570.7	\$9,200.7
Check	0.0	0.0	0.0	0.0
Equity Ratio	52.0%	54.3%	53.2%	51.1%

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Consolidated Charlie

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Standalone Cash Flow Statement

(dollars in millions, except per share data)

	FYE December 31,		Projected FYE December 31, (a)	
	1998	1999	2000	2001
OPERATING ACTIVITIES				
Net Income	\$395.5	\$589.5	\$497.6	\$524.6
Depreciation & Amortization	495.0	504.2	603.4	632.4
Goodwill Amortization	0.0	2.8	5.6	5.6
Change in Working Capital	(42.1)	(13.0)	59.0	20.0
Change in Other / Deferred Taxes	(111.9)	0.0	0.0	0.0
Less: Equity Income	0.0	0.0	6.0	(26.0)
Less: Gain on Sale of Interpath	0.0	(132.8)	0.0	0.0
Plus: After-tax Proceeds	0.0	241.2	0.0	0.0
Other	0.0	0.0	0.0	0.0
Cash provided by/(used in) operating activities	736.6	1,191.9	1,171.6	1,156.6
INVESTING ACTIVITIES				
Capital Expenditures	(526.8)	(877.0)	(1,111.0)	(1,262.0)
Disposition of Assets/Other	(2.0)	0.0	0.0	0.0
Cash provided by/(used in) investing activities	(528.7)	(877.0)	(1,111.0)	(1,262.0)
Free Cash Flow	207.8	314.9	60.6	(105.4)
FINANCING ACTIVITIES				
Annual Dividend	\$2.00	\$2.00	\$2.06	\$2.12
Dividends on common (a)	(279.7)	(307.0)	(330.0)	(339.0)
Required Debt Service	0.0	(53.0)	(198.0)	0.0
Net Proceeds from Issuance of Stock	0.0	0.0	0.0	0.0
Other	5.8	0.0	0.0	0.0
(Payment)/Borrowing of Revolving Debt	34.1	45.1	467.4	444.4
Cash provided by/(used in) financing activities	(239.9)	(314.9)	(60.6)	105.4
NET CHANGE IN CASH				
Increase in Cash	(32.0)	0.0	0.0	0.0
Beginning Balance	14.4	28.9	28.9	28.9
Ending Balance	\$(17.6)	\$28.9	\$28.9	\$28.9
CAPX				
CAPX	(526.8)	(877.0)	(1,111.0)	(1,262.0)
CAPX (% of PP&E)	8.7%	13.6%	16.0%	16.7%
"Street" Free Cash Flow (FCF - Dividends)	(71.9)	7.9	(269.4)	(444.4)

(a) Source: Charlie Management estimates dated 7/16/99.

Consolidated Charlie

Cash Flow Statement Supporting Schedule

(dollars in millions, except per share data)

<u>Share Repurchase Program</u>	<u>Projected FYE December 31, (a)</u>		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Beginning Shares	143.9	154.0	154.0
Buy Back Amount	0.0	0.0	0.0
Buy Back P/E	13.0x	12.4x	11.8x
Price / Share	\$42.00	\$42.00	\$42.00
Shares Repurchased	0.0	0.0	0.0
Ending Shares	154.0	154.0	154.0
Weighted Average Shares Outstanding	149.0	154.0	154.0

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Consolidated Charlie

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Standalone Financial Ratios

(dollars in millions, except per share data)

	FYE December 31,		#REF!	
	1998	1999	2000	2001
Capitalization				
Cash	\$28.9	\$28.9	\$28.9	\$28.9
Actual Total Debt	2,667.6	2,659.7	2,929.1	3,173.5
Actual Net Debt	\$2,638.7	\$2,630.8	\$2,900.2	\$3,344.6
Purchased Power Agreements	\$362.0	\$362.0	\$314.0	\$309.0
Agency Total Debt	\$3,029.6	\$3,021.7	\$3,243.1	\$3,682.5
Agency Net Debt	3,000.7	2,992.8	3,214.2	3,653.6
Preferred	59.4	59.4	59.4	59.4
Common Equity	2,949.3	3,231.8	3,399.4	3,585.0
Actual Total Capitalization	5,676.3	5,950.8	6,387.8	7,017.8
Agency Total Capitalization	6,038.3	6,312.8	6,701.8	7,326.8
Interest Coverage Ratios				
Total Interest + Preferred Expense ^(a)	\$231.3	\$231.3	\$221.3	\$221.7
Total Interest Expense ^(a)	201.2	201.2	194.8	195.6
Net Interest Expense ^(a)	201.2	201.2	193.7	194.4
Funds From Operations	\$890.5	\$1,096.5	\$1,106.6	\$1,162.6
vs Total Interest Expense	5.43x	6.45x	6.68x	6.94x
vs Net Interest Expense	5.43x	6.45x	6.71x	6.98x
EBITDA	\$1,392.0	\$1,491.0	\$1,592.0	\$1,628.0
vs Total Interest Expense	6.9x	7.4x	8.2x	8.3x
vs Net Interest Expense	6.9x	7.4x	8.2x	8.4x
Leverage Ratios				
Actual Total Debt / Total Capitalization	47.0%	44.7%	45.9%	48.1%
Actual Net Debt / Total Capitalization	46.5%	44.2%	45.4%	47.7%
Agency Total Debt / Total Capitalization	50.2%	47.9%	48.4%	50.3%
Agency Net Debt / Total Capitalization	49.9%	47.6%	48.2%	50.1%
Total Debt / FFO	33.4%	41.2%	37.8%	34.5%
Net Debt / FFO	33.7%	41.7%	38.2%	34.8%

(a) includes implied interest on PPA's at 7.50%

Consolidated Ray
Standalone Income Statement

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(dollars in millions, except per share data)

	FYE December 31,		Projected FYE December 31, (a)	
	1998	1999	2000	2001
Revenue	\$3,620.3	\$3,837.6	\$3,918.1	\$4,053.4
EBITDA	1,024.9	1,058.2	1,084.7	1,119.6
Rate Case Adjustments	0.0	0.0	0.0	(10.9)
EBITDA (b)	1,024.9	1,058.2	1,084.7	1,108.7
Depreciation & Amortization	424.6	409.8	418.8	432.1
Existing Goodwill Amortization	0.0	0.0	0.0	0.0
EBIT (b)	600.3	648.3	665.9	676.6
Other Income	0.0	(5.5)	3.5	10.3
Interest Income	4.00%	0.0	(0.1)	(0.1)
Fixed Interest Expense		170.0	188.6	174.0
Revolver Interest Expense @	6.00%	0.0	0.0	0.0
Net Interest Expense		170.0	188.5	173.9
Pretax Income (b)	430.3	454.4	495.6	526.1
Taxes	148.6	160.5	175.5	187.9
Tax Credits	0.0	(12.0)	(17.0)	(17.0)
Preferred Dividends	0.0	1.5	1.5	1.5
Net Income (b)	\$281.7	\$304.3	\$335.5	\$353.7
Shares Outstanding	97.0	97.9	99.2	100.5
EPS	\$2.90	\$3.11	\$3.38	\$3.52

Assumptions:

Net Sales Growth	--	6.0%	2.1%	3.5%
EBITDA (% of Sales)	28.3%	27.6%	27.7%	27.4%
Depreciation (% of PP&E)	10.1%	9.8%	10.0%	10.5%
EBIT (% of Sales)	16.6%	16.9%	17.0%	16.7%
Other Income (% of Sales)	0.0%	(0.1%)	0.1%	0.3%
Effective Interest Rate on LTD		7.15%	6.82%	6.87%
Tax Rate	34.5%	35.3%	35.4%	35.7%
Dividend Payout Ratio		70.1%	65.6%	64.2%
EPS Growth	--	7.1%	8.8%	4.0%

(a) Source: Fred Management estimates dated 7/16/99.

(b) Excludes extraordinary and non-recurring charges.

