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February 18, 2002

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VIA FEDERAL EXPRESS

Blanca S. Bayó, Director
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0870

Re: Docket No.: 000824-EI
Phase II Pre-Hearing Statement of Publix Super Markets Inc.

Dear Ms. Bayó:

Enclosed please find the original and fifteen (15) copies of Phase II Pre-Hearing Statement of Publix Super Markets Inc. in the above-referenced docket. A copy of this filing has also been provided on a 1.44MB floppy disk in Microsoft Word.

Sincerely,

Lori S. Rowe for

Thomas A. Cloud, Esquire

GRAY, HARRIS & ROBINSON, P.A.

TAC:gcj
Enclosures
cc: All individuals on docketing service list

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FPSC-COMMISSION CLERK

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:
February 18, 2002

PHASE II PRE-HEARING STATEMENT OF PUBLIX SUPER MARKETS INC.

Publix Super Markets, Inc. ("Publix"), by and through its undersigned counsel, hereby files the following as its Pre-Hearing Statement for Phase 2 (Rate Case) of the above referenced docket as required by the hearing officer in the October 25, 2001 Order Establishing Procedure:

A. APPEARANCES

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On behalf of Publix Super Markets, Inc.

B. PUBLIX WITNESSES

Witness	Subject Matter of Testimony	Issue Number
Sheree L. Brown	FPC's proposed revenue	47, 50, 51, 52, 54, 55, 56,

	requirements for the 2002 Test Year; FPC's allocation of revenue requirements between rate classes.	78, 81, 82, 100, 101, 136, 137, 139
Theodore J. Kury	Review of the financial analysis and associated rates of return and common equity capital; alternative financial analysis and rate of return proposals.	25, 107, 108, 130, 133

C. EXHIBITS:

Exhibit	Witness	Description of Content
Exhibit No. (SLB-1)	Sheree L. Brown	Resume
Exhibit No. (SLB- 2)	Sheree L. Brown	FPC Distribution O&M Expenses
Exhibit No. (SLB- 3)	Sheree L. Brown	FPC Allocated Cost of Service Study Projected 2002 Test Year – FPC Original Base Case 75%/25%
Exhibit No. (SLB- 4)	Sheree L. Brown	FPC Allocated Cost of Service Study Projected 2002 Test Year – Publix Adjusted Case 12CP and 1/13th AD
Exhibit No. (TJK-2)	Theodore J. Kury	Resume
Exhibit No. (TJK- 3)	Theodore J. Kury	FPC Cost of Capital – 13 Month Average
Exhibit No. (TJK- 4)	Theodore J. Kury	DCF Results (Discounted Cash Flows)
Exhibit No. (TJK- 5)	Theodore J. Kury	Restated Vander Weide Schedule 1
Exhibit No. (TJK- 6)	Theodore J. Kury	Restated MFR Schedule D-1

D. STATEMENT OF BASIC POSITIONS

Merger Issues. Florida Power Corporation ("FPC") proposes to offset its estimated merger-related savings by severance and other costs associated with reductions in FPC's labor force (the "Transition Expenses") and transaction costs (the "Transaction Costs") related to the merger (the "Merger") between Carolina Power & Light and FPC and to split the net Merger savings between the customers and FPC. FPC has incorrectly allocated the Transaction Costs to FPC and the Transaction Costs should be reallocated to recognize that a portion of the purchase price was directly attributable to the acquisition of Florida Progress' unregulated businesses. The benefits of the Merger extend beyond the estimated merger-related savings and will provide significant benefits to the utility shareholders. The merger adjustment requested by FPC does not balance the interests of the shareholders and the customers and should be disallowed. The Transition Expenses should be amortized over a 20 year period and the Transaction Costs applicable to FPC should be amortized over a 40 year period, with a return at 7.5%. A portion of earnings in excess of the authorized rate of return should be applied to more quickly amortize the Transition Expenses and Transaction Costs.

