

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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 Submitted for Filing: November 28, 2001

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FLORIDA POWER CORPORATION'S RESPONSE TO CITIZENS' THIRD MOTION TO COMPEL

Florida Power Corporation ("Florida Power" or the "Company") opposes Public Counsel's ("OPC") third motion to compel relating to its Second and Third Sets of Interrogatories numbers 28, 48, and 56 and Third Set of Requests to Produce, numbers 41, 49, and 50 and its request to strike certain general objections as follows:

In its motion, OPC first requests an order from the Commission to require Florida Power to "respond fully" to OPC interrogatories numbers 28, 48, and 56. As explained in greater detail below, Florida Power has responded to each of these interrogatories fully and adequately. OPC's motion should be denied.

Interrogatory number 28

In connection with interrogatory number 28 OPC asked Florida Power to "identify the amount of change in control and executive termination payments that were paid as of December 2000" and "to indicate the amount of the payment, to whom the payment was made, and the company the executive worked for." Florida Power responded fully to this interrogatory by providing the requested information for executives whose termination payments have been included in Florida Power's monthly reporting of earnings surveillance to the Florida Public

APP 11 CAF 11 CMP 11 COM 11 CTR 11 ECR 11 LEG 11 OPC 11 PAI 11 RGO 11 SEC 11 SER 11 OTH 11

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DOCUMENT NUMBER-DATE 14975 NOV 28 5 FPSC-COMMISSION CLERK

Service Commission. Florida Power then objected to providing the information as to other executives whose termination payments have not been included in Florida Power's reporting.

OPC's only complaint about Florida Power's response is based on OPC's misconception that Florida Power included in the test year termination payments made to executives of other companies that it had not reported in its surveillance report. This is not true. All executive termination payments Florida Power is seeking to expense against earnings at any time (either in surveillance or as a part of the test year) are set forth in its response. Unfortunately, OPC did not seek clarification on this issue prior to filing its motion otherwise Florida Power could have immediately cleared up this apparent misunderstanding of the Company's full and adequate response. Nevertheless, this matter should be clear now and even under OPC's rationale Florida Power has then responded fully and adequately to interrogatory number 28.

Interrogatory number 48

Next, OPC complains that Florida Power's response to interrogatory number 48 is not responsive to the interrogatory because the interrogatory asks for numbers and Florida Power has provided a written response. What OPC fails to mention is that Florida Power attached numerous documents to its response to this interrogatory that contain the "numbers" and provided the written response recited by OPC as an explanation of what the documents show and why it was done in this fashion. The provision of documents in response to an interrogatory is expressly permitted by Rule 1.340(c), Florida Rules of Civil Procedure.

As such, OPC actually has what it is seeking here. Florida Power has fully and accurately answered this interrogatory and OPC's characterization of Florida Power's written response as non-responsive (which fails to even mention the numerous attachments) simply

misses the mark. Here, OPC's motion seeks to compel something that has already been provided and it should be denied.

Interrogatory number 56

Finally, OPC moves to compel Florida Power to provide income statements and balance sheets for each "Tier 1" subsidiary of Progress Energy for the year 2000 and nine months ending September 30, 2001. In response, Florida Power objected to producing this information for Progress Energy affiliates other than FPC, but then went on to explain that this information could be found on the SEC public internet Web site for each of the following companies: Progress Energy, Inc., Florida Progress, CP&L and Florida Power. Although it is not clear from OPC's motion, Florida Power believes that OPC is seeking to compel the production of the balance sheet and income statements of Progress Energy's "other affiliates."

Florida Power stands by its objection. The balance sheet and income statements of any of Progress Energy's affiliates are indeed irrelevant to this proceeding and an inappropriate invasion into the business records of non-regulated entities. Once again, Florida Power would emphasize that these non-regulated affiliates of Progress Energy, Inc., are not parties to this proceeding or regulated by this Commission. Florida Power pointed OPC to the information publicly available for Progress Energy, Florida Progress and CP&L simply as a courtesy.

In an attempt to justify its request, OPC claims that it needs these documents to glean information concerning allocations by these affiliates to Florida Power that these documents do not even delineate. Simply put – even if produced – the affiliate's balance sheets and income statements will not reflect the expenses being allocated to or from Florida Power as a separate line item. At best, an affiliate's income statement and balance sheet may show total expenses

charged to or by other affiliates collectively. This information will not be useful to OPC's for its intended purpose and its motion to compel should be denied for this reason alone.

Moreover, Florida Power has already provided detailed information regarding the charges by affiliates to Florida Power and by Florida Power to affiliates in connections with other discovery requests. For example, please see Florida Power's responses to OPC's interrogatory numbers 50(a) through (g) and 55(a) through (d) on that exact topic attached hereto as Exhibit A. Evaluating the reasonableness of these allocations is then simply a function of comparing the service or product provided by the affiliate and the cost of the same to Florida Power. The income statement and balance sheet of affiliates will not shed any more light on this issue.

In the end, OPC already has the allocation information it suggests it needs to glean from the affiliate balance sheets and income statements which, in turn, do not actually contain the information OPC says it seeks. Thus, as Florida Power initially indicated these documents are irrelevant to this proceeding and the Commission should not compel Florida Power to produce them thereby unnecessarily invading the private business information of unregulated companies.

OPC also ask the Commission to compel Florida Power to "respond fully" to production requests 41, 49, and 50, and also, again complains about Florida Power's necessary and appropriate general objections, improperly asking that the Commission strike them. Florida Power addresses each of these matters in turn.

Production Request 41

OPC's production request number 41 asks Florida Power to provide all documents which address or discuss announced lay offs or terminations of personnel as a result of the merger.

Florida Power requested an extension of time to gather documents responsive to this request for Florida Power and objected to providing such documents with respect to any other company.

