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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 14, 2002

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FLORIDA POWER CORPORATION'S RESPONSE TO CITIZENS' NINTH 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") responds to Florida's Citizens' Ninth Set of Interrogatories (Nos. 131-152) subject to the previously filed general and specific objections and states as follows:

INTERROGATORIES

131. According to Exhibit MAM-4, the Market Value of Assets for the pension plan as projected for the beginning of 2002 was $1,170,810,000 in July 2000, and decreased to $906,870,000 in September 2001. Provide the actual market value of assets as of the date MAM-4 was prepared (indicate the date), as of August 31, 2001, as of September 30, 2001, and as of the current date.

8/31/01	FPC	$850,859,930
9/30/01	FPC	$779,498,960
10/31/01	FPC	$806,061,068
11/30/01	FPC	$844,058,645

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Please show and explain, in detail, how each of the amounts appearing in the adjustment columns on Exhibit MAM-5 were determined.

See response to Citizens' 12th set of production of documents question #143.

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133. New Payment Locations. **Refer to Mr. Meyer's September 14th testimony at page 12 and the response to OPC Interrogatory 28.**

(a) Provide the total amount, by FERC account, included in the adjusted 2002 test year for the new payment locations and show, in detail, how the amount was determined. The response should include both expenses and capital costs.

(b) Provide the total amount, by FERC account, included in the adjusted 2002 test year for the 33 business offices which were being phased out during 2001, by office (these were listed in response to OPC Interrogatory 28d). The response should include expenses and capital costs and be broken out by item (i.e., plant in service, accumulated depreciation, maintenance expense, utilities, employee costs, etc.)

(c) Explain, in detail, what has been done or is planned to be done with each of the 33 business offices that will be closed (i.e., sold, expired lease, etc.).

(d) If any of the 33 business offices are/were owned by the Company and have been or are projected to be sold, identify the actual and anticipated gains/losses on sales for each of the buildings and identify how these gains/losses have been treated in the adjusted 2002 test year. Include supporting workpapers and calculations.

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

134. Closed Business Offices. Refer to the response to OPC Interrogatory 28(h).

(a) What will/has happened with these employees (i.e., terminated, transferred to other positions, retired, etc.)?

(b) Provide the number of employees included in the 2002 adjusted test year for the 33 business offices that are being/have been closed and provide the amount included in adjusted 2002 test year expenses for these employees, including payroll, payroll taxes, benefits, and any other employee related costs.

(a) 11 Florida Power employees transferred to vacant positions in our Customer Solutions Centers

16 Florida Power employees transition to vacancies in other departments within Florida Power

45 Florida Power employees severed

1 Florida Power employee resigned

40 Contract employees were released

4 Contract employees transferred to other position within Florida Power

(b) There were no employee expenses included in the 2002 adjusted test year for the 33 business offices. The assumption made was that all 33 business offices would be closed by December 31, 2001 and all employees working in those offices would be severed or relocated.

135. Merger Synergies. Please provide a detailed breakdown of the following identified merger synergies, by FERC account number, confirm that the full amount has in fact been reflected in the 2002 budgeted test year and show, in detail, how the amounts were determined. Include all supporting assumptions and calculations:

(a) MFR Schedule C-57a, page 1, for Steam and Other Power Generation of $16.8 million;

The detail breakdown has been provided in the Company's response to OPC's Third Request for Production of Documents question 73. These synergies are spread over the rate of Steam FERC (500-507, 510-514), Other Power (546-550, 551-554) , 556 and have been fully reflected in the 2002 budgeted test year.

(b) MFR Schedule C-57b, page 1, for Nuclear Generation of $4.1 million;

The $4.1 million in synergies are composed of:

Labor reductions and Wage Refinement	$ 3.5 million
Budget Refinement in Materials, Projects, & Fees	$(-0 .5) million
Reductions in Payroll Loadings	$ 0.9 million
Reductions in Incentive Compensations	$ 0.2 million

Total	$ 4.1 million

These synergies are spread over the range of nuclear FERC accounts (517.00 – 532.99). The full amount of the synergy reductions has been included in the 2002 test year budget.

Supporting assumptions and calculations are contained in the confidential 60 Day Report submitted under OPC's First Request for Production of Documents.

(c) MFR Schedule C-57c, page 1, for Transmission of $1,563,000;

Transmission merger synergies are included as part of the 560 FERC accounts (Transmission Operation Expenses). Yes, the full amount has been reflected in the 2002 budgeted test year. Detail on how amount was determined is as follows:

Labor and Benefits: $1.2M (18 FTE's x $66.67K/year)
Labor Reduction by Area:
Consolidated Transmission Staff: 5 FTE's
Regional Transmission Maintenance Organization: 9 FTE's
Craft and Technical Training Department: 4 FTE's

Overhead: $40K
Overhead Savings by Area:
Consolidated Transmission Staff: $18K
Regional Transmission Maintenance Organization: $22K

Other: $323K
Other Savings by Area:
Regional Transmission Maintenance Organization: $252K
Craft and Technical Training Department: $71K

Detail further supported in the Transmission and Distribution confidential 60 Day Report previously submitted under OPC's 1st Request for Production of Documents.

