

ORIGINAL

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February 18, 2002

**VIA HAND DELIVERY**

Blanca S. Bayo, Director  
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Betty Easley Conference Center  
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COMMISSION  
CLERK

Re: Docket No.: 000824-EI

Dear Ms. Bayo:

On behalf of the Florida Industrial Power Users Group (FIPUG), enclosed for filing and distribution are the original and 15 copies and 1 disk of the following:

- ▶ The Florida Industrial Power Users Group's Prehearing Statement.

Please acknowledge receipt of the above on the extra copy of each and return the stamped copies to me. Thank you for your assistance.

Sincerely,

Timothy J. Perry

TJP/bae  
Enclosure

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DOCUMENT NUMBER - 01879  
FEB 18 2002  
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

Filed: February 18, 2002

**The Florida Industrial Power Users Group's Prehearing Statement**

Pursuant to Order No. PSC-01-2114-PCO-EI, the Florida Industrial Power Users Group, (FIPUG), files its Prehearing Statement.

**A. APPEARANCES:**

**JOHN W. MCWHIRTER, JR.** McWhirter, Reeves, McGlothlin, Davidson, Decker, Kaufman, Arnold & Steen, P.A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350 and **VICKI GORDON KAUFMAN**, McWhirter, Reeves, McGlothlin, Davidson, Decker, Kaufman, Arnold & Steen, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301.

**On Behalf of the Florida Industrial Power Users Group.**

**B. WITNESSES:**

<u>Witness</u>	<u>Proffered by</u>	<u>Issues #</u>
Michael Gorman	FIPUG	1, 25, 26, 27, 37, 50, 129, 130, 136, 137, 139
Jeffry Pollock	FIPUG	99-104, 107-108, 111-113, 120, 120A, 120B, 121
Thomas J. Regan	FIPUG	120B

**C. EXHIBITS:**

<u>Witness</u>	<u>Proffered by</u>	<u>I.D. No.</u>	<u>Description</u>
Michael Gorman	FIPUG		Retail Non-Fuel O&M Expense

		(MPG-1) Schedule 1	
Michael Gorman	FIPUG		Cost of Capital -13-Month Average
		(MPG-1) Schedule 2	
Michael Gorman	FIPUG	(MPG-1) Schedule 3	Cost of Capital - 13-Month Average
Michael Gorman	FIPUG	(MPG-1) Schedule 4	Comparable Electric & Electric & Gas Utility Group
Michael Gorman	FIPUG	(MPG-1) Schedule 5	Constant Growth DCF Model
Michael Gorman	FIPUG	(MPG-1) Schedule 6	Payout Ratios
Michael Gorman	FIPUG	(MPG-1) Schedule 7	Non-Constant Growth DCF
Michael Gorman	FIPUG	(MPG-1) Schedule 8	Equity Risk Premium
Michael Gorman	FIPUG	(MPG-1) Schedule 9	Comparable Group Beta
Michael Gorman	FIPUG	(MPG-1) Schedule 10	CAPM Return Estimate
Michael Gorman	FIPUG	(MPG---1)	Electric Revenues as a Percent of Total Revenues

Schedule 11

Michael Gorman	FIPUG	Appendix A	Qualifications
Jeffry Pollock	FIPUG	<u>          </u> (JP-1)	Capital Substitution Theory
Jeffry Pollock	FIPUG	<u>          </u> (JP-2)	Cost Allocation Using the 12 CP Method
Jeffry Pollock	FIPUG	<u>          </u> (JP-3)	Cost Allocation Using Average Demand
Jeffry Pollock	FIPUG	<u>          </u> (JP-4)	Allocated Net Production Investment by Class Allocation Method: 12CP and 25% AD
Jeffry Pollock	FIPUG	<u>          </u> (JP-5)	Comparison of Net Plant Investment and Operating Expense by Capacity Type
Jeffry Pollock	FIPUG	<u>          </u> (JP-6)	Analysis of Monthly Peak Demands as a Percent of the Annual System Peak for the Fiscal Years 1996-2000
Jeffry Pollock	FIPUG	<u>          </u> (JP-7)	Value of Interruptibility

