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March 5, 2002

Blanca S. Bayó, Director
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0870

Re: Docket No.: 001148-EI
Publix Super Market Inc., Direct Testimony of Sheree L. Brown, Theodore Kury, Patrick Paris, Tim Fyffe and Niel Laxdal

Dear Ms. Bayó:

Enclosed please find (1) fifteen copies of the Direct Testimony of Niel Laxdal; (2) fifteen copies of the Direct Testimony of Tim Fyffe; (3) fifteen copies of the Direct Testimony of Theodore Kury; (4) fifteen copies of the redacted version of the Direct Testimony of Sheree L. Brown; and (5) fifteen copies of a reformatted version (to include line spacing) of the Direct Testimony of Patrick Paris filed by Publix Super Markets, Inc. in the above-referenced docket. Please note that the originals of the Direct Testimony of Sheree L. Brown and Theodore Kury were delivered yesterday without copies. Also included herein is copy of these filings on a 1.44MB floppy disc in Word.

Sincerely,

Peter Antonacci

GRAY, HARRIS & ROBINSON, P.A.

PA:gcj
Enclosures
cc: All individuals on docketing service list

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of the Retail Rates of Florida Power & Light Company	:	DOCKET NO. 001148-EI
Submitted on	:	March 4, 2002

DIRECT TESTIMONY OF
SHEREE L. BROWN ON BEHALF OF
PUBLIX SUPER MARKETS, INC.

DIRECT TESTIMONY OF
SHEREE L. BROWN ON BEHALF OF
PUBLIX SUPER MARKETS, INC.

Q: PLEASE STATE YOUR NAME AND OCCUPATION.

A: My name is Sheree L. Brown and I am a Managing Principal of SVBK Consulting Group, Inc., a subsidiary of Alliant Energy Integrated Services, located at 37 N. Orange Ave., Suite 710, Orlando, Florida 32801.

Q: PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A: I graduated Magna Cum Laude from the University of West Florida with a B. A. in Accounting and later received a Masters in Business Administration degree from the University of Central Florida. I am a Certified Public Accountant in the State of Florida and am a member of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants.

Since 1981, I have provided utility consulting services to regulators; municipal, cooperative, county and institutional utilities; and industrial consumers in matters pertaining to electric, water, wastewater, natural gas, steam heat and chilled water utilities. My work has focused in the areas of regulatory affairs, revenue requirements and cost of service, rates and rate design, deregulation and stranded costs, valuation and acquisition, feasibility studies and contract negotiations. A more detailed description of my experience is included in my resume that is attached hereto as Exhibit SLB-1.

Q: ON WHOSE BEHALF ARE YOU SPONSORING THIS TESTIMONY?

A: I am sponsoring this testimony on behalf of Publix Super Markets, Inc. ("Publix").

Q: WHAT ARE THE INTERESTS OF PUBLIX IN THIS PROCEEDING?

A: Publix is a Fortune 500 company employing 135,000 employees in 675 supermarkets, 8 distribution centers and 3 manufacturing facilities with 304 supermarkets, 3 distribution centers, and one manufacturing facility in Florida Power & Light Company's ("FP&L's") service territory. The Company is growing at the rate of approximately 50 stores per year. The typical Publix store has a demand of 435 KW, with the range of monthly demands varying only from a low of approximately 403 KW to a high of approximately 479 KW. Due to refrigeration requirements, the supermarkets have an average load factor of 75% and Off-Peak usage is 72% of their total energy requirements. Electricity makes up a significant portion of Publix' operating expenses. In 2000, Publix purchased

846,880,535 kWhs from FP&L, which is approximately 1% of FP&L's total sales to ultimate consumers, as reported in FP&L's 2000 Federal Energy Regulatory Commission ("FERC") Form 1. As a major consumer of electricity from FP&L, Publix is very interested in the outcome of this proceeding.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A: The purpose of my testimony is to address FPC's proposed revenue requirements for the 2002 Test Year. I will also address rate design issues affecting Publix.

Q: PLEASE SUMMARIZE YOUR TESTIMONY.

A: My testimony addresses FP&L proposed cost of service and shows that, with all of FP&L's proposed adjustments, the earned return on equity equals 13.15% as recommended by FP&L witnesses Avera and Dewhurst.

I have concluded that many of the Company's proposed adjustments are simply the adjustments to the way the costs are collected from the Florida customer, or transfers from one "pocket" to another. I have also concluded that the Company should not be allowed to recover the cost of its charitable contributions from Florida customers. In addition, I have concluded that while the Company has made an adjustment to uncollectible accounts, it has not made the corresponding adjustment to rate base.

I have concluded that the Company's Test Year payroll expenses are overstated and that the Test

Year revenue requirement should be reduced by $21.7 million. I have also concluded that the Company has overstated its Test Year revenue requirement by allocating 100% of payroll taxes to O&M and recommend that the Test Year revenue requirement be reduced by $10.993 million to reflect an appropriate allocation of payroll taxes to capital accounts. I also demonstrate that the Company's pension fund is overfunded by $1.4 billion and that the Company has not contributed to this fund since at least 1991. I show that the Prepaid Pension Asset created under accounting rules has grown from $2.793 million in 1993 to $583.7 million in the Test Year and results in the retail customers paying a return on assets that are (i) overfunded, and (ii) already earning a return in the pension fund. I recommend that the Prepaid Pension Asset be eliminated from the Test Year rate base for ratemaking purposes. I have concluded that the Company's Office Supplies expense is overstated in comparison to historical trends and recommend a reduction in the Test Year revenue requirements of $4.6 million. Finally, I have concluded that the Company's Rate Case expenses are overstated and recommend a reduction in the Test Year revenue requirements of $7.2 million.

I also have several concerns with rate design issues. I recommend that the demand rates should be more reflective of differences in load characteristics than simply size, or demand levels. I also recommend that discrepancies between the GSDT and GSLDT rates should be removed and the rates should allow for savings over the General Service rates at more reasonable levels of On-Peak and Off-Peak usage, and that the Commission should require FP&L to implement a new Real Time Pricing rate that is either a "true" RTP rate or that allows the customer to have the benefit of real time pricing for all load growth.

FP&L COST OF SERVICE

Q: HAVE YOU REVIEWED FP&L'S COST OF SERVICE ANALYSES?

A: Yes. The Company's cost of service was filed in Schedule E-1. As shown in that schedule, FP&L's estimated Test Year revenues, expenses, and rate base result in a total return of $885.873 million, or 8.97%. At an 8.97% overall rate of return, the Company would be earning a return on equity of 12.12%.

Q: DID THE FILED COST OF SERVICE REFLECT FP&L's ACTUAL POSITION ON ITS PROPOSED TEST YEAR REVENUE REQUIREMENTS?

A: No. As explained in FP&L Witness Mr. Davis' testimony, FP&L first recommends several adjustments to its filed cost of service to reflect updates due to changes in the Company's estimates since the original filing. Further, Mr. Davis sets forth several other adjustments that the Company would propose if the rates are to be changed in this proceeding.

Q: WHAT IS THE IMPACT OF THE FIRST SET OF "UPDATE" ADJUSTMENTS?

A: FPL did not file a cost of service incorporating these adjustments; however, it did file certain updated statements which set forth its summary of the cost of service and the adjustments. Schedule B-3, Revised 11/9/01 shows that the Company updates would decrease the overall rate of return to 8.81%, which results in a return on equity of 11.83%.

Q: WHAT IS THE IMPACT OF THE COMPANY'S ADJUSTMENTS THAT IT PROPOSES TO MAKE IF RATES ARE TO BE CHANGED IN THIS PROCEEDING?