(d) MFR Schedule C-57d, page 1, for Distribution of $5,512,000;

The Distribution merger synergies are included as part of the 580 FERC accounts. Yes, the full amount has been reflected in the 2002 budgeted test year. Detail on how amounts were determined is as follows:

Detail on how amount was determined is provided in the confidential 60 Day Report previously submitted under OPC's 1st Request for Production of Documents.

Labor and Benefits: $3.2M (39 FTE's x $82.05K/year)
Labor Reduction by Area:
Consolidate Distribution Staff: 10 FTE's
Improve Service Delivery Process: 12 FTE's
Metering Personnel Reductions: 4 FTE's
Craft & Technical Training Dept.: 4 FTE's
Executive Synergies: 3 FTE's
C/I/G Synergies: 6 FTE's

Non-Labor: $2.3M
Consolidate Distribution Staff: $77K
Improve Service Delivery Process: $257K
Capitalization Policy: $1.3M
Metering Personnel Reductions: $12K
Craft & Technical Training Dept.: $118K
T&D Material Synergy: $100K
C/I/G Synergies: $500K

Detail further supported in the Transmission and Distribution confidential 60 Day Report previously submitted under OPC's 1st Request for Production of Documents.

(e) MFR Schedule C-57e, page 1, for Customer Accounts of $5.9 million; and

See below for detailed breakdown breakdown of merger synergies for Customer Service. Yes, the full amount has been reflected in the 2002 budgeted test year. For detail on how these amounts were determined, please see confidential Customer Service

60-day report as provided in Citizen's 1st Request for Production of Documents, Question #4.

Energy Delivery Customer Service

Synergy Initiative	2002	Ferc Information
Closing Field Office and Opening 150 pay stations	1,065,500	901.00-906.99
Application of best practices (i.e. Streamlining work process, realigning span of control, eliminating vacancies	967,000	901.00-906.99
Providing technologies and training to resolve billing inquiries more timely	1,774,100	901.00-906.99
Realignment of the Community Support Functions and the establishment of a dedicated Economic Economic Development Organization	510, 400	901.00-906.99
Elimination of redundant functions within Customer Service	503,800	901.00-906.99
Discontinuance of payments of credit card fees	1,060,200	901.00-906.99
Total Synergies	**5,881,000**	

(f) **MFR Schedule C-57f, page 1, for Administrative & General of $24.8 million.**

FPC believes that writer of this question intended to reference MFR Schedule C-57g, not C-57f, and this answer proceeds accordingly. The merger-related savings are not being tracked or maintained by FERC account. See the answer to Citizens' First Set of Requests for Production of Documents to FPC Question #4 (confidential 60 Day Initiatives Summary) and OPC's Third Request for Production of Documents question #73 and OPC's Tenth Request for Production fo Documents 128 for the projected cost savings. The projected cost savings were incorporated into the 2001 and 2002 corporate budgets over the range of A&G FERC accounts 920-931. The Company does not specifically track acquisition cost savings by primary account and cost center.

136. **Employee Count. Refer to the response to OPC Interrogatory No. 40. Please explain, in detail, why the projected 2002 employee counts for each of the following functional areas for Progress Energy Services exceeds the combined December 31, 2000 employee counts for both FPC and CP&L pre-merger:**

(a) Payroll and Benefits Management (38 pre-merger combined compared to 50 for 2002); and

(b) Legal and Regulatory Compliance (63 pre-merger compared to 79 for 2002).

(a) Your request has brought to our attention an error that was made on the original filing to OPC Interrogatory No. 40. This error caused us to double count some employees and omit others. Here is a comparison of what was filed compared to what should have been filed:

<u>**Original Filing**</u>:

2002

Payroll and Benefits Mgmt – **30** employees in Payroll + 20 employees in Benefits Mgmt = 50 employees

<u>**Corrected Filing:**</u>

2002

Payroll and Benefits Mgmt – **14** employees in Payroll + 20 employees in Benefits Mgmt = 34 employees In summary, the Payroll and Benefits Management group decreased from 38 employees pre-merger to 34 employees in 2002.