**D. FIPUG STATEMENT OF BASIC POSITION:**

**Revenue Requirements**

In this case, FPC has overstated its revenue requirements by at least \$154 million. Numerous items contribute to this overstatement. First, FPC has asked this Commission's permission to include an acquisition adjustment resulting from its merger with CP&L in its revenue requirements (\$55.4 million). This request should be rejected because FPC has totally failed to substantiate that its estimated merger savings could not have been achieved without the acquisition. In addition, FPC's O&M expenses appeared to have increased rather than decreased due to the merger.

Other items contributing to FPC's overstatement of its revenue requirements include its inappropriate inclusion of fuel expenses recovered through the fuel adjustment clause (\$15.7 million); the fact that it has failed to normalize its sales forecast resulting in an under projection of revenue (\$14.4 million); its accelerated recovery of the Tiger Bay asset (\$9.0 million); and its request to

continue the now unnecessary CR3 adjustment (\$18.2 million).

Further, FPC has requested an ROE of 13.2%. This far exceeds a reasonable return. FIPUG's expert, Mr. Gorman, has calculated a reasonable ROE to be 10.5%. This adjustment to FPC's request reduces its revenue requirements by \$81.6 million.

### **Cost of Service**

FPC has proposed a cost of service methodology which differs dramatically from the methodology that the Commission has traditionally employed. FPC's proposal to use a 12CP and 25% Average Demand methodology should be rejected. FPC argues that its new method is related to its system planning decisions; however, Mr. Pollock's testimony illustrates that it is simply a flawed application of the theory of "capital substitution" which the Commission has rejected in the past and should reject again.

FPC also proposes to eliminate the IS-1 and IST-1 rates. This proposal should also be rejected as well. It is inappropriate to use the conservation cost-effectiveness test to judge the value of interruptible service because interruptible service is a much more valuable resource than DSM programs. IST-1 and IST-1 should be retained with the current demand credits since the cost of such credits is less than the avoided generation costs attributable to interruptible service. Finally, FPC's proposed load factor adjustment should be rejected because load factor is not a reasonable proxy for measuring the amount of load available for interruption.

### **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?  
(Stallcup, Hewitt) (Staff 2)

**FIPUG:** No, FPC has understated its number of customers and revenues derived therefrom.

### **QUALITY OF SERVICE**

**ISSUE 2:** Is the number of customer bills which have to be estimated each month appropriate for FPC? (Kummer, Lowery, McNulty) (Staff 3)

**FIPUG:** No position.

**ISSUE 3:** Has FPC['s] acquisition by Progress Energy affected system reliability? If so, how? (D. Lee, Matlock) (Staff 5)

**FIPUG:** Yes, it appears that FPC now must expend more in O&M expenses to secure the same reliability it provided prior to the merger.

**ISSUE 4:** Is FPC's customer complaint resolution process adequate? (Lowery) (Staff 6)

**FIPUG:** No position.

**ISSUE 5:** Has FPC's acquisition by Progress Energy affected customer service? If so, how? (Lowery, D. Lee, Matlock) (PSM 3, Staff 7)

**FIPUG:** No position.

**ISSUE 6:** Should the Commission establish a mechanism that encourages a reduction in the percentage of customers receiving frequent outages?" (D. Lee, Matlock) (Staff 8)

**FIPUG:** Yes.

**ISSUE 7:** Is the quality of electric service provided by FPC adequate? (D. Lee, Lowery) (Staff 4)

**FIPUG:** No position.

**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? (D. Lee, Matlock) (OPC 4A)

**FIPUG:** If the Commission finds that the quality of service that FPC provides is inadequate, it should penalize FPC.

#### **RATE BASE**

**ISSUE 9:** Is FPC's forecast of inflation rates appropriate? (Stallcup, Hewitt) (Staff 9)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Gardner, Harlow, Colson, Jones) (Staff 11)

**FIPUG:** FIPUG has no position at this time, but reserved the right to take a position

on this issue by the date of the prehearing conference.