Consolidated Ray

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Standalone Balance Sheet

(dollars in millions, except per share data)

	FYE December 31,		Projected FYE December 31, (a)	
	1998	1999	2000	2001
Cash	\$2.5	\$3.1	\$3.1	\$3.1
Net Working Capital	261.1	356.8	338.3	340.2
Net PP&E	4,190.6	4,202.0	4,197.1	4,126.6
Existing Goodwill	139.8	128.7	128.7	128.7
Other Assets	976.3	894.3	859.6	825.4
Total Assets	\$5,570.3	\$5,584.9	\$5,526.8	\$5,424.1
Fixed Debt	\$2,632.5	\$2,643.7	\$2,458.9	\$2,222.3
Revolving Bank Debt	\$0.0	0.0	0.0	0.0
Other Liabilities	1,042.3	914.6	874.6	830.4
Preferred Stock	33.5	33.5	33.5	33.5
Equity	1,862.0	1,993.1	2,159.9	2,337.9
Total Liab. & Equity	\$5,570.3	\$5,584.9	\$5,526.9	\$5,424.1
Check	0.0	(0.0)	(0.0)	(0.0)
Equity Ratio	41.1%	42.7%	46.4%	50.9%

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Consolidated Ray

Standalone Cash Flow Statement

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(dollars in millions, except per share data)

	FYE December 31,		Projected FYE December 31, (a)	
	1998	1999	2000	2001
OPERATING ACTIVITIES				
Net Income	\$281.7	\$304.3	\$335.5	\$353.7
Depreciation & Amortization	424.6	409.8	418.8	432.1
Change in Working Capital	17.2	(40.7)	18.4	(1.9)
Change in Other Assets and Liabilities	59.5	0.9	34.7	34.2
Deferred Taxes and Other	94.9	0.0	(40.0)	(44.2)
Cash Provided by/(used in) operating activities	\$77.9	674.4	767.4	773.9
INVESTING ACTIVITIES				
Capital Expenditures	(543.3)	(437.3)	(413.9)	(361.6)
Disposition of Assets	0.0	0.0	0.0	0.0
Cash Provided by/(used in) investing activities	(543.3)	(437.3)	(413.9)	(361.6)
Free Cash Flow		237.1	353.6	412.3
FINANCING ACTIVITIES				
Required Debt Service		0.0	0.0	0.0
Net Proceeds From Issuance of Stock		0.0	51.5	51.5
Dividends on common		\$2.13	\$2.22	\$2.26
Dividends @		(213.3)	(220.2)	(227.1)
Other		0.0	0.0	0.0
(Payment)/Borrowing of Revolving Debt		0.0	0.0	0.0
(Payment)/Borrowing of Fixed Debt		(23.7)	(184.8)	(236.6)
Cash Provided by/(used in) financing activities		(237.1)	(353.6)	(412.3)
Increase in Cash		0.0	0.0	0.0
Beginning Balance		2.5	3.1	3.1
Ending Balance		\$2.5	\$3.1	\$3.1
CAPX	(543.3)	(437.3)	(413.9)	(361.6)
CAPX (% of PP&E)	13.0%	13.0%	9.9%	8.8%
"Street" Free Cash Flow (FCF - Dividends)		23.7	133.4	185.2

(a) Source: Fred Management estimates dated 7/16/99.

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Consolidated Ray

Standalone Financial Ratios

(dollars in millions, except per share data)

	FYE December 31,		Projected FYE December 31, (a)	
	1998	1999	2000	2001
<u>Capitalization</u>				
Cash	\$2.5	\$3.1	\$3.1	\$3.1
Hybrid Preferred	300.0	300.0	300.0	300.0
Actual Total Debt + Preferred	2,332.5	2,343.7	2,158.9	1,922.3
Actual Net Debt	\$2,630.0	\$2,640.6	\$2,455.8	\$2,219.2
Purchased Power Agreements	\$335.0	\$335.0	\$335.0	\$335.0
Agency Total Debt	2,967.5	2,978.7	2,793.9	2,557.3
Agency Net Debt	2,965.0	2,975.6	2,790.8	2,554.2
Preferred	33.5	33.5	33.5	33.5
Common Equity	1,862.0	1,993.1	2,159.9	2,337.9
Actual Total Capitalization	4,228.0	4,370.3	4,352.3	4,293.7
Agency Total Capitalization	4,563.0	4,705.3	4,687.3	4,628.7
<u>Interest Coverage Ratios</u>				
Total Interest + Preferred Expense	\$220.3	\$240.4	\$225.8	\$212.7
Total Interest Expense	195.1	213.7	199.1	186.0
Net Interest Expense	195.1	213.6	199.0	185.9
Funds From Operations	\$706.3	\$714.2	\$754.3	\$785.8
vs Total Interest Expense	4.62x	4.34x	4.79x	5.22x
vs Net Interest Expense	4.62x	4.34x	4.79x	5.23x
EBITDA	\$1,024.9	\$1,058.2	\$1,084.7	\$1,108.7
vs Total Interest Expense	5.3x	5.0x	5.4x	6.0x
vs Net Interest Expense	5.3x	5.0x	5.5x	6.0x
<u>Leverage Ratios</u>				
Actual Total Debt / Total Capitalization	59.4%	57.7%	53.7%	49.0%
Actual Net Debt / Total Capitalization	59.4%	57.7%	53.7%	48.9%
Agency Total Debt / Total Capitalization	67.3%	65.4%	61.4%	56.8%
Agency Net Debt / Total Capitalization	67.3%	65.3%	61.4%	56.7%
FFO / Total Debt	28.1%	28.3%	32.3%	37.4%
FFO / Total Debt	28.1%	28.3%	32.3%	37.4%

(a) Includes implied interest on PPA's at 7.5%

(b) Assumes 7.5% equity credit for Hybrid securities.

Consolidated Ray
Divisional Income Statement Summary

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	<i>HREF¹</i>		<i>Projected FYE December 31, (a)</i>
	1999	2000	2001
Revenues			
Ray Power	\$2,648.5	\$2,672.7	\$2,767.0
Electric Fuels	1,442.4	1,481.5	1,515.9
Telecom	14.8	23.7	32.7
Corporate	292.9	316.4	344.6
Eliminations	(561.1)	(578.2)	(606.7)
Total	\$3,837.6	\$3,918.1	\$4,053.4
EBITDA			
Ray Power	\$887.8	\$897.3	\$917.5
Electric Fuels	181.5	196.5	201.9
Telecom	4.4	7.7	15.8
Corporate	280.6	306.5	332.2
Eliminations	(296.1)	(323.2)	(347.8)
Total	\$1,058.2	\$1,084.7	\$1,119.6
Depreciation & Amortization			
Ray Power	\$346.2	\$352.1	\$364.6
Electric Fuels	57.6	60.7	59.9
Telecom	6.0	6.0	7.6
Corporate	0.0	0.0	0.0
Eliminations	0.0	0.0	0.0
Total	\$409.8	\$418.8	\$432.1
EBIT			
Ray Power	\$541.6	\$545.2	\$553.0
Electric Fuels	123.9	135.8	142.0
Telecom	(1.6)	1.7	8.2
Corporate	280.6	306.5	332.2
Eliminations	(296.1)	(323.2)	(347.8)
Total	\$648.3	\$665.9	\$687.5
Net Income			
Ray Power	\$259.2	\$271.6	\$282.4
Electric Fuels	50.5	62.5	69.8
Telecom	(1.1)	1.0	5.0
Corporate	279.8	306.4	333.5
Eliminations	(296.1)	(323.2)	(347.8)
Total	\$292.2	\$318.2	\$342.8

(a) Source: Ray Management estimates dated 7/16/99.

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Consolidated Ray

Divisional Income Statement Summary - Analysis of Growth Rates & Margins

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	<i>HREFI</i>	<i>Projected FYE December 31, (a)</i>	
	1999	2000	2001
Annual Revenue Growth Rates			
Ray Power	--	0.9%	3.5%
Electric Fuels	--	2.7%	2.3%
Telecom	--	59.5%	38.0%
Corporate	--	8.7%	8.2%
Eliminations	--	3.1%	4.9%
Total		2.1%	3.5%
EBITDA Margins			
Ray Power	33.5%	33.6%	33.2%
Electric Fuels	12.6%	13.3%	13.3%
Telecom	29.5%	32.5%	48.4%
Corporate	95.8%	96.3%	96.4%
Eliminations	52.8%	55.9%	57.3%
Total	27.6%	27.7%	27.6%
EBT Margins			
Ray Power	20.4%	20.4%	20.0%
Electric Fuels	8.6%	9.2%	9.4%
Telecom	(10.9%)	7.2%	25.2%
Corporate	95.8%	96.3%	96.4%
Eliminations	52.8%	55.9%	57.3%
Total	16.9%	17.0%	17.0%
Net Income Margins			
Ray Power	9.8%	10.2%	10.2%
Electric Fuels	3.5%	4.2%	4.6%
Telecom	(7.3%)	4.3%	15.3%
Corporate	95.5%	96.2%	96.8%
Eliminations	52.8%	55.9%	57.3%
Total	7.6%	8.1%	8.5%

(a) -- Ray Management estimates dated 7/16/99.