Adjustments to Expenses and Amortization Periods. Other adjustments and allocations are warranted as well. FPC's Test Year revenue requirements should be adjusted to reflect a reasonable level of Distribution expenses. The Transmission expenses that FPC has projected for the Test Year to increase system reliability through required repairs and upgrades should be amortized over a ten year period. A portion of the Power Marketing expenses should be absorbed by the shareholders to recognize the advantages of the Power Marketing function to FPC through the sharing of gains on sales approved by the Florida Public Service Commission. The remaining portion of the Power Marketing expenses should be allocated between the retail and wholesale jurisdictions. Regarding the FPC's requested deferral and amortization of 2001 Rate Case expenses, those expenses should either be absorbed by FPC or applied to the Tiger Bay accelerated amortization, at the Commission's discretion. The remaining balance of such expenses should be amortized over a 4 year period. Finally, the amortization of the Last Core Nuclear Fuel and the End-of-Life Nuclear Materials and Supplies should be delayed until a determination is made on a license extension for the Crystal River 3 ("CR3") unit. At a minimum, the Last Core Nuclear Fuel and End-of-Life Materials and Supplies amortization should be extended to 35 years to recognize the probability that FPC will obtain a license extension on CR3.

Storm Damage Accrual. The accruals to the Storm Damage fund should be reduced to reflect average storm damages. At a minimum, the rate base offset for the fund balance should be increased to recognize average storm damage charges to the reserve during the Test Year.

Tiger Bay Accelerated Amortization. FPC's proposal to include an additional $9 million in Tiger Bay Accelerated Amortization in base rates should be rejected.

Return on Equity and Sharing Provision. FPC's rate of return proposal is excessive and therefore uneconomic and inequitable. If granted in this proceeding, the requested rate of return and sharing provision would unfairly enrich Progress Energy, the parent and sole common equity holder of FPC, at the expense of the Florida ratepayers. An alternate market-based financial analysis can be shown which more accurately reflects the current and prospective financial circumstances of FPC and the capital market.

Allocation. FPC's request to allocate costs on the 75% Demand/25% Energy allocation factor should be rejected and the Commission's historically-approved 12 CP and 1/13th average demand method should be continued.

Rate Design. FPC's rate offerings should be expanded to include a true Real Time Pricing rate. If a baseline requirement is established, new load growth should allow for true RTP pricing for new facilities for customers with multiple locations. FPC's Time-of-Use ("TOU") and General Service Demand rates should be adjusted to reflect differences between high and low load factor customers.

E. STATEMENT OF ISSUES AND POSITIONS

ISSUE 1: Are FPC's forecasts of Customers and KWH by Revenue Class for the 2002 test year reasonable?

PUBLIX: FPC should use a forecast that is more indicative of a normal load year for purposes of setting rates.

ISSUE 2: Is the number of customer bills which have to be estimated each month appropriate for FPC?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 3: Has FPC acquisition by Progress Energy affected system reliability? If so, how?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 4: Is FPC's customer complaint resolution process adequate?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 5: Has FPC's acquisition by Progress Energy affected customer service? If so, how?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 6: Should the Commission establish a mechanism that encourages a reduction in the percentage of customers receiving frequent outages?"

PUBLIX: The Commission should encourage FPC to reduce the percentage of customers receiving frequent outages.

ISSUE 7: **Is the quality of electric service provided by FPC adequate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 8: **If the quality of electric service provided by FPC is inadequate, should the Commission reduce the rate setting point for FPC by 25 basis points?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 9: **Is FPC's forecast of inflation rates appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 10: **Is FPC's requested level of Construction Work in Progress in the amount of $72,527,000 ($82,875,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 11: **Is FPC's requested level of Property Held for Future Use in the amount of $6,426,000 ($8,274,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 12: **What adjustment, if any, should be made to the test year rate base to reflect the Commission's decision in Docket No. 001835-EI concerning nuclear decommissioning and end-of-life nuclear materials and supplies?**

PUBLIX: If the End-of-Life Nuclear Materials and Supplies amortization is delayed, the Test year rate base should be adjusted to eliminate the corresponding rate base offset. If the amortization period for the End-of-Life Nuclear Materials and Supplies is extended, the Test Year rate base should be adjusted to reflect the appropriate level of amortization.