**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? (Harlow, Colson, Jones) (Staff 13)

**FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.

**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? (Gardner, P. Lee) (Staff 15)

**FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.

**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? (P. Lee) (Staff 16)

**FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.

**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? (McNulty, Mills) (Staff 17)

**FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 15:** Should an adjustment be made to remove the closed business office capital costs from the projected 2002 test year? (New)

**FIPUG:** Yes.

**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? (Bohrmann, Matlock) (PSM 40, Staff 26)

**FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.

- ISSUE 17:** Should an adjustment be made to decrease Cash in the working capital allowance for FPC? (Iwenjiora)(New Staff)
- FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 18:** Should an adjustment be made to decrease Accounts Receivable from Associated Co. in the working capital allowance for FPC? (Iwenjiora)(New Staff)
- FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.
- 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?(Iwenjiora)(New Staff)
- FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 20:** Should adjustments be made to working capital for 2002 related to interest on tax deficiency for FPC? (Iwenjiora, C. Romig, Vendetti) (Staff 28)
- FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.
- 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? (Iwenjiora)(FIPUG 7, OPC 20, Staff 18)
- FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.
- 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? (Gardner, Harlow, Colson, Jones) (OPC 16 & 21, Staff 10)
- FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.
- 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? (Gardner, Jones) (Staff 29)



**FIPUG:** FIPUG has no position at this time, but reserved the right to take a position on this issue by the date of the prehearing conference.

**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? (Revell) (Staff 30)

**FIPUG:** No; the adjustments recommended by the Intervenors need to be made before determining the appropriate rate base amount.

### **COST OF CAPITAL**

**ISSUE 25:** What is the appropriate cost of common equity capital for FPC? (D. Draper, Vendetti) (FIPUG 5, OPC 11, PSM 1, Staff 31)

**FIPUG:** The appropriate cost of common equity capital for FPC is 10.5%.

**ISSUE 26:** Should the Commission recognize the CR3 equity adjustment specified in the 1997 Stipulation and Order? (Lester, D. Draper) (FPC 3)

**FIPUG:** No; this adjustment is no longer necessary and should be discontinued. The settlement which resulted in this adjustment has expired and the CR3 equity adjustment has the effect of increasing FPC's common equity balance which is already excessive.

**ISSUE 27:** What is the appropriate capital structure for ratemaking purposes for FPC? (D. Draper, Vendetti) (FIPUG 6, PSM 3, Staff 32)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 28:** What is the appropriate amount of accumulated deferred taxes to include in the capital structure for FPC? (C. Romig, Vendetti) (Staff 33)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 29:** What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for FPC? (C. Romig, Vendetti, Staff 34)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 30:** Have rate base and capital structure been reconciled appropriately for FPC? (Vendetti, C. Romig, D. Draper) (Staff 35)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 31:** Has FPC appropriately reflected Internal Revenue Service Notice 2001-82 in its projected 12/31/02 test year? (C. Romig) (Staff 83A)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Vendetti, D. Draper) (FIPUG 8, FPC 2, OPC 10 & 12, PSM 2, Staff 36)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

#### **NET OPERATING INCOME**

**ISSUE 33:** Is FPC's requested level of Total Operating Revenues for the 2002 projected test year appropriate? (Stallcup, Hewitt, Revell, Wheeler) (Staff 37)

**FIPUG:** No, FPC's request is inflated.

**ISSUE 34:** Has FPC under-projected its miscellaneous service revenues? (OPC B)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 35:** Has FPC under-projected its other operating revenue? (OPC C)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Colson) (Staff 45)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 37:** Has FPC made the appropriate adjustments to remove fuel revenues and fuel expenses recoverable in the Fuel Adjustment Clause? (Bohrmann, McNulty) (FIPUG 9, Staff 43)

**FIPUG:** No; while the company removed recoverable fuel revenue and expenses (resulting in a reduction in base rate net operating income of \$9.63 million), it is apparently attempting to recover interest on the Tiger Bay regulatory asset, interest on fuel deferrals, and line losses in base rates.