Consolidated Ray

Electric Fuels Corporation Income Statement Summary

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	###REF	Projected FYE December 31, (a)	
	1999	2000	2001
Revenues			
Ray Rail	819.4	\$45.1	880.2
Inland Marine	164.4	176.8	180.2
Energy	458.5	459.6	455.5
Corporate	0.0	0.0	0.0
Total	\$1,442.4	\$1,481.5	\$1,515.9
EBITDA			
Ray Rail	100.0	110.3	117.2
Inland Marine	28.1	30.5	31.2
Energy	58.3	60.7	58.7
Corporate	(4.9)	(5.0)	(5.2)
Total	\$181.5	\$196.5	\$201.9
Depreciation & Amortization			
Ray Rail	30.0	31.9	32.9
Inland Marine	5.6	6.2	6.2
Energy	21.8	22.4	20.6
Corporate	0.2	0.2	0.2
Total	\$57.6	\$60.7	\$59.9
EBIT			
Ray Rail	70.0	78.3	84.3
Inland Marine	22.5	24.4	25.0
Energy	36.5	38.3	38.1
Corporate	(5.1)	(5.2)	(5.4)
Total	\$123.9	\$135.8	\$142.0
Net Income			
Ray Rail	22.7	30.3	35.8
Inland Marine	13.5	15.5	16.6
Energy	18.3	21.2	21.2
Corporate	(4.0)	(4.5)	(3.8)
Total	\$50.5	\$62.5	\$69.8

(a) Source: Ray Management estimates dated 7/16/99

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Consolidated Ray

Electric Fuels Corporation Income Statement Summary - Analysis of Growth Rates & Margins

####

	#REF!	Projected FYE December 31, (a)	
	1999	2000	2001
Annual Revenue Growth Rates			
Ray Rail	--	3.1%	4.2%
Inland Marine	--	7.6%	1.9%
Energy	--	0.2%	(0.9%)
Corporate	--	--	--
Total		2.7%	2.3%
EBITDA Margins			
Ray Rail	12.2%	13.0%	13.3%
Inland Marine	17.1%	17.3%	17.3%
Energy	12.7%	13.2%	12.9%
Corporate	--	--	--
Total	12.6%	13.3%	13.3%
EBIT Margins			
Ray Rail	8.5%	9.3%	9.6%
Inland Marine	13.7%	13.8%	13.8%
Energy	8.0%	8.3%	8.4%
Corporate	--	--	--
Total	8.6%	9.2%	9.4%
Net Income Margins			
Ray Rail	2.8%	3.6%	4.1%
Inland Marine	8.2%	8.7%	9.2%
Energy	4.0%	4.6%	4.6%
Corporate	--	--	--
Total	3.5%	4.2%	4.6%

(a) Source: Fred Management estimates dated 7/16/99.

Consolidated Ray

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Divisional Cash Flow Statement Supporting Schedule

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	#REF!	Projected FYE December 31, (a)	
	1999	2000	2001
Capital Expenditures			
Ray Power	\$341.9	\$362.8	\$322.4
Ray Rail	22.4	21.8	22.2
Inland Marine	18.7	11.7	7.0
Energy	24.5	8.6	1.9
Corporate	0.3	0.2	0.0
Telecom	30.3	11.7	8.4
Corporate	50.8	48.4	51.2
Eliminations	(51.5)	(51.5)	(51.5)
Total	\$437.3	\$413.9	\$361.6
Change In Working Capital			
Ray Power	(\$2.8)	\$22.2	(\$1.5)
Ray Rail	(32.7)	(1.8)	1.6
Inland Marine	(0.6)	(1.9)	1.4
Energy	(3.7)	0.4	(0.4)
Corporate	(1.2)	0.0	0.0
Telecom	(2.5)	(1.5)	(1.5)
Corporate	2.9	1.2	(1.6)
Eliminations	--	--	--
Total	(\$40.7)	\$18.4	(\$1.9)

(a) Source: Fred Management estimates dated 7/16/99.

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Pro Forma Impact

Sensitivity to Structure and Price ^(a)

(Dollars in Millions, except per share amounts)

	Bottom of Collar \$37.13		Midpoint of Collar \$41.26		Top of Collar \$45.39	
	2000	2001	2000	2001	2000	2001
50% Debt / 35% Stock / 15% Hybrids						
Pro Forma EPS	\$2.83	\$3.02	\$2.90	\$3.10	\$2.97	\$3.17
Dilution - %	(12.4%)	(11.0%)	(10.2%)	(8.7%)	(8.3%)	(6.7%)
Breakeven Synergies Required	\$129.4	\$120.7	\$103.6	\$92.9	\$82.4	\$70.1
Debt + Hybrids / Total Capitalization	59.8%	59.9%	59.7%	59.8%	59.7%	59.7%

Note: Assumes 50 bp Rate Case and Synfuels tax credit.

(a) Assumes Offer Price of \$54.00, Interest on Debt and Hybrids of 6.70% and 8.375%, respectively, and Charlie share price of \$41.26

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Pro Forma Impact

Sensitivity to Structure and Operational Assumptions ^(a)

(Dollars in Millions, except per share amounts)

	Base Case		Base Case +50 bp Rate Case Reduction		Base Case + SynFuels		Total	
	2000	2001	2000	2001	2000	2001	2000	2001
50% Debt / 35% Stock / 15% Hybrids								
Pro Forma EPS	\$2.82	\$3.05	\$2.82	\$3.01	\$2.90	\$3.14	\$2.90	\$3.10
Dilution - %	(12.9%)	(10.3%)	(12.9%)	(11.4%)	(10.2%)	(7.6%)	(10.2%)	(8.7%)
Breakeven Synergies Required	\$131.1	\$110.2	\$131.1	\$121.6	\$103.6	\$81.5	\$103.6	\$92.9
Debt + Hybrids / Total Capitalization	59.8%	60.0%	59.8%	60.0%	59.7%	59.7%	59.7%	59.8%

(a) Assumes Offer Price of \$54.00, Blended Interest on Debt and Hybrids of 7.217% and 8.375%, respectively, and Charlie share price of \$41.26

PROJECT RAY

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Pro Forma Financial Ratios

\$50.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FELINE Prides

(dollars in millions, except per share data)

	Pro Forma		Projected FYE (December 31)	
	1999	2000	2001	
Capitalization				
Cash	\$31.9	\$31.9	\$31.9	
Hybrid Preferred ^(a)	1,092.7	1,092.7	1,092.7	
FELINE Prides	0.0	0.0	0.0	
Fixed Debt ^(b)	7,718.8	7,842.9	8,087.8	
Actual Net Debt	\$8,779.6	\$8,903.6	\$9,148.5	
Actual Total Debt	8,811.5	8,935.6	9,180.5	
Purchased Power Agreements	\$697.0	\$649.0	\$644.0	
Agency Net Debt	9,476.6	9,552.6	9,792.5	
Agency Total Debt	9,508.5	9,584.6	9,824.5	
Preferred Equity	92.9	92.9	92.9	
Common Equity	5,081.4	5,287.9	5,525.9	
Actual Total Capitalization	\$13,985.8	\$14,316.3	\$14,799.2	
Agency Total Capitalization	14,682.8	14,965.3	15,443.2	
Interest Coverage Ratios				
Total Interest + Preferred Expense ^(c)	\$742.5	\$719.2	\$709.1	
Total Interest Expense ^(c)	685.8	666.1	656.3	
Net Interest + Preferred Expense ^(c)	741.2	718.0	707.8	
Net Interest Expense ^(c)	684.8	664.8	655.0	
Funds From Operations	\$1,700.7	\$1,745.1	\$1,830.6	
vs Total Interest Expense	3.48x	3.42x	3.79x	
vs Net Interest Expense	3.48x	3.62x	3.79x	
EBITDA	\$2,629.2	\$2,756.7	\$2,816.7	
vs Total Interest Expense	3.8x	4.1x	4.3x	
vs Net Interest Expense	3.8x	4.1x	4.3x	
Leverage Ratios				
Actual Total Debt + Preferred / Total Capitalization ^(a)	59.9%	59.4%	59.1%	
Actual Net Debt + Preferred / Total Capitalization ^(a)	59.8%	59.3%	59.0%	
Agency Total Debt + Preferred / Total Capitalization ^(a)	61.8%	61.1%	60.8%	
Agency Net Debt + Preferred / Total Capitalization ^(a)	61.7%	61.0%	60.7%	
PFO / Total Debt + Preferred ^(a)	20.3%	20.5%	20.9%	
PFO / Net Debt + Preferred ^(a)	19.4%	19.6%	20.0%	
Cumulative % of New Bank Debt Repaid	0.0%	(4.1%)	(8.0%)	

(a) Includes \$300.0 of Ray hybrid preferred

(b) Assumes PPA's for Ray and Charlie with implied interest expense of 7.50%

(c) Assumes 40.0% Equity Credit for Hybrid securities, 85.0% credit for FELINE Prides, as applicable.

