

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

CONFIDENTIAL

In re: Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light
Docket No. 000824-EI

DEPOSITION OF: MARK A. MYERS

TAKEN AT THE OFFICE OF THE ATTORNEYS FOR THE CITIZENS OF FLORIDA

DATE: January 15, 2002

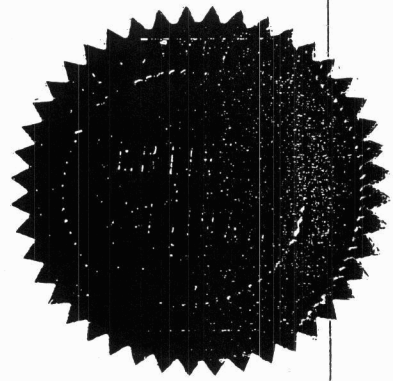
TIME: Commenced at 9:00 a.m.
Concluded at 5:00 p.m.

LOCATION: 2540 Shumard Oak Boulevard
Room 309
Tallahassee, Florida

REPORTED BY: Carolyn L. Rankine
Notary Public in and for
the State of Florida at
Large

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1 still be appropriate in this situation but we erred on
2 the side of conservative in building our numbers and
3 building the acquisition and so we've excluded that
4 specifically from the number, which brings us down to the
5 \$69 million that we're using in our calculation.

6 Q On page 2, you have the Progress' merger costs,
7 you mentioned \$21 million or so, which lines would that
8 apply to on page 3 of the document? Would it be to all
9 the COC lines?

10 A Well, for instance, if you took the lines that
11 have similar descriptions and netted the numbers, for
12 instance, the first number that shows severance of
13 15,916,222 and netted that against the -- on page 2, the
14 4,813,550, and you would get a net number and, likewise,
15 if you went all the way down and netted them, that would
16 be the way to do it.

17 Q Let me ask you about the line on page 2 for
18 LTIP. Do you see the figure there? The \$10.8-million
19 figure.

20 A Yes.

21 Q When we go to page 2 there the LTIP is less
22 than that. Why would that be?

23 A Yes. When we filed this originally, the amount
24 shown -- the amount shown on page 2, the 10,881,890, we
25 incorrect -- the number should have been a reduction of

1 A Well, these particular schedules there aren't
2 any adjustments to be made. There was -- there is a
3 calculation that we've made to the severance accrual
4 amount. We had to book our best guess of what we thought
5 the severance accrual would be at the end of 2000. At
6 the end of the year we reflected about a \$9-million
7 adjustment to true up for what we actually experienced.

8 So the reality is when you net that difference
9 with this difference, there is still a slight reduction
10 that we will -- you know, once we finish closing the
11 books and we get everything finalized -- that we would
12 ultimately reflect in our calculation here of our 4.6
13 million. When you amortize it out, it doesn't change it
14 by much. But the 69-million number might be like 68 and
15 some change. So those are -- that's the one change
16 that -- it's not on these schedules, but does get
17 reflected in the calculation that we're talking about.

18 Q They have two errors that are more or less
19 about \$9 million, and they more or less offset each
20 other?

21 A Well, the severance accrual I wouldn't say was
22 an error, it was a change in the estimate based on
23 knowledge.

24 Q One accrual an error --

25 A Yes.

1 the premium cost.

2 Q Do you know of any documents that would show
3 the total synergy savings projected for 2003 for Power
4 Corp, Carolina Power, and the unregulated affiliates?

5 A For 2003?

6 Q Yes.

7 A It would be -- again, we would have to look to
8 the 60-day reports and the target-setting procession that
9 we went through.

10 Q The number for 2003, how does it relate to the
11 \$175-million figure for the total system?

12 A Based on some of the early synergy targets that
13 were in the 60-day reports, I think when you look at the
14 totals, the 175 number that we're referring to is 2003
15 synergy target. The 2002 number is lower. It's more
16 like a \$153 million. So part of what we've done, again,
17 is we've erred on the side of looking ahead, trying not
18 to get into, well, is '02 going to be better than '03,
19 and looking at the total of what aspirationally this
20 company wanted to try to achieve in total and that's what
21 we've tried to build into our numbers.