OPC now claims that it needs “affiliate” documents responsive to this request only to the extent that such costs are included in the test year, whether as allocated expenses or as merger related transition costs.

Apart from the fact that there appears to be a disconnect between OPC’s document request (for documents announcing lay offs or terminations) and its rationale (to evaluate transition costs), Florida Power has previously explained in response to interrogatory number 48 above that the only change in control, termination payments, and/or severance payments included in the test year are Florida Power’s own. No affiliate “transition costs” have been included either as transition costs or as a part of any allocation to Florida Power.

Thus, even under OPC’s own rationale it does not need the affiliate documents it is seeking and the Commission should not compel Florida Power to produce them.

Production Request 49

In connection with this request, OPC has asked for copies of all contracts between Progress Energy Service, LLC and each of Progress Energy’s affiliates. Florida Power produced the contract between Florida Power and the service company, but objected to producing the service company’s contracts with other affiliates. OPC claims it needs these contracts in order to evaluate the reasonableness of the service company’s contract with Florida Power. What OPC fails to note is that the form of agreements entered into between Progress Energy Service Company, LLC and any affiliate is filed with the SEC and publicly available. Nevertheless, in

an effort to lay any concerns to rest on this subject, Florida Power will produce these “cookie-cutter” agreements between Progress Energy Service and Progress Energy’s other affiliates.

Production Request 50

OPC has also requested copies of all contracts between Progress Energy Service Company, LLC and “each non-affiliated company for which it provides services.” Florida Power objected to providing these irrelevant, immaterial, documents. As before, OPC claims that it needs these contracts to evaluate the reasonableness of Florida Power’s contract with the service company. Although Florida Power believes that such contracts would indeed be irrelevant, it has now confirmed that Progress Energy Service has not entered into any contracts with third parties to provide services to date. Thus, OPC’s request is moot; there are no responsive documents.

General Objections

Finally, OPC again complains about Florida Power’s general objections made in response to OPC’s instructions and definitions that OPC repeats at the beginning of each and every production request. Here, OPC improperly asks the Commission to strike certain general objections and “order FPC to produce the documents as requested.” Both of OPC’s requests in this regard should be denied for a number of reasons.

First, as Florida Power made clear in response to OPC’s Second Motion to Compel, the Florida Rules of Civil Procedure do not contemplate the striking of objections to discovery requests. To the contrary, a motion to strike is only permitted to be directed at pleadings. Specifically, Rule 1.140(f) states that “[a] party may move to strike or the court may strike

redundant, immaterial, impertinent, or scandalous matter from any pleading at any time.

(emphasis added) And, Rule 1.150 provides for a motion to strike a sham pleading. Rule

1.100(a) specifically and narrowly defines pleadings as follows:

(a) **Pleadings.** There shall be a complaint or, when so designated by a statute or rule, a petition, and an answer to it; an answer to a counterclaim denominated as such; an answer to a crossclaim if the answer contains a crossclaim; a third-party complaint if a person who is not an original party is summoned as a third-party defendant; and a third-party answer if a third-party complaint is served. If an answer or third-party answer contains an affirmative defense and the opposing party seeks to avoid it, the opposing party shall file a reply containing the avoidance. No other pleadings shall be allowed. (emphasis added).

Thus, there is no authority for the striking of objections to discovery requests and OPC's request should be denied on this basis alone.

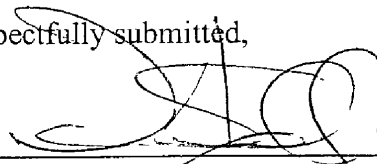
Second, Florida Power's general objections are both necessary and appropriate to preserve Florida Power's rights and clarify its obligation under existing law and the rules and orders governing discovery in this proceeding. Indeed, OPC created the need for the very objections it complains about by setting forth lengthy instructions and definitions that are either unnecessary (because they simply ask Florida Power to comply with discovery obligations already imposed by law), or objectionable (because they purport to expand Florida Power's obligations). Not knowing how OPC's instructions and definitions might be interpreted, Florida Power had no choice but to frame appropriate objections. These objections are made "only to the extent that" the instructions and definitions purport to expand Florida Power's obligations under applicable law and the rules governing procedure. Moreover, Florida Power's objections also contain direct statements that Florida Power will comply with the rules. Florida Power should not be required to do more and OPC's request in this regard should be denied.

Third, Florida Power's ongoing objection to being characterized as something other than "Florida Power" should be evaluated by the Commission on a request-by-request basis. Notably,

where OPC believes that additional affiliate information should be produced it has moved to compel the production of those documents specifically. (See OPC's Motion to Compel documents subject to requests 49 and 50 above). As indicated by Florida Power, there are certainly narrow issues in this proceeding where documents of Progress Energy Service, Florida Progress and Progress Energy may be relevant, and in those instances Florida Power is providing the information. However, the Commission should use caution when compelling a regulated company, like Florida Power, to produce documents of its unregulated affiliates. Indeed the law only permits this to occur under very narrow circumstances as discussed in Florida Power's response to OPC's first motion to compel. The best way for the Commission to do so is to evaluate the question is on a request-by-request basis.

Finally, OPC's request that the Commission compel Florida Power to "produce documents as requested" is inappropriate. Florida Power should only be required to comply with the rules governing discovery in this case not OPC's version of them as articulated in its definitions and instructions. As such, Florida Power's general objections should be sustained and Florida Power should not be required to broadly "produce the documents as requested." Florida Power will continue to comply with the Rules of Civil Procedure.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of foregoing has been furnished via U.S. Mail to the following this 25th day of November, 2001.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

01 NOV 19 PM 4: 47

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-EL COMMISSION CLERK
Submitted for Filing:
November 19, 2001

FLORIDA POWER CORPORATION'S NOTICE OF FILING

Florida Power Corporation, through its undersigned counsel, hereby gives notice of service of its Response to Citizen's Interrogatory to Florida Power Corporation No. 55 and Production Request No. 80, via U.S. Mail to all counsel of record on the attached service list this 19th day of November, 2001.