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PROJECT RAY

Pro Forma Combined Income Statement

\$54.00 Offer, 50% Debt / 16% Hybrid / 35% Stock / 0% FELINE Prides

(dollars in millions, except per share data)

	Pro Forma		Projected FYE December 31,
	1999	2000	2001
Net Sales			
Charle	\$3.1 0	\$3,566.0	\$3,717.0
Ray	2.8 5	2,918.1	2,933.1
Combined	2.1 5	2,164.1	2,770.1
EBITDA			
Charle	1,491.0	1,592.0	628.0
Ray	8.2	1,084.7	119.6
Risks Case Adjustments	0.0	0.0	(10.9)
Synergies		80.0	80.0
Combined	7.6	2,756.7	816.7
Depreciation and Amortization			
Existing Charle Depreciation	504.2	603.4	632
Existing Ray Depreciation	8	418.8	431
Reverse Old Ray Depreciation	0.0	0.0	
New Depreciation (20.8 Years Avg. Life)	0.0	0.0	0.0
Roaming Coalfield Amortization	2.8	5.6	6
New Coalfield Amortization	83.0	83.0	83.0
Combined	599	1,110.8	1,153.1
Combined EBIT	1,629.3	1,645.9	1,663.6
Other Income	00.6	(2.5)	36
Interest Expenses			
Existing Charle New Debt Interest Expense	174.0	171.3	172.4
Existing Ray Pled Debt Interest Expense	8.6	174.0	160.9
Revolving Bank Debt Interest Expense @ 6.7%	7.9	9.7	11.8
Bank Term Loan Interest Expense	191.1	191.1	191.1
Hybrid Preferred Interest Expense @ 8.4%	66.4	66.4	66.4
FELINE Prides Interest Expense @ 7.4%	0.0	0.0	0.0
Unaud Revolver Commitment Fee	0.0	0	0.0
Deferred Financing Fee	5.5	5.5	5.5
Interest Income (1.0%)	(1.2)	(1.2)	(1.3)
Combined	632.7	616	606.7
Pretax Income	1,197.7	1,027	1,053.1
Taxes	509.9	411	433.6
Weighted Combined Tax Rate	39.7%	36.8%	36.7%
Tax Credits	(17.0)	(17.0)	(17.0)
FELINE Pride Amortization Expenses	0.0	0.0	0.0
Preferred Dividends	4.5	4.5	4.5
Net Income	\$593.3	\$628.8	\$571.1
Average Shares Outstanding	193.7	198.7	199.3
EPS (excluding one time gain)	\$3.05	\$3.16	\$2.87
Charle Standalone EPS	\$3.07	\$3.21	\$3.40
Pro Forma EPS	\$2.90	\$3.16	\$3.37
Pro Forma Accretion/(Dilution) - \$	(\$0.16)	(\$0.07)	(\$0.02)
Pro Forma Accretion/(Dilution) - %	(5.3%)	(2.1%)	(0.7%)
Attributed Pre-Tax Synergies Required to Break Even	\$72.5	\$21.7	\$7.6
Pre-Tax Synergies (% of Ray Sales)	1.4%	0.6%	0.2%

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PROJECT RAY**Pro Forma Balance Sheet****\$54.00 Offer, 50% Debt / 15% Hybrid / 35% Stock / 0% FELINE Prides***(dollars in millions, except per share data)*

	<i>Pro Forma</i>	<i>Projected FYE December 31,</i>	
	<i>1999</i>	<i>2000</i>	<i>2001</i>
Balance Sheet:			
Cash	\$31.9	\$31.9	\$31.9
Net Working Capital	653.4	576.0	557.9
Net PP&E	10,644.3	11,147.0	11,706.2
Existing Goodwill	355.9	350.3	344.7
New Goodwill	3,321.6	3,238.6	3,155.6
Deferred Financing Fees	43.0	37.5	32.1
Other Assets	2,032.9	1,992.2	1,984.0
Total Assets	\$17,083.2	\$17,373.6	\$17,812.4
Existing Fixed Debt	\$5,258.3	\$5,342.9	\$5,550.6
Revolving Bank Debt	118.1	157.6	194.7
Bank Term Loan - Tranche A	880.8	880.8	880.8
Bank Term Loan - Tranche B	880.8	880.8	880.8
Bank Term Loan - Tranche C	880.8	880.8	880.8
Hybrid Preferred	792.7	792.7	792.7
Accrued Merger Expenses	0.0	0.0	0.0
Deferred Yield Enhancement Payments	0.0	0.0	0.0
Other Liabilities	3,097.4	3,057.4	3,013.2
Deferred Taxes	0.0	0.0	0.0
Preferred Stock	92.9	92.9	92.9
FELINE Prides	0.0	0.0	0.0
Common Equity	5,081.4	5,287.9	5,525.9
Total Liab. & Equity	\$17,083.2	\$17,373.7	\$17,812.4
Check	(0.0)	(0.0)	(0.0)
Equity / Capitalization	36.6%	37.2%	37.6%

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PROJECT RAY

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Pro Forma Cash Flow Statement

\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% PELINE Prides

(dollars in millions, except per share data)

	Pro Forma	Projected FYE December 31,	
	1999	2000	2001
Net Income		\$628.8	\$672.1
Annual Dividend		\$2.06	\$2.12
Dividends @		(422.3)	(434.0)
Depreciation & Amortization		1,022.2	1,064.5
Amortization of Existing Goodwill		5.6	5.6
Amortization of New Goodwill		83.0	83.0
Amortization of Deferred Financing Fees		5.5	5.5
Amortization of Accrued Merger Expenses		0.0	0.0
Yield Enhancement Payments		0.0	0.0
Change in Working Capital		77.4	18.1
Capital Expenditures		(1,524.9)	(1,623.6)
Deferred Taxes		0.0	0.0
Deferred Taxes from Standalone Entities		(102.0)	(133.2)
Change in Other Assets and Liabilities		96.7	123.2
Less: Equity Income		6.0	(26.0)
Net Proceeds from Issuance of Stock		0.0	0.0
Required Debt Service of Existing Debt		84.6	207.8
Required Amortization of Bank Term Loan		0.0	0.0
Required Amortization of Hybrid Preferred		0.0	0.0
Preferred Dividends		0.0	0.0
Free Cash Flow		(39.5)	(37.1)
(Payment)/Borrowing of Revolving Bank Debt		39.5	37.1
Increase in Cash		(0.0)	0.0
Beginning Balance		31.9	31.9
Ending Balance		\$31.9	\$31.9

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PROJECT RAY

Pro Forma Debt Schedule

\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FBLINE Prides

(dollars in millions, except per share data)

	<u>Projected FYE December 31</u>		
	2000	2001	
Free Cash Flow	(39.5)	(37.1)	
Plus: Beginning Cash Balance	31.9	31.9	
Less: Ending Cash Balance	(31.9)	(31.9)	
Issuance / (Repurchase) of Equity	0.0	0.0	
Total Cash Available for redemptions and debt service	(39.5)	(37.1)	
Debt Issuance / (Repayments)			
Revolver	\$39.5	\$37.1	
Bank Term Loan - Tranche A	0.0	0.0	
Bank Term Loan - Tranche B	0.0	0.0	
Bank Term Loan - Tranche C	0.0	0.0	
Total Debt Issuance / (Repayments)	39.5	37.1	
Cash Available after all repayments	0.0	0.0	
Ending Cash Balance	\$31.9	\$31.9	
Debt Balance			
Revolver	118.1	157.6	194.7
Bank Term Loan - Tranche A	880.8	880.8	880.8
Bank Term Loan - Tranche B	880.8	880.8	880.8
Bank Term Loan - Tranche C	880.8	880.8	880.8
Total Debt Balance	2,760.5	2,800.0	2,837.1
Debt Interest Expense			
Revolver	7.9	9.2	11.8
Bank Term Loan - Tranche A	59.0	59.0	59.0
Bank Term Loan - Tranche B	64.1	64.1	64.1
Bank Term Loan - Tranche C	68.0	68.0	68.0
Total Interest Expense	199.0	200.3	202.9
Debt Interest Expense			
Revolver	6.704%	6.704%	6.704%
Bank Term Loan - Tranche A	6.704%	6.704%	6.704%
Bank Term Loan - Tranche B	7.272%	7.272%	7.272%
Bank Term Loan - Tranche C	7.716%	7.716%	7.716%

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PROJECT RAY

Pro Forma Financial Ratios

\$84.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FELINE Prides

(dollars in millions, except per share data)

