



State of North Carolina
Utilities Commission

Mailing Address
4325 MAIL SERVICE CENTER
RALEIGH, NC 27699-4325

COMMISSIONERS
JO ANNE SANFORD, Chair
RALPH A. HUNT
JUDY HUNT

FILED

MAR 29 2001

Clerk's Office
N.C. Utilities Commission

COMMISSIONERS
WILLIAM R. PITTMAN
J. RICHARD CONDER
ROBERT V. OWENS, JR.
SAM J. ERVIN, IV

March 29, 2001

Mr. John M. Fuscoe
Wyrick Robbins Yates & Ponton LLP
Attorneys at Law
Post Office Drawer 17803
Raleigh, North Carolina 27619

E-100, SUB 37A

Dear Mr. Fuscoe:

Thank you for your letter dated March 5, 2001, in response to a request from the Commission for information from the North Carolina Advanced Energy Corporation (AEC) regarding investments which may have been undertaken by the AEC subsequent to our approval on February 8, 2000, of the two charter amendments requested by the AEC. As a matter of follow-up, the Commission has some additional questions.

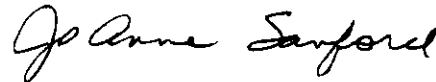
We note that, unless authorized by the Board of Directors, employees of the AEC may not have a financial interest in any concern or venture which is engaged in doing business with any electric supplier, the AEC, or any party or entity contracting with the AEC. In your letter of March 5, 2001, it is noted that the AEC has made an equity investment in Microcell Corporation (Microcell) and that the AEC plans to retain all such interest and has no plans to transfer any of its shares to employees, directors, or any other third party. However, under the second charter amendment approved by the Commission, the Board of Directors of the AEC could authorize employees to independently invest in companies such as Microcell. That being the case, the Commission would like to know how any authorization which would allow employees to make independent investments has been or will be handled by the AEC Board; i.e., will individual employees have to seek specific authorization from the Board to make such investments or has the Board acted in some other way to authorize any such investments? Has the AEC Board taken any such action to date? Further, are employees who may have been authorized to make such an independent investment required to specifically disclose that fact to the Board in order to avoid even the appearance of a conflict of interest, particularly at such times as the Board considers action items that may affect the AEC and/or such company, such as potential

John M. Fuscoe
March 29, 2001
Page 2

additional equity investments by the AEC? The bottom-line is that the Commission would like to know what safeguards have been put in place by the AEC Board to both (1) ensure disclosure of potential conflicts of interest by AEC employees and (2) prohibit actual conflicts.

Thank you for the information which you have supplied to date. The Commission looks forward to receiving the additional information requested by this letter.

Very truly yours,

A handwritten signature in cursive script that reads "Jo Anne Sanford".

Jo Anne Sanford

cc: Dr. Robert K. Koger
Robert P. Gruber
Chief Clerk