A: FP&L's Witness Mr. Davis, provided a list of the adjustments that he proposed to make to the Test Year cost of service in the event that rates were to be changed in this proceeding. Since one of the primary purposes of this proceeding is to allow the Commission to evaluate FP&L's rates and costs of providing service, it is appropriate to include those adjustments in FP&L's Test Year cost of service study to determine FP&L's actual position regarding its Test Year revenue requirements. To do this, I developed three cost of service analyses. The first analysis was a duplication of FP&L's filed cost of service study. The second analysis was a revision of the original cost of service study to reflect the updated assumptions provided by Mr. Davis. The third analysis was an update of the second analysis to incorporate the adjustments proposed by Mr. Davis if the rates are to be changed in this proceeding.

While FP&L has not provided all of the required backup for its cost of service study, I was able to duplicate the original cost of service study and the updated cost of service summary with only small variations in class allocations. The third cost of service study was then developed to incorporate Mr. Davis' additional adjustments, as set forth in his January 28, 2002 testimony and in the response to Staff's Seventh Set of Interrogatories, Questions No. 259, 270, and 282. Based on these adjustments, the Company's overall rate of return would increase to 9.54%, resulting in a return on equity of 13.15%.

Q: IS THIS THE RETURN ON EQUITY PROPOSED BY THE COMPANY?

A: Yes. As with FP&L's filed cost of service, the fully adjusted cost of service surprisingly results in the Company earning its proposed return on equity at the present rate level.

Q: WHY DO THE COMPANY'S FINAL PROPOSED ADJUSTMENTS RESULT IN AN INCREASE TO ITS RETURN?

A: The majority of the increase is simply due to FP&L's desire to shift certain revenues and costs from the base rates to the Energy Conservation Clause and to eliminate the Gross Receipts Tax from the base rate revenue requirement and, instead, to include it as an "add-on" to customer bills.

Q: PLEASE DESCRIBE THE ADJUSTMENTS PROPOSED BY FP&L IF ITS RATES ARE TO BE CHANGED IN THIS PROCEEDING.

A: FP&L proposed numerous adjustments to its Test Year cost of service. These adjustments are listed below:

1) Add back the dental expenses that were previously disallowed by the Commission;

2) Allow charitable contributions;

3) Remove over-recoveries associated with the recovery clauses from Working Capital;

4) Discontinue the additional depreciation expense associated with interest synchronization;

5) Reverse imputed revenues for orange groves;

6) Remove conservation-related pension and welfare costs from base rates and include them in the conservation clause;

7) Remove gross receipts tax and include the gross receipts on customers bills as a pass-through;

8) Remove capacity charges and revenues that are currently included in base rates and include them for recovery in the Capacity Cost Recovery Clause;

9) Annualize expenses associated with the new production plant placed in service in the Test Year;

10) Remove the under-recovered fuel costs (Special Deferred Fuel) from rate base;

11) Remove environmental costs from base rates and include them for recovery in the Environmental Cost Recovery Clause;

12) Remove the estimated refund accrual;

13) Normalize insurance costs to reflect increases resulting from the terrorist attack;

14) Reduce decommissioning to reflect the Commission's decision in the last decommissioning case and to reverse the nuclear depreciation recorded under the previous settlement agreement;

15) Amortize the Last Core Nuclear Fuel and End-of-Life Nuclear Materials and Supplies over the remaining life of the current nuclear licenses; and

16) Annualize the rate base treatment of the Okeelanta Settlement.

Q: DO YOU HAVE ANY CONCERNS WITH THE ADJUSTMENTS PROPOSED BY FP&L?

A: Yes. First, it should be recognized that many of these adjustments are simply transfers of the "pocket" from which FP&L will take its revenues. Second, I have concerns with the Company's proposal to include charitable contributions. Lastly, the Company did not reflect an adjustment to Uncollectible Accounts Receivable that should have been made as a result of the other adjustments.

Q: WHAT IS THE MAGNITUDE OF THE ADJUSTMENTS THAT SIMPLY TRANSFER REVENUE RECOVERY FROM ONE "POCKET" TO ANOTHER?

A: Document KMD-6, Page 1 of 1, provided a breakdown of the adjustments proposed by FP&L's

Witness, Mr. Davis. Of these adjustments, $54.831 million was attributable to removing the gross receipts tax that is currently collected through base rates. FP&L is then requesting that an additional 1.5% gross receipt tax factor be put on customer bills as a pass-through expense. Therefore, FP&L's elimination of this Test Year expense does not really reduce customer costs, but simply changes the method in which FP&L will collect the costs. An additional $56.948 million in base rate reductions were shifted into the Capacity Cost Recovery Clause and $1.745 million were shifted into the Environmental Cost Recovery Clause.

Q: WHAT IS THE LEVEL OF TEST YEAR CHARITABLE CONTRIBUTIONS THAT FP&L IS SEEKING TO RECOVER FROM THE CUSTOMERS?

A: FP&L is seeking to recover $2 million from customers to support its charitable contributions.

Q: SHOULD FP&L BE ALLOWED TO RECOVER ITS CHARITABLE CONTRIBUTIONS FROM CUSTOMERS?

A: No. FP&L's customers should not be required to support FP&L's choice of charitable contributions.

UNCOLLECTIBLE ACCOUNTS RECEIVABLE

Q: PLEASE EXPLAIN THE RATE BASE IMPACT FOR UNCOLLECTIBLE ACCOUNTS RECEIVABLE.

A: In making its adjustments to the Test Year cost of service, the Company included an increase in uncollectible accounts of $3.830 million. This adjustment is shown on Document KMD-1, page 5 of 41. The Company did not make a corresponding adjustment to Working Capital. In response to Staff's Sixth Set of Interrogatories, Item 224, FP&L indicated that the adjustment to

uncollectible accounts would result in a reduction in Working Capital of $1.915 million. This adjustment should be included in the calculation of the final Test Year revenue requirements.

LABOR COSTS

SALARIES AND WAGES

Q: PLEASE DESCRIBE FP&L'S INCREASE IN SALARY EXPENSES FOR THE TEST YEAR.

A: Table 1 below provides a breakdown of the 2000 through 2002 gross payroll into wages and salaries, overtime, and miscellaneous other earnings and adjustments. The 2000 and 2002 information was provided in response to Publix' First Set of Interrogatories, Items 15 and 23.

[Redacted]

Q: HAS FP&L HAD A SIGNIFICANT INCREASE IN EMPLOYEES OVER THE PAST SEVERAL YEARS?

A: No. Table 2 below provides the number of employees for each year from 1996 through 2000, based on information reported on page 323 in the respective FERC Form 1 reports and for 2001 and projected 2002 based on the Company's Schedule C-33, Revised 10/15/01.

TABLE 2 EMPLOYEE HISTORY		
Year	Number of Employees	Percent Increase
1996	10,235	
1997	9,857	-3.69%
1998	9,994	1.39%
1999	9,937	-.57%
2000	9,957	.20%
2001	9,925	-.32%
2002	10,124	2.00%

As shown in Table 2 above, FP&L has actually reduced its number of employees from 1996 through 2001. On a compound average basis, FP&L reduced its work force by .61% a year from 1996 through 2001. However, for the Test Year, FP&L is estimating an increase of 199 employees, or 2% of its work force.

Q: HAS THE COMPANY MET ITS TARGET LEVEL OF EMPLOYEES IN PAST BUDGET YEARS?

A: Apparently not. In response to OPC's 6th Set of Interrogatories, item 129, the Company showed actual average employees for each year from 1998 to 2001 as compared to target year-end levels. In each year, the actual average was less than the target level. Over the four-year reported period, average employees were only 96.3% of budgeted employees. Applying this percentage to the Test Year budget employees of 10,124 results in only 9,752 actual employees, which would be 372 less than projected by the Company. In 2001, there were 9,832 actual employees as compared to 10,017 budgeted. Applying the ratio of 2001 actual to budgeted employees to the Test Year budgeted employees of 10,124 would result in estimated 2002 employees of 9,937 or a reduction

of 187 employees. This reduction would essentially "wipeout" FP&L's estimated increase in employees for the Test Year.

