

ORIGINAL

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: December 14, 2001

COMMISSION CLERK

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FLORIDA POWER CORPORATION'S OBJECTIONS TO THE FLORIDA INDUSTRIAL POWER USERS GROUP'S FIRST SET OF INTERROGATORIES TO FLORIDA POWER CORPORATION

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") objects to The Florida Industrial Power Users Group's First Set of Interrogatories (Nos. 1-23) 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

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confidentiality by means of a confidentiality agreement and protective order. FPC 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 will comply with 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.

Further, FPC objects to these interrogatories to the extent they purport to require FPC to conduct an analysis or create information not prepared by FPC in the normal course of business. 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.

INTERROGATORIES

The following questions relate to the direct Testimony of Mark A. Meyers submitted for filing on November 15, 2001:

1. Referring to Page 4 of Mr. Meyers' testimony, he states at Line 17 that the adjustments he makes to the Company's retail cost of service increase its revenue requirement by \$40 million. Is the Company requesting to adjust its retail rates to recover the \$40 million increased cost of service, as discussed at Page 4 of Mr. Meyers' testimony, and as shown on his Exhibit MAM-5?

2. Referring to Mr. Meyers' Exhibit MAM-4:
 - a. Please state how the Company has arrived at the rate of return on assets and the discount rate as listed on this exhibit;
 - b. Please explain the relationship between the rate of return on the assets, discount rate, and the associated impact on the Company's net pension cost (benefit);
 - c. Please provide a detailed explanation of the line item net amortization and explain the decrease between July and September, and describe the impact on this line item for October and November.

3. Referring to Mr. Meyers' Exhibit MAM-5, please provide a complete description of the RTO cost included on this schedule. With respect to this column item, please provide the following:
 - a. The amount of RTO cost assignable to Florida Power Corporation and which is being requested for recovery in this proceeding;
 - b. The amortization period of the RTO cost;
 - c. Please state whether the Company is seeking a carrying charge on the RTO cost;
 - d. Please provide a reference to a Commission Order approving the Company's amount of RTO costs.

The following questions relate to the direct testimony of Mark A Meyers submitted for filing on September 14, 2001

4. At page 3 of Mr. Meyers' testimony, he states the Company is pleased to be able to propose a rate reduction in this case as a result of the operating efficiencies made possible by the merger. He goes on to state the Company is proposing to guarantee \$5 million annually in rate relief for 15 years. Please describe exactly how the Company proposes to reduce rates by at least \$5 million in this proceeding. Please describe how this \$5 million rate reduction is being spread between the rate classes, and how it is reflected in Mr. Meyers' November 15th testimony, specifically as shown on his Exhibit MAB-5.

FPC objects to this interrogatory as compound and reserves its right to count this interrogatory as two (2) separate interrogatories for the purposes of determining its obligation to continue to provide responses under the order governing procedure in this case.

5. Referring to Mr. Meyers' Exhibit MAM-1, please provide the following:

- a. The derivation of Line 1 - Florida Progress stock per share;
- b. The derivation of the pre-merger price per share of \$44.625;
- c. The derivation of the total shares shown on Line 4.

6. Referring to Mr. Meyers' Exhibit MAM-1, Line 11, he lists a retail annual acquisition" adjustment of \$25.310. Please provide the annual revenue requirement that is necessary to fully recover this annual acquisition adjustment if provided for in FPC's retail cost of service.

7. Referring to Mr. Meyers' Exhibit MAM-1, Line 11, does the Company have an offset for collection of the annual acquisition adjustment to prevent the revenues received for full recovery of the annual acquisition adjustment to be subject to state and federal income taxes. If such offset is not available, please answer the following:

a. Could the Company minimize the recovery cost of this annual acquisition adjustment from customers if it recorded goodwill on FPC's books and records to provide an offset to the collection of this annual acquisition adjustment in FPC's state and federal income taxes? Please explain answer.

b. Has the Company considered pushing down an amount of goodwill to FPC's books to minimize the revenue requirement needed to fully recover its estimate of the annual acquisition adjustment? Please explain answer.

8. Referring to Page 33 of Mr. Meyers' testimony, on Line 17 he refers to the Company's desired capital structure. Please state what the Company's desired capital structure is, along with its target bond rating, and explain the reasonableness of the Company's targets.

FPC objects to this interrogatory as compound and reserves its right to count this interrogatory as two (2) separate interrogatories for the purposes of determining its obligation to continue to provide responses under the order governing procedure in this case.

9. FPC witness Meyer indicates the Company has included costs related to its Hines Power Block Unit 2 in its projected 2002 test year. With respect to this adjustment, please answer the following:

- a. Is it accurate that the Company is including rate base and operating expenses for the Hines Power Block Unit 2 in its projected 2002 test year even though the unit is not projected to be in service until November 2003?
- b. Please identify all rate base expenses, working capital, deferred taxes, and all other rate base items included in the 2002 forecast.
- c. Please identify all depreciation expense, operation and maintenance expense, A&G and common expense, and all other operating expenses attributable to Hines Power Block Unit 2 in the 2002 test year.

