

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: January 11, 2002

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FLORIDA POWER CORPORATION'S RESPONSE TO CITIZENS' EIGHTH 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") respond to Florida's Citizens' Eighth Set of Interrogatories (Nos. 125-130), subject to the previously filed general and specific objections, and states as follows:

INTERROGATORIES

125. On November 30, 2001, the following press release was issued, in part: "RALEIGH, N.C. (November 30, 2001) - The Eastern North Carolina Natural Gas Project (Eastern NC), which will bring natural gas service to homes and businesses in 14 counties, has begun contacting prospective customers in Edenton, Wyfall, Elizabeth City and Cape Colony."

(a) Was the creation of this new company included in the development of the allocation factors used to allocate costs from Progress Energy Services Company to the various affiliates that it provides service to in the projected test year?

No - the test year data was filed several months prior to this press release. We estimate total Service Company charges to Eastern to be less than \$250,000 annually.

(b) If the response to (a) is affirmative, please describe how this new company was taken into consideration.

N/A

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**(c) Identify all documents that demonstrate that this expansion was considered when developing allocation factors used to allocate costs to this new company for the projected test year.**

N/A

**126. Please state the amount of nuclear property and liability credit for good experience budgeted for the projected test year. State how this credit was reflected in test year expenses. If the credit was not reflected in test year expenses, please explain why it was not. State the amount of actual nuclear property and liability credit received in the years 1999, 2000, and 2001 by the Company and/or its parent.**

The amounts for nuclear property and liability credits included for the respective periods are as follows:

2002 Test Year –	(\$4,585,097)
2001 Actuals -	(\$6,285,895)
2000 Actuals -	(\$6,607,256)
1999 Actuals -	(\$4,433,622)

The amount included in the test year was reflected in FERC account 924.31. The total of (\$2,872,000) in this account is the credit of \$(4,585,097) offset by expenses of \$1,713,000.

**127. For purposes of this request please refer to the response to OPC's POD 49 bates page 000853-000855.**

**(a) Please explain how costs charged to Progress Energy Service Company are reflected on the books of FPC. (For example, are the expenses credited, or do the expenses remain on FPC's books and revenue is reflected.)**

The costs charged to Progress Energy Service Company are charged directly to a Balance Sheet account - FERC account 186.14. There are no expenses or

revenues reflected on the Income Statement associated with billings to Progress Energy Service Company.

- (b) **By FERC account number, state the amount charged Progress Energy Service Company for the year 2001 to date, and explain how any costs and/or revenue are reflected on FPC's books.**

The total amount charged to Progress Energy Service Company through November 2001 was \$19,010,311. These costs were charged to FERC account 186.14. When monthly bills are rendered to Progress Energy Service Company, then the costs are transferred from FERC account 186.14 to FERC account 146.90 – Accounts Receivable (Service Company).

- (c) **By FERC account number, state the amount budgeted to be charged Progress Energy Service Company for the projected test year and explain how any costs and/or revenue are reflected on FPC's books.**

The amount included in FERC account 186.14 for the test year was \$22,066,402. These expenses were budgeted directly to the FERC account. The budget assumed monthly billings to Progress Energy Service Company. There are no revenues or expenses reflected on the Income Statement associated with billings to Progress Energy Service Company.

128. **For purposes of this request, please refer to Bazemore's Appendix C and the Company's response to OPC's POD 49. In response to POD 49 the Company produced service agreements between Progress Energy Services Company and various affiliates that it performs service for. In response to POD 49, there was service agreement with Capital Holding, Inc.**

- (a) **Please explain why no costs were reflected on Appendix C as being charged or allocated to Capital Holding, Inc.**

The Service Company does not provide any services to Capital Holding, Inc. It is a corporate shell entity that is not operational. Service Company does provide service and bills Capital Holding, Inc. subsidiaries Electric Fuels and Progress Telecom as noted in Appendix C.

- (b) **State the amount of costs, but account, that were charged or allocated to Capital Holding, Inc., for each month of the year 2001 to date.**

No costs have been charged to Capital Holding, Inc

129. **On December 3, 2001, the following press release was issued, in part: "ST. PETERSBURG, FL --December 03, 2001 - Progress Telecom, a provider of wholesale telecommunications services, is expanding its sales division with the launch of an Alternate Channels program. The announcement adds to a year in which the three-year-old company, previously engaged only in direct sales to wholesale providers, has exceeded its growth projections."**

- (a) **Was the expansion of the sales division included in the allocation factors used to allocate costs from Progress Energy Services Company to Progress Telecom, for the projected test year?**

No – this expansion took place several months after the test year data was developed. For purposes of computing actual charges in 2002, we periodically update the underlying metrics (headcount) for any changes so that the impact of these is considered.

- (b) **If the response to (a) is affirmative, please describe how this expansion of the sales division was taken into consideration.**

N/A

- (c) **Identify all documents that demonstrate that this expansion was considered when developing allocation factors used to allocate costs to Progress Telecom from Progress Energy Services for the projected test year.**

N/A

- (d) **Identify the number of additional sales personnel that were hired as a result of this expansion, by title.**

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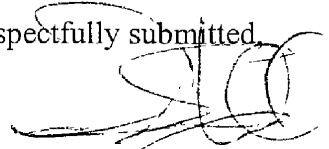
130. (a) **For the years ending 2000, 2001, and the projected test year, please state the amount charged the Company by Progress Telecommunications Corporation.**

For 2000, the amount charged the company was \$11,910 thousand (see MFR Schedule C-60). Florida Power was charged \$8,013 thousand in 2001 and expects to be charged \$6,826 thousand in 2002.

- (b) **Identify all documents, calculation and workpapers that show how these costs were charged to the Company by Progress Telecommunications Corporation for each of the years 2000, 2001, and the projected test year.**

For 2000, Florida Power has the Progress Telecommunications Corporation invoices that support the total in (a) above. Beginning in 2001, Progress Telecommunications Corporation began invoicing the Service Company, which paid the bills and then allocated the cost to Florida Power through the intercompany billing. Florida Power has previously provided the Progress Telecommunications Corporation invoices and the Service Company intercompany billings in its response to Citizens' Tenth Set of Requests for Production of Documents to FPC Question #126. The \$6.8 million number is based on the Master Service Agreement between Progress Energy Service Company and Progress Telecommunications Corporation.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of foregoing has been furnished via \*\*hand delivery and via U.S. Mail to the following this 11<sup>th</sup> day of January, 2002.

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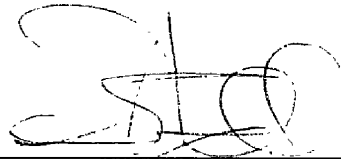
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