Q: DID THE COMPANY PROVIDE ANY JUSTIFICATION FOR THE PROPOSED LEVEL OF INCREASE IN EMPLOYEES?

A: No. FP&L's Witness, Mr. Peterson addresses the labor-related issues and does not elaborate on the reason for the 2% increase in employees proposed for the Test Year. [Redacted]

Q: HOW MUCH OF THE TEST YEAR TOTAL LABOR EXPENSE OF $690.715 MILLION IS INCLUDED IN THE TEST YEAR OPERATING AND MAINTENANCE EXPENSES?

A: FP&L has not provided a breakdown of the 2002 Test Year payroll expenses into amounts included in operating and maintenance ("O&M") expenses, construction activities, plant removal, or other activities. In addition, although FP&L uses a total labor allocator in its cost of service, it has not provided the development of that allocator. Therefore, it is not possible to tell how much of the gross payroll is actually impacting the Test Year revenue requirement.

Q: WHAT PORTION OF THE TOTAL GROSS PAYROLL IS GENERALLY ATTRIBUTABLE TO O&M ACTIVITIES?

A: Table 3 below provides a breakdown of the salaries and wages charged to O&M accounts as a percentage of total salaries and wages for each year from 1996 through 2000, as shown on FP&L's FERC Form 1, pages 354 and 355, for each respective year.

TABLE 3 SALARIES AND WAGES CHARGED TO O&M ACCOUNTS			
Year	O&M Salaries	Total Salaries	Percent O&M
1996	$435,126953	$556,875,214	78.14%
1997	443,315,728	576,626,545	76.88%
1998	469,872,691	599,255002	78.41%
1999	480,080,968	630,378,292	76.16%
2000	511,127,312	675,818,027	75.63%

As shown in Table 3 above, the percentage of FP&L's total salaries that is typically charged to O&M accounts ranges from approximately 76% to 78%, with an average of 77.04%.

Q: [Redacted]

Q: [Redacted]?

A: [Redacted] Third, it appears that a large portion of the high overtime in 2000 may have been a result of the merger attempt.

Q: WHY DOES IT APPEAR THAT THE HIGH OVERTIME IN 2000 MAY HAVE BEEN A RESULT OF THE MERGER ATTEMPT?

A: [Redacted]

Q: HAVE YOU ADJUSTED THE TEST YEAR LABOR EXPENSES TO REMOVE EXCESS OVERTIME PROJECTIONS?

A: Yes. Exhibit SLB-2 provides a recalculation of the Test Year payroll expenses with overtime adjusted to 5% of the regular wages and salaries. [Redacted] This adjustment reduces the overtime expenses by $21.365 million for the Test Year.

Q: IS THE REVENUE IMPACT OF THE ADJUSTMENT EQUAL TO THE REDUCTION IN TOTAL OVERTIME EXPENSES?

A: No. As noted above, FP&L typically charges approximately 77.04% of its total payroll to the O&M accounts. To account for this factor, I have reduced the adjustment to O&M wages from $21.365 million to $16.459 million. This amount, however, must be further adjusted to reflect the impact of the adjustment on payroll taxes and fringe benefits.

Q: WHAT IS THE IMPACT ON PAYROLL TAXES AND FRINGE BENEFITS?

A: Payroll taxes are typically charged out to construction and other accounts, along with regular wages. Based on the 2002 estimates provided by the Company, the payroll taxes are approximately 6.32% of the total payroll. Applying this rate to the O&M payroll adjustment of $16.459 million results in associated O&M payroll taxes of $1.040 million. Although insurance costs are also typically charged out, the historical O&M costs appear to contain the total fringe benefits shown on Schedule C-33, other than the payroll taxes. The rate for other fringe benefits is approximately 19.31% of total payroll. Applying this rate to the total payroll adjustment of $21.365 million results in associated fringe benefits of $4.126 million that would be charged to O&M. The total adjustment to the Test Year revenue requirement is thus $21.625 million for the total system. Based on the Company's jurisdictional allocation factor of 99.612% for administrative salaries, the total adjustment to the Test Year revenue requirement for the retail jurisdiction would be $21.541 million.

Q: DO YOU HAVE ANY OTHER CONCERNS REGARDING THE TEST YEAR WAGES AND SALARIES EXPENSES?

A: Yes. As explained earlier, the Company has not provided a breakdown of its Test Year labor costs that have been assigned to the various O&M accounts. A review of the Administrative and General Salaries included in Account 920 raises additional concerns regarding the Test Year level of salaries charged to O&M.

Q: PLEASE EXPLAIN.

A: In 2000, the total wages and salaries for Administrative function O&M was $109,402,412, while the Administrative and General salaries in Account 920 was reported as $103,164,787. In response to Publix Interrogatory 22, the Company explained that the 2000 salaries and wages included total long-term incentive payments associated with the merger of $30.338 million and indicated that Administrative and General salaries included $6,647,554 of such payments. Adjusting the Account 920 salaries and wages to eliminate the merger-related incentive payments reduces the Account 920 salaries and wages to $96,517,233. In 2001, the Account 920 salaries increased to $112,847,000. [Redacted]

Q: HAS THE COMPANY PROVIDED ANY EXPLANATION FOR SUCH A LARGE INCREASE IN ADMINISTRATIVE SALARIES?

A: [Redacted] These calculations are shown on Exhibit SLB-3.

Q: DO THE 2001 ADMINISTRATIVE AND GENERAL SALARIES EXPENSES APPEAR REASONABLE?

A: No. [Redacted] Even so, FP&L's Account 920 Administrative and General salaries increased 13.3% from 2000 to 2001. Escalating the Account 920 Administrative and General salaries at the overall increases in salary expenses shown on Schedule C-33 from 2000 to 2002 would result in a Test Year Account 920 Administrative and General salary expense of only $103,281,815, which is $29.6 million less than the Company's Test Year estimate. Adjusting for taxes and benefits of 25.63% would provide a total reduction in revenue requirements of $37.2 million for the total system and $37 million for the retail jurisdiction. These calculations are shown on Exhibit SLB-3.

Q: ARE YOU ASKING THE COMMISSION TO ACCEPT BOTH THE OVERTIME AND ADMINISTRATIVE AND GENERAL SALARY ADJUSTMENTS YOU HAVE DESCRIBED?

A: No. Without more detailed information to break down the Test Year labor expenses by function and allocations to capital accounts and transfers, the adjustments may be duplicative. However, I would recommend a reduction to the retail jurisdiction revenue requirements of $21.7 million, based on the level of magnitude of the overtime adjustment and the most conservative adjustment to Administrative and General salaries.

EMPLOYEE BENEFITS

Q: DO YOU HAVE ANY CONCERNS WITH THE COMPANY'S PROJECTED LEVEL OF EMPLOYEE BENEFITS?

A: Yes. I have concerns with the level of payroll taxes and with the treatment of the Prepaid Pension Asset.

PAYROLL TAXES

Q: PLEASE EXPLAIN YOUR CONCERN WTH THE LEVEL OF PAYROLL TAXES.

A: Although the total level of payroll taxes shown on Schedule C-33, Revised 10/15/01 appears reasonable for the level of gross payroll, the Company has failed to allocate a portion of the payroll taxes to Construction and other capitalized or transferred accounts. By allocating 100% of the payroll taxes to O&M, the Company has overstated the Test Year revenue requirement.

Q: HAVE YOU REVIEWED THE HISTORICAL ALLOCATIONS OF PAYROLL TAXES?

A: I have reviewed the historical allocation of payroll taxes to the Construction accounts. As shown on page 355 of the FERC Form 1 for each year, the Company allocates payroll costs to O&M, Construction, Plant Removal, and various other capital or transfer accounts. When the Company allocates payroll costs, it also allocates the payroll taxes and insurance costs. While I do not have sufficient information to determine the total payroll taxes allocated to the all of the miscellaneous accounts, the Form 1 does provide a breakdown of the total payroll taxes and the amounts allocated to Construction activities. Table 4 below provides a breakdown of the Company's allocations from 1996 through 2000.