The following questions relate to the direct testimony of Dale E. Young submitted for filing on November 15, 2001

10. Referring to Page 11 of Mr. Young's direct testimony, he begins a discussion of a proposed adjustment to the MFR for the "last core" of nuclear fuel, and end-of-life nuclear materials and supplies at the Company's Crystal River Nuclear Unit No. 3. With respect to these proposed adjustments, please provide the following:

- a. Please state whether the Company has considered, or has already requested, a nuclear operating license extension at Crystal River Unit No. 3 from the Nuclear Regulatory Commission.

- b. If the Company has not pursued an operating license extension, please explain why.
- c. Please explain why useable materials and supplies inventory and unused nuclear fuel costs would not be fully recovered in either the Company's salvage value reflected in the CR3 depreciation rate, or in its decommissioning expense fund.

The following questions relate to the direct testimony of John B. Crisp Submitted for Filing on November 15, 2001

11. On Pages 14 and 15 of Mr. Crisp's testimony he summarizes the adjustments the Company has made to its 2002 energy sales forecast, Mr. Crisp states that the Company adjusted downward its projected sales forecast to reflect the weakening service area economy. With respect to this testimony, please answer the following:

- a. For what period does the Company expect the service area economy to be depressed to a level not previously seen since the 1990-1991 recession?
- b. Do the Company's projections expect that the service area economy and its sales will increase in 2003, relative to 2002, as the service area economy improves?

The following questions relate to the direct testimony of William C. Slusser submitted for filing on November 15, 2001

12. Referring to the direct testimony of William C. Slusser, page 25, explain in detail the basis for determining that interruptible and curtailable demand credits should be developed using a benefit to cost ratio of 1.2. Why was this specific benefit to cost ratio selected? Is there any Commission rule or case precedent that supports the use of this specific ratio in the development of interruptible or curtailable demand credits? If so, describe such rule or precedent.

FPC objects to this interrogatory 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.

13. Referring to the direct testimony of William C. Slusser, page 25, explain in detail how Florida Power quantified the benefits and costs of providing interruptible and curtailable service for the purpose of developing its proposed demand credits for these rates.

14. Referring to the direct testimony of William C. Slusser, page 25, explain in detail how the Company determined the curtailable service is 75% as valuable as interruptible service.

15. Referring to the direct testimony of William C. Slusser, page 25, explain in detail all underlying assumptions supporting the Company's quantification of the benefits and costs associated with interruptible service. Provide citations to any Commission rules or precedent supporting FPC's proposed method of quantifying these costs and benefits.

Minimum Filing Requirements – General

16. Referring to the Company's Minimum Filing Requirement (MFR), Section C "Net Operating Income Schedules," Schedule C-3a, Page 1, under Column B the Company's adjustments include "remove recoverable fuel." With respect to this adjustment please answer the following:

- a. Please provide a complete description of the purpose of removing fuel from the Company's total revenue requirements.
- b. If this adjustment is intended to remove fuel which is not recovered through base rates, please provide a detailed explanation of why this adjustment results in a reduction to base revenue net operating income of \$9.63 million.
- c. Please provide an explanation of why the Company's forecast includes lower fuel revenues than fuel expense.

17. Referring to the Company's MFR Schedule C-3a, Page 2, Column I "Acquisition Adjustment," please confirm that this acquisition adjustment reflects the total amount of projected acquisition savings FPC expects to realize from its merger with CP&L in the 2002 test year.

18. Concerning the Company MFR Schedule C-3a, Page 3, Column D "Accelerated Recovery of Tiger Bay," please provide the following:

- a. The amount of unrecovered Tiger Bay regulatory asset at the beginning of the 2002 test year.
- b. State the amount of Tiger Bay accelerated recovery expected to be expensed in 2000 and 2001.
- c. Please identify the amount of normal amortization expense for this regulatory asset in the 2002 test year.

- d. Please state whether the unrecovered Tiger Bay regulatory asset is included in the Company's rate base. If affirmative, please identify the average amount included in the 2002 test year, all related deferred income taxes, and all other rate base items.

19. Explain in detail the Company's rationale for treating interruptible and curtailable service as demand-side management programs for the purpose of developing interruptible and curtailable demand credits.

20. Referring to Schedule A-5, pages 4 and 5 of the Company's filing, explain in detail why the Company proposes to increase the distribution charge in its standby rates by 68%.

21. Is Florida Power aware of any proceedings in which the Florida Commission has rejected the use of the Equivalent Peaker Method for the allocation of production capacity costs? If so, please provide citations to any such Commission orders.

22. Provide a history of the interruptions or curtailments experienced by customers on the IS-1, IS-2, CS-1, and CS-2 rates for the period December 1999 through November 2001. For each interruption or curtailment requested during this period, provide the reason for the interruption or curtailment (reliability or economics), the number of customers impacted, the amount of load interrupted or curtailed, the duration of the interruption or curtailment, the amount of load buying through the interruption or curtailment, and the price charged for buying through the interruption or curtailment. Provide this information separately for each of the IS-1, IS-2, CS-1, and CS-2 service offerings.

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

23. Did the Company prepare an Equivalent Peaker Method Analysis in developing its cost of service studies? If not, explain why not.

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 14th day of December, 2001.

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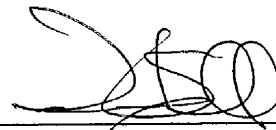
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