(b) In reviewing our response to OPC Interrogatory No. 40 FPC notes that it submitted an employee headcount of **69** for Legal and Regulatory compliance, not **79** as stated in OPC Interrogatory 136 (b). Referring to OPC Interrogatory 40

FPC submitted a 15 employee headcount for FPC Legal and Regulatory Affairs and a 48 employee headcount for CP&L Legal and Regulatory Affairs for the year 2000 headcount. This 2000 headcount did not include the Corporate Secretary and Shareholder Relations functions, which were both housed in Florida Progress Corporation. The 2002 headcount of 69 employees did include 6 employees working in these functions as Service Company employees. Therefore, the projected 2002 employee headcount in Legal and Regulatory Affairs (69 - 6 = 63) is unchanged compared to the combined pre-merger employee counts for FPC and CP&L (63).

137. Tiger Bay Regulatory Asset. Please refer to the response to OPC Interrogatory No. 66. Please identify which of the amounts on the attached schedule for 2001 are based on actual amounts and which are based on estimates. For the months based on estimates, provide the actual amounts, by month, for 2001 to date along with the current actual balance of the Tiger Bay Regulatory Asset.

See attached.

138. Revenues – Other. Provide the amount of Revenues recorded in Account 45110 – Misc. Service Revenues, for each month, of 2001 to date.

See attached.

139. Revenues – Other. Refer to the response to OPC Interrogatory 70. Explain, in detail, why the Company does not forecast to collect as much in revenue for those services in 2002 and provide the amount of revenues recorded in account 456.20, by revenue type, by month for 2001 to date.

The company does not forecast to collect as much in 2002, because in 2000 FPC collected a $150,000 lease payment from Pinellas County to rent property for the Pinellas Trail. This lease was then discontinued.

Revenues recorded in account 456.20 by revenue type and month for 2001 are as follows:

Revenue Type	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Total
Collection of Non-FPC Bill	$6,245	$4,676	$605	$5,489	$12,364	$5,733	$7,704	$7,049	$5,835	$5,687	$0	$61,387
Processing Fees- Release Of Easements	2,050	1,075	13,500	(11,000)	550	525	4,675	11,679	3,875	2,925	3,125	32,979
Miscellaneous	(879)	(3,587)	28,541	8,265	1,067	415	770	3,653	717	(10,343)	12,859	41,479
Total	$7,416	$2,165	$42,646	$2,754	$13,981	$6,673	$13,149	$22,381	$10,427	($1,731)	$15,984	$135,845

140. Other Power Generation. Refer to the response to OPC Interrogatory 74. Please show, in detail, how the amount of increase in PC Support and Voice Data Services expenses of $2,625,000 was determined and explain, in detail, what caused this large expense increase.

PC Support and Voice Data Services reflect increases in overall information technology costs, and incremental costs for additional CT Support personnel.

141. Other Power Generation. Refer to the response to OPC Interrogatory 74.

(a) Please show, in detail, how the Develop CT System Support Organization – Primarily Growth Driven of $1,681,000 was determined.

The current CT System Support organization was established early 2001 after the merger. The combined CT system management, technical services, maintenance and parts management functions are included in the organization. The organization is chartered with implementation of the department's process improvements and best practices initiatives for FPC's and CP&L's combustion turbines and combined cycle plants. The $1,681,000 is the delta between the 2000 actual expenditures of the FPC CT support staff and FPC's share of the 2002 CT System Support Organization.

(b) Provide a more detailed description of this cost and the CT System Support Organization.

The attached spreadsheet details the functions and costs of FPC's 2002 budgeted share of the CT System Support Organization. A cost comparison between 2002 and 2000 was done at a summary level due to the differences in the organization structure from FPC's 2000 organization and the 2002 Combined CT organization.

(c) Since the response indicates that it is primarily growth driven, explain, in detail, any impact of the Company's recently projected reduction in the revenue forecast impacts this projected cost.

Since 1992, the majority of Company's actual generation capacity growth and projected growth is in combustion turbine and combined cycle units. The CT System Support organization provides focused resources to standardize processes and improve performance and reliability of these units and to take advantage of emerging technology in the industry. The cost of the CT System Support organization is predominantly capacity driven and will not vary with reduced revenue forecast.

142. Customer Account Expense. The response to OPC Interrogatory 76 indicates that the increase in Account 90320 is the result of reclassing postage expense for customer bills from Account 90310. Considering this fact, please explain, in detail, what factors caused the large increase in expense in account 90310 between 2000 actual of $31,898,000 to 2002 projected of $39,396,000, particularly as postage for customer bills is no longer in that account.

The $7.5 million increase in Account 90310 is due primarily to $5.6 million higher IT costs and $3 million higher payroll and benefits. The increase in payroll costs is due primarily to normal salary increases as well as increased benefit costs.

143. Sales Expense. Refer to OPC Interrogatory 80. Provide a detailed description of the Power Marketing Services expense of $4.9 million included in the 2002 adjusted test year. Explain, in detail, how the projected amount was determined and explain why it

increased so significantly between 2000 actual and 2002 projected (See MFR Sch. C-12, p. 8).

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

144. Property Insurance. Refer to the response to OPC Interrogatory 81. Please update the actual amount of non-nuclear property insurance expense for each month subsequent to September 30, 2001 to date.