TABLE 4 PAYROLL TAXES CHARGED TO CONSTRUCTION ACCOUNTS			
Year	Total Payroll Taxes 1	Construction Allocation	Percent Construction
1996	$42,612,423	$8,017,491	18.81%
1997	41,962,434	7,271,119	17.33%
1998	42,515,249	7,040,086	16.56%
1999	45,194,233	8,999,357	19.91%
2000	46,423,979	11,033,081	23.77%

On Schedule C-33, Revised 10/15/01, the Company reported $45.810 million in FICA costs and $616,000 in unemployment taxes for 2000. Schedule C-38a shows that FICA expensed in 2000 was only $35.660 million and unemployment expensed was only $466,000. As shown in Table 4 above, the 2000 payroll taxes reported in the FERC Form 1, excluding the taxes allocated to Construction were $35.39 million. While not exactly matching the 2000 FERC Form 1, the allocation appears to be in line with the total reported payroll taxes, less the amount allocated to Construction.

In the Test Year, the Company has included 100% of the estimated payroll taxes in the FICA and unemployment expenses that are in the Test Year revenue requirement. Assuming that construction activities in 2002 will continue at 2000 levels, the FICA and unemployment expenses included in the Test Year revenue requirement should be reduced to reflect a 23.77% assignment to Construction. This assignment would reduce the Test Year O&M expenses from $46.426 million to $35.391 million, resulting in a reduction to the total system revenue requirement of $11.036

1 Payroll taxes include Social Security (FICA), Federal Unemployment (FUTA), and State Unemployment (SUTA).

million and a reduction to the retail jurisdiction revenue requirement of $10.993 million.

Prepaid Pension Expense

Q: WHAT IS THE TEST YEAR LEVEL OF PENSION EXPENSES ESTIMATED BY THE COMPANY?

A: The Company has provided its Test Year pension expense breakdown on Schedule C-66. In the original filing, the Company estimated a pension credit of $109.787 million. In the November 19, 2001 adjustments, the Company revised a few of its pension assumptions, resulting in a reduced pension credit of $103.461 million.

Q: IS THIS THE ONLY REVENUE REQUIREMENT ASSOCIATED WITH THE COMPANY PENSIONS?

A: No. As shown on Exhibit C-66 by comparing the Fair Value of Plan Assets to the Projected Benefit Obligation, the Company's pension plan is overfunded by $1,357,454,000 or over double the Projected Benefit Obligation. Due to the overfunded status of the fund, the Company cannot make further contributions to the fund at this time. In response to Publix' First Request for POD, item 9b, the Company provided a copy of its FPL Group Employee Pension Plan Actuarial Valuation Report produced by Towers Perrin in December, 2001 (the "Pension Report"). Page FC-4 (50008404) of that document notes that "FPL has been restricted to making no cash contributions to the pension fund due to the operation of the IRS full funding limit". The Pension Report further indicated that "[p]rojected employer contributions are expected to remain at $0 throughout the forecast period because of the IRS full funding limit." (Page FC-5; 50008405) The

forecast period went out to 2006.

When contributions to a pension fund are greater than pension expense, a prepaid pension account is created in accordance with Statement of Financial Accounting Standard ("SFAS") No. 87. In Exhibit B-26, the Company explained that in 1993, pension expense for ratemaking purposes was calculated under the provisions of SFAS 87, consistent with the method used for financial reporting and that the corresponding Prepaid Pension Asset is captured in Account 186.190. As shown on Schedule C-66, the balance in Account 186 was $473.902 million at the end of 2001 and is expected to be $583.7 million by the end of 2002. Schedule B-7 shows that the retail jurisdictional working capital asset is $528.958 million for the Test Year. Assuming that the corresponding components included in the cost of capital are accumulated deferred income taxes in Account 283 of 38.575% of $528.958 million, with the remainder in equity in order to reconcile rate base to the cost of capital, the additional cost associated with including the Prepaid Pension Asset in rate base is $69.6 million.

Q: SHOULD THE RETAIL CUSTOMERS BE REQUIRED TO PAY A RETURN ON THIS PREPAID PENSION ASSET?

A: No. While the Company is correctly following the requirements of SFAS 87, it is not reasonable to require customers to pay a return on the Prepaid Pension Asset. SFAS 87 requires the Company to recognize a Prepaid Pension Asset if contributions to the Pension Fund have been greater than the Pension Expense, which includes an offset for earnings on the fund. The Prepaid Pension Asset can be reconciled to the fair market value of the fund by subtracting the Projected Benefit

Obligation and adjusting for unrecognized liabilities and assets. The Prepaid Pension Asset simply recognizes in the balance sheet the net assets that are in the fund and are already earning a return. Customers should not be required to pay an additional return on a portion of a fund that is overfunded.

Q: AREN'T THE CUSTOMERS ALREADY BENEFITTING FROM THE NEGATIVE PENSION EXPENSE CREATED BY THE FUND EARNINGS IN EXCESS OF FUND COSTS?

A: Yes, however, this is a true reduction in pension costs, not unlike a revenue credit for interest earnings. A similar example would be external decommissioning funds, which, like pension funds, are collected over time in a fund that is invested in order to meet the Company's future obligation to decommission its nuclear facilities. In determining the going-forward decommissioning expense, the amounts required to be contributed are directly affected by the expected earnings on the fund, reducing the amount of decommissioning expense that would otherwise have to be paid into the fund. This methodology also essentially credits ratepayers with earnings on the fund. Since the pension fund is continuing to grow based on the earnings that are included as an offset to Pension Expense, the net effect of reducing the expenses is a zero effect on the Company.

Q: HAS THE COMPANY ACTUALLY MADE CONTRIBUTIONS TO THE FUND THAT HAVE RESULTED IN THE PREPAID PENSION ASSET?

A: No. A review of FP&L's historical financial statements shows that no contributions to the fund have been required since at least 1991. The balance in the Prepaid Pension Asset account was only $2.763 million at December 31, 1993. Since that time, the Prepaid Pension Asset has grown

each year to its current anticipated Test Year level of $583.7 million. For the most part, this increase has been a direct result of earnings and changes in fund market value.

Q: DOES THE FACT THAT THE PREPAID PENSION ASSET IS CREATED BY SFAS 87 ACCOUNTING MEAN THAT THE COMMISSION MUST ALLOW THE COMPANY TO EARN A RETURN ON THE PREPAID PENSION ASSET?

A: No. As stated earlier, the Prepaid Pension Asset is, in essence, a simplified method of reporting on the financial statements the net of the pension assets and liabilities that are funded and carried "off balance sheet". The Pension Fund is overfunded and is expected to remain that way into the forseeable future. As the Company continues to build the amounts in the Pension Fund through the earnings, it is appropriate for the customers to receive the credits that recognize the overfunded status of the Fund. It is not appropriate to allow the Company to then earn an additional return from the Customers for the net Pension Asset that is included in the fund "off balance sheet". The Commission should thus require the Company to eliminate the Prepaid Pension Asset from rate base for ratemaking purposes and reduce the Test Year retail jurisdiction revenue requirements accordingly.

ACCOUNT 921 – OFFICE SUPPLIES EXPENSE

Q: WHAT IS THE LEVEL OF ACCOUNT 921-OFFICE SUPPLIES INCLUDED IN THE TEST YEAR?

A: The Company has included $80.025 million in office supplies expenses for the Test Year.

Q: PLEASE DESCRIBE THE HISTORY OF THIS ACCOUNT.

A: A review of the historical charges to Account 921 shows that the Account ranged from $50.5 million to $55.5 million from 1996 through 1999. In 2000, the Account increased to $71.79 million, which was an increase of 29.6%. In 2001, the Account increased 2.3% to $73.5 million.