22 Q Let's go to the POD supplement if we could that
23 we handed out earlier. Could you turn to the Bate
24 stamped page 9743.

25 A (Witness complies.)

1 A Again, as we researched our records, I'm trying
2 to respond to you, we gave you everything we had, so I
3 would say no.

4 Q Under the heading for revenue enhancements
5 we're looking at the totals for 2002 and 2003.

6 A Okay.

7 Q As I understood it, you said in all likelihood,
8 or something to the effect that these would be
9 unregulated, is that right?

10 A That would be my assumption subject to trying
11 to go back and validate it.

12 Q And these would be included as part of your
13 synergy targets, is that correct, for the total system?

14 A Yes.

15 Q Now, in 2003, as I recall, you said that the
16 \$175-million synergy estimate for the system was for
17 2003?

18 A Yes.

19 Q Now, in here we have a 2003 total of \$78.4
20 million for revenue enhancements, is that right?

21 A That's what it says.

22 Q So that would leave a balance of less than a
23 hundred million dollars for nonrevenue enhancements out
24 of 175 million in synergies, is that right?

25 A Again, as you look at all this stuff, I mean,

1 part of it is aspirational and what we think we can do,
2 the amount of expansion we think we can do in trying to
3 guesstimate what's possible. And so, you know, it's a
4 function of the market place and what we can accomplish.
5 So at that point in time based on whatever was
6 produced -- it would be others that could more accurately
7 address this -- but that was the conclusion, I guess,
8 that was reached at that point in time.

9 Q Are there witnesses in this proceeding that
10 provide that information or can answer those types of
11 questions?

12 A No. We don't have any witnesses to address
13 unregulated expansion."

14 Q But I am correct to conclude that \$78.4 million
15 listed for 2003 would be a part of the total 175 million
16 that you told us relates to 2003?

17 A There is a difference between these updates and
18 what was provided at that point in time and what
19 ultimately got reflected in the budget target-setting
20 process and so these were what teams were looking at, at
21 that point in time but, again, as a part of the process,
22 management has to look at those assumptions and whether
23 or not they think they can achieve what some of the
24 recommendations are. And so, again, since that's on the
25 unregulated side as to how it ultimately got reflected, I

1 issue is listed as resolution of market power issues. Do
2 you know what that is?

3 A No. It's too cryptic.

4 Q Would you now turn to page 10178, just a few
5 pages down from where we are.

6 A (Witness complies.)

7 Q This document describes some bases for revenue
8 enhancements from increased operational efficiency and
9 effectiveness. Is that what it says at the top?

10 A Yes, sir.

11 Q Key consideration number 5. It indicates that
12 CP&L and FPC trading centers will generate revenue in
13 excess of \$250 million with a margin of 60 million. It
14 says 40 million will benefit stockholders and 20 million
15 will benefit ratepayers. It also states that an increase
16 in performance of at least five percent is anticipated
17 due to the above considerations, thereby, resulting in a
18 minimum increase of \$2 million in shareholder value and
19 one million in retail value. Now, could you explain how
20 the stockholders get \$40 million and ratepayers get 20
21 million in this analysis?

22 A I don't know what went into doing this
23 analysis, and I couldn't tell you what they were -- how
24 they concluded this.

25 Q The very last thing we mentioned was \$1 million

1 A Those are cost synergies, that's correct.

2 Q Right. Would you turn to Bate stamp 10181.

3 It's about two or three more down.

4 A (Witness complies.)

5 Q There are certain key considerations listed on
6 this page, and you'll see under key consideration number
7 1, it says as a baseline assumption all existing FPC
8 wholesale term business is being exited at the fastest
9 contractual rate?

10 A What was the Bate's number again?

11 Q This is 10181.

12 A Is that the page (indicating)?

13 Q Right. And there are certain key
14 considerations listed.

15 A Item 1?

16 Q In the second sentence under item 1.

17 A Okay. I'm sorry.

18 Q The second sentence says, as a baseline
19 assumption all existing FPC wholesale term business is
20 being exited at the fastest contractual rate. I was
21 wondering if you could explain why.