The actual amount of non-nuclear property insurance expense year to date through November 30, 2001 is $ 2,983,020.00.

145. Property Insurance. Refer to the response to OPC Interrogatory 81. Has the Company's insurer's provided any information regarding projected 2002 non-nuclear property insurance costs? If yes, please explain, in detail, how the information compare to the Company's projection that its insurance costs will "double from 2000 to 2001 and are expected to continue to rise in 2002."

The information referenced above received from various sources indicated, without exception, significant premium increases during the latter half of 2000 and going forward. The most significant increases were projected for operations with poor loss experience and for locations subject to coastal windstorm and flood. Based on this information and the advice of our insurance brokers/consultants, we projected that property insurance premiums would likely double from 2000 to 2001, and continue to increase during 2002. This information has been included in response to #145 of the Twelfth Request for Production of Documents.

146. Medical Expense. Refer to the response to OPC Interrogatory 82. Please provide a detailed itemization of the actual 2000 expense of $13,031,000, the actual 2001 expense to date, and the projected 2002 of $19,640,000 by benefit type.

	2000	2001	2002
Medical premiums/claims	$13,031	$13,793 *	$ 17,189
Dental costs			1,100

Other Benefit Plan Costs		
(Vision plan, Wellness Plan, Flu Shot, Program, Plan Admin)		1,188
Total	$	19,640

*Actuals through June 30, estimated thereafter

147. Medical Expense. Refer to the response to OPC Interrogatory 82. Please explain, in detail, how the projected increase of $5 million for premium/claim costs was determined, providing supporting calculations and assumptions.

Please see the attached worksheets.

148. Medical Expense. The attachment provided in response to OPC Interrogatory 82 indicates that the 2002 budgeted medical expense was based on the expected headcount as of December 31, 2001, which is 4,037.

(a) What is the projected average 2002 test year employee head count?

The average number of medical plan participants during 2002 is projected to be 4,037. The assumption in the rate case was that the ending headcount for 2001 would provide the best projection for the average headcount in 2002.

(b) Explain, in detail, why the 2002 budgeted medical expense is based on the expected December 31, 2001 employee headcount instead of the projected average 2002 test year headcount.

The headcount used to prepare the medical plan cost was calculated in July 2001 using the number of Florida Power employees eligible to participate in the medical plan on June 30, 2001. From this, the participants expected to waive coverage in 2002 were subtracted, the expected number of new hires through December 31, 2001 were added, and the expected employee terminations through December 31, 2001 were subtracted. The count of 4,037 employees derived in this calculation represent an estimated number of participants in the medical plans at December 31, 2001. It is also an estimate of the average number of employees the company could expect to participate in the medical program throughout 2002 since there are no plans for significant increases or decreases in headcount during 2002.

In general, if there are no major events that will cause headcounts to change during the upcoming year, the ending balance for one year is a reasonable projection of the average monthly balance in the following year. There are three primary reasons why this assumption is generally true. First, employee participation in the medical plan is generally stable from year-to-year. Second, employees are not allowed to terminate or otherwise change their participation in the plan outside annual enrollment unless they leave the Company or have a qualifying event that complies with the IRS regulations. Third, employees who terminate employment, either voluntarily or involuntarily, are permitted to continue their participation in the plan for up to 18 months under federal regulations (COBRA rules). Covered dependents may be able to continue COBRA coverage for up to 36 months in specific situations.

(c) What is the current headcount and the current number of employees waiving coverage?

Based upon the first pay period in 2002, Florida Power has a total of 6,717 eligible medical plan participants. Of these, 4,302 are active employees, 2,236 are retirees, and 179 are terminated employees with COBRA coverage under the plan. Of the 4,302 active participants, 312 have elected to opt out of the plan. This leaves 3,990 active employees participating in the plan. Actual active plan participants are less than the original rate case projection of 4,037 by approximately 47 employees. This leaves approximately $200,000 available to cover actual claim costs that exceed COBRA premiums collected from the 179 COBRA participants.

149. Medical Expense. Refer to the response to OPC Interrogatory 82. Has the Company updated its projected medical benefits costs since the filing was prepared? If yes, provide the updated projection and identify and explain any variances from the original estimates.

The Company has not updated its projected medical benefit costs.

150. Medical Expense – Retirees. Refer to the response to OPC Interrogatory 83.

(a) Provide a detailed description of the increases in the medical "caps".

The medical "caps" instituted by Florida Power in 1997 refer to placing a dollar limit on company contributions when aggregate costs per individual exceed the following:

Non-bargaining: Pre-65 $7,000; Post-65 $3,000
Bargaining: Pre-65 $6,500; Post-65 $3,500

These caps (highlighted) were adjusted in 2001 by Progress Energy to obtain consistency among all plans to:

Non-bargaining: Pre-65 $7,000; Post-65 $4,000
Bargaining: Pre-65 $6,500; Post-65 $3,500

(b) Provide detailed calculations showing how each of the amounts summarized in the response were determined.