ISSUE 13: **What adjustment, if any, should be made to the test year rate base to reflect the Commission's decision in Docket No. 991931-EG concerning recovery of the last core of nuclear fuel?**

__PUBLIX__: If the Last Core Nuclear Fuel amortization is delayed, the Test year rate base should be adjusted to eliminate the corresponding rate base offset. If the amortization period for the Last Core Nuclear Fuel is extended, the Test Year rate base should be adjusted to reflect the appropriate level of amortization.

__ISSUE 14__: **What adjustments, if any, should be made to FPC's 2002 projected test year rate base to account for the additional security measures implemented in response to the increased threat of terrorist attacks since September 11, 2001?**

__PUBLIX__: Publix has no position on this issue at this time.

__ISSUE 15__: **Should an adjustment be made to remove the closed business office capital costs from the projected 2002 test year?**

__PUBLIX__: Publix has no position on this issue at this time.

__ISSUE 16__: **Is FPC's level of Account 151, Fuel Stock, in the amount of $78,177,000 ($86,291,000 System) for the 2002 projected test year appropriate?**

__PUBLIX__: Publix has no position on this issue at this time.

__ISSUE 17__: **Should an adjustment be made to decrease Cash in the working capital allowance for FPC?**

__PUBLIX__: Publix has no position on this issue at this time.

__ISSUE 18__: **Should an adjustment be made to decrease Accounts Receivable from Associated Co. in the working capital allowance for FPC?**

__PUBLIX__: Publix has no position on this issue at this time.

__ISSUE 19__: **What adjustment, if any, should be made to decrease Other Regulatory Assets in nuclear decommissioning-retail account in the working capital allowance for FPC?**

__PUBLIX__: Publix has no position on this issue at this time.

__ISSUE 20__: **Should adjustments be made to working capital for 2002 related to interest on tax deficiency for FPC?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 21: **Is FPC's requested level of Working Capital in the amount of $72,291,000 ($91,080,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 22: **Is FPC's requested level of Plant in Service in the amount of $6,876,125,000 ($7,465,125,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 23: **Is FPC's requested level of Accumulated Depreciation in the amount of $3,414,348,000 ($3,722,787,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 24: **Is FPC's requested rate base of $3,665,497,000 ($3,983,231,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 25: **What is the appropriate cost of common equity capital for FPC?**

PUBLIX: The appropriate cost of common equity capital for FPC is 10.66%.

ISSUE 26: **Should the Commission recognize the CR3 equity adjustment specified in the 1997 Stipulation and Order?**

PUBLIX: No, the CR3 adjustment should no longer be applicable.

ISSUE 27: **What is the appropriate capital structure for ratemaking purposes for FPC?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 28: **What is the appropriate amount of accumulated deferred taxes to include in the capital structure for FPC?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 29: **What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for FPC?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 30: **Have rate base and capital structure been reconciled appropriately for FPC?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 31: **Has FPC appropriately reflected Internal Revenue Service Notice 2001-82 in its projected 12/31/02 test year?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 32: **What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the test year for FPC?**

PUBLIX: The appropriate weighted average cost of capital for FPC is 8.36%.

ISSUE 33: **Is FPC's requested level of Total Operating Revenues for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 34: **Has FPC under-projected its miscellaneous service revenues?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 35: **Has FPC under-projected its other operating revenue?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 36: Are adjustments removing conservation revenues of $65,218,846 (system) for 2002 and the related expenses recoverable through the Conservation Cost Recovery Clause appropriate for FPC?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 37: Has FPC made the appropriate adjustments to remove fuel revenues and fuel expenses recoverable in the Fuel Adjustment Clause?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 38: Has FPC made the appropriate adjustments to remove the capacity cost revenues and the related expenses recoverable through the Capacity Cost Recovery Clause?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 39: How are the bench marking calculations affected by merger-related savings and costs?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 40: Is it appropriate to use bench marking to justify test year expenses, given the significant changes in the company created by reorganizations and the merger?