Respectfully submitted,



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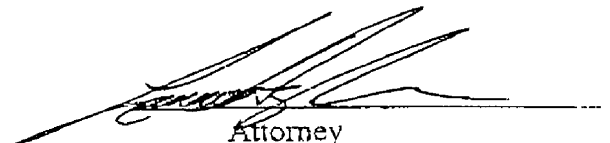
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Interrogatory

- 55. For each affiliate, subsidiary or division of Progress Energy, where Florida Power Corporation provides services or products to the affiliate, subsidiary, or division of the Progress Energy, please respond to the following for the years 2000, 2001 and the projected test year.**
- (a) Please explain how the carrying charges associated with land, buildings, and equipment are charged by Florida Power Corporation to the affiliate, subsidiary, or division.**

FPC is uncertain of what OPC's means to include in the definition of carrying charges.

However, Florida Power charges Progress Telecom for its tower/pole attachments. These charges are incorporated into the annual pole rate specified in the Service Level Agreement between the two Companies. It is calculated using the cost based rate determination methodology approved by the FCC. The components being Return & Income Taxes, Depreciation Expense Other Taxes, Maintenance Expense and Administrative Expense. The Company is also compensated for land and building use and charges Progress Telecom the market base annual rate specified in the Service Level Agreement between the two Companies.

- *(b) Provide the amount of carrying charges charged to the affiliate, subsidiary, of division.**

For each year that is the subject of this request the described cost are as follows:

Tower/Pole Attachments:

2000, 2001, 2002 – annual charge is \$160,000.

Land and Building Usage

2000, 2001, 2002 – annual charge is \$569,000.

- (c) **Explain how Florida Power Corporation is compensated for the use of land, building, and equipment used by affiliates, subsidiaries, or divisions.**

FPC is uncertain of what OPC's means to include in the definition of carrying charges.

However, Florida Power is compensated by Progress Telecom for its tower/pole attachments by charging Progress Telecom an annual pole attachment rate specified in the Service Level Agreement between the two Companies. It is calculated using the cost based rate determination methodology approved by the FCC. The components being Return & Income Taxes, Depreciation Expense, Other Taxes, Maintenance Expense and Administrative Expense.

- *(d) Please state the amount of revenue recorded on Florida Power Corporation's books and the account number and name in which the revenue is recorded.**

Tower/Pole Attachments

Annual revenue for 2000, 2001, 2002 is \$160,000 recorded in Account 45400 – Rent from Electric Property

Land and Building Usage

Annual revenue for 2000, 2001, 2002 is \$569,000 recorded in Account 45400 – Rent from Electric Property

* responses to subparts (b) and (d) above are intended to replace the responses previously served in error.

Production Request

- 80. Please provide the workpapers and source documents used to develop the amount of carrying charges or allocated costs charged to any affiliate, subsidiary, division, by Florida Power Corporation. These workpapers should include, where applicable, the return on investment used, the capital structure used, the return on equity used, the cost of debt used, and the investment to which the return is applied.**

Florida Power will produce documents responsive to this request.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Submitted for Filing:
November 13, 2001

COMMISSION
CLERK

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FLORIDA POWER CORPORATION'S RESPONSE TO CITIZENS' THIRD SET OF INTERROGATORIES TO FPC

Pursuant to § 350.0611(1), Fla. Stat. (2000), Fla. Admin. Code R. 28-106.206, and Fla. R. Civ. P.1.340, Florida Power Corporation ("FPC") responds to Florida's Citizens ("Citizens"), Third Set of Interrogatories and states as follows:

GENERAL OBJECTIONS

FPC objects to any interrogatory that calls for information protected by the attorney-client privilege, the work product doctrine, the accountant-client privilege, the trade secret privilege, or any other applicable privilege or protection afforded by law, whether such privilege or protection appears at the time the response is first made to these interrogatories or is later determined to be applicable based on the discovery of documents, investigation or analysis. FPC in no way intends to waive any such privilege or protection.

In certain circumstances, FPC may determine upon investigation and analysis that information responsive to certain interrogatories to which objections are not otherwise asserted are confidential and proprietary and should be produced only under an appropriate confidentiality agreement and protective order, if at all. By agreeing to provide such information in response to such interrogatory, FPC is not waiving its right to insist upon appropriate protection of confidentiality by means of a confidentiality agreement and protective order. FPC

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hereby asserts its right to require such protection of any and all documents that may qualify for protection under the Florida Rules of Civil Procedure and other applicable statutes, rules and legal principles.

FPC objects to these interrogatories and any definitions and instructions that purport to expand FPC's obligations under applicable law.

FPC objects to these interrogatories to the extent they are intended to require any expert/consultant retained by FPC in connection with this proceeding to provide a response, except those interrogatories that are expressly permitted to be directed at an expert/consultant as set forth in Florida Rule of Civil Procedure 1.280(b)(4). Rule 1.340 permits interrogatories to be directed only to parties, and FPC is not obligated to have experts/consultants respond to interrogatories other than those limited interrogatories that are specifically authorized as stated above. However, in the spirit of cooperation, FPC will agree at this point to have its experts/consultants provide responses to this set of interrogatories, but preserves its right to refuse to continue to do so at any point should it so choose. FPC in no way intends to waive this objection.