The amounts were estimated using various sources, including actuarial estimates. See the attached workpapers. The current projections, based on the 2001 FAS 106 report, have now been received from outside actuaries.

The current 2002 expense projection for FAS 106 related to Florida Power are:

Medical	$16,360,114
Life	3,209,368
Total	$19,569,482

The estimated amounts were $17.06 million for medical and $3.17 million for life. The variance is attributable to several factors, which have not been reconciled. Once we have received the 2001 FAS 106 report, a copy can be provided.

(c) Provide a detailed description of the "updated actuarial assumptions", identifying all changes in the assumptions and describing, in detail, why the changes were made.

The updated actuarial assumptions reflect a change in assumptions due to the evolution of Medicare Risk HMOs. There was optimism in the past that the creation of Medicare Risk HMOs would help to limit cost increases related to Medicare-eligible retirees; that assumption resulted in lower FAS 106 expense. However, Medicare Risk HMOs have proven not to be viable, and the FAS 106 assumptions have been revised accordingly, resulting in increased expense versus prior expectations. (Also see response to (b) above regarding new actuarial projections.)

151. Medical Expense – Refer to the response to OPC Interrogatory 83. Please explain, in detail, why the Company believes the $1.18M increase from 2000 to 2002 based on the 2000 actuarial study assumptions is still applicable post merger, particularly considering the changes in employee compliment and changes in the plan itself. Also, indicate whether or not the 2000 actuarial study specifically factored in anticipated future changes resulting from the merger.

With regard to changes in the plan itself, that impact is embedded in the $1.41M item in the Interrogatory 83 response; therefore, plan changes would not change the $1.18. With regard to changes in employee compliment, at the time of the filing estimates were not available for the impact that the employee compliment decrease would have on 2002 expense. Decreases in employee compliment can increase or decrease FAS 106 expense in the near term depending on the demographics of the employees who have terminated; therefore, for purposes of the filing estimate we assumed that in the near term the decrease in employee compliment would have no effect on FAS 106 expense. As indicated in the response to Question 150(b), we have received updated projections for 2002.

152. Miscellaneous Benefits. Refer to the response to OPC Interrogatory 84.

(a) Please show, in detail, how the $871,000 amortization of the Restricted Stock Grant was determined. This should include, but not be limited to, the total amount being amortized by employee (title will suffice) and the amortization period.

See attached table.

(b) Please show, in detail, how the projected cost of $92,000 to investigate the possibility of offering education services was determined.

The Company allotted $250,000 to invest in employee financial planning to assist employees in making appropriate financial decisions related to the management of their 401(k) and pension plan assets. In recent years, Progress Energy has incorporated several investment options in the 401(k) and implemented a cash balance plan that presents the opportunity for employees to take a more active role in planning for and managing their funds for retirement. As a result, it is important that employees have a basic understanding of finance and investing. Florida's portion of the total cost was allocated based upon headcount (Florida's projected active headcount was divided by the total projected active Progress Energy headcount).

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of foregoing has been furnished via hand delivery (where indicated by *) and via U.S. Mail to the following this 14th day of January, 2002.

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Attorney

Signature

STATE OF FLORIDA

COUNTY OF LEON

BEFORE ME, the undersigned authority, duly authorized to administer oaths, personally appeared MARK A. MYERS, to me well known, on behalf of Florida Power Corporation, as its Vice President, Finance, and who, after first being duly sworn, deposes and says that he executed the above and foregoing.

SWORN TO and subscribed before me this 14th day of January, 2002.

Kimberly H. Pullen
(Signature)

Kimberly H. Pullen
(Printed Name)

NOTARY PUBLIC, STATE OF FLORIDA

KIMBERLY H. PULLEN
MY COMMISSION # CC 904481
EXPIRES: January 23, 2004
Bonded Thru Notary Public Underwriters

(Commission Expiration Date)

TIGER BAY EXPENSE AND REVENUE TRACKING

Tiger Bay Regulatory Asset - R						Previously Estimated						Estimated
	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Beginning Balance	$226,656,451	$223,127,113	$222,385,551	$158,517,984	$157,926,381	$153,094,910	$146,757,195	$147,444,727	$141,756,534	$138,600,980	$133,771,670	$132,881,896
Amortization	(3,529,338)	(741,562)	(867,567)	(591,603)	(4,831,471)	(4,337,715)	(1,312,468)	(5,688,193)	(3,155,554)	(4,829,310)	(889,774)	(2,278,617)
Additional Amortization			(63,000,000)									(20,000,000)
Ending Balance	$223,127,113	$222,385,551	$158,517,984	$157,926,381	$153,094,910	$146,757,195	$147,444,727	$141,756,534	$138,600,980	$133,771,670	$132,881,896	$110,603,279