	Pro Forma	Projected FYE December 31,	
	1999	2000	2001
Capitalization			
Cash	\$31.9	\$31.9	\$31.9
Hybrid Preferred ^(a)	1,092.7	1,092.7	1,092.7
FELINE Prides	0.0	0.0	0.0
Fixed Debt ^(a)	7,718.8	7,894.5	8,193.4
Actual Net Debt	\$8,779.6	\$8,955.2	\$9,254.1
Actual Total Debt	8,811.5	8,987.2	9,286.1
Purchased Power Agreements	\$697.0	\$649.0	\$644.0
Agency Net Debt	9,476.6	9,604.2	9,898.1
Agency Total Debt	9,508.5	9,636.2	9,930.1
Preferred Equity	92.9	92.9	92.9
Common Equity	5,081.4	5,236.2	5,420.3
Actual Total Capitalization	\$13,985.8	\$14,316.3	\$14,799.2
Agency Total Capitalization	14,682.8	14,965.3	15,443.2
Interest Coverage Ratios			
Total Interest + Preferred Expense ^(a)	\$742.5	\$721.0	\$714.4
Total Interest Expense ^(a)	685.8	667.8	661.6
Net Interest + Preferred Expense ^(a)	741.2	719.7	713.1
Net Interest Expense ^(a)	684.5	666.5	660.3
Funds From Operations	\$1,652.4	\$1,693.4	\$1,776.6
vs Total Interest Expense	3.41x	3.54x	3.69x
vs Net Interest Expense	3.41x	3.54x	3.69x
EBITDA	\$2,549.2	\$2,676.7	\$2,736.7
vs Total Interest Expense	3.7x	4.0x	4.1x
vs Net Interest Expense	3.7x	4.0x	4.1x
Leverage Ratios			
Actual Total Debt + Preferred / Total Capitalization ^(a)	59.9%	59.7%	59.8%
Actual Net Debt + Preferred / Total Capitalization ^(a)	59.8%	59.6%	59.7%
Agency Total Debt + Preferred / Total Capitalization ^(a)	61.8%	61.5%	61.5%
Agency Net Debt + Preferred / Total Capitalization ^(a)	61.7%	61.4%	61.4%
PFO / Total Debt + Preferred ^(a)	19.7%	19.8%	20.1%
PFO / Net Debt + Preferred ^(a)	18.8%	18.9%	19.2%
Cumulative % of New Bank Debt Repaid	0.0%	(9.6%)	(19.1%)

(a) Includes \$300.0 of Ray hybrid preferred.

(b) Assumes PPA's for Ray and Charlie with imputed interest expense of 2.50%.

(c) Assumes 40.0% Equity Credit for Hybrid securities, 85.0% credit for FELINE Prides, as applicable.

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PROJECT RAY

Pro Forma Combined Income Statement

\$54.00 (Fixed, 50% Debt / 45% Hybrid) / 35% Stock / 0% PELINE Pridea

(dollars in millions, except per share data)

	Pro Forma	Projected FYE December 31,	
	1998	2000	2001
Net Sales			
Charlie	13,736.0	\$1,544.0	63,717.0
Ray	3,237.6	2,218.1	4,033.4
Combined	7,173.6	7,464.1	7,770.4
EBITDA			
Charlie	1,491.0	1,592.0	1,678.0
Ray	1,038.2	1,081.7	1,119.4
Rate Case Adjustments	0.0	0.0	(10.9)
Synergies	0.0	0.0	0.0
Combined	2,529.2	2,673.7	2,787.4
Depreciation and Amortization			
Existing Charlie Depreciation	504.1	603.4	632.4
Existing Ray Depreciation	409.9	414.8	432.1
Reverse Old Ray Depreciation	0.0	0.0	0.0
New Depreciation (28 Year Avg. Life)	0.0	0.0	0.0
Existing Goodwill Amortization	7.8	5.6	5.6
New Goodwill Amortization	83.0	83.0	83.0
Combined	999.9	1,106.8	1,153.1
Combined EBIT	1,529.3	1,566.9	1,583.6
Other Income	200.6	(2.5)	36.3
Interest Expenses			
Existing Charlie Fixed Debt Interest Expense	174.0	173.3	171.4
Existing Ray Fixed Debt Interest Expense	188.6	174.0	160.9
Revolving Bank Debt Interest Expense @ 6.7%	7.9	11.0	17.1
Bank Term Loan Interest Expense	191.1	191.1	191.1
Hybrid Preferred Interest Expense @ 8.4%	66.4	66.4	66.4
PEL PFB Pridea Interest Expense @ 7.4%	0.0	0.0	0.0
Unpaid Revolver Commitment Fee	0.0	0.0	0.0
Deferred Financing Fees	5.5	5.5	5.5
Interest Income (4.0%)	(1.3)	(1.3)	(1.3)
Combined	632.2	617.9	614.0
Pre-tax Income	1,147.7	945.6	1,007.9
Taxes	478.1	380.9	402.3
Hybrid Combined Tax Rate	39.7%	36.6%	36.7%
Tax Credits	(12.0)	(17.0)	(17.0)
PELINE Pridea Amortization Expense	0.0	0.0	0.0
Preferred Dividends	4.5	4.5	4.5
Net Income	\$647.1	\$577.1	\$580.1
Average Shares Outstanding	191.7	198.7	199.3
EPS (excluding one time gain)	\$2.85	\$2.90	\$3.10
Charlie Standalone EPS	\$3.07	\$3.23	\$3.40
Pro Forma EPS	\$2.85	\$2.90	\$3.10
Pro Forma Accretion/(Dilution) - \$	\$(0.41)	\$(0.33)	\$(0.29)
Pro Forma Accretion/(Dilution) - %	(13.4%)	(10.2%)	(8.7%)
Additional Pro-Dea Synergies Reported to Bank Even	\$132.5	\$103.6	\$92.9
Pro-Dea Synergies (% of Ray Sales)	3.5%	2.6%	2.3%

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PROJECT RAY**Pro Forma Balance Sheet****\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FBLINE Prides***(dollars in millions, except per share data)*

	<i>Pro Forma</i>	<i>Projected FYE December 31,</i>	
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Balance Sheet:			
Cash	\$31.9	\$31.9	\$31.9
Net Working Capital	653.4	576.0	557.9
Net PP&E	10,644.3	11,147.0	11,706.2
Existing Goodwill	355.9	350.3	344.7
New Goodwill	3,321.6	3,238.6	3,155.6
Deferred Financing Fees	43.0	37.5	32.1
Other Assets	2,032.9	1,992.2	1,984.0
Total Assets	\$17,083.2	\$17,373.6	\$17,812.4
Existing Fixed Debt	\$5,258.3	\$5,342.9	\$5,550.6
Revolving Bank Debt	118.1	209.2	300.4
Bank Term Loan - Tranche A	880.8	880.8	880.8
Bank Term Loan - Tranche B	880.8	880.8	880.8
Bank Term Loan - Tranche C	880.8	880.8	880.8
Hybrid Preferred	792.7	792.7	792.7
Accrued Merger Expenses	0.0	0.0	0.0
Deferred Yield Enhancement Payments	0.0	0.0	0.0
Other Liabilities	3,097.4	3,057.4	3,013.2
Deferred Taxes	0.0	0.0	0.0
Preferred Stock	92.9	92.9	92.9
FBLINE Prides	0.0	0.0	0.0
Common Equity	5,081.4	5,236.2	5,420.3
Total Liab. & Equity	\$17,083.2	\$17,373.7	\$17,812.4
Check	(0.0)	(0.0)	(0.0)
Equity / Capitalization	36.6%	36.8%	36.9%

PROJECT RAY

Pro Forma Cash Flow Statement

\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FBLINE Prizes

(dollars in millions, except per share data)

	Pro Forma	Projected FYE December 31	
	1999	2000	2001
Net Income		\$577.2	\$618.1
Annual Dividend		\$2.06	\$2.12
Dividends @		(422.3)	(434.0)
Depreciation & Amortization		1,022.2	1,064.5
Amortization of Existing Goodwill		5.6	5.6
Amortization of New Goodwill		83.0	83.0
Amortization of Deferred Financing Fees		5.5	5.5
Amortization of Accrued Merger Expenses		0.0	0.0
Yield Enhancement Payments		0.0	0.0
Change in Working Capital		77.4	18.1
Capital Expenditures		(1,524.9)	(1,623.6)
Deferred Taxes		0.0	0.0
Deferred Taxes from Standalone Entities		(107.0)	(133.7)
Change in Other Assets and Liabilities		96.7	123.2
Less: Equity Income		6.0	(26.0)
Net Proceeds from Issuance of Stock		0.0	0.0
Required Debt Service of Existing Debt		84.6	207.8
Required Amortization of Bank Term Loan		0.0	0.0
Required Amortization of Hybrid Preferred		0.0	0.0
Preferred Dividends		0.0	0.0
Free Cash Flow		(91.1)	(91.1)
(Payment)/Borrowing of Revolving Bank Debt		91.1	91.1
Increase in Cash		0.0	0.0
Beginning Balance		31.9	31.9
Ending Balance		\$31.9	\$31.9

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PROJECT RAY

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Pro Forma Debt Schedule**\$54.00 Offer, 50% Debt / 15% Hybrids / 35% Stock / 0% FELINE Prides***(dollars in millions, except per share data)*

