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November 15, 2001

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

VIA FEDERAL EXPRESS

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

Dear Ms. Bayo:

Florida Power Corporation ("FPC" or the "Company") is filing herewith are the original and twenty (20) copies of page 13 of Florida Power Corporation's Direct Testimony of William C. Slusser, Jr. inadvertently omitted in filing.

Thank you for your assistance in this regard.

Very truly yours,

Gary L. Sasso
Gary L. Sasso
jc

Enclosures

- APP _____
- CAF _____
- CMP _____
- COM *Stag*
- CTR _____
- ECR _____
- LEG _____
- OPC _____
- PAI _____
- RGO _____
- SEC _____
- SER _____
- CTH *Coner ps*

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1 monthly coincident peak loads, and 1/13, or 8%, of production capacity costs on
2 the basis of class average hourly demands, which is mathematically equivalent to
3 class annual energy consumption. Florida Power believes that this method gives
4 too little recognition to energy responsibility, only 8%, as a determinant of
5 production costs, and, therefore, two additional studies have been prepared to
6 recognize a greater extent that energy responsibility should bear for sharing in the
7 Company's total production capacity costs.

8
9 The two additional studies that have been prepared increase the proportion of
10 production costs that are allocated on average demand to 25% and 50%
11 respectively. I will refer to these two additional studies as the 12 CP and 25%
12 AD method and the 12 CP and 50% AD method.

13
14 **Q. What is the rationale for preparing the 12 CP and 50% AD study which**
15 **allocates 50% of production capacity costs on an average demand basis?**

16 This method for which 50% of production capacity costs are allocated on an
17 average demand basis is indicative of the type study that would result if an
18 Equivalent Peaker Method was prepared for Florida Power Corporation. The
19 Equivalent Peaker Method was introduced by the FPSC Staff in a 1985 Tampa
20 Electric Company rate case, Docket No. 850050-EI. It is predicated on the theory
21 that if a utility installed new capacity simply to serve peak loads, it would choose
22 a unit requiring the least capital investment, typically a combustion turbine unit
23 (peaker). Under this theory, which I believe has merit, a utility would only

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