**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? (D. Lee, Revell) (Staff 44)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 39:** How are the bench marking calculations affected by merger-related savings and costs? (PSM 22)

**FIPUG:** FPC has failed to demonstrate any merger-related savings so the bench marking calculation should not be affected.

**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? (PSM 23)

**FIPUG:** Yes; if merger-related savings were a reality, one would expect to see FPC below prior benchmarks.

**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? (Revell) (OPC 33, Staff 71)

**FIPUG:** The benchmark should be applied to individual functional units. Applying it to the company as a whole could camouflage excessive or inappropriate expenditures.

**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? (Revell, Monic) (OPC 37, PSM 27, Staff 76)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

- 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? (Revell, Monic) (OPC 38, Staff 77)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- 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? (Monic, Revell) (OPC 39, PSM 26, Staff 78)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 45:** Is FPC's requested level of Administrative and General Expense in the amount of \$96,013,000 (\$101,965,000 system) for the 2002 projected test year appropriate? (Monic, Revell) (OPC 40, PSM 29, Staff 79)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 46:** Should the projected 2002 executive benefits expense of \$81,250 for change of control cash payment be removed from O&M expenses? (OPC F)
- FIPUG:** Yes.
- ISSUE 47:** Is FPC's proposed level of power marketing services expenses overstated? (OPC G)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 48:** Are any revisions necessary to the projected 2002 nuclear property and liability insurance expense? (OPC H)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 49:** Should an adjustment be made to remove the closed business office expenses from the projected 2002 test year? (OPC A)
- FIPUG:** Yes.

- ISSUE 50:** Is the accelerated amortization of Tiger Bay appropriate in the test year? (Gardner, P. Lee) (FIPUG 21 & 22, OPC 50, PSM 38)
- FIPUG:** No. It is an extraordinary expense and should not be included.
- 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? (P. Lee) (FIPUG 10, PSM 33, Staff 40, OPC I)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- 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? (P. Lee) (FIPUG 11 & 12, PSM 39, Staff 41, OPC K)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- 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? (McNulty, Mills) (Staff 42)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 54:** Are transmission improvements appropriately capitalized or expensed? (Revell, Gardner, P. Lee, Harlow, Colson) (PSM 32)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- 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? (Matlock, Costner) (Staff 46)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- 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? (Matlock, D. Lee, Costner) (Staff 47)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Matlock, D. Lee, Costner) (Staff 48)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 58:** Is FPC's level of Account 583, Overhead Line Expenses, in the amount of \$19,535,000 (\$19,593,000 System) for the 2002 projected test year appropriate? (Matlock, D. Lee, Costner) (Staff 49)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 59:** What is the appropriate amount of advertising expense to be allowed in operating expense for the 2002 test year for FPC? (Monic, Revell)(PSM 28, Staff 50)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Monic, Revell) (Staff 51, OPC J)

**FIPUG:** All lobbying expenses should be removed from test year expenses.

**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? (Monic, Revell) (Staff 52)

**FIPUG:** No. Such dues should be removed.

**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? (Monic, Revell) (Staff 53)

**FIPUG:** Yes.

**ISSUE 63:** What amount has FPC budgeted to fund the EI Utility Waste Management Group and is this amount appropriate? (Monic, Revell) (Staff 54)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 64:** Is FPC's assumed growth in salaries and wages appropriate? If not, what adjustment is necessary? (Monic, Revell)(PSM 14, Staff 55)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 65:** Should an adjustment be made to the level of Salaries and Employee Benefits for the 2002 projected test year? (Monic, Revell) (PSM 15, 16 & 18, Staff 56)

**FIPUG:** Yes, see Issue 46.

**ISSUE 66:** Is FPC's calculation of the payroll for the 2002 projected test year appropriate? (Monic, Revell) (Staff 57)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 67:** Is FPC's budgeted level of employees in the 2002 projected test year appropriate? (Monic, Revell) (OPC 25, Staff 58)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 68:** Are benefits loading costs appropriate and how do such costs compare to benchmarks? (PSM 18)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