FPC objects to the interrogatories to the extent they purport to require FPC to provide responses on behalf of Florida Progress Corporation, Progress Energy, Inc., Progress Energy Service Company, LLC. FPC does not have an obligation under the rules to respond to interrogatories on behalf of these companies, but FPC agrees to do so in any event to expedite discovery, to the extent such interrogatory responses are relevant to the issues in this case. FPC reserves the right to decline to respond to any interrogatories that are not pertinent to the issues in the case.

FPC also objects to these interrogatories to the extent they purport to require FPC to prepare information or perform calculations not previously prepared or performed as an attempt to expand FPC's obligations under applicable law. FPC will comply with its obligations under the applicable rules of procedure.

FPC incorporates by reference all of the foregoing general objections into each of its specific objections set forth below as though pleaded therein.

In addition, FPC reserves its right to count interrogatories and their sub-parts (as permitted under the applicable rules of procedure) in determining whether it is obligated to respond to additional interrogatories served by any party.

SPECIFIC OBJECTIONS

Instructions

FPC objects to the first instruction (1) to the extent it purports to expand FPC's obligations under applicable law. FPC will comply with its obligations under applicable rules of procedure.

INTERROGATORIES

49. (a) **Please describe all nonregulated services and/or products provided by Florida Power Corporation or subsidiaries.**

FPC had no operating subsidiaries in any period under consideration in this proceeding.

Bulk Power Delivery Engineering Design & Construction
Engineering and design.

PCS Tower
Construct wireless personal communication systems.

Wireless Communication
The engineering and design of wireless communications systems.

BPD Maintenance
Maintenance of bulk power delivery.

E Dist Eng Design, Construct, and Maintenance

Design and engineering and maintenance of transmission, substation and distribution systems.

Inside Wire Maintenance

Is a service where Florida Power will provide repair costs up to \$500 per year on selected residential electrical wiring components. Customers will be able to pay for the service with a low monthly charge. Repairs over the \$500 limit or repairs not covered under the program will be available at discount pricing from the contractor.

Power Quality Mass

This product line includes surge protectors and metertreaters for residential customers.

Energy Services

This service provides for the complete turnkey design, building, operating and maintenance of building energy systems. For example an entire building would involve a contract to supply light, conditioned air and electricity for a flat fee. This product line is in the development stage and is not currently offered to customers.

Power Quality Consulting

Consulting services for commercial and industrial customers such as electrical load and usage studies, PQ equipment monitoring, assistance with inside PQ problems.

Infrared Scanning

Infrared scanning and individualized reporting for commercial and industrial customers. Scanning is typically done on electrical panels as a preventative maintenance measure.

Power Conditioning

Supply and installation of selected products (backup generation, UPS, constant voltage supply systems, submetering). Backup generation for customers who cannot tolerate an extended outage. UPS system and Constant Voltage Supply systems are for customers who cannot stand any power abnormality. Custom submetering is the sale and installation of non-utility type electric metering used inside a customer's facility to capture energy usage.

Inform

A service where Florida Power provides detailed load and power quality data to the customer. FPC installs the necessary equipment for data capture and forwards hardcopy reports or posts the data to the DMR website where customers can view via the internet.

Lighting

Design and sale of decorative lighting systems.

Appliance Service Plus

Repair and service of appliances, plumbing and electric. This product is in the pilot stage.

Off-System Power Marketing

Brokering of power between third parties without the use of regulated generating assets.

(b) Please explain how costs are allocated or charged to the nonregulated operations of Florida Power Corporation .

A ratio between regulated and non-regulated O&M cost (less fuel) is developed to determine the amount of A&G to be allocated. The total of O&M regulated is divided by the total of O&M non-regulated to determine the ratio. The same is then done for the non-regulated portion.

The ratios for regulated and non-regulated above are then applied to the total of A&G costs from the Service Company. Florida Power above the line O&M is then credited for the portion applicable to non-regulated business and the below the line non-regulated account 471.00 is charged. Please also see the Cost Allocation Manual previously produced.

Also see response to Citizens First Set of Requests for Production of Documents,

Question #13.

50. **(a) For each year 2000, 2001 and the projected test year, identify all costs, by cost pool, cost center, or sub account, allocated to Florida Power Corporation by each separate affiliate, subsidiary, or division of Progress Energy. For each cost pool, cost center, or sub account state the allocation method used to allocate the cost. For each cost pool, cost center or sub account, provide the numerator and denominator of the cost allocation factor used to allocate the cost to Florida Power Corporation and each affiliate subsidiary or division of Progress Energy. For each cost pool, cost center or sub account, identify the FERC account and name it is associated with. For each cost pool, cost center or sub account, provide the total dollars to be**

allocated and the amounts allocated to each affiliate, subsidiary, or division of Progress Energy.

FPC objects to this interrogatory subpart as compound and reserves its right to count this interrogatory subpart as five (5) separate interrogatories for the purposes of determining its obligation to continue to provide responses under the order governing procedure in this case.

FPC directs Citizens to its response to Citizen's Second Set of Interrogatories Question 48 for a summary of Progress Energy Service Company costs charged to Florida Power Corporation for 2001 and the projected test year. There were no charges from Progress Energy Service Company to Florida Power in 2000 – refer to MFR C-60.

See the attached worksheets for charges from Carolina Power & Light to Florida Power Corporation for 2001 and the projected year. There were no charges from Carolina Power & Light to Florida Power Corporation in 2000 – refer to MFR C-60

Electric Fuels Corporation charges Florida Power Corporation for coal purchases. Refer to MFR C-60 for information for 2000 and 2002. The budgeted coal purchases from Electric Fuels Corporation in 2001 are \$277.9M.



Third Set 50a CP&L
chgs to FPC .

(b) Provide information analogous to that provided in response to (a), for each affiliate, subsidiary, or division of Progress Energy that is allocated costs from Florida Power Corporation.