Q: WHAT CAUSED THE LARGE INCREASE IN ACCOUNT 921 FROM 1999 TO 2000?

A: The large increase has not been explained. One area of concern would obviously be merger-related costs incurred in 2000. While the Company has only identified $61.658 million of O&M expenses as merger-related, it is not clear whether these merger-related expenses included a detailed accounting for indirect costs. Another area of concern would be the level of expenditures that may have been incurred for Y2K issues. In response to Publix' First Set of Interrogatories, Item 12, the Company indicated that 2000 O&M expenses included $1.413 million related to Y2K issues. Of this amount, only $160,000 was in Account 921.

Q: HOW MUCH DID THE COMPANY SPEND ON Y2K IN 1999?

A: According to the Company's 1999 10-K, the Company spent $37 million on Y2K issues in 1999. I do not have a breakdown of the Y2K issues by account; however, if it assumed that a prorata amount of Y2K costs were charged to Account 921 as were charged in 2000, then the 1999 Account 921 expense would have included approximately $4.2 million in Y2K costs. This could indicate that the 1999 Account 921 expense included non-recurring items. The increase from 1999 to 2000 would have been even greater than 29.6%.

Q: HAS THE COMPANY EXPLAINED WHY ACCOUNT 921 IS FURTHER INCREASING IN THE TEST YEAR?

A: No. As shown in Schedule C-9, Account 921 is projected to increase from $73.536 million in 2001 to $80.025 million in 2002, for an increase of $6.489 million, or 8.82%. The Company has not provided an explanation for this increase.

Q: SHOULD THE COMMISSION ADJUST THE TEST YEAR OFFICE AND SUPPLIES EXPENSES?

A: Yes. Since I do not have sufficient information to determine if the 2000 and 2001 expense levels were dramatically increased as a result of merger-related or other non-recurring costs, I have calculated the Test Year Office and Supplies expenses at the 2001 expense level, adjusted by the Consumer Price Index estimate of 2.59%. The resulting Test Year Office and Supplies expense is $75,440,582. The revenue impact of this adjustment is $4,584,418 for the Total System. Applying the jurisdictional separation factor of 99.612% results in a revenue impact for the retail jurisdiction of $4,566,630.

RATE CASE EXPENSES

Q: DO YOU HAVE ANY CONCERNS WITH THE COMPANY'S TEST YEAR LEVEL OF RATE CASE EXPENSES.

A: Yes. The Company has estimated total rate case expenses for this proceeding of $10,848,000

which it is proposing to amortize over a two year period at $5,424,000 per year. The Company is also proposed to include the unamortized balance in rate base. In response to Publix's First Set of Interrogatories, item 17, the Company provided the actual level of rate case expenses incurred through December 31, 2001, which was $1,958,000. This is 68.13% less than the 2001 rate case expenses of $6,143,000 estimated by the Company. Applying this factor to FP&L's total rate case expenses would result in a revised total rate case of $3,458,000. Given the history of FP&L's frequency of rate proceedings, this amount should be amortized over a four year period. The revenue impact of this adjustment is $7,244,000 to the retail jurisdictional customer.

Q: DO YOU HAVE ANY OTHER CONCERNS WITH THE COMPANY'S ESTIMATED RATE CASE EXPENSES.

A: Yes. In FPC's corresponding documents Docket 000824-EI, FPC has estimated rate case expenses of only $1,600,000. In preparing it's estimate, FPC also included the use of outside legal counsel and consultants. The process employed in both proceedings is the same and raised questions as to why FP&L would require rate case expenses over 6 times the level of rate case expenses estimated by FPC.

RATE DESIGN ISSUES

Q: As a large consumer of electricity, does Publix have any concerns with the rate offerings provided by FP&L?

A: Yes. As explained earlier, Publix has 304 stores, 3 distribution centers, and one manufacturing facility in FP&L's service territory. On a consolidated basis, these facilities consume 846,880,535

kWhs of electricity annually, which is approximately 1% of FP&L's total system sales. Publix stores maintain an average load factor of approximately 79%, providing FP&L with efficient utilization of its generating resources.

As such a large, high load factor consumer, Publix has several concerns with the rate offerings currently provided by FP&L. The following is a list of a few of Publix' concerns , which I will address herein.

(1) The General Service Demand (GSD1), General Service Demand Time of Use (GSDT1), General Service Large Demand (GLSD1) and General Service Large Demand Time of Use (GSLDT1) rates recover a significant portion of demand-related costs through the energy rate. This rate tilt causes high load factor customers to pay more for demand-related costs than would be incurred under a pure demand rate design.

(2) The alternative General Service Demand Time of Use (GSDT1) rate requires an excessive amount of energy to be consumed during off-peak hours. The typical Publix store consumes only 27% of its energy during FP&L's established On-Peak hours; however, in order to reduce costs by switching to the optional GSDT1 rate, the stores would have to limit On-Peak consumption to less than 22.5% of total energy use. This is substantially more restrictive than the amount of On-Peak usage allowed under the General Service Large Demand Time of Use ("GSLDT1") rate in order to save as compared to the General Service Large Demand ("GSLD1") rate.

(3) The 500 KW minimum required to take service under FP&L's GSLD1 or GSLDT1 rates

is an arbitrary limit that has nothing to do with actual costs to serve, yet a Publix store taking service at secondary voltage under the GSD1 rate pays 4.8% higher rates than would be required under the GSLD1 rate. A Publix store taking service at secondary voltage under the GSDT1 rate pays approximately 8% more than a comparable customer under the GSLDT1 rate.

(4) The requirements to participate in FP&L's Real-Time Pricing ("RTP")– General Service (Optional Experimental Schedule), Rate Schedule RTP-GX, are too restrictive. Publix has successfully utilized RTP rates of other utilities in Florida and Georgia, yet, due to the Customer Baseline Load provisions of the experimental rate, Publix has not been able to take advantage of the RTP-GX rate.

Q: PLEASE EXPLAIN HOW A RATE TILT CAUSES HIGH LOAD FACTOR CUSTOMERS TO PAY MORE FOR DEMAND-RELATED COSTS THAN THEY WOULD INCUR UNDER A PURE DEMAND RATE DESIGN.

A: High load factor customers, by nature, use more energy per KW of demand placed on FP&L's system. FPL's GSD1, GSDT1, GSLD1, and GSLDT1 rates recover a portion of the demand-related costs through the energy rate. When demand costs are shifted into the energy rate, the high load factor customer pays a higher share of the costs due to its higher energy usage relative to its demand usage.

Q: IS LOAD FACTOR THE ONLY FACTOR THAT SHOULD BE TAKEN INTO ACCOUNT IN DESIGNING RATES?

A: No. There are other factors that influence costs that would be taken into account in designing rates, such as service voltage; however, load factor is a primary factor in promoting system efficiency. In

the industry's move to deregulation, high load factor customers are the most attractive load that competitors seek to "steal". Utilities have recognized this and many utilities have implemented high load factor rates to attract and retain high load factor customers.

Q: PLEASE DESCRIBE A RATE DESIGN THAT RECOGNIZES AND REWARDS HIGH LOAD FACTOR CUSTOMERS.

A: Many general service rates have a declining block cost structure in which the energy rate is lower as the energy use increases per kW of demand. This is typically called an "hours-use-demand", or "HUD block" rate. Under a HUD block rate, the energy charges at the lowest levels of use per kW of demand include the majority of the fixed costs, while the energy charges at the highest levels of use per kW of demand reflect lower energy prices. Another, more straight-forward alternative is to offer a single lower energy for customers with high load factors.

Q: PLEASE PROVIDE AN EXAMPLE OF A HUD BLOCK RATE.

A: Duke Power's General Service rate is a good example of a HUD block rate that rewards customers for having high load factors. The rate is available for all commercial customers that do not qualify for the industrial rate based on classification as a manufacturing industry where more than 50% of the electric energy consumption is used for manufacturing processes. There are no specific demand limitations. Table 5 below provides a summary of Duke Power's General Service rate.