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

**FIPUG:** Yes. FPC's projections fail to take into account projected upswings in the economy predicted to occur.

- ISSUE 70:** Is FPC's requested level of Other Post Employment Benefits Expense for the 2002 projected test year appropriate? (Monic, Kyle) (PSM 19, OPC 26, Staff 59)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 71:** Is the projected 2002 increase in FAS 112 Miscellaneous Employee Benefits costs reasonable? (OPC E)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 72:** Is FPC's 2002 test year requested accrual for medical/life reserve-active employees and retirees appropriate? (Revell, Monic, Costner) (Staff 64)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 73:** Is FPC's requested level of Pension Expense for the 2002 projected test year appropriate? (Monic, Kyle) (FIPUG 18, OPC 27, Staff 60)
- FIPUG:** No. FPC has failed to recognize anticipated upturns in the economy.
- ISSUE 74:** What is the appropriate amount of outside services expense to be allowed in operating expense for FPC? (Revell, Monic, Costner) (OPC 28, PSM 30, Staff 62)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 75:** Should any franchise litigation related costs, which may be deemed prudent, be recoverable from FPC customers? (PSM 42)
- FIPUG:** No.
- ISSUE 76:** 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? (PSM 43)
- FIPUG:** FIPUG has no position on whether or not such expenditures are prudent. However, regardless of prudence, they should not be recovered by ratepayers but rather are expenses that should be borne by stockholders.



- ISSUE 77:** 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? (PSM 44)
- FIPUG:** No. See Issue 76.
- ISSUE 78:** Is FPC's 2002 projected test year accrual of \$5,818,000 (\$6,000,000 System) for storm damage appropriate? (D. Lee, Revell) (PSM 31, Staff 65)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 79:** Is interest on tax deficiencies of \$891,000 (\$967,000 system) for the 2002 projected test year appropriate for FPC? (C. Romig, Vendetti) (Staff 66)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 80:** 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? (L. Romig, Revell) (OPC 29, Staff 67)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 81:** Is FPC's requested Rate Case Expense in the amount of \$1,644,000 appropriate? (Monic, Revell) (OPC 30, Staff 68)
- FIPUG:** No; FPC's rate case expense is excessive.
- ISSUE 82:** What is the appropriate Amortization period for FPC's Rate Case Expense? (Monic, Revell) (OPC 31, PSM 25, Staff 69)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 83:** What are the appropriate Consumer Price Index factors to use in determining test year expenses for FPC? (Stallcup, Hewitt) (Staff 72)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- 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? (Harlow, Colson, Costner) (OPC 34, Staff 73)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Harlow, Colson, Costner) (OPC 35, Issue 74)

**FIPUG:** No; FPC's O&M expenses have increased dramatically.

**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? (P. Lee) (Staff 81)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 87:** What adjustments, if any, should be made to the projected test year expenses to recognize implementation of FAS 143? (Gardner) (Staff 82)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Gardner) (Staff 83)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Gardner, Jones) (OPC 41, Staff 80)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (C. Romig, Vendetti) (OPC 43, Staff 85)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 91:** Are consolidating tax adjustments appropriate, and if so, what are the appropriate amounts for the 2002 projected test year for FPC? (C. Romig, Vendetti) (OPC 44, Staff 86)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (C. Romig, Vendetti) (OPC 42) (Staff 84)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Revell) (FIPUG 1 & 2, OPC 24, Staff 39)

**FIPUG:** No; FPC's O&M expenses have increased dramatically.

**ISSUE 94:** Is FPC's requested Net Operating Income of \$359,551,000 (\$437,087,000 system) for the 2002 projected test year appropriate? (Revell) (OPC 45, Staff 87)

**FIPUG:** This is a fall out issue resulting from the decisions on the previous issues.

### **REVENUE REQUIREMENTS**

**ISSUE 95:** What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPC? (Revell) (OPC 46, Staff 89)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Revell) (FIPUG 23 & 24, FPC 6, OPC 51, Staff 88)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**COST OF SERVICE AND RATE DESIGN**

**ISSUE 97:** Is FPC's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate? (Wheeler) (FIPUG 39, OPC 47, PSM 6, Staff 94)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 98:** Are FPC's estimated revenues from sales of electricity by rate class at present rates for the projected 2002 test year appropriate? (E. Draper) (Staff 95)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**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? (Wheeler) (Staff 96)

**FIPUG:** Yes. The use of historical relationships to project coincident and non-coincident peak demands is consistent with past practice and is appropriate.