FPC objects to this interrogatory subpart as compound and reserves its right to count this interrogatory subpart as five (5) separate interrogatories for purposes of determining its obligation to continue to provide responses under the order governing procedure in this case.

Florida Power Corporation had no subsidiaries or divisions in any period under consideration in this proceeding. Refer to the attached Utility Service Agreement between Florida Power Corporation and Progress Energy Service Company dated January 1, 2001 and to MFR C-60 for a summary of costs, allocation methods and services provided to affiliates. Refer to MFR C-60 for amounts charged to affiliates for 2000 and the projected test year and to the attached schedule for 2001 amounts.



Third Set 500.xls

(c) Please describe all services and products provided by Florida Power Corporation to each of its affiliates, subsidiaries and divisions.

Florida Power Corporation had no subsidiaries or divisions in any period under consideration in this proceeding. Refer to the attached Utility Service Agreement between Florida Power Corporation and Progress Energy Service Company dated January 1, 2001, and MFR C-60 for a summary of services and products provided to affiliates.

(d) Identify any costs provided in the response to (a) that are recorded below the line by Florida Power Corporation.

Refer to the FERC account assignment provided in response to (a) to determine costs recorded below the line.

(e) Identify any costs provided in the response to (a) that are recorded below the line on the books of Florida Power Corporation.

Refer to the FERC account assignment provided in response to (a) to determine costs recorded to non-regulated operations.

(f) For each cost pool, cost center, or sub account identified in (a), please indicate the amount charged to Florida Power Corporation's nonregulated operations.

Refer to the FERC account assignment provided in response to (a) to determine costs recorded to non-regulated operations.

(g) Please provide the information requested in (a) and (b) in electronic form.

FPC will provide electronic copies to the extent they are available as a courtesy.

51. Please provide a summary description of the services and products sold by each affiliate, subsidiary and division of Progress Energy.

FPC objects to this interrogatory to the extent it includes affiliates, subsidiaries, or divisions of Progress Energy, Inc. other than FPC. Without waiving this objection, FPC refers Citizens to Progress Energy's public internet Web site. As for Florida Power Corporation, it is an electric utility. Its products and services include the sale of electricity, wheeling and

transmission services, rental pole attachments and streetlights, sale of flyash, and remittance processing services to third parties.

See also, FPC's response to Citizens First Set of Requests for Production of Documents Question #13 for a summary of products and services provided by Progress Energy.

52. Please provide a summary description of the services and products sold by each subsidiary and division of Florida Power Corporation.

FPC had no operating subsidiaries or divisions in any period under consideration in this proceeding. For products and services sold by Florida Power Corporation refer to Citizens Third Set of Interrogatories to FPC Question #51.

53. For each year 2000, 2001 and the projected test year, identify all costs, by cost pool, cost center, or sub account, directly charged to Florida Power Corporation by each separate affiliate, subsidiary, or division of Progress Energy. For each cost pool, cost center, or sub account state the direct charge method used for each cost. For each cost pool, cost center or sub account, identify the FERC account and name it is associated with.

FPC objects to interrogatory 53 as compound and reserves its right to count this interrogatory as three (3) separate interrogatories for the purposes of determining its obligation to continue to provide responses under the order governing procedure in this case. Without waiving this objection, FPC states that Florida Power Corporation does not track direct and allocated costs separately unless they are 100% assignable. Refer to Citizens Third Set of Interrogatories to FPC Question #50 for a summary of all costs charged to Florida Power by Progress Energy.

54. **(a) Please explain how the carrying charges associated with Progress Energy's corporate land, buildings, and equipment and/or any affiliate, subsidiary, or division of Progress Energy which does business with Florida Power Corporation are allocated to the Florida Power Corporation's operations.**

FPC is uncertain of what OPC's means to include in the definition of carrying charges. However, the types of charges FPC incurs from Progress Energy are direct costs, indirect costs, depreciation, and interest. Progress Telecom Corporation charges Florida Power Corporation an equity return on net assets calculated assuming a 55% equity ratio and a 12% return. Electric Fuels charges Florida Power a 12% return for railroad equipment which is recovered through the fuel clause.

- (b) Provide for the years 2000, 2001 and the projected test year the amount of carrying charges charged to the Florida Power Corporation by any affiliate, subsidiary, or division.**

FPC is uncertain of what OPC's means to include in the definition of carrying charges. However, there were no amounts included in any period under consideration for interest charges from Progress Energy. Florida Power Corporation is currently incurring these costs and will continue to incur these costs in the future, but there were no amounts included in the 2001 budget or the 2002 test year due to an oversight. The amount of charges allocated from Progress Telecom to Florida Power Corporation in December 2000 was \$916,933. There were no charges from Progress Telecom to Florida Power Corporation in the 2001 budget or the 2002 test year because they now come through the Service Company.

(c) Please provide the account name and account number where the carrying charged depicted in (b) are contained.

FPC is uncertain of what OPC's means to include in the definition of carrying charges. However, the amount charged to Florida Power Corporation by Progress Telecom in December 2000 would have been charged to the Information Technology Clearing account (FERC 184.20) and would then have been distributed across the functional FERC accounts via the IT charge-back mechanism.

55. For each affiliate, subsidiary or division of Progress Energy, where Florida Power Corporation provides services or products to the affiliate, subsidiary, or division of the Progress Energy, please respond to the following for the years 2000, 2001 and the projected test year.

(a) Please explain how the carrying charges associated with land, buildings, and equipment are charged by Florida Power Corporation to the affiliate, subsidiary, or division.

FPC is seeking an extension of time to respond to this interrogatory.

(b) Provide the amount of carrying charges charged to the affiliate, subsidiary, of division.