TABLE 5 DUKE POWER SCHEDULE G(NC) GENERAL SERVICE RATE	
Basic Facilities Charge	$10.88
Demand Charge	
First 30 KW monthly	No Charge
All over 30 KW	$3.48 per KW
Energy Charge	
For the First 125 kWh per KW demand per month	
For the first 3,000 kWh per month	$.094244
For the next 87,000 kWh per month	$.048485
For all over 90,000 kWh per month	$.034931
For the Next 275 kWh per KW demand per month	
For the first 6,000 kWh per month	$.049788
For the next 134,000 kWh per month	$.048574
For all over 140,000 kWh per month	$.044670
For all Over 400 kWh per KW demand per month	
For all kWh per month	$.042297

As shown in Table 5, the rate design is structured to encourage high load factors at all levels of demand.

Q: ARE TIME-OF-USE RATES AN ACCEPTABLE ALTERNATIVE TO A HIGH LOAD FACTOR RATE?

A: While time-of-use rates can be designed to recognize and reward high load factor customers, the primary reason for time-of-use rates is to encourage off-peak energy usage or load shifting. If a customer can shift load into off-peak periods, that customer allows the utility to utilize a generating resource that might otherwise be "idle". This type of shifting allows more of a "cost sharing". High load factor customers, on the other hand, have lower unit costs of production because they use the

resources more efficiently in both the on-peak and off-peak periods. If the defined off-peak periods are sufficiently long enough and the rate differentials between on-peak and off-peak periods are large enough, high load factor customers may benefit from switching to a time-of-use rate simply because they use a substantial amount of energy in the off-peak periods. If a high load factor rate is not available, high load factor customers may find it advantageous to switch to a time-of-use rate; however, this may not be the optimal rate for such customers.

Q: IS IT ADVANTAGEOUS FOR FP&L'S HIGH LOAD FACTOR CUSTOMERS TO SWITCH TO THE TIME-OF-USE RATE SCHEDULES?

A: FP&L's time-of-use rates are not designed to provide incentives for achieving high load factors or to assure that high load factor customers are not subsidizing other customers. While a high load factor customer on the GSLD1 rate may obtain some advantages from shifting to the GSLDT1 rate, a customer with identical load characteristics on the GSD1 rate may not achieve any savings by shifting to the GSDT1 rate.

Q: PLEASE EXPLAIN.

A: During the winter months, FP&L's defined On-Peak periods are non-holiday weekdays from 6:00 a.m. to 10:00 a.m. and from 6:00 p.m. to 10:00 p.m. During the summer months, the On-Peak period is defined as non-holiday weekdays from 12:00 p.m. to 9:00 p.m. Therefore, over a year, approximately 25% of hours are defined as On-Peak and 75% are defined as Off-Peak. Under the current GSDT1 rate design, even a 100% load factor customer would not be better off under

the GSDT1 rate than under the GSD1 rate. The only way that smaller-demand customers can reduce costs is to shift usage to be disproportionate in the Off-Peak hours. In order for a GSD1 customer to reduce costs by shifting to the GSDT1 rate, that customer would have to reduce its On-Peak usage to less than 22.5% of its usage.

Q: IS THIS THE CASE FOR CUSTOMERS ON THE GSLD1 RATE AS WELL?

A: No. A customer that qualifies for the GSLD1 or GSLDT1 rate would find it more advantageous to switch to the GSLDT1 rate if the customer has On-Peak energy use that is less than 29% of its total energy use, as opposed to 22.5% on the GSDT1 rate. Since a 100% load factor customer would utilize 25% of its energy On-Peak, that customer would achieve some savings from switching from the GSLD1 rate to the GSLDT1 rate. Therefore, customers that qualify for the GSLD1 or GSLDT1 rate can take advantage of lower costs with a more reasonable level of On-Peak usage.

Q: WHAT ARE THE DIFFERENCES IN THE APPLICABILITY PROVISIONS OF THE GSD1 OR GSDT1 RATES AND THE GSLD OR GSLDT1 RATES?

A: The only difference between the applicability of the GSD1 or GSDT1 and the GSLD1 or GSLDT1 rates is the higher demand requirement for the GSLD1 and GSLDT1 rates. The GSD1 and GSDT1 rates are applicable to customers with demands of 20 KW up to 499 KW, while the GSLD and GSLDT1 rates require demands of 500 KW up to 1999 KW.

Q: HOW DO THE GSDT1 AND GSLDT1 RATES COMPARE?

A: At almost all demand and On-Peak usage levels, a customer with identical load characteristics

would be much better off under the GSLDT1 rate than under the GSDT1 rate. As explained earlier, a customer on the GSLD1 rate would not switch to GSLDT1 until it reached On-Peak usage of 29% or less, while a customer on the GSD1 rate would not switch to GSDT1 until it reached On-Peak usage of 22.5% or less. Table 6 below compares the cost incurred by a customer with 500 KW load and 27% On-Peak energy usage under the GSDT1 and GSLDT1 rates. For ease of comparison, I have used the cross-over point of 500 KW.

Table 6
Comparison of Costs Under GSDT1 and GSLDT1

Load Factor	GSDT1	GSLDT1	Savings Under GSLDT1	Percent Savings
30%	$ 9,314.59	$ 8,892.61	$ 421.98	4.53%
35%	$ 10,158.59	$ 9,647.04	$ 511.55	5.04%
40%	$ 11,002.59	$ 10,401.48	$ 601.11	5.46%
45%	$ 11,846.59	$ 11,155.91	$ 690.67	5.83%
50%	$ 12,690.59	$ 11,910.35	$ 780.24	6.15%
60%	$ 14,378.58	$ 13,419.22	$ 959.36	6.67%
65%	$ 15,222.58	$ 14,173.65	$ 1,048.93	6.89%
70%	$ 16,066.58	$ 14,928.09	$ 1,138.49	7.09%
75%	$ 16,910.58	$ 15,682.52	$ 1,228.06	7.26%
80%	$ 17,754.58	$ 16,436.96	$ 1,317.62	7.42%
85%	$ 18,598.58	$ 17,191.39	$ 1,407.18	7.57%
90%	$ 19,442.58	$ 17,945.83	$ 1,496.75	7.70%

As shown in Table 6 above, even with identical load characteristics, a customer with a 500 KW load would realize savings of 4.5% to 7.7% by taking service under the GSLDT1 rate, as opposed to the GSDT1 rate. At an 80% load factor, a customer with a demand of 499 KW would have total costs of $17,718.98, while a 500 KW customer with identical load characteristics would

enjoy a bill of only $16,436.96. While the level of savings obviously vary based on demand and On-Peak energy usage, savings under the GSLDT1 rate, as opposed to the GSDT1 rate are substantial in most cases. For example, at demand of 250 KW, savings range from 3.6% to 7.3%. At 250 KW with On-Peak usage of 20%, savings range from 2.97% to 6.44%.

Q: CAN A CUSTOMER WITH DEMANDS THAT ARE LESS THAN 500 KW OPT TO TAKE SERVICE UNDER THE GSLD AND GSLDT1 RATES?

A: Yes, however, to do so requires the customer to pay demand charges based on a minimum demand of 500 KW. This penalty can significantly diminish any potential savings that would otherwise be achieved by moving to the more advantageous GSLDT1 rate.

Q: DOES FP&L EXPERIENCE SUBSTANTIALLY REDUCED COSTS TO SERVE CUSTOMERS THAT MEET THE 500 KW APPLICABILITY STANDARD FOR THE GSLD1 AND GSLDT1 RATES THAN IT EXPERIENCES TO SERVE CUSTOMERS AT SMALLER DEMANDS WITH SIMILAR LOAD CHARACTERISTICS?