**ISSUE 100:** What is the appropriate cost of service methodology to be used in designing FPC's rates? (Wheeler) (FIPUG 31, OPC 48, Staff 97)

**FIPUG:** Since projected peak demands are the cost-causative factor in determining the amount of capacity resources required to serve firm load customers, the Summer/Winter Coincident Peak (SWCP) method would be the most appropriate method for FPC based on its load characteristics. However, if factors other than peak demand are to be considered, then the 12CP and 1/13th Average Demand methodology traditionally employed by the Commission is far preferable than FPC's proposed 12CP and 25% Average Demand methodology. The latter should be rejected because it is simply a flawed application of the theory of "capital substitution," which the Commission has rejected in the past.

**ISSUE 101:** How should any change in revenue requirements be allocated among the customer classes? (Wheeler) (OPC 49, Staff 98)

- FIPUG:** All classes should be moved to cost of service and in no event should any class receive a base rate increase if FPC is ordered to reduce base rates overall.
- ISSUE 102:** What are the appropriate demand charges? (Wheeler, E. Draper) (Staff 99)
- FIPUG:** The GSD, CS and IS demand charges should reflect the demand unit costs derived from the 12CP & 1/13th AD method, using the Commission-approved revenue requirement.
- ISSUE 103:** What are the appropriate energy charges? (Wheeler, E. Draper) (Staff 100)
- FIPUG:** The GSD, CS and IS energy charges should reflect the energy unit costs derived from the 12CP & 1/13th AD method, using the Commission-approved revenue requirement.
- ISSUE 104:** What are the appropriate customer charges? (Hudson) (Staff 101)
- FIPUG:** The GSD, CS and IS customer charges should reflect the customer unit costs derived from the 12CP & 1/13th AD method, using the Commission-approved revenue requirement.
- ISSUE 105:** What are the appropriate service charges? (Hudson) (Staff 102)
- FIPUG:** No position.
- ISSUE 106:** What are the appropriate Lighting Service (LS-1) rate schedule charges? (Springer) (Staff 103)
- FIPUG:** No position.
- ISSUE 107:** How should FPC's time-of-use rates be designed? (E. Draper) (Staff 104)
- FIPUG:** Time of use rates should be designed to send the appropriate price signal to consumers so that they can adjust consumption.
- 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? (Wheeler) (FIPUG 38)
- FIPUG:** Yes. FPC should make this offering available as soon as possible.
- 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? (Hudson) (Staff 105)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 110:** Should FPC's proposed inverted rate design for the RS, RAL-1, RAL-2, and RSS-1 rate schedules be approved? (E. Draper) (Staff 106)

**FIPUG:** No position.

**ISSUE 111:** What is the appropriate method for designing the interruptible and curtailable rate schedules? (Wheeler) (FIPUG 33, 34 & 36, Staff 107)

**FIPUG:** The present structure of the interruptible and curtailable rate schedules should be maintained. IS-1 should not be consolidated with IS-2. Further, FPC's approach uses a customer's billing load factor as a proxy for the customer's coincidence factor should be rejected. This assumes there is a linear relationship between load factor and coincidence factor but FPC has provided no evidence of such a relationship. In the alternative, FPC should directly measure the amount of load available for interruption by using the average of the customer's maximum demand on the day of, the day before, and the day after an interruption. In lieu of a direct measurement, the credit should apply to billing demand, as is currently the practice.