FPC is uncertain of what OPC's means to include in the definition of carrying charges. However, the above described charge to Progress Telecom is not separately identified on billings.

- (c) **Explain how Florida Power Corporation is compensated for the use of land, building, and equipment used by affiliates, subsidiaries, or divisions.**

FPC is seeking an extension of time to respond to this interrogatory.

- (d) **Please state the amount of revenue recorded on Florida Power Corporation's books and the account number and name in which the revenue is recorded.**

The amount of revenue from Progress Telecom recorded on Florida Power Corporation's books and the account numbers and account names are as follows:

| | | |
|------|---|--------|
| 2000 | Account 454 - Fiber/Cable Attachment Fees | \$0.8M |
| | Account 454 - Attachment Fees | 1.1M |
| 2001 | Account 454 - Fiber/Cable Attachment Fees | 0.8M |
| | Account 454 - Attachment Fees | 1.2M |
| 2002 | Account 454 - Fiber/Cable Attachment Fees | 0.8M |
| | Account 454 - Attachment Fees | 1.4M |

56. **Please provide an income statement and balance sheet for each Tier 1 subsidiary of the Progress Energy for the year 2000 and for the nine month period ended September 30, 2001.**

FPC objects to this interrogatory to the extent it includes affiliates, subsidiaries, or divisions of Progress Energy, Inc. other than FPC. Without waiving this objection, FPC refers Citizens to the SEC's public internet Web site. The 2000 financial statements are available now and the financial statements for the nine-month period ended September 30, 2001 will be filed with the and available through the SEC by November 15, 2001. Florida Power and the legal entity Florida Progress continue to file financial statements with the SEC, along with Progress

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Energy, Inc. and Carolina Power & Light, because they all still have outstanding publicly-traded securities.

FLORIDA POWER CORPORATION


Signature

STATE OF FLORIDA
COUNTY OF PINELLAS

BEFORE ME, the undersigned authority, duly authorized to administer oaths, personally appeared MARK A MYERS (to me well known) (who has produced _____ as identification), on behalf of Florida Power Corporation, as its VICE PRESIDENT, FINANCE and who, after first being duly sworn, deposes and says that he/she executed the above and foregoing.

SWORN TO and subscribed before me this 3rd day of NOVEMBER, 2001.

Anne M. Sneloski
(Signature)

ANNE M. SNELOSKI
(Printed Name)

NOTARY PUBLIC, STATE OF FLORIDA

APRIL 12, 2002
(Commission Expiration Date)

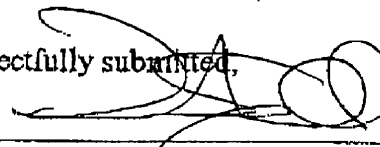
(Serial Number, If Any)



Anne M. Sneloski
MY COMMISSION # CC725907 EXPIRES
April 12, 2002
BONDED THRU TROY FAIN INSURANCE INC

As to the objections:

Respectfully submitted,



James A. McGee
FLORIDA POWER CORPORATION
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (727) 820-5184
Facsimile: (727) 820-5519

Gary L. Sasso
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Attorneys for Florida Power Corporation

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UTILITY SERVICE AGREEMENT

SERVICE AGREEMENT

This Service Agreement is made and entered into this 1st day of January, 2001, by and between Progress Energy Service Company ("Client Company") and Florida Power Corporation ("Utility Company").

WITNESSETH

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to Section 13(b) of the Public Utility Holding Company Act of 1935 ("Act") has authorized Utility Company to provide certain services to its associate companies within the Progress Energy, Inc. ("Progress Energy") system; and

WHEREAS, Client Company is an associate company within the Progress Energy system; and

WHEREAS, Utility Company and Client Company have entered into this Service Agreement whereby Utility Company agrees to provide and Client Company agrees to accept and pay for various services as provided herein at cost, with cost determined in accordance with applicable rules and regulations under the Act, which require Utility Company to fairly and equitably allocate costs among all associate companies to which it renders services (collectively, the "Client Companies"), including Client Company.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Service Agreement covenant and agree as follows:

ARTICLE I - SERVICES

Section 1.1 Utility Company shall furnish to Client Company, as requested by Client Company, upon the terms and conditions hereinafter set forth, such of the services described in Appendix A hereto, at such times, for such periods and in such manner as Client Company may from time to time request and that Utility Company concludes it is able to perform. Utility Company shall also provide Client Company with such special services, in addition to those services described in Appendix A hereto, as may be requested by Client Company and that Utility Company concludes it is able to perform. In supplying such services, Utility Company may arrange, where it deems appropriate, for the services of such experts, consultants, advisers, and other persons with necessary qualifications as are required for or pertinent to the provision of such services.

INTERROGATORY
50(b) and (c)

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Section 1.2 Client Company shall take from Utility Company such of the services described in Section 1.1, and such additional general or special services, whether or not now contemplated, as are requested from time to time by Client Company and that Utility Company concludes it is able to perform.

Section 1.3 The cost of the services described herein or contemplated to be performed hereunder shall be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. Client Company shall have the right from time to time to amend or alter any activity, project, program or work order provided that (i) any such amendment or alteration that results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by Utility Company, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by Utility Company as a direct result of such amendment or alteration of the activity, project, program or work order, and (iii) no amendment or alteration of an activity, project, program or work order shall release Client Company from liability for all costs already incurred by or contracted for by Utility Company pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

Section 1.4 Utility Company shall use its best efforts to maintain a staff trained and experienced in the services described in Appendix A.

ARTICLE II - COMPENSATION

Section 2.1 As compensation for the services to be rendered hereunder, Client Company shall pay to Utility Company all costs, which reasonably can be identified and related to particular services performed by Utility Company for or on its behalf. The methods for assigning or allocating Utility Company costs to Client Company, as well as to other associate companies, are set forth in Appendix A.