	<i>Projected FYE December 31,</i>		
	2000	2001	
Free Cash Flow	(91.1)	(91.1)	
Plus: Beginning Cash Balance	31.9	31.9	
Less: Ending Cash Balance	(31.9)	(31.9)	
Issuance / (Repurchase) of Equity	0.0	0.0	
Total Cash Available for redemptions and debt service	(91.1)	(91.1)	
<u>Debt Issuance / (Repayments)</u>			
Revolver	\$91.1	\$91.1	
Bank Term Loan - Tranche A	0.0	0.0	
Bank Term Loan - Tranche B	0.0	0.0	
Bank Term Loan - Tranche C	0.0	0.0	
Total Debt Issuance / (Repayments)	91.1	91.1	
Cash Available after all repayments	0.0	0.0	
Ending Cash Balance	\$31.9	\$31.9	
<u>Debt Balance</u>			
Revolver	118.1	209.2	300.4
Bank Term Loan - Tranche A	880.8	880.8	880.8
Bank Term Loan - Tranche B	880.8	880.8	880.8
Bank Term Loan - Tranche C	880.8	880.8	880.8
Total Debt Balance	2,760.5	2,851.6	2,942.7
<u>Debt Interest Expense</u>			
Revolver	7.9	11.0	17.1
Bank Term Loan - Tranche A	59.0	59.0	59.0
Bank Term Loan - Tranche B	64.1	64.1	64.1
Bank Term Loan - Tranche C	68.0	68.0	68.0
Total Interest Expense	199.0	202.0	208.1
<u>Debt Interest Expense</u>			
Revolver	6.704%	6.704%	6.704%
Bank Term Loan - Tranche A	6.704%	6.704%	6.704%
Bank Term Loan - Tranche B	7.272%	7.272%	7.272%
Bank Term Loan - Tranche C	7.716%	7.716%	7.716%

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Florida Power Corporation
2001 - 2003 Financial Forecast

	Year 2000	Year 2001
Income Statement		
Revenues		
Electric Revenues	2,895,984,563	3,256,984,594
Total Revenues	2,895,984,563	3,256,984,594
Expenses		
Fuel	712,487,364	955,155,738
Purchased Power	491,683,016	487,767,338
Energy Conservation	66,632,029	63,278,529
O&M - Base	432,630,002	438,831,000
Subtotal	1,703,442,410	1,945,032,605
Depreciation	401,796,194	433,735,332
Taxes Other Than Income	218,662,428	237,633,212
Total Expenses	2,323,901,033	2,616,401,149
Income From Operations	572,083,530	640,583,445
Interest Expense and Other		
Interest Expense-Outside	128,489,829	130,077,783
AFUDC	(4,912,424)	(1,420,612)
Preferred Dividends	1,511,860	1,511,860
Other (Income) / Deductions	(2,235,508)	2,168,946
Total Interest Expense and Other	122,853,757	132,337,978
Income From Operations Before Income Tax	449,229,773	508,246,468
Income Taxes		
Payable Currently	236,763,483	232,631,292
Deferred Tax Expense	(57,613,878)	(36,477,018)
ITC - Net	(7,858,750)	(7,857,000)
Total Taxes	171,290,855	188,297,274
Net Income	277,938,918	319,948,193

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Florida Power Corporation
2001 - 2003 Financial Forecast

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	Year 2000	Year 2001
Balance Sheet Assets		
Plant Property and Equipment		
Electric Plant	7,102,881,637	7,381,570,506
Accumulated Depreciation	3,627,748,619	3,956,249,234
Subtotal	3,475,133,018	3,425,321,272
Construction Work In Process	83,306,675	104,813,847
Nuclear Fuel at Cost	463,245,248	507,722,127
Accumulated Amortization - Nuclear Fuel	423,615,448	444,224,344
Nuclear Fuel Net	39,629,800	63,497,783
Other Property	7,189,762	7,189,762
Accumulated Depreciation	1,185,904	1,714,360
Net Non Utility Property	6,003,858	5,475,402
Net Property Plant & Equipment	3,604,073,352	3,599,108,305
Current Assets		
Cash	4,820,904	4,820,904
Accounts Receivable	158,383,462	170,935,056
A/R - Consolidated Affiliate	4,902,453	4,902,453
Fuel Inventory	77,517,666	62,276,674
Materials & Supplies	91,861,207	103,861,207
Other Current Assets	199,807,026	259,280,725
Subtotal	535,292,717	606,077,019
Current Portion of Leases/Loans Receivable		
Total Current Assets	535,292,717	606,077,019
Other Assets		
Nuclear Decommissioning Fund	351,427,244	386,770,057
Unamortized Debt Expense	32,152,503	32,152,503
Other Assets	363,517,241	243,086,143
Total Other Assets	747,096,988	662,006,702
Total Assets	4,886,463,067	4,867,194,026

Florida Power Corporation
2001 - 2003 Financial Forecast

	Year 2000	Year 2001
Balance Sheet Liabilities		
Capital and Liabilities		
Common Stock Equity		
Common Stock	1,004,413,692	1,004,413,692
Retained Earnings	953,608,467	1,024,533,237
Total Common Equity	1,958,022,159	2,028,946,929
Preferred Stock	33,496,700	33,496,700
Long Term Debt	1,397,116,478	1,465,239,917
Total Capitalization	3,388,635,337	3,527,683,547
Current Liabilities		
Accounts Payable	133,028,240	134,422,252
Accounts Payable - Consolidated Affiliates	25,763,861	25,763,861
Customer Deposits	110,543,321	117,634,484
Accrued Taxes	18,008,316	18,008,316
Accrued Interest	55,444,897	53,448,547
Other Current Liabilities	78,130,531	76,986,345
Subtotal	420,919,166	426,263,804
Short Term Debt	243,351,138	223,942,904
Current Portion Long-term Debt - Outside	82,000,001	32,199,999
Subtotal	325,351,139	256,142,902
Total Current Liabilities	746,270,305	682,406,707
Deferred Credits & Other Liabilities		
Deferred Taxes	381,717,205	352,334,187
Unamortized ITC	61,624,758	53,767,758
Nuclear Refueling Outage Reserve	10,918,267	1,625,271
OPEB Reserve	125,912,061	133,571,619
Other Liabilities	171,385,124	115,804,938
Total Deferred Credits & Other Liabilities	751,557,415	657,103,772
Total Capital and Liabilities	4,886,463,057	4,867,194,026

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Florida Power Corporation
2001 - 2003 Financial Forecast

	Year 2000	Year 2001
Cash Flow Statement		
Operating Activities		
Net Income	277,938,918	319,948,193
Items providing (using) cash:		
Depreciation/Amortization	427,587,660	455,931,770
DFIT & ITC - net	(65,472,628)	(44,334,018)
AFUDC - Equity	(2,661,799)	(776,698)
Change in OPEB Reserve	6,567,127	7,659,558
Net Change in Working Capital	(215,708,909)	(48,729,342)
Other Operating Activities	(459,088,542)	(55,241,076)
Net cash provided/(used) in Op Act	(30,838,172)	634,458,388
Financing Activities		
Issuance of long-term debt	0	100,000,000
Redemption of long-term debt	(900,001)	(82,000,001)
Change in short-term debt	243,351,138	(19,408,235)
Dividends on common stock	(204,923,792)	(249,023,423)
Net cash provided/(used) in Fin Act	237,527,346	(250,431,659)
Investing Activities		
Construction expenditures (Incl AFUDC)	(203,174,227)	(375,505,002)
Other Property Additions		
Decommissioning Funding	(8,335,850)	(8,521,650)
Other Investing Activities		
Net cash provided/(Used) in Inv Act	(211,510,078)	(384,026,652)
Net increase (decrease) cash/TCL	(4,820,004)	0
Cash & TCL at beginning of period	4,820,904	4,820,904
Cash & TCL at end of period	4,820,904	4,820,904

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FLORIDA POWER CORPORATION
2001 Profit Plan and 2002 - 2003 Financial Forecast

