

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Review of Florida Power Corporation's Earnings, Including Effects of Proposed Acquisition of Florida Power Corporation by Carolina Power & Light

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DOCKET NO. 000824-EI

Submitted for Filing:  
February 11, 2002

**CONFIDENTIAL**  
**REBUTTAL TESTIMONY**  
**OF**  
**MARK A. MYERS**

**ON BEHALF OF**  
**FLORIDA POWER CORPORATION**

*MA 9.15.03*  
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DOCUMENT NUMBER-DATE

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1 Florida Power trading centers. The problem is that she fails to recognize that (1)  
2 regulatory treatment of power marketing transactions differs in North Carolina  
3 and Florida, and (2) CP&L has greater access to transmission than Florida Power  
4 does and thus has more opportunities to take advantage of market transactions.  
5

6 When our integration teams studied the operations of the power trading  
7 functions of the combined companies, they understood that Florida Power's  
8 customers would benefit from the Company's efforts to optimize its generating  
9 capacity. In contrast, shareholders will benefit from power sales in North  
10 Carolina, subject to regulatory ROE limits. BEGIN CONFIDENTIAL. The  
11 integration team estimated that power marketing might yield a margin of \$60  
12 million, including \$40 million for shareholders. But this \$40 million represents  
13 revenues from CP&L's regulated sales of power in addition to off-system non-  
14 regulated trading. The remaining \$20 million represents customer benefit  
15 attributable to sales from Florida Power's fleet that will flow through to our retail  
16 customers through the fuel adjustment clause. In light of these facts, it is easy to  
17 see that our goal of enhancing the Company's competitive position and  
18 participating more actively in the generation market directly benefits our  
19 customers by holding fuel costs down and creating credits to our customers under  
20 the fuel adjustment clause. END CONFIDENTIAL.

21  
22 **Q. Ms. Brown argues (at p. 11) that Progress Energy acknowledged in internal**  
23 **statements BEGIN CONFIDENTIAL that it might use the firm transmission**

1 path from Florida Power to CP&L to generate \$2 million in profit. END

2 CONFIDENTIAL Is she correct?

3 A. BEGIN CONFIDENTIAL. Again, Ms. Brown misunderstands the facts. She  
4 relies on concepts discussed tentatively prior to completion of the merger and  
5 prior to FERC approval of the transaction, at a time when Progress Energy was  
6 contemplating that it would have a 100MW transmission path between the two  
7 utilities. FERC ultimately reduced the path to 50MW (which, all things being  
8 equal, would reduce the margin expectation to \$1 million). Further, power market  
9 prices have fallen. So the value has been reduced to virtually zero. We also need  
10 to keep in mind that any margin (net of transmission expenses) achievable  
11 through wheeling would flow through to Florida's retail customers. In fact, Ms.  
12 Brown acknowledges that, in the documents she reviewed, "the Company did  
13 note that the ownership of the transmission could require that these benefits go to  
14 customers." In addition, the cost of the transmission reservation for the 50MW  
15 contract path through Southern and Duke is being borne by CP&L. END

16 CONFIDENTIAL.

17

18 Q. Certain witnesses argue that, under the Company's proposal, customers will  
19 pay for the original capital investment in the Company's assets and then will  
20 pay again for those assets by subsidizing Progress Energy's acquisition costs.  
21 Do you agree?

22 A. Not at all. This would occur (and then only figuratively) if we were asking the  
23 Commission to incorporate goodwill into the Company's rate base, which we are