Section 2.2 It is the intent of this Service Agreement that charges for services shall be distributed among Client Companies, to the extent reasonably possible, based upon direct assignment. The amounts remaining after direct assignment shall be allocated, to the extent reasonably possible, among the Client Companies using the methods identified in Appendix A. The method of assignment or allocation of cost shall be subject to review annually, or more frequently if appropriate. Such method of assignment or allocation of costs may be modified or changed by the Utility Company without the necessity of an amendment to this Service Agreement; provided that, in each instance, all services rendered hereunder shall be at actual cost thereof, fairly and equitably assigned or allocated, all in accordance with the requirements of the Act and any orders promulgated thereunder. The Utility Company shall review with the Client Company any proposed material change in the method of assignment or allocation of costs hereunder and the parties must agree to any such changes before they are implemented. In addition, no such agreed upon material change shall be made unless and until the Utility Company shall have first given written notice to the North Carolina Utilities Commission, the Public Service Commission of South Carolina, and the Florida Public Service

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Commission (collectively, the "State Commissions") and the SEC not less than 60 days prior to the proposed effective date thereof.

Section 2.3 Utility Company shall render a monthly report to Client Company that shall reflect the information necessary to identify the costs charged for that month. Client Company shall remit to Utility Company all charges billed to it within 30 days of receipt of the monthly report.

Section 2.4 It is the intent of this Service Agreement that the payment for services rendered by Utility Company to Client Company under this Service Agreement shall cover all the costs of its doing business including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and compensation for use of capital as permitted by Rule 91 of the SEC's regulations under the Act.

Section 2.5 North and South Carolina Utility Companies may not incur a charge under this Service Agreement except in accordance with North and South Carolina law and the rules, regulations and orders of the North Carolina Utilities Commission ("NCUC") and South Carolina Public Service Commission ("SCPSC") promulgated thereunder, and may not seek to reflect in rates: any cost incurred under this Service Agreement exceeding the amount allowed by the NCUC or SCPSC; or any revenue level earned under this Service Agreement less than the amount imputed by the NCUC or SCPSC.

Section 2.6 Florida Utility Companies may not incur a charge under this Service Agreement except in accordance with Florida law and the rules, regulations and orders of the Florida Public Service Commission ("FPSC") promulgated thereunder, and may not seek to reflect in rates: any cost incurred under this Service Agreement exceeding the amount allowed by the FPSC; or any revenue level earned under this Service Agreement less than the amount imputed by the FPSC.

ARTICLE III - TERM

Section 3.1 This Service Agreement shall become effective as of the date first written above, subject only to the receipt of any required regulatory approvals from the State Commissions and the SEC, and shall continue in force until terminated by Utility Company or Client Company, upon not less than one year's prior written notice to the other party. This Service Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Service Agreement may conflict with the Act or with any rule, regulation or order of the SEC adopted before or after the date of this Service Agreement.

ARTICLE IV - MISCELLANEOUS

Section 4.1 All accounts and records of Utility Company shall be kept in accordance with the general rules and regulations promulgated by the Federal Energy Regulatory Commission.

Section 4.2 New direct or indirect subsidiaries of Progress Energy, which may come into existence after the effective date of this Service Agreement, may become additional client companies

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of Utility Company and subject to a service agreement with Utility Company. The parties hereto shall make such changes in the scope and character of the services to be rendered and the method of assigning, distributing or allocating costs of such services as specified in Appendix A, subject to the requirements of Section 2.2, as may become necessary to achieve a fair and equitable assignment, distribution, or allocation of Utility Company costs among all associate companies including the new subsidiaries.

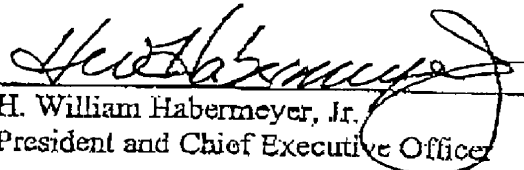
Section 4.3 Utility Company shall permit Client Company access to its accounts and records including the basis and computation of allocations.

Section 4.4 Utility Company and each Client Company shall comply with the terms and conditions of all applicable contracts managed by the Utility Company for such Client Companies, including without limitation terms and conditions preserving the confidentiality and security of proprietary information of vendors.

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be executed as of the date and year first above written.

FLORIDA POWER CORPORATION

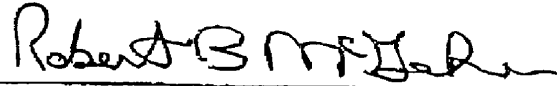
BY:


Name: H. William Habermeyer, Jr.

Title: President and Chief Executive Officer

PROGRESS ENERGY SERVICE COMPANY, LLC

BY:


Name: Robert B. McGehee

Title: President and Chief Executive Officer

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Appendix A

**DESCRIPTION OF SERVICES TO BE PROVIDED BY UTILITY COMPANY AND
DETERMINATION OF CHARGES FOR SUCH SERVICES TO THE
CLIENT COMPANIES**

to
Service Agreement, dated January 1, 2001

ARTICLE I

DETERMINATION AND DISTRIBUTION OF COSTS

All disbursements and expenses of the Utility Company for services performed for the Client Companies will be billed to such Client Companies. The Utility Company will maintain a work order ("project") system for accumulating all costs on an activity, product, project or functional basis, as appropriate. All employees, including officers, of the Utility Company shall keep time records which permit ready identification of hours worked, account numbers charged and project numbers charged, within reasonable cost benefit standards. Each product and/or project will specify the Client Company to be charged and, where more than one Client Company is to be charged, the method of allocation of such charges. A description of the services provided is detailed below. Identifiable costs will be directly assigned to Client Companies, where appropriate. Costs may include, where allowable, a return on capital. For costs which are for services of a general nature that cannot be directly assigned, the method of allocation is described below for each service provided.