RESPONSE HAS BEEN WITHHELD AS CONFIDENTIAL

Progress Energy
Combustion Turbine Operations
Support Organization Expenses

Organization	Resource Type	FPC 2002 Budget
VP-CT Ops (Dept. Head)		
	Base Company Labor (EBC)	$64,200
	Leased Computer Software (OCS)	$23,540
	Meals/Travel/Lodging (OML)	$98,440
	Sub-total:	**$186,180**
Gen. Mgr.-CT Ops		
	Base Company Labor (EBC)	$217,476
	Meals/Travel/Lodging (OML)	$85,000
	Purchased Materials (MPM)	$23,000
	Other Miscellaneous Costs (OMC)	$12,750
		$338,226
Technical Services		
	Base Company Labor (EBC)	$274,257
	Employee Moving Expenses (OEM)	$42,800
	Meals/Travel/Lodging (OML)	$68,480
	Onsite Contractor Labor (LOS)	$10,700
	Other Empl Benefits-Non Cash (OPS)	$428
	Other Miscellaneous Costs (OMC)	$13,696
	Performance Awards Reimb-Cash (EPC)	$2,996
	Purchased Materials (MPM)	$10,700
	Standard Co. Attire Program-STL(MCA)	$856
F-Group Positions		
	Base Company Labor (EBC)	$68,052
	Meals/Travel/Lodging (OML)	$17,120
		$510,085
Manager-Parts Services		
	Base Company Labor (EBC)	$222,352
	Employee Moving Expenses (OEM)	$42,800
	Meals/Travel/Lodging (OML)	$85,600
	Onsite Contractor Labor (LOS)	$21,400
	Other Empl Benefits-Non Cash (OPS)	$428
	Other Miscellaneous Costs (OMC)	$17,976
	Performance Awards Reimb-Cash (EPC)	$2,996
	Purchased Materials (MPM)	$21,400
	Standard Co. Attire Program-STL(MCA)	$856
FL Storeroom		
	Base Company Labor (EBC)	$382,556
F-Group Positions		
	Base Company Labor (EBC)	$34,668
	Meals/Travel/Lodging (OML)	$17,120
		$850,152

Progress Energy
Combustion Turbine Operations
Support Organization Expenses

Organization	Resource Type	FPC 2002 Budget
Manager-Technical Programs		
	Base Company Labor (EBC)	$168,800
	Employee Moving Expenses (OEM)	$21,400
	Meals/Travel/Lodging (OML)	$68,480
	Onsite Contractor Labor (LOS)	$53,500
	Other Empl Benefits-Non Cash (OPS)	$428
	Other Miscellaneous Costs (OMC)	$5,992
	Overtime Company Labor (EBO)	$14,980
	Performance Awards Reimb-Cash (EPC)	$2,140
	Standard Co. Attire Program-STL(MCA)	$856
		$336,576
Director-Maintenance Services		
	Base Company Labor (EBC)	$108,348
	Meals/Travel/Lodging (OML)	$24,396
	Other Miscellaneous Costs (OMC)	$2,140
	Purchased Materials (MPM)	$2,568
	Standard Co. Attire Program-STL(MCA)	$9,502
	Vehicle Mileage Distribution (OVE)	$856
F-Group Positions		
	Employee Moving Expenses (OEM)	$107,000
		$254,810
Manager-Maint Resources		
	Base Company Labor (EBC)	$82,733
	Onsite Contractor Labor (LOS)	$8,560
	Meals/Travel/Lodging (OML)	$15,847
	Other Miscellaneous Costs (OMC)	$13,268
	Purchased Materials (MPM)	$15,408
	Vehicle Mileage Distribution (OVE)	$10,700
FL Traveling Maint. Crew		
	Base Company Labor (EBC)	$82,950
	Payroll Bargaining Unit - Reg (EUR)	$351,971
	Payroll Bargaining Unit - OT (EUO)	$81,000
	Meals/Travel/Lodging (OML)	$46,324
Car Traveling Maint. Crew		
	Base Company Labor (EBC)	$0
	Overtime Company Labor (EBO)	$0
	Meals/Travel/Lodging (OML)	$0
F-Group Positions		
	Base Company Labor (EBC)	$15,729
	Meals/Travel/Lodging (OML)	$6,420
		$730,910