PUBLIX: Benchmarking is inappropriate to justify test year expenses given the significant changes in the company created by reorganizations and the merger and given the significant amount of time since the benchmark period was established.

ISSUE 41: If the O&M benchmark is to be applied, should it be to the Company as a whole, or on individual functional units?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 42: **Is FPC's requested level of Customer Accounts Expense in the amount of $65,694,000 ($66,000,000 system) for the 2002 projected test year appropriate?**

PUBLIX: If the increases in the Customer Accounts Expense resulted in whole or in part due to changes in accounting practices by FPC, then such expenses should be reduced by that amount.

ISSUE 43: **Is FPC's requested level of Customer Service Expense in the amount of $5,041,000 ($5,041,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 44: **Is FPC's requested level of Sales Expense in the amount of $6,406,000 ($6,406,000 system) for the 2002 projected test year appropriate?**

PUBLIX: FPC's level of Sales Expense should be reduced by $477,000 to reflect an allocated share of Power Marketing expense to the shareholders.

ISSUE 45: **Is FPC's requested level of Sales Expense in the amount of $6,406,000 ($6,406,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 46: **Should the projected 2002 executive benefits expense of $81,250 for change of control cash payment be removed from O&M expenses?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 47: **Is FPC's proposed level of power marketing services expenses overstated?**

PUBLIX: FPC's proposed level of power marketing expenses should be reduced by $477,000 to allocate a portion of the expenses to shareholders.

ISSUE 48: **Are any revisions necessary to the projected 2002 nuclear property and liability insurance expense?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 49: **Should an adjustment be made to remove the closed business office expenses from the projected 2002 test year?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 50: **Is the accelerated amortization of Tiger Bay appropriate in the test year?**

PUBLIX: No. It is not appropriate to convert "excess earnings", by which the amortization of Tiger Bay is accelerated, to "required earnings".

ISSUE 51: **What adjustment, if any, should be made to the test year net operating income to reflect the Commission's decision in Docket No. 991931-EG concerning recovery of the last core of nuclear fuel?**

PUBLIX: The amortization of the Last Core Nuclear Fuel should be eliminated. If the Commission allows the Last Core amortization to begin, then it should consider amortizing this expense over a 35 year period.

ISSUE 52: **What adjustment, if any, should be made to the test year net operating income to reflect the Commission's decision in Docket No. 001835-EI concerning nuclear decommissioning and end-of-life nuclear materials and supplies?**

PUBLIX: The amortization of the end-of-life nuclear materials and supplies should be eliminated. If the Commission allows the amortization to begin, then it should consider amortizing this expense over a 35 year period.

ISSUE 53: **What adjustments, if any, should be made to FPC's 2002 projected test year operating expenses to account for the additional security measures implemented in response to the increased threat of terrorist attacks since September 11, 2001?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 54: **Are transmission improvements appropriately capitalized or expensed?**

PUBLIX: FPC's expected total expenditures over a three year period of $29.19 million should be amortized over a 10 year period. The annual amortization would be $2.919 million, and result in a deferral of $6.811 million for collection in future years. Rate base should be increased by the average Test Year deferral of $3.406 million, net of deferred income taxes of $1.314 million.

__ISSUE 55__: **Is FPC's level of Total Distribution Operation expense, Accounts 580-589, in the amount of $67,556,000 ($67,727,000 System) for the 2002 projected test year appropriate?**

__PUBLIX__: No. The appropriate level of *total* Distribution Operation and Maintenance expenses for the 2002 test year is $82.168 million.

__ISSUE 56__: **Is FPC's level of Total Distribution Maintenance expense, Accounts 590-599, in the amount of $29,349,000 ($29,443,000 System) for the 2002 projected test year appropriate?**

__PUBLIX__: No. The appropriate level of *total* Distribution Operation and Maintenance expenses for the 2002 test year is $82.168 million.