ARTICLE II

DEFINITIONS

Direct and Indirect Costs – Services can entail incurring both direct and indirect costs.

- **Direct:** Direct costs can be specifically identified with providing a particular service or product to a Client Company. Employee labor charged directly to Client Companies will be burdened with payroll tax, benefit and exceptional hours overhead costs. Exceptional hours costs include hours spent on non-work related activities such as: vacation, holiday, sick, other hours excused, hours off without pay and occupational accident hours. Labor burdens on direct labor costs will be classified as direct costs. Direct costs will be charged whenever possible. For example, labor charges for a Utility Company employee to perform construction services for a Client Company will be classified as a direct cost.
- **Indirect:** Indirect costs cannot be specifically identified with providing a particular service or product to a Client Company. Employee labor allocated to Client Companies will be burdened with payroll tax, benefit and exceptional hours overhead costs. Labor burdens on indirect labor costs will be classified as indirect costs. Indirect costs will be allocated using a fair and reasonable percentage basis. For example, labor charges for a Utility Company employee to perform nuclear generation benchmarking services for Client Companies will be allocated based on maximum dependable capacity (see definition at Article III) and classified as an indirect cost.

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ARTICLE III

RATIOS, BURDENS AND OTHER ALLOCATION METRICS

The following ratios and other allocation metrics shall be applied, as specified in Article IV, to allocate costs accumulated on functional work orders for services of a general nature.

Benefits Burden

A ratio, the numerator of which is the employee benefits expenses of each Client Company and the denominator of which is the raw labor dollars of each Client Company. Each Client Company will have its own benefits burden pool of dollars to be distributed to that Client Company's labor dollars, so this burden rate could vary by Client Company. These burden pools will be analyzed quarterly, based on year-end projected figures as of March 31, June 30, September 30 and December 31, to determine if (1) the burden rates should be revised or if (2) an adjusting entry should be made to ensure that the pool clears out completely by year end.

Direct Cost Ratio

A ratio, (i) the numerator of which is the cost of materials, supplies or other relevant direct cost incurred by the provider entity's functional area, directly related to providing a particular service, and (ii) the denominator of which is the total cost of materials, supplies or other relevant direct cost incurred by that functional area directly related to providing that service to all Client Companies. This ratio will be revised monthly, or if not available on a monthly basis, based upon prior year actual experience.

Labor Hour Ratio

A ratio, (i) the numerator of which is the cost of labor (in hours) incurred by the provider entity's functional area, directly related to providing a particular service, and (ii) the denominator of which is the total cost of labor (in hours) incurred by that functional area directly related to providing that service to all Client Companies. This ratio will be revised monthly, or if not available on a monthly basis, based upon prior year actual experience.

Payroll Headcount Ratio

A ratio, the numerator of which is the number of regular, full-time active employees of a Client Company for whom paychecks are processed by the Utility Company, and the denominator of which is total number of regular, full-time active employees of all Client Companies for whom paychecks are processed. This ratio will be revised annually at December 31.

ARTICLE IV

DESCRIPTION OF SERVICES PROVIDED

A general description of each Utility Company department's services, which may be modified from time to time by the Utility Company without notice, and method or methods of allocation to be used by the department for costs accumulated on work orders of a general nature, is documented below. No substitution or material change will be made in methods of allocation hereinafter specified unless a new method of allocation has been approved by the Securities and Exchange Commission ("SEC"). Notice of any change in the methods of allocation applicable to a work order shall be given to the Client Companies affected.

1. Information Technology

a. Information Technology Services

- (1) Description - Provide telecom support, applications programming and analysis and staff IT help desk
- (2) Method of Allocation - Direct Cost

2. Florida Support Services

a. Legal Services

- (1) Description - Provide legal services and support in certain matters related to company operations and relations for consolidated or Service Company.
- (2) Method of Allocation - Direct Cost/Labor Hour Ratio

b. Claims

- (1) Description - Provides investigation and settlement support and payment of general liability and motor vehicle accidents and coordinate the collection of monies owed for damage to facilities and equipment as a result of third party negligence.
- (2) Method of Allocation - Direct Cost/Labor Hour Ratio

c. Internal Audit

- (1) Description - Provide an independent and objective appraisal of the adequacy of business controls and effectiveness and efficiency of company operations.
- (2) Method of Allocation - Direct Cost/Labor Hour Ratio

d. Insurance

- (1) Description - Property, liability and fiduciary insurance premiums.
- (2) Method of Allocation - Direct Cost/Labor Hour Ratio

e. Tax Administration

- (1) Description - Conduct tax planning and prepare returns
- (2) Method of Allocation - Direct Cost/Labor Hour Ratio

f. Financial and Insurance Risk Management

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- (1) Description - Independently measure and report corporate risk exposures and provide risk management training, tools, controls and strategies; manage the corporate insurance program
- (2) Method of Allocation - Direct Cost/Labor Hour Ratio

g. Cash Management

- (1) Description - Manage the efficient movement of company funds through the banking system and secures short-term debt financing and/or investments.
- (2) Method of Allocation - Direct Cost/Labor Hour Ratio

h. Executive Benefits Management

- (1) Description - Administer health, welfare, qualified plans & executive benefits.
- (2) Method of Allocation - Direct Cost/Labor Hour Ratio

i. Payroll

- (1) Description - Conduct time entry, maintain payroll system, run payroll, produce payroll-related reports and process employee expense reports.
- (2) Method of Allocation - Direct Cost/Payroll Headcount Ratio

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