A: No. The 500 KW demand level does not have any "magic" that reduces FP&L's costs of providing service. Differences in FP&L's costs of providing service are more likely experienced due to differences in delivery service voltage. Thus, while a customer taking service at transmission or primary voltage may have lower costs than a customer taking service at secondary, customers taking service at secondary are typically allocated a proportionate amount of costs, regardless of the customer class.

Q: WHAT IS THE IMPACT OF FP&L'S RATE DESIGN DIFFERENCES ON A PUBLIX STORE TAKING SERVICE UNDER THE GSD1 RATE?

A: A typical Publix store has average demands of 468 KW with annual energy of 3,271,797 kWhs and On-Peak usage of only 27%. Under the GSD1 rate, this store would have an annual cost of $194,744. Under the GSDT1 rate, this same store would have costs of $198,993. If this store were allowed to take service under the GSLDT1 rate, it would have an annual cost of $184,300, for savings of $10,444. This difference is essentially a penalty to Publix based on size. This type of penalty is even more difficult for Publix to bear since, on a consolidated basis, Publix has demands greatly in excess of the demand requirement for taking service under the GSLD1 rate.

Q: PLEASE DESCRIBE FP&L'S REAL-TIME PRICING RATE SCHEDULE RTP-GX.

A: Rate Schedule RTP-GX is an experimental rate that is limited to only 50 customers, with a minimum demand of 500 KW. The schedule terminates on December 31, 2002, unless extended by order of the Commission. Under Schedule RTP-GX, a Customer Baseline Load ("CBL" is established specific to each customer. The CBL is based on a calendar year of hourly energy levels and associated 12 monthly on-peak and off-peak billing demands. Hourly energy prices under Schedule RTP-GX are based on FP&L's projected hourly marginal costs. In addition to this charge, customers pay a monthly Access Charge and an Administrative Charge. The Access Charge is customer-specific and is calculated so that the customer's monthly bill under RTP-GX is equal to the bill that would have been generated under the customer's otherwise applicable rate schedule for energy consumption identical to the CBL. In other words, the customer will receive true RTP only for consumption that varies from the CBL. The CBL is adjusted to recognize

changes to load associated with permanent energy efficiency measures, removal or addition of equipment; extraordinary events, such as a hurricane; and "other changes in usage".

Q: DO YOU HAVE CONCERNS REGARDING THE DESIGN AND APPLICABILITY REQUIREMENTS FOR THE EXPERIMENTAL RTP-GX RATE?

A: Yes. First, the applicability provisions limit the rate to customers with demands in excess of 500 KW and to a total customer base of only 50 customers. These provisions are too restrictive. Second, the Access Charge calculations appear to be so close to a "make-whole" provision that any advantages to be gained by the rate appear to be based on nothing but chance. With the comprehensive adjustments to the CBL, the customer has little opportunity to actually take RTP energy, except for small fluctuations in load. Unusually hot or cold weather would be circumstances where a load increase above the baseline may be anticipated; however, RTP likely would then be priced above the firm tariff and the RTP customer would be subject to higher costs as compared to the firm rate.

Q: WHAT TYPE OF RTP RATE DESIGN SHOULD THE COMMISSION CONSIDER?

A: In developing a new RTP rate, the Commission should consider implementation of a "true" RTP rate. Under a true RTP rate, the customer takes on the risk of market pricing in the high-cost periods, but receives the advantages of market pricing during low-cost periods. In a true RTP rate, the customer receives energy at the utility's incremental energy cost without restrictions tied to a general service rate. Real time pricing is desirable in that the average incremental cost of energy is

usually lower than the firm tariff rate for most of the time. For those hours where the cost of incremental energy is higher than the firm rate, the customer can choose to use another resource or some other form of price protection. In the alternative, the customer can ignore short-term price variation and simply "ride the rate", accepting market risk and hoping to come out ahead in the long term.

Another RTP rate design that is less desirable from a customer point of view than the "true RTP" rate, but much improved over the FP&L design, rewards customer load growth and demand-side efforts. This is similar to the RTP rate that Publix stores are served under by Georgia Power, and we believe is also similar to the RTP rate that Florida Power Corporation has indicated that it will be initiating in the next few months. Under the Georgia Power Real Time Pricing – Day Ahead (Schedule RTP-DA-1) rate, the CBL remains set once established. The customer may request a change in CBL due to changes in load pattern, such as demand-side efforts wherein a request to lower the CBL would result in a lower cost of the firm rate portion of his bill. Load additions, however, add to the percentage of RTP the customer may take.

Q: WHY IS PUBLIX INTERESTED IN REAL TIME PRICING?

A: Publix stores have high load factors, using most of their energy during Off-Peak hours. Real time pricing allows Publix to take advantage of the lower incremental pricing during those hours. This is especially attractive to Publix when a high load factor rate is not available.

Q: IS IT NECESSARY FOR THE COMMISSION TO ASSURE THE UTILITY THAT IT WILL BE REVENUE NEUTRAL WITH RESPECT TO THE RTP CUSTOMER REVENUES?

A: No. While the establishment of a CBL in many RTP rates appear to be in an effort to protect a utility from reduced revenues, it is particularly unfair to require the RTP customers to make the utility whole for load growth at the general service rates.

Q: WHAT ARE YOUR RECOMMENDATIONS REGARDING RATE DESIGN?

A: I am recommending that the Commission consider several adjustments to FP&L's rate offerings.

1) The General Service rates should be designed to recognize the greater efficiencies of the high load factor customers. The rates should be more reflective of differences in load characteristics than simply size, or demand levels.

2) Discrepancies between the GSDT and GSLDT rates should be removed and the rates should allow for savings over the General Service rates at more reasonable levels of On-Peak and Off-Peak usage.

3) The Commission should require FP&L to implement a new Real Time Pricing rate that is either a "true" RTP rate or that allows the customer to have the benefit of real time pricing for all load growth. Customers with multiple facilities in the FP&L service territory should be considered a single aggregate load for the purpose of determining the portion of total load that is considered load growth. This would allow customers, like Publix, that expand in multiple locations, rather than at a single site, to take advantage of real time pricing.

Q: DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A: Yes, it does.

Position Managing Principal

Education

B.S. in Accounting
University of West Florida
Pensacola, Florida

M.B.A.
University of Central Florida
Orlando, Florida

Professional and Business History

SVBK CONSULTING GROUP	1985 - Present
R.W. Beck & Associates	1981 - 1985

Professional Experience

Ms. Brown has extensive experience in the emerging deregulation of the electric industry. She has provided expert testimony on behalf of clients on such issues as stranded cost calculation and recovery, market pricing, and public policy. In participating in deregulation proceedings, Ms. Brown has been responsible for the preparation of comments to regulatory commissions regarding policy issues on restructuring. She has participated in technical conferences held to set policy issues and assisted legal counsel in the preparation of legal positions regarding previous rate agreements and other agreements entered into relevant to the proceedings. In her experience, Ms. Brown has been responsible for the development of methodologies for determining and recovering interim stranded costs. Ms. Brown has also been called on to participate in panel discussions before the regulators regarding the many issues relative to the deregulation of the electric industry.

Mrs. Brown serves as a member of the Association of Higher Education Facilities'Energy Task Force on deregulation issues. Further, she has been responsible for positioning clients to actively and successfully participate in a Retail Wheeling Pilot Program. In her capacity as lead financial consultant, Ms. Brown assisted in public information campaigns to encourage volunteers, filed comments with regulators to influence the selection process, and developed an aggregation program for eligible Pilot Program participants.

Ms. Brown has developed qualified aggregation programs and participated in public workshops to encourage eligible businesses and residents to participate in municipal aggregation programs. Ms. Brown has negotiated and evaluated power supply arrangements for municipal electric systems, universities, and retail aggregation programs. Such negotiations have included joint ownership arrangements, block power purchases combined

Professional Experience

with supplemental partial requirements, formula rate contracts, economy purchases, full requirements and partial requirements combined with self-generation. She has evaluated the economic feasibility of peaking generating facilities and has negotiated terms and conditions with the electric supplier to enhance the economic benefits of peaking operations.