22 A No. And not having worked as part of this
23 team, I don't know what all their assumptions were.

24 Q I'll start to the next page, which is Bate
25 stamp 10182.

1 A (Witness complies.)

2 Q It says certain issues listed with both desired
3 outcomes and undesirable outcomes, is that right?

4 A Yes.

5 Q An undesirable outcome listed under key issue 1
6 is extremely limited or prohibited dealings between
7 affiliates. Why would that be an undesirable outcome?

8 A I don't know what was involved in not having
9 worked as part of the power team here that does this.
10 This refers to power operations and power trading and
11 ultimately the code of conduct that we have to follow is
12 what ultimately will be the outcome of how we have to do
13 business. So I'm not sure what this refers to.

14 Q Under key issue 2, to the extent you know, it
15 indicates the desired outcome is for FPC to get the same
16 treatment as CPL. Do you know any steps underway by the
17 company to obtain that treatment?

18 A No. This is referring to the treatment and how
19 expenses and margins relating to trading activity might
20 be different between CPL and Florida Power. The
21 commission has certainly provided its own conclusions as
22 to how that should be handled and so, you know, that's
23 sort of been decided through docketed discussions and
24 Florida Power is adhering to all of that. So I'm not
25 sure -- there certainly is no move afoot to try to change

1 the top, does it not?

2 A It does.

3 Q Are these Florida Progress estimated synergies?

4 A No. I would say these are, at this point in
5 time, would be the combined company, although the totals
6 still seem too high. But it would be more than just
7 Florida Progress.

8 Q So this would be the entire consolidated
9 entity?

10 A Yes, sir.

11 Q And this shows 194,709,000 in 2003, is that
12 right?

13 A That's what it shows.

14 Q Was that number the best estimate as of
15 November 13th, 2000?

16 A I don't know how this document was used. So I
17 don't know.

18 Q There's a line item for energy venture
19 revenues.

20 A Yes.

21 Q Do you know how those revenue estimates were
22 derived?

23 A I do not.

24 Q Would any of those revenues go to retail
25 customers?

1 little bit. Give me a second and I can go through
2 the one more additional confidential document, and
3 then we can close down confidential.

4 MS. HELTON: I think it will be easier to deal
5 with in the transcript that way.

6 BY MR. BECK:

7 Q Mr. Myers, I'm going to switch a little bit,
8 cover one last confidential thing, then go back to the
9 budget. I want to ask you about branding.

10 A Okay.

11 Q I show you a page -- and I only have the one
12 copy here -- but it's page OPC14529 and it says key
13 issue, branding, and ask you to take a look at that, if
14 you would.

15 A (Perusing document.)

16 Q Mr. Myers, this is from one of the 60-day
17 reports that you mentioned earlier, is it not?

18 A Yes, it is. It's a 60-day report from the
19 corporate communications support team.

20 Q And on page 14529 it indicates that a \$6
21 million synergy target was transferred to the corporate
22 communications team to be used for communicating the new
23 brand in Florida, is that right?

24 A That's what it says.

25 Q Could you turn to page 14544.

1 A 544?

2 Q Yes, 14544.

3 A (Witness complies.)

4 MS. HELTON: Charlie, just so the record is
5 clear, is that part of POD response?

6 MR. BECK: Yes.

7 MS. HELTON: Do you know the number of the
8 response?

9 MS. KAUFMAN: It came in and it said supplement
10 to first POD.

11 MR. BECK: Yes. In our first set of production
12 documents it asks for synergy type documents. This
13 was a late-filed supplement to what was originally
14 produced and it's one of the 60-day reports that
15 Mr. Myers mentioned.

16 BY MR. BECK:

17 Q Mr. Myers, you have page Bate stamped 14544 in
18 front of you?

19 A Yes, sir.

20 Q It indicates there the launch for Florida Power
21 in 2001 would cost more than \$6 million, does it not?

22 A That's what it says.

23 Q You've used the year 2001 and then adjusted it
24 to develop your 2002 projected test year, have you not?

25 A That's correct, along with any known changes.

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24 Q It was more in the level of 4 million you're