**ISSUE 112:** What are the appropriate billing demand credits for the curtailable and interruptible rate schedules? (Colson, Harlow) (Staff 108)

**FIPUG:** The current billing demand credits should remain in effect.

**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? (Wheeler, Helton) (FIPUG 40)

**FIPUG:** Yes; customers who must buy through due to a lack of FPC capacity should not be limited to just the monopoly supplier but should be able to utilize alternative sources.

**ISSUE 114:** What are the appropriate delivery voltage credits? (Springer) (Staff 110)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

- ISSUE 115:** If the Commission decides to recognize migrations between rate classes, how should the revenue shortfall, if any, be recovered? (Wheeler) (Staff 111)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 116:** Is the method used by FPC to calculate the increase in unbilled revenues by rate class appropriate? (Wheeler) (Staff 112)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- 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? (E. Draper) (Staff 113)
- FIPUG:** No position.
- 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? (E. Draper) (Staff 114)
- FIPUG:** No position.
- 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? (E. Draper) (Staff 115)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- 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? (Wheeler)(FIPUG 35, Staff 118)
- FIPUG:** No; FPC's approach uses a customer's billing load factor as a proxy for the customer's coincidence factor. This assumes there is a linear relationship between load factor and coincidence factor but FPC has provided no evidence of such a relationship.
- ISSUE 120A:** Should FPC's proposal to require IS-1, IST-2, CS-2 and CST-2 customers to have a minimum billing demand of 500 kw in order to take service under the

rates be approved?

**FIPUG:** No. FPC's proposed load factor adjustment should be rejected because load factor is not a reasonable proxy for measuring the amount of load available for interruption.

**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?

**FIPUG:** No. This proposal would dramatically and adversely change the economics of interruptible service for existing IS-1/IST-1 customers and it should be rejected. At a time when significant additional capacity is needed to maintain reliable service in the state, it is totally inappropriate to diminish the value of the interruptible resource. IS-1 and IST-1 should be retained at the existing level of demand credits since existing credits are less than the avoided generation capacity costs attributable to interruptible service.

**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? (Wheeler) (Staff 119)

**FIPUG:** Yes.

### **GRIDFLORIDA ISSUES**

**ISSUE 122:** Does the Commission have jurisdiction to recover Grid Florida costs from retail ratepayers? (Helton) (Staff 123A)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 123:** What are the amounts and components of rate base associated with transmission assets of 69kV and above? (Noriega, Gardner) (Staff 126)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 124:** What are the amounts and components of capital structure associated with transmission assets of 69kV and above? (Noriega) (Staff 127)



**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 125:** What are the amounts of revenues and expenses associated with transmission assets of 69kV and above? (Noriega, Gardner) (Staff 128)

**FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

**ISSUE 126:** How should costs incurred prior to May 31, 2001, associated with FPC's participation in GridFlorida be recovered? (Noriega, D. Lee, Revell) (Staff 130A)

**FIPUG:** GridFlorida costs incurred prior to May 31, 2001 should be recovered through base rates.

**ISSUE 127:** How should costs incurred after May 31, 2001, associated with FPC's participation in GridFlorida be recovered? (Noriega, D. Lee, Revell) (Staff 130B)

**FIPUG:** It is premature to determine how GridFlorida costs incurred after May 31, 2001 should be recovered.

**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? (Revell, D. Lee, McNulty) (Staff 131)

**FIPUG:** If recovery of GridFlorida cost is permitted, it should occur through base rates not a cost recovery clause.

#### **OTHER ISSUES**

**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? (Harlow, Colson, Revell, P. Lee) (FIPUG 19 & 20, OPC 17, FPC 5)

**FIPUG:** The Commission should not consider the costs associated with the Hines 2 power plant as they are outside of the test year period. Though when this plant comes on line, FPC's expenses *may* increase, other factors such as FPC's number of customers and earnings may increase as well. FPC has provided no information as to these other factors, so the Commission has no evidence upon which to support any increase in rates related to Hines 2.

