State of Florida

Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE:	July 23, 2008
TO:	**Ann Cole, Commission Clerk - PSC, Office of Commission Clerk**
FROM:	Elisabeth J. Draper, Economic Analyst, Division of Economic Regulation EJD
RE:	Docket No. 080186-EI - Petition for approval of revised underground residential distribution tariffs.

Please place the attached Staff Second Data Request to Progress Energy Florida, Inc. in the above docket.

EJD:kb

July 23, 2008

Re: Docket No. 080186-EI
Petition for approval of revised underground residential distribution tariffs

Staff's Second Data Request to Progress Energy Florida

General questions:

1. Please provide a general discussion as to why non-storm operational costs are higher for underground than overhead facilities.

2. The Phase 3 PURC Report which was presented to the Commission at the June 16, 2008, Internal Affairs, states on page 56 that an underground feasibility study shows that the O&M costs for overhead and direct buried underground systems are comparable. Please comment on this conclusion and discuss why PEF analysis shows a different result, i.e., operational costs are higher for underground than overhead. The report can be read at http://www.cba.ufl.edu/purc/docs/initiatives_UndergroundingAssessment3.pdf

3. Rule 25-6.078 (4), Florida Administrative Code, requires each utility to establish sufficient record keeping and accounting measures to separately identify operational costs for underground and overhead facilities, including storm related costs. Please provide a discussion on where PEF stands with respect to this rule requirement.

4. Please provide a detailed explanation as to how the $21.4 million annual storm damage costs were calculated. Is that number based on actual historical costs? For which years? Does this number include assumptions as to how often a storm even will occur?

5. Order No. PSC-06-0947-PAA-EI, issued on November 13, 2006 in Docket No. 060198-EI, states that PEF estimated an incremental annual cost of $5 million for its vegetation management plan compared to the 2005 base year costs.

a. Is the $5 million still an accurate reflection of PEF's incremental annual vegetation management plan costs?

b. Does PEF agree that since PEF used 2002-2006 data in this petition, any incremental vegetation management plans costs would not be captured in the URD differential?

c. Which account in the workpapers provided in Attachment D of PEF's responses to staff's first data request includes vegetation management?

d. Does PEF agree that any incremental vegetation management costs are strictly overhead costs, and would therefore decrease the differential between underground and overhead? If not, please explain why.

6. Please explain PEF's basis for allocating 80% of the storm damage costs to distribution. Is it based on actual experience?

For the following questions, please refer to Attachment D of PEF's responses to staff's first data request.

7. The historical operational costs were based on the period 2002 through 2006. Why did PEF not include 2007?

8. Overhead operational cost appear to be significantly higher in 2003 ($135,915,758) compared to 2002 and 2004-2006. Please explain why.

9. The following summarizes the total operational underground costs:
   2002 - $83,506,066,
   2003- $111,094,609,
   2004 - $50,594,200,
   2005 - $47,381,048,
   2006 - $61,732,840.

Please explain the higher totals in 2002 and 2003.

10. Please explain why in 2002-2004, a small percentage of account D7105, *Replace Poles Id'd by inspection*, was allocated to underground. Why are pole-related costs not 100 percent overhead?

11. Please explain what costs are included in account D7101, *Maintain Overhead Lines – PM.* Attachment D shows that in 2002, 31% were allocated to underground, and 69% to overhead. For 2003-2006, all the costs were allocated to underground. Why would costs from an *Maintain Overhead Lines* account be allocated to underground, and why is 2002 treated differently?

12. PEF's petition shows that the NPV of life cycle operational costs, including storm restoration, for the low density subdivision is $268 per lot.

a. Please confirm that this number is derived in the following manner: $16,566 x 3.4 circuit miles / 210 lots.
b. Please calculate the impact on the URD charge of the non-storm operational cost.
c. Please calculate the impact on the URD charge of the storm restorations cost.

13. PEF's petition shows that the NPV of life cycle operational costs, including storm restoration, for the low density subdivision is $158 per lot.

a. Please confirm that this number is derived in the following manner: $16,566 x 1.7 circuit miles / 176 lots
b. Please calculate the impact on the URD charge of the non-storm operational cost.

c. Please calculate the impact on the URD charge of the storm restorations cost.

14. The following questions refer to the discount factor used to calculate the NPV of the operational costs:

a. Please state the formula used to derive the discount factor for year 1 (0.961805271).
b. Please explain PEF's basis for using a "mid-year" discount factor as opposed to an "end of each period" discount factor (i.e., stand Excel NPV formula).
c. Please re-calculate the underground vs. overhead NPV (currently $16,566.33) using the standard Excel NPV formula.

15. Do both the overhead and underground low density subdivisions have 3.4 circuit miles of distribution lines, or is that number specific to an underground design (with an overhead low density subdivision having a different number of circuit miles)? If that number is specific to an underground low density subdivision only, please state what the circuit miles would be for the same overhead division. Provide the same response for the high density subdivision.