__ISSUE 57__: **Is FPC's level of Account 593, Maintenance of Overhead Lines, which includes tree trimming expenses, in the amount of $11,014,000 ($11,047,000 System) for the 2002 projected test year appropriate?**

__PUBLIX__: No. The appropriate level of *total* Distribution Operation and Maintenance expenses for the 2002 test year is $82.168 million.

__ISSUE 58__: **Is FPC's level of Account 593, Maintenance of Overhead Lines, which includes tree trimming expenses, in the amount of $11,014,000 ($11,047,000 System) for the 2002 projected test year appropriate?**

__PUBLIX__: No. The appropriate level of *total* Distribution Operation and Maintenance expenses for the 2002 test year is $82.168 million.

__ISSUE 59__: **What is the appropriate amount of advertising expense to be allowed in operating expense for the 2002 test year for FPC?**

__PUBLIX__: Publix has no position on this issue at this time.

__ISSUE 60__: **Are lobbying expenses included in any of the test years? If so, should any of those lobbying expenses be reclassified below the line for FPC?**

__PUBLIX__: Publix has no position on this issue at this time.

__ISSUE 61__: **Are FPC's budgeted Industry Association Dues in the amount of $1,894,000 ($2,002,000 system) for the 2002 projected test year appropriate?**

__PUBLIX__: Publix has no position on this issue at this time.

ISSUE 62: **Should an adjustment be made to the 2002 projected test year to disallow membership dues in the Chambers of Commerce and the Committee of 100?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 63: **What amount has FPC budgeted to fund the EI Utility Waste Management Group and is this amount appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 64: **Is FPC's assumed growth in salaries and wages appropriate? If not, what adjustment is necessary?**

PUBLIX: To the extent that increases in Transmission, Distribution and Administrative Expenses resulted from inappropriate increases in salaries and wages, such Operating and Maintenance Costs should be reduced to recognize more appropriate salary and wage adjustments.

ISSUE 65: **Should an adjustment be made to the level of Salaries and Employee Benefits for the 2002 projected test year?**

PUBLIX: To the extent that increases in Salaries and Employee Benefits for the 2002 projected test year resulted from inappropriate increases in salaries and wages, such Salaries and Employee Benefits should be reduced to recognize more appropriate levels.

ISSUE 66: **Is FPC's calculation of the payroll for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 67: **Is FPC's budgeted level of employees in the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 68: **Are benefits loading costs appropriate and how do such costs compare to benchmarks?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 69: **Should FPC's 2002 post-retirement benefits be adjusted to recognize the most recent actuarial estimates?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 70: **Is FPC's requested level of Other Post Employment Benefits Expense for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 71: **Is the projected 2002 increase in FAS 112 Miscellaneous Employee Benefits costs reasonable?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 72: **Is FPC's 2002 test year requested accrual for medical/life reserve-active employees and retirees appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 73: **Is FPC's requested level of Pension Expense for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 74: **What is the appropriate amount of outside services expense to be allowed in operating expense for FPC?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 75: **Should any franchise litigation related costs, which may be deemed prudent, be recoverable from FPC customers?**

PUBLIX: No.

<u>ISSUE 76</u>: Are public relations costs incurred by FPC and associated with FPC's litigation to prevent cities from exercising purchase options under existing franchise agreements prudent expenditures?

<u>PUBLIX</u>: No.

<u>ISSUE 77</u>: Should any franchise fee public relations costs, which may be deemed prudent, be borne by all retail and wholesale customers of FPC or only those in the franchise areas?

<u>PUBLIX</u>: Publix has no position on this issue at this time.

<u>ISSUE 78</u>: Is FPC's 2002 projected test year accrual of $5,818,000 ($6,000,000 System) for storm damage appropriate?

<u>PUBLIX</u>: No. The annual level of the storm damage accrual should be reduced to $2 million, to better reflect historical storm damage experience. In the event that the Commission allows FPC to continue accruing $6 million per year, the Company's rate base offset should be adjusted to reflect Test Year charges to the fund of $2 million to better reflect historical storm damage experience .