- ISSUE 130:** Should FPC's proposed earnings sharing plan be approved? (FIPUG 26)
- FIPUG:** No; the Commission should adopt a revenue sharing plan as set out in the testimony of FIPUG witness, Mr. Gorman.
- ISSUE 131:** Should any changes be made to the methodology for allocating costs to FPC from Progress Energy Service Corporation? (OPC 132A)
- FIPUG:** Yes. The Commission should ensure that any costs allocated to ratepayers from an affiliate company are no more than FPC would have incurred had it entered into an arms length transaction as the result of competitive bidding.
- ISSUE 132:** Should adjustments be made for rate base, capital structure, and net operating income effects of transactions with affiliated companies for FPC? (Monic, Revell, D. Draper) (FIPUG 27, 28, 29, 30 OPC 13, 14, 15 PSM 35 & 36, Staff 132-134 combined)
- FIPUG:** Yes; the Commission should ensure that to the extent FPC enters into transactions with affiliated companies, including a service company, that retail ratepayer pay no more than they would have had the transaction been at arms length as the result of a competitive bid.
- 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? (Mailhot) (FPC 4, OPC 4-6, PSM 4 & 5, Staff 135)
- FIPUG:** No; the Commission should adopt the revenue sharing mechanism described by FIPUG witness Gorman.
- 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? (Helton) (OPC 136)
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
- ISSUE 135:** What is the impact of the acquisition of FPC by Carolina Power and Light (Progress Energy) upon retail rates? (Slemkewicz) (FIPUG 13, FPC 1, OPC 7, PSM 7-13, Staff 138)

**FIPUG:** If the proposal set forth by FPC is approved, the merger will result in a substantial increase in customer rates with no demonstrated benefit from the merger. Therefore, the Commission should adjust FPC's rate request as detailed in Intervenor's testimony/

**ISSUE 136:** What is FPC's acquisition premium and should any of this amount be borne by ratepayers? (Slemkewicz) (FIPUG 14 & 15, OPC 3, Staff 139)

**FIPUG:** The amount of the acquisition premium is \$25.31 million after taxes and \$41.205 million pretax for an annual cost to ratepayers of \$43.626 million annually. Retail ratepayers should not bear any of this cost.

**ISSUE 137:** What are the transition costs associated with the merger, and should those amounts be borne by ratepayers? (OPC 139A)

**FIPUG:** The transition costs associated with the merger are \$4.387 million annually. Retail ratepayers should not bear any of this cost.

**ISSUE 138:** Are the CP&L cost allocations to FPC for CP&L-provided services appropriate? (Monic, Revell) (PSM 34, Staff 140)

**FIPUG:** Yes; the Commission should ensure that to the extent FPC enters into transactions with affiliated companies, including a service company, that retail ratepayer pay no more than they would have had the transaction been at arms length as the result of a competitive bid.

**ISSUE 139:** Should the Commission approve FPC's proposal to recover the costs and benefits of the merger? (FPC 1)

**FIPUG:** No. FPC has failed to demonstrate that the merger will provide ratepayers with benefits that outweigh the costs of the transaction. And in fact, FPC's O&M expenses appear to have increased, not decreased since the merger.

**PROPOSED PREHEARING**  
**STIPULATED ISSUES**

**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? (Revell) (Staff 141)

**FIPUG:** Yes.

**F. STIPULATED ISSUES:**

None.

**G. PROPOSED STIPULATIONS:**

None.

**H. PENDING MOTIONS:**

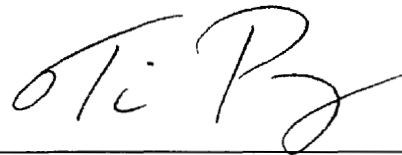
FIPUG has no pending motions.

**I. PENDING CONFIDENTIALITY MATTERS:**

On February 8, 2002, FIPUG filed a Request for Confidential Classification and Motion for Protective Order as to the testimony of Thomas J. Regan filed on January 18, 2002.

**J. OTHER MATTERS:**

None at this time.



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## CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing The Florida Industrial Power Users Group's Prehearing Statement has been furnished by (\*) hand delivery and U.S. Mail to the following this 18<sup>th</sup> day of February 2002:

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