Page 1

	Year 2000	Year 2001
Operating Revenues		
Residential - Sales (410 10)	1,483,232,003	1,625,964,072
Commercial - Sales (442 10)	665,242,254	732,594,546
Industrial - Sales (442 30)	217,430,601	249,545,574
Str & HAW Lighting (444 00)	1,189,008	1,330,587
Public Authorities Sales (445 00)	151,303,353	172,186,694
Provision for Refund Retail (449 12)		
Total Retail Sales	2,518,397,219	2,781,621,472
Total Wholesale Requirement Sales	225,698,846	258,683,572
Interchange Sales (447 50)	48,620,802	74,247,007
Provision for Refund (449 11)	(873,603)	0
Total Sales for Resale	273,446,045	332,930,579
Total Electric Revenue	2,791,843,264	3,114,552,051
Deferred Fuel and Cap Revenue	19,785,315	0
Retail Unbilled Revenues (456 91)	3,112,387	2,126,856
Wholesale Unbilled Revenues (456 92)	2,707,670	(753,157)
GPIF Amortization (456 96)	(1,047,140)	(2,183,063)
GPIF Reward/Penalty (456 98)	2,183,063	0
Other Operating Revenues	77,399,805	143,241,907
Calculated Rate Relief		
Total Operating Revenues	2,895,984,563	3,256,984,594
O&M Expenses		
Total Fuel Expense-FPC	712,497,364	955,155,738
Total Purchased Power Expense-FPC	491,683,016	487,767,338
Fuel & Purchased Power Expense	1,204,180,379	1,442,923,076
Total Base Recoverable O&M	432,630,002	438,831,000
Total ECCR O&M	66,632,029	63,278,529
Total Operating and Maintenance	1,703,442,410	1,945,032,605
Total Dep & Amort-Consol FPC	401,796,194	433,735,332
Total Taxes Other-Consol FPC	218,662,428	237,633,212
Total Operating Expenses	2,323,901,033	2,616,401,149
Pretax Operating Income	572,083,530	640,583,445

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FLORIDA POWER CORPORATION
2001 Profit Plan and 2002 - 2003 Financial Forecast

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	Year 2000	Year 2001
Income Taxes:		
Current State Tax	32,698,113	33,129,383
Current Federal Tax	202,548,208	199,228,062
Total Current	235,246,321	232,357,445
Total Deferred Taxes	(57,511,860)	(36,315,273)
ITC Amortization	7,858,750	7,857,000
Total Income Taxes	169,875,711	188,185,172
Net Utility Operating Income	402,207,819	452,398,273
Other Income and Deductions		
AFUDC Equity	2,661,799	776,698
Other Income & Ded-Total	(3,930,692)	(4,053,265)
Non-Utility Revenues & Exp-Total	6,166,200	1,884,319
Total Other Inc & Ded	4,897,307	(1,392,248)
State Tax Below	217,162	39,045
Federal Tax Below	1,300,000	234,802
Deferred Tax Below	(102,818)	(161,745)
Total Taxes Below the Line	1,415,144	112,102
Total Other Income/ (Deductions)	3,482,163	(1,504,350)
Interest Expense		
Short Term Interest Expense	14,584,418	29,782,878
Long Term Interest Expense	96,575,509	88,497,310
Other Interest Expense	1,647,602	1,722,100
Interest on Customer Deposits	6,394,938	6,761,541
Interest on Tax Deficiencies	6,392,484	460,371
Amortization-Debt Prem/Discount	134,766	323,438
Net Amortization - Debt Expense	644,254	2,209,671
Total Interest Expense	126,239,204	129,433,869
Net Income	279,450,778	321,460,054
Preferred Dividends	1,511,860	1,511,860
Income Available for Common	277,938,918	319,948,193

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FLORIDA POWER CORPORATION
2001 Profit Plan and 2002 - 2003 Financial Forecast

	Year 2000	Year 2001
Utility Plant		
Electric Plant	7,186,188,312	7,486,384,353
Electric Plant Purchased or Sold	12,931	12,931
Electric Plant Held for Future Use	8,274,367	8,274,367
Accumulated Depreciation	3,627,748,619	3,956,249,234
Subtotal	3,558,439,694	3,530,135,120
Construction Work in Process	83,306,675	104,813,847
Nuclear Fuel at Cost	463,245,248	507,722,127
Accum Amortization of Nuclear Fuel	423,615,448	444,224,344
Non Utility Property	7,189,762	7,189,762
Accum Depr. Non Utility Property (bb)	1,185,904	1,714,360
Net Non Utility Property	6,003,858	5,475,402
Net Property, Plant & Equipment	3,604,073,352	3,599,108,305
Current Assets		
Cash	4,820,904	4,820,904
A/R - Assoc Companies	4,902,453	4,902,453
Accounts Receivable	156,383,462	170,935,056
Dividends & Interest Receivable		
Accrued Unbilled Revenue	73,279,739	74,653,438
Fuel Inventory	77,517,666	62,276,674
Materials & Supplies	91,861,207	103,861,207
Other Current Assets	126,527,287	184,627,287
Total Current Assets	535,292,717	606,077,019
Other Assets		
Other Investments	29,887	29,887
Decommissioning Fund	351,427,244	386,770,057
Total Other Property & Investments	351,457,131	386,799,944

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FLORIDA POWER CORPORATION
 2001 Profit Plan and 2002 - 2003 Financial Forecast

	Year 2000	Year 2001
Deferred Debits		
Costs of Reacquired Debt	32,152,503	32,152,503
Regulatory Asset-Def Tax FAS109	132,086,333	123,466,333
Reg Asset-Repl Fuel-RII	7,859,460	0
Reg Asset-Nuc Decon/Decon	11,194,026	11,194,026
Reg Asset-Nuc D/D-W	19,384	19,384
Reg Asset-Tiger Bay-RII	229,565,526	131,117,029
Sebring Rider	19,397,644	17,420,970
Accum Deferred Taxes	189,712,000	189,712,000
Deferred Fuel Balance	57,684,012	34,309,528
Other Deferred Debits	18,837,510	16,307,363
Total Deferred Debits	698,508,398	555,699,137
Total Assets	5,189,331,599	5,147,684,485

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FLORIDA POWER CORPORATION
 2001 Profit Plan and 2002 - 2003 Financial Forecast

	Year 2000	Year 2001
Liabilities and Capitalization		
Capitalization		
Common at Par	354,405,315	354,405,315
Paid in Capital	650,008,377	650,008,377
Retained Earnings	953,608,467	1,024,533,237
Total Common	1,958,022,159	2,028,946,929
Preferred Stock	33,496,700	33,496,700
Long Term Debt	1,279,116,478	1,297,439,916
Long-Term Commercial Paper	200,000,000	200,000,000
Total Capitalization	3,470,635,337	3,559,883,545
Current Liabilities		
Short Term Debt	243,351,138	223,942,904
Accounts Payable	133,028,240	134,422,252
Accounts Payable - Consolidated Affiliates	25,763,861	25,763,861
Customer Deposits	110,543,321	117,634,484
Accrued Taxes	18,008,316	18,008,316
Tax Collection Payable	13,373,116	13,373,116
Accrued Int Cust Deposit (237.41)	3,345,956	3,584,113
Accrued Interest	55,444,897	53,448,547
Other Current Liabilities	54,258,127	52,875,783
Total Current Liabilities	657,116,972	643,053,376

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FLORIDA POWER CORPORATION
2001 Profit Plan and 2002 - 2003 Financial Forecast

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	Year 2000	Year 2001
Deferred Credits & Other Liabilities		
Deferred Fuel and Capacity	551,292	(6,112,871)
Unamortized ITC-Cons FPC	61,624,758	53,767,758
Other Deferred Credits	39,764,965	39,764,965
Reg.Liab -Def Taxes - FAS109(254 10)	112,605,250	96,891,250
Other Regulatory Liabilities	55,567,631	(12,556)
Total Deferred Credits	270,113,895	184,298,545
Accrued Pension & Other Benefits	125,912,061	133,571,619
Other Liabilities	36,727,844	36,727,844
Storm Damage Reserve	29,130,814	29,130,814
Accum Prov for Benefits-Current (228.31 228.32 228 35)	7,153,332	7,153,332
Nuclear Refueling Outage Reserve	10,918,267	1,625,271
Accum Prov for Rate Refund (229.02 229.08)	598,992	598,992
IOE Decom/Decon - 228 49	9,594,879	9,594,879
Accum Def Taxes - Consolidated FPC	571,429,205	542,046,187
Total Other Liabilities	791,465,394	760,448,938
Total Deferred Credits & Other Liabilities	1,061,579,289	944,747,483
Total Liabilities and Capitalization	5,189,331,599	5,147,684,405

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CURRENT SUMMARY ANALYSIS: FLORIDA PROGRESS

Rationale

The ratings of Florida Progress Corp. and affiliates are on CreditWatch with negative implications, reflecting lower-rated Carolina Power & Light Co.'s offer to acquire Florida Progress for \$5.3 billion plus the assumption of \$4.7 billion in debt. Although the combination provides the potential for operational efficiencies and cost savings, the new entity is expected to have a high level of debt initially, which could adversely affect credit protection measures.

Florida Progress' credit quality is supported by solid cash flow from its utility subsidiary, Florida Power Corp., partially offset by a weaker financial profile for its nonregulated subsidiary, Electric Fuels Corp. Electric Fuels' funding needs are met through Florida Progress' financing arm, Progress Capital Holdings Inc. Primary holdings are in the nonregulated rail services, inland marine, and energy and related services units, which are vertically integrated. Still, the risk profile of these units is greater than the traditional regulated utility business, requiring greater cash flows commensurate with the higher risk.