<u>ISSUE 79</u>: Is interest on tax deficiencies of $891,000 ($967,000 system) for the 2002 projected test year appropriate for FPC?

<u>PUBLIX</u>: Publix has no position on this issue at this time.

<u>ISSUE 80</u>: Is FPC's requested level of Bad Debt Expense in the amount of 4,165,000 ($4,165,000 system) for the 2002 projected test year appropriate?

<u>PUBLIX</u>: Publix has no position on this issue at this time.

<u>ISSUE 81</u>: Is FPC's requested Rate Case Expense in the amount of $1,644,000 appropriate?

<u>PUBLIX</u>: No. FPC should be required to either absorb or apply to the Tiger Bay amortization such costs as were incurred in 2001. Only the expenses expected to be incurred in 2002 should be amortized.

ISSUE 82: **What is the appropriate Amortization period for FPC's Rate Case Expense?**

PUBLIX: The 2002 Rate Case Expense should be amortized over a 4 year period.

ISSUE 83: **What are the appropriate Consumer Price Index factors to use in determining test year expenses for FPC?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 84: **Is FPC's requested level of Nuclear O&M in the amount of $83,410,000 ($88,135,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 85: **Is FPC's requested level of Total Fossil O&M in the amount of $87,878,000 ($94,026,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 86: **What adjustment to Fossil Fuel Dismantlement Expense should be made to reflect the annual fossil dismantlement accrual approved in Docket No. 010031-EI for FPC?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 87: **What adjustments, if any, should be made to the projected test year expenses to recognize implementation of FAS 143?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 88: **What adjustments, if any, should be made to the projected test year expenses to recognize implementation of the ACSE Statement of Position regarding accounting for certain costs and activities related to property, plant, and equipment?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 89: **Is FPC's requested Depreciation and Amortization Expense of $323,658,000 ($376,304,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 90: **Are FPC's requested Income Tax expenses in the amount of $157,332,000 ($173,886,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Income tax expenses should be adjusted to reflect the impact of all other adjustments accepted by the Commission.

ISSUE 91: **Are consolidating tax adjustments appropriate, and if so, what are the appropriate amounts for the 2002 projected test year for FPC?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 92: **Is FPC's requested level of Taxes Other Than Income Taxes in the amount of $92,870,000 ($100,486,000 system) for the 2002 projected test year appropriate?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 93: **Is FPC's requested level of Operation and Maintenance Expense in the amount of $1,075,251,000 $(2,776,499,000) system) for the 2002 projected test year appropriate?**

PUBLIX: No. The appropriate level of Operating and Maintenance expenses for the Test Year is $438,656,000 ($481,128,000 system).

ISSUE 94: **Is FPC's requested Net Operating Income of $359,551,000 ($437,087,000 system) for the 2002 projected test year appropriate?**

PUBLIX: No. The appropriate level of Net Operating Income for the Test Year is $404,718,000 before rate adjustments and $309,908,000 after rate adjustments.

ISSUE 95: What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPC?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 96: In determining whether any portion of the revenue held subject to refund by Order No. PSC-01-2313-P.O.-EI should be refunded, how should the refund be calculated, and what is the amount of the refund, if any for FPC?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 97: Is FPC's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 98: Are FPC's estimated revenues from sales of electricity by rate class at present rates for the projected 2002 test year appropriate?

PUBLIX: No. To the extent the demand and energy calculations utilized in the development of present rates are incorrect due to the use of incorrect load factors, the present revenues are misstated and therefore are inappropriate for the projected 2002 test year.

ISSUE 99: Is the method used by FPC to develop its estimates by rate class of the 12 monthly coincident peak hour demands and the class non-coincident peak hour demands appropriate?

PUBLIX: No. To the extent that the development by rate class of the 12 monthly coincident peak hour demands and the non-coincident peak hour demands were based on incorrect load factors, they are not appropriate.

ISSUE 100: What is the appropriate cost of service methodology to be used in designing FPC's rates?