Progress Energy
Combustion Turbine Operations
Support Organization Expenses

Organization	Resource Type	FPC 2002 Budget
Mgr-Major Maint. Execution		
	Base Company Labor (EBC)	$262,199
	Overtime Company Labor (EBO)	$37,236
	Onsite Contractor Labor (LOS)	$21,400
	Meals/Travel/Lodging (OML)	$66,340
	Purchased Materials (MPM)	$3,338
	Vehicle Mileage Distribution (OVE)	$856
F-Group Positions		
	Base Company Labor (EBC)	$86,397
	Overtime Company Labor (EBO)	$5,308
	Onsite Contractor Labor (LOS)	$4,280
	Meals/Travel/Lodging (OML)	$32,956
	Purchased Materials (MPM)	$5,393
		$525,704

2002 TOTAL BUDGET DIRECT & ALLOCATED CT SUPPORT COST	**$3,732,643**
2000 TOTAL ACTUAL DIRECT & ALLOCATED CT SUPPORT COST	$2,051,800
DELTA 2000 ACTUAL VS 2002 BUDGET	**$1,680,843**

#147

Prepared By: RMH, Human Resources Department
Date: 10/31/2001

Florida Power Rate Case
Question #82 - Change in Medical Expense

Variance:	
2000 Expense	$13,031,000
2002 Projection	$19,640,000
Difference	($6,609,000)

Explanation of Differences:	
Total Variance	($6.6)
Difference in Accounting Methodology	$1.6
Premium/Claim Cost Increases[1]	$3.4
Waived Coverage Decrease	($0.3)
Dental Cost	$1.1
New Company Subsidized Programs (Vision, Wellness, Flu Shots)	$0.6
Miscellaneous Administration	$0.2
	$0.0

Difference in Accounting Methodology: Historically, account 92640 has not been used to account for the actual HMO premiums and PPO claims incurred by the medical plans. Instead, the Company booked an estimated medical expense amount to 92640. This estimate represented the Company portion of the medical expense and was derived using a combination of the expected HMO premium and an estimate of the PPO claim experience in the coming year. Actual PPO claim costs were booked against the reserve account 22831 - Active Reserve Account. Actual HMO premiums were booked to account 23248 - A/P HMO. In 2000, the expense booked to 92640 was approximately $1.6 million less than the actual cost. Starting in 2002, actual expenses for medical costs will be charged to 92640 and the expense/reserve method of accounting for medical costs will no longer be used.

Difference Due to Increased Premiums/Claim Costs: As of June 30, 2001, Florida Power's total year-to-date medical costs were $9,811,915. Annualized, the $9,811,915 equates to a year-end cost of approximately $19,623,830. Of this cost, 73% ($14,325,396) represents the company's portion of the active cost. Based upon actual costs, the 2001 costs exceed the 2000 medical costs ($13,031,000) expensed by approximately 10% or $1,294,396.

In June of 2001, Florida Power had 4,268 active employees eligible for coverage in their medical plans. Of these, 399 had waived coverage and were receiving an annual credit of $1,332. Adjusting both the total active dollars ($14,325,396) and the plan headcount to remove waived coverage participants and the credits they receive, generates an expected average cost per employee in 2001 of $3,565. This is approximately $207 higher than the actual medical costs per employee ($3,359) incurred in 2000.

The $3,359 is calculated using a headcount of 4,209 from the December 20, 2000, PeopleSoft Group Medical Report for Florida Power. The report shows 4,607 employees eligible for the plan. At that time, 398 employees had waived coverage and 4,209 employees had chosen to participate in the medical plan.

In 2002, Florida Power will experience a total cost increase of 19.43% for their medical plans. Applying this increase to the projected 2001 actual cost per employee, generates a projected cost of $4,258 per employee participant in 2002.

Subtracting the average cost per participating employee incurred in 2000 from the average cost per participating employee projected in 2002, generates a cost increase per participant of $899. Multiplying the $899 by the expected employee participant headcount (3,781) at the end of 2002 identifies the true cost increase due to higher than expected premium/claim costs of $3,400,159. Adding in the waived coverage credit of $198,530 raises the total cost to $3,598,689.

Prepared By: RMH, Human Resources Department
Date: 10/31/2001

Florida Power Rate Case
Question #82 - Change in Medical Expense

Footnotes:

1) Medical Premium/Claim Cost Increase

2000 Actuals:	
2000 Expense (92640)	$13,031,000
Less: Waived Credits ($1,332 * 398)*	$530,136
2000 Premium/Claim Costs Expensed (92640)	$12,500,864
Add: 2000 Excess of Actuals Over Expense (Company Portion)	$1,318,270
Add: 2000 Excess of Actuals Over Expense (Employee Portion Paid By Company)	$317,615
2000 Actual Company Cost for Active Employees	$14,136,749
Employees Generating Premiums/Claims December 2000	4,209
2000 Actual Company Cost Per Active Employee	$3,359

*12/17/2000 PeopleSoft Report shows 4,607 employees eligible for the medical plan.