Ms. Brown has extensive experience in wholesale and retail ratemaking and has represented numerous municipal, cooperative, university, and regulatory clients in proceedings before the Federal Energy Regulatory Commission and various state and local commissions. She has negotiated the settlement of rate cases and has presented expert testimony as a witness in litigated proceedings. As an expert witness, Ms. Brown has presented testimony on revenue requirement issues, cost-of-service studies and allocation methodologies, rate design, utility valuations, and terms and conditions of service.

Ms. Brown has also developed cost recovery methodologies for least cost integrated resource programs, including the effects of demand side management programs on interim recovery of fixed costs. She has additionally developed innovative rate structures designed to provide performance based incentives for demand side management performance.

Ms. Brown has evaluated the effects of capacity and transmission equalization under combined utility operations and the allocation of costs under joint dispatch arrangements. She has provided expert testimony on the effects of a proposed merger on individual utility operations.

Ms. Brown has performed numerous retail rate studies, including the development of revenue requirements, allocated cost-of-service studies, and rate design. She has developed load forecasts using econometric modeling and has developed proforma operating results for rate phase in plans. She has additionally reviewed transfer policies and interdepartmental service contracts.

Ms. Brown has performed feasibility studies for the installation and operation of cogeneration facilities. She has evaluated the benefits of retaining cogeneration to offset retail electric requirements. She has also evaluated the requirements for standby service or reserves. Ms. Brown has successfully challenged the development of standby rates and terms and conditions of service, resulting in enhanced cogeneration project value. She has performed avoided cost calculations and has negotiated arrangements to sell cogeneration capacity and energy to the electric supplier. In addition, she has reviewed market alternatives to selling cogeneration capacity and energy for resale, including the effect of transmission arrangements on project viability.

Professional Experience

Ms. Brown has negotiated the sale or purchase of utility systems or facilities, including the purchase or sale agreements; management, operating, and maintenance agreements, and design/construction agreements. She has enhanced project value by negotiating contractual guarantees, including operational efficiency and price guarantees. She has additionally negotiated long term gas supply contracts and financial hedging instruments, including SWAP agreements. She has negotiated transportation contracts, including banking arrangements, whereby excess contract gas is sold back to the transporter at market rates.

Ms. Brown has served on municipal strategic planning committees and has provided capital budgeting analyses for the evaluation of long-term planning alternatives. She has been extensively involved in the development of utility system management studies, including the review of labor costs and efficiencies, organization structure and financial condition. She has additionally performed billing audits.

Regulatory Appearances

Federal Energy Regulatory Commission ("FERC")
Council of the City of New Orleans ("CCNO")
Louisiana Public Service Commission ("LPSC")
Massachusetts Department of Telecommunications & Energy ("DTE")
Minnesota Public Utilities Commission ("MPUC")
New Hampshire Public Utilities Commission ("NHPUC")
North Carolina Utilities Commission ("NCUC")
Texas Public Utilities Commission ("TPUC")

Papers, Publications, and Presentations

"Municipalization/Franchise Evaluation" - Panel presentation to the Tri-County League of Cities, Casselberry, Florida, January, 2001.

"Opportunities and Challenges: Managing Energy Costs in a Deregulated Environment" - Presented to the Dallas Chapter of the National Association of Purchasing Managers, Dallas, Texas, October, 2000.

"Unbundling - Identifying Strategies for a Smooth Transition to Competition" - Presented at the South Carolina Association of Municipal Power Systems Annual Conference, Hilton Head, South Carolina, June, 1999.

"Preparing for Deregulation - Understanding Electric Restructuring Issues Affecting Local Government" - Presented at the Taking Control of Your Destiny: Assessing the Impact of Electric Utility Industry Deregulation on Local Government Conference, Minneapolis, Minnesota, June, 1999.

"Electric Restructuring and Utilities Deregulation: A Facility Manager's Guide" - Coauthor with the APPA Energy Task Force, The Association of Higher Education Facilities Managers, Alexandria, Virginia, 1998.

"Utilities and You: A New Playing Field" - Presented at the U.S. Department of Energy Rebuild America 1998 Annual Conference, San Antonio, Texas, March 1998.

"*Preparing for Deregulation in the Electric Utility Industry*" - Presented at the Municipal Association of South Carolina 1998 Winter Meeting, Columbia, South Carolina, February, 1998.

"*Electric Utility Deregulation*" - Presented at the South Carolina Association of Municipal Power Systems Annual Event, Columbia, South Carolina, April 1997.

"*Problems & Solutions in Retail Implementation: An Overview of Issues in Electric Utility Restructuring*" - Presented at the Energy Awareness: Competition in Electricity in South Carolina Conference, Columbia, South Carolina, March 1997.

"*Municipalization of Electric Utility Systems Seminar*" - Presented to the Municipal Association of South Carolina, Columbia, South Carolina, August 1996.

"*Opportunities and Challenges Resulting From Restructuring of the Electric Industry*" - Presented to the Mayor and Board of Aldermen, City of Nashua, New Hampshire, August 1996.

"*Opportunities/Challenges Resulting From Restructuring of the Electric Industry*" - Presented to the New Hampshire Municipal Association, Concord, New Hampshire, June 1996.

"*Challenges and Opportunities in the College, University, and Institutional Services Market*"-Presented to the Confidential Clients, August, 1995 and December, 1995.

"*Customer Retention/Attraction Strategies-Developing Responses to Customer Alternatives*"-Presented to the American Public Power Association Accounting, Finance, Rates and Information Systems Workshop, Orlando, Florida, September, 1995.

"*Seizing the Opportunities - Strategic Utility Planning and Management*

Alternatives for Colleges, Universities, and Other Institutions" - Presented as a series of two-day Seminars in San Francisco, Boston and Chicago, 1994.

Papers and Publications

"*Seizing the Opportunities - Developing and Executing Long-Range Infrastructure Plans in the 90's*" - Presented to the IDHCA College/University Conference, 1993.

"*Retail Rate Making and Cost-of-Service Principles*" - Presented to the Coalition of Local Governments ("CLG") in St. Petersburg, Florida, 1989.

"*A Tale of Two Cities - A Victory for Public Power*" - Published by the American Public Power Association ("APPA") in the January/February 1989 issue of Public Power magazine. This article describes the problems and solutions brought about by service territory disputes involving municipally owned electric systems.

"*Wholesale Ratemaking and the Effect of Peak Shaving Generation*" - Presented to North Carolina and South Carolina Municipalities and Electric Cooperatives, sponsored by Caterpillar, Inc., 1989.

"*MMUA Members Set a Model for Resolving Territorial Disputes*" - Published by the Minnesota Municipal Utilities Association ("MMUA"), in their monthly periodical News and Views, 1988.

"*Takeover Strategy and Evaluation*" - Sponsored by the APPA, and presented to the Minnesota Municipal Utilities Association, 1987.

"*Is Your System Next?*" - Presented to the Wisconsin Municipal Electric Association ("WMEA"). Also presented at the Public Power Week Conference, sponsored by the APPA and the Wisconsin Public Power System, Inc., 1987.

Professional and Business Affiliations

American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants
American Public Power Association ("APPA")
Association of Higher Education Facilities Managers (formerly Association of Physical Plant Administrators, "APPA")
Florida Government Finance Officers Association

Exhibit SLB-2
Contains Confidential Data

Publix Super Markets, Inc.
Florida Power & Light Company
Docket No. 001148-EI
Labor Adjustment
Dollars in Thousands

THIS EXHIBIT CONTAINS CONFIDENTIAL INFORMATION

Exhibit SLB-3
Contains Confidential Data

Publix Super Markets, Inc.
Florida Power & Light Company
Docket No. 001148-EI
Labor Adjustment

THIS EXHIBIT CONTAINS CONFIDENTIAL INFORMATION