PUBLIX: The historically used 12CP and 1/13 Average Demand method is the appropriate methodology to use in designing FPC's rates.

ISSUE 101: How should any change in revenue requirements be allocated among the customer classes?

PUBLIX: The change in revenue requirements should result in rate decreases of \$90.255 million to Residential, \$15.001 million to General Service Non Demand, \$0.063 million to General Service 100% Load Factor, \$47.702 million to General Service Demand, \$0.957 million to Curtailable, \$4.066 million to Interruptible, and \$0.761 million to Lighting Energy. The change in revenue requirements should result in rate increases of \$1.791 million to Lighting-FM and \$2.664 million to Lighting Poles.

ISSUE 102: What are the appropriate demand charges?

PUBLIX: The General Service Demand rate should reflect cost differentials between high and low load factor customers.

ISSUE 103: What are the appropriate energy charges?

PUBLIX: The General Service Demand rate should reflect cost differentials between high and low load factor customers

ISSUE 104: What are the appropriate customer charges?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 105: What are the appropriate service charges?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 106: What are the appropriate Lighting Service (LS-1) rate schedule charges?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 107: How should FPC's time-of-use rates be designed?

PUBLIX: FPC's time of use rates should reflect load factor differentials.

ISSUE 108: Should FPC be required to provide realtime pricing to customers? If so, by when should it be required to make such offering available?

PUBLIX: Yes. FPC should be required to provide real-time pricing as soon as an equitable rate structure can be designed.

ISSUE 109: What are the appropriate contributions-in-aid-of-construction for time-of-use customers opting to make a lump sum payment for a time-of-use meter in lieu of the higher time-of-use customer charge?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 110: Should FPC's proposed inverted rate design for the RS, RAL-1, RAL-2, and RSS-1 rate schedules be approved?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 111: What is the appropriate method for designing the interruptible and curtailable rate schedules?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 112: What are the appropriate billing demand credits for the curtailable and interruptible rate schedules?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 113: Should the optional buy through provision be revised to allow nonfirm customers to acquire alternative sources of power using brokers other than FPC?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 114: What are the appropriate delivery voltage credits?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 115: If the Commission decides to recognize migrations between rate classes, how should the revenue shortfall, if any, be recovered?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 116: Is the method used by FPC to calculate the increase in unbilled revenues by rate class appropriate?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 117: What is the appropriate monthly fixed charge carrying rate to be applied to the installed cost of LS-1 additional lighting fixtures for which there is no tariffed monthly charge?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 118: What is the appropriate monthly fixed charge carrying rate to be applied to the installed cost of additional customer-requested distribution equipment (including pole offering under rate schedule LS-1) for which there are no tariffed charges?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 119: What is the appropriate level and design of the charges under the Firm Standby Service (SS-1), Interruptible Standby Service (SS-2), and Curtail able Standby Service (SS-3) rate schedules?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 120: Is FPC's proposal to add a 500 kw minimum billing demand provision to its IS-2, IST-2, CS-2 and CST-2 rate schedules appropriate?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 120A:Should FPC's proposal to require IS-2, IST-2, CS-2 and CST-2 customers to have a minimum billing demand of 500kw in order to take service under the rates be approved?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 120B:Is FPC's proposal to close the IS-1, IST-1, CS-1, and CST-1 rate schedules and to transfer all customers currently taking service under these rate schedules to the applicable IS-2, IST-2, CS-2 or CST-2 rate schedules appropriate?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 121: FPC proposes to reduce the notice requirement from 60 months to 36 months for standby customers under rate schedules SS-1, SS-2 and SS-3 who wish to transfer to firm full requirements service. Is this appropriate?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 122: Does the Commission have jurisdiction to recover Grid Florida costs from retail ratepayers?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 123: What are the amounts and components of rate base associated with transmission assets of 69kV and above?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 124: What are the amounts and components of capital structure associated with transmission assets of 69kV and above?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 125: What are the amounts of revenues and expenses associated with transmission assets of 69kV and above?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 126: How should costs incurred prior to May 31, 2001, associated with FPC's participation in GridFlorida be recovered?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 127: How should costs incurred after May 31, 2001, associated with FPC's participation in GridFlorida be recovered?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 128: **In the event the Commission determines that GridFlorida transmission charges should be recovered through a cost recovery clause, what is the appropriate adjustment for transmission costs in base rates to insure that there is no double recovery?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 129: **How, if at all, should the Commission treat the costs associated with the projected 11/30/03 completion of the Hines 2 power plant?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 130: **Should FPC's proposed earnings sharing plan be approved?**