Florida Power's ratings reflect an above-average business position that is buoyed by demand growth spurred by Florida's vibrant economy, growing population, and diversified fuel mix. These positive credit factors are slightly offset by the changing regulatory and political environment in Florida, which may adversely impact the consolidated business profile of the utility. Also, the uncharacteristically high amount of debt used to finance the parent's nonregulated activities adversely affects the consolidated entity's financial profile.

CURRENT SUMMARY ANALYSIS: FLORIDA POWER

Rationale

The ratings on Florida Power Corp. are on CreditWatch with negative implications, reflecting Carolina Power & Light Co.'s offer to acquire parent Florida Progress Corp. for \$5.3 billion plus the assumption of \$1.7 billion in debt. Florida Progress' credit quality is supported by solid cash flow from its utility subsidiary, Florida Power, partly offset by a weaker financial profile for its nonregulated subsidiary, Electric Fuels Corp.

The ratings on Florida Power reflect an above average business position buoyed by demand growth, which is spurred by Florida's vibrant economy, growing population, and diversified fuel mix. These positive credit factors are slightly offset by the changing regulatory and political environment in Florida, which may adversely impact the consolidated business profile of the utility. Also, the uncharacteristically high amount of debt used to finance nonregulated activities adversely affects the consolidated entity's financial profile.

Debt leverage for Florida Power is temporarily higher than normal because of the buyout of the Tiger Bay purchased-power contract and the related 220MW facility. However, the lower capacity charges resulting from the buyout are a long-term credit positive. Still, the high amount of debt leverage pressures consolidated credit protection measures.

Electric Fuels' primary holdings are in the nonregulated rail services, inland marine, and energy and related services units, which are vertically integrated and contribute to Florida Progress' profit picture. Still, the risk profile of these units is greater than the traditional regulated utility business, requiring greater cash flows commensurate with the higher risk.

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CURRENT SUMMARY ANALYSIS: PROGRESS CAPITAL HOLDINGS

Rationale

The ratings on Florida Progress Corp. and affiliates are on CreditWatch with negative implications following Carolina Power & Light Co.'s announced offer to acquire Florida Progress for \$5.3 billion. The ratings on Progress Capital Holdings Inc. reflect the unconditional guarantee provided by Florida Progress.

Florida Progress' credit quality is supported by solid cash flow from its utility subsidiary, Florida Power Corp., partially offset by the weaker financial profile of its nonregulated subsidiary, Electric Fuels Corp. Progress Capital Holdings provides financing for the parent's nonregulated investments at Electric Fuels, which are in nonregulated rail services, inland marine, and energy and related services units. The risk profile of these units is greater than the traditional regulated utility business, requiring greater cash flows commensurate with the higher risk.

The ratings on Florida Power reflect an above-average business position buoyed by demand growth, which is spurred by Florida's vibrant economy, growing population, and diversified fuel mix. These positive credit factors are slightly offset by the changing regulatory and political environment in Florida, which may adversely impact the consolidated business profile of the utility. Also, the uncharacteristically high amount of debt used to finance nonregulated activities adversely affects the consolidated entity's financial profile.

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Business profile highlights

CP&L ENERGY

Strengths

- Acquisition of Florida Power adds regulatory, geographic, and economic diversity.
- The majority of capital expenditures (77% for 2001-03) will pertain to the relatively low-risk regulated businesses of Carolina Power & Light and Florida Power for the foreseeable future.
- Responsible regulatory environments in North Carolina, South Carolina, and Florida, with each on a relatively slow path to deregulation (see comments in utility specific sections below).
- Regulated generation capacity totaling 19,000MW with an embedded cost of \$350/kW.
- Diverse fuel mix comprised of 42% coal, 35% gas and oil, and 22% nuclear which will be enhanced in the future by the construction of gas-fired capacity under the company's upstream energy strategy.
- Well-positioned operating utilities in Southeastern and mid-Atlantic markets experiencing above-average economic growth.
- Diverse and growing customer base totaling 2.8 million end-users; customer base is estimated to grow at nearly 2% annually. The retail customer class breakdown is favorable, comprised in 1999 of 50% residential customers which are the least price sensitive, 27% commercial, and 18% industrial. This class segmentation is an improvement over the standalone CPL segmentation which is skewed toward the industrial sector.
- Projected average annual earnings growth of 7-8% should enhance financial flexibility.
- Opportunity to extract modest cost savings (\$110-\$190MM/year for 2001-03) from the Florida Progress acquisition, with no sharing with ratepayers required in North Carolina.
- Virtually 100% internally financed capital expenditure budget through 2003.

CP&L ENERGY

Risks

- The parent's upstream energy strategy adds risk to the consolidated profile; however, CP&L expects to pursue term contracts for the 4,000MW of merchant power it plans to build by 2003 in North Carolina, Georgia, Florida in order to secure the revenue stream. The company will trade around its assets but doesn't intend to become a major trading firm. However, the company expects to pursue a risk averse approach to merchant power incorporating a significant level of long term offtake contracts.
- While nuclear power as a percent of the fuel mix will be reduced with the addition of Florida Power to 31% of the consolidated mix, it remains high relative to the industry average. The risks associated with nuclear are mitigated by the company's successful track record as a nuclear operator (see comments under Carolina Power & Light).
- The company has an opportunity to recover potential stranded costs relating to regulatory assets and nuclear power under accounting orders in North Carolina and South Carolina retail jurisdictions. In Florida, it remains unclear whether an adequate mechanism would exist for recovery of above-market purchased power costs in deregulated environment.

- The company will be required to invest in the noncore barge, coal, and rail car services businesses of Florida Progress' Electric Fuels unregulated subsidiary until such time as they can be sold. The rail car services business may be sold in 4Q00. Proceeds from any sales will be used to pay down debt at Progress Capital.
- Environmental exposure to the potential tightening of nitrogen oxide and carbon dioxide emissions restrictions that could result in higher capital expenditure budgets and financing requirements, leading to higher rates or the possible creation of stranded costs, given that coal is 42% of the fuel mix. If ongoing efforts by various advocate groups to strengthen air pollution regulations are successful, environmental matters will begin to play a greater role in evaluating credit quality.

SCENARIO 2 RATIO ANALYSIS: CP&L ENERGY

ASSUMPTIONS

- CP&L Energy acquires Florida Progress for \$5.3 billion, financed 67% with CP&L long-term debt and 33% equity
- CP&L common stock price is \$35 at closing which is assumed to be December 31, 2000.
- \$3.5 billion in bridge financing (commercial paper) will be permanently funded with \$2.5 billion of fixed rate debt (7.0% rate, 2-5-10 year maturities) and \$500 million of high equity content trust preferred securities (9.375% rate, 30-year life).
- \$520 million of commercial paper will remain outstanding at CP&L.
- Common dividend policy is maintained, with \$2.06 annual rate and 3% annual growth.
- Synergy savings are assumed to be \$109 million in 2001, \$153 million in 2002, and \$188 million in 2003.
- Capex budget is projected to average \$1.3 billion annually, divided about 70% core regulated businesses and 30% merchant power and fiber optics.

CP&L Energy	<u>FORECAST</u>			<u>FINANCIAL TARGETS</u>		
	<u>2001E</u>	<u>2002E</u>	<u>2003E</u>	<u>'A-'</u> <u>Category</u> 5 Bus. Prof.	<u>'BBB+'</u> <u>Category</u> 5 Bus. Prof.	<u>'BBB'</u> <u>Category</u> 5 Bus. Prof.
FFIC (X)	2.8	3.0	3.3	3.7	3.3	3.0
NCF/CAPEX (%)	96	118	142	100	90	75
FFO/INT. COVERAGE (X)	3.9	4.0	4.3	4.2	3.8	3.5
FFO/TOTAL DEBT (%)	20	20	24	28	26	24
DEBT/CAPITAL (%)	60	57	54	46	49	51

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SCENARIO 3 RATIO ANALYSIS: CP&L ENERGY

ASSUMPTIONS

- CP&L Energy acquires Florida Progress for \$5.3 billion, financed 67% with CP&L long term debt and 33% equity.
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CP&L Energy	<u>FORECAST</u>			<u>FINANCIAL TARGETS</u>		
	<u>2001E</u>	<u>2002E</u>	<u>2003E</u>	<u>'A-'</u> Category	<u>'BBB+'</u> Category	<u>'BBB'</u> Category
PTIC (X)	2.8	3.1	3.4	5 Bus. Prof.	5 Bus. Prof.	5 Bus. Prof.
NCF/CAPEX (%)	96	119	148	3.7	3.3	3.0
FFO/INT. COVERAGE (X)	3.9	4.1	4.4	100	90	75
FFO/TOTAL DEBT (%)	20	21	25	4.2	3.8	3.5
DEBT/CAPITAL (%)	60	55	52	28	26	24
				46	49	51

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A Progress Energy Company

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