2001 Actuals:	
2001 YTD Actuals (Through June 30, 2001)	$9,811,915
Annualized	2.00
2001 Projected Year-End Actuals	$19,623,830
Estimated % Active (Represents Company Cost)	73%
Projected Actual Company Cost for Employee Population 2001	$14,325,396
Less: Waived Credits ($1,332*399)	$531,468
2001 Projected Premium/Claims Based Upon June 30, 2001 Actuals	$13,793,928
Employees Generating Premiums/Claims	3,869
2001 Projected Company Cost Per Employee (Based on June 20, 2001 Actuals)	$3,565
2002 Blended Cost Trend	19.43%
2002 Average Cost Per Employee (Projected)	$4,258
Variance Between 2000 and 2001 YTD Actual Costs	$207
Variance Between 2000 Actual Costs and 2002 Projected Costs	$899
Variance Between 2001 Actuals and 2002 Projected Costs	$693
Projected Impact of Premium/Claim Increases:	
Variance Between 2000 and 2002 Costs	$899
Total Florida Power Employees Participating in Medical at 12/31/2001[1]	3,781
Cost Increase Due to Increase in Premium/Claim Costs (Trend)	3,400,159
Add: Waived Coverage Credits[2]	198,530
Total Increase in Budget	$3,598,689

Sub-Footnotes:

1) Projected Florida Power Employees on 12/31/2001	4,037
Less: Employees Waiving Coverage	256
Total Florida Power Employees Generating Claims for 2002	3,781
2) Waived Coverage Credits	
Bargaining Unit Personnel (106 * $1,505)	$159,530
Non-Bargaining Unit Personnel (150 * $260)	$39,000
Total Waived Coverage Costs Projected for 2002	$198,530

If an employee waived medical coverage in 2001, they received an annual credit of $1,332. In 2002, this annual credit will increase to $1,505 for Bargaining Unit employees. For non-bargaining employees, the annual credit will be reduced to $260.

Prepared By: RMH, Human Resources Department
Date: 10/31/2001

Florida Power Rate Case
Question #82 - Change in Medical Expense

Explanation of Variance Due to Changes in Headcount

The 2002 budget was derived using the expected headcount as of December 31, 2001, which is 4,037. At the end of December 2000, Florida Power had approximately 4,607 employees. During 2001, Florida Power reduced their headcount by approximately 570 individuals. The cost savings due to a lower headcount are as follows:

Plan	Reduced Headcount	Average Cost Per Employee	Cost Savings
Medical	570	$4,258	$2,427,060
Dental	570	$364	$207,480
New Programs (Vision, Wellness, Flu Shots)	570	$289	$164,730
Total Estimated Cost Savings Due to Reduction in Headcounts			$2,799,270

Docket No. 000824-EI
Ninth Set of Interrogatories
Witness: Bazemore

Question #152

Amortization of Restricted Stock Grant Awards

Answer (a)

Executive	Actual / Projected Grant Date	Amount Being Amortized		Amortization For 2002	Vesting Restrictions
1	Nov-00	$869,631	$	227,000	Amortize over 5 years with 1/3 vesting on each of the 3rd, 4th and 5th anniversaries of the grant date.
1	Mar-01	$ 64,413	$	17,000	Amortize over 5 years with 1/3 vesting on each of the 3rd, 4th and 5th anniversaries of the grant date.
1	Mar-02	$212,823	$	55,000	Amortize over 5 years with 1/3 vesting on each of the 3rd, 4th and 5th anniversaries of the grant date.
2	Jun-98	$201,544	$	15,000	Amortize over 5 years with 1/3 vesting on each of the 3rd, 4th and 5th anniversaries of the grant date.
2	Oct-99	$ 81,644	$	22,000	Amortize over 5 years with cliff vesting upon the 5th anniversary of the original grant date (6/98).
3	Nov-00	$180,814	$	36,000	Amortize over 5 years with cliff vesting upon the 5th anniversary of the grant date.
4	Nov-00	$660,912	$	173,000	Amortize over 5 years with 1/3 vesting on each of the 3rd, 4th and 5th anniversaries of the grant date.
4	Mar-02	$147,232	$	38,000	Amortize over 5 years with 1/3 vesting on each of the 3rd, 4th and 5th anniversaries of the grant date.
5	Nov-00	$660,912	$	173,000	Amortize over 5 years with 1/3 vesting on each of the 3rd, 4th and 5th anniversaries of the grant date.
6	Nov-00	$219,560	$	44,000	Amortize over 5 years with cliff vesting upon the 5th anniversary of the grant date.
7	Mar-02	$270,693	$	71,000	Amortize over 5 years with 1/3 vesting on each of the 3rd, 4th and 5th anniversaries of the grant date.
		Total	$	871,000	

The Restricted Stock Awards program allows the Company to grant shares of restricted common stock to key employees of the Company. The restricted shares vest on a graded vesting schedule over a minimum of three years. Compensation expense, which is based on the fair value of common stock at the grant date, is recognized over the applicable vesting period.