PUBLIX: No. Excess earnings above a return on equity of 10.66% should be shared equally between FPC and its customers, with FPC's portion of the excess earnings used to accelerate amortization of merger-related Transition Expenses and Transaction Costs.

ISSUE 131: **Should any changes be made to the methodology for allocating costs to FPC from Progress Energy Service Corporation?**

PUBLIX: **Publix has no position on this issue at this time.**

ISSUE 132: Should adjustments be made for rate base, capital structure, and net operating income effects of transactions with affiliated companies for FPC?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 133 **Is an incentive plan appropriate for FPC and would it promote cost savings and adequate reliability? With respect to cost saving measures, how would ratepayers share in any savings? Would FPC's proposed incentive plan adversely affect quality of service?**

PUBLIX: Ratepayers should receive 50% of any excess earnings above a return on equity of 10.66%.

ISSUE 134: **Does FPC's proposed regulatory treatment of the stock premium paid by Carolina Power & Light to the shareholders of Florida Progress Corporation violate the provisions of section 366.06(1), Florida Statutes?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 135: **What is the impact of the acquisition of FPC by Carolina Power and Light (Progress Energy) upon retail rates?**

PUBLIX: Publix has no position on this issue at this time.

ISSUE 136: **What is FPC's acquisition premium and should any of this amount be borne by ratepayers?**

PUBLIX: The portion of the Transaction Costs allocated to FPC's retail customers should be $188.776 million, based on relative estimated merger-related savings. These Transaction Costs should be allocated over a 40 year period at a net of tax interest rate of 4.607%. The amortization of these expenses should end with the onset of retail competition in Florida.

ISSUE 137: **What are the transition costs associated with the merger, and should those amounts be borne by ratepayers?**

PUBLIX: FPC proposes to amortize $69.676 million in Transition Expenses. The Transition Expenses associated with executive payouts do not seem reasonable to be borne by ratepayers. Any Transition Expenses associated with the merger and deemed prudent by the Commission should be amortized over a 20 year period with no return. The amortization of these expenses should end with the onset of retail competition in Florida.

ISSUE 138: Are the CP&L cost allocations to FPC for CP&L-provided services appropriate?

PUBLIX: Publix has no position on this issue at this time.

ISSUE 139: Should the Commission approve FPC's proposal to recover the costs and benefits of the merger?

PUBLIX: The Commission should not approve FPC's proposal to recover the costs and benefits of the merger. The Transition Expenses associated with the merger should be amortized over a 20 year period. The Transaction Costs associated with the merger should be amortized over a 40 year period with a rate of return of 7.5%. The amoritization of these costs may be accelerated with 50% of the excess earnings above a return on equity of 10.66%. The amortization of these costs should end with the beginning of retail competition in Florida.

ISSUE 140: Should FPC be required to file, within 60 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

PUBLIX: Publix has no position on this issue at this time.

F. STIPULATED ISSUES

None at this time.

G. OTHER PENDING MOTIONS AND MATTERS BY PUBLIX:

None at this time.

H. PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY BY PUBLIX:

None at this time.

I. REQUIREMENTS OF ORDER WITH WHICH PUBLIX CANNOT COMPLY:

None at this time.

J. OBJECTIONS TO ANY PARTY'S WITNESS AS AN EXPERT

None at this time.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Facsimile and/or Federal Express to the following parties of record and interested parties, this 18th day of February 2002:

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