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Public Service Commission

May 1, 2014

Dianne M. Triplett, Esquire
PO Box 14042
Saint Petersburg, Florida 33733-4042

STAFF'S FIRST DATA REQUEST

Re: Docket No. 140067-EI - Petition for approval of revised underground distribution tariffs, by Duke Energy Florida, Inc.

Dear Ms. Triplett:

By this letter, the Commission staff requests that Duke Energy Florida, Inc. (DEF or Company) provide responses to the following data requests.

The following questions pertain to Exhibit C attached to the Company's petition.

1. Please refer to Schedule Nos. 2, 3, 6, 7, 9, and 10. Specifically, please refer to the percentage loading rates identified in footnote (3) as "Stores..." that are assigned as a percentage of material costs as indicated below:

Schedule Nos. 2, 7, 9, and 10 footnote (3) show a loading factor of 21.25 percent of material.
Schedule Nos. 3 and 6 footnote (3) show a loading factor of 17.75 percent of material.

In contrast, it appears mathematically that a loading factor of approximately 19.95 percent of material was applied for "Stores Handling" on all six of the identified schedules.

Please clarify whether the percentages indicated in footnote (3) on the schedules are inadvertently misstated and whether it is the Company's intent to apply 19.95 percent as the loading factor for "Stores Handling." In the alternative, if the percentages indicated in footnote (3) on the respective schedules are correct, please make the necessary revisions to the submission.

2. Please refer to Schedule No. 6. Specifically, please refer to the percentage loading rates identified in footnotes (5) and (6) as "Management and Supervision" and "Fleet," respectively, that are assigned as a percentage of labor costs.
 - (a) Please clarify whether the "6.01%" shown in footnote (5) is inadvertently misstated and whether it is the Company's intent to apply the 35.67% loading factor for Management and Supervision consistent with all other schedules.

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- (b) Please clarify whether the “19.07%” shown in footnote (6) is inadvertently misstated and whether it is the Company’s intent to apply the 22.49% loading factor for Fleet allocation consistent with all other schedules.
 - (c) In the alternative, if the percentages indicated in footnotes (5) and (6) are correct, please make the necessary revisions to the submission.
3. Please review the table below that summarizes the increases in the Company’s loading factors between 2011 (Docket No. 110293-EI) and the present. As indicated in Exhibit D attached to the petition, these higher loading factors have a significant effect on the material and labor costs used in the analysis. Please provide a detailed explanation illustrating how the current proposed loading factors were determined and provide the rationale regarding why they are appropriate. For any spreadsheets provided, please ensure that all formulas are intact and unlocked.

Loading Factor Description	Docket No. 110293-EI	Docket No. 140067-EI
Stores Handling	8.7% of material	19.95% of material (*)
Design and Project Mgmt.	7.23% of labor & actual mat	17.90% of labor
Management & Supervision	23.12% of labor	35.67% of labor
Fleet	17.26% of labor	22.49% of labor

(*) 2014 Stores handling loading factor assumed from information presented in Exhibit C to the petition, Schedules 1-10 [See Question 1, above].

4. Please refer to the page immediately following Schedule No. 10; this page is entitled “Summary of NPV Life Cycle Costs per Mile for Overhead and Underground Distribution including Storm Costs and Pole Attachment Revenues.” Also, please review the table below that summarizes the increases in the Company’s NPV Life Cycle Costs between 2011 and the present.

NPV Parameter Description	Docket No. 110293-EI	Docket No. 140067-EI
5yr avg ann OH cost w/storm	\$3,874	\$4,486
5yr avg ann OH cost wo/storm	\$3,262	\$3,812
5yr avg ann OH cost – storm	\$612	\$674
5yr avg ann UG cost w/storm	\$4,132	\$4,499
5yr avg ann UG cost wo/storm	\$3,936	\$4,310
5yr avg ann UG cost – storm	\$196	\$189
OH 34yr life cycle w/storm	\$68,718	\$85,317
OH 34yr life cycle wo/storm	\$57,862	\$72,499
OH 34yr life cycle – storm	\$10,856	\$12,819
UG 34yr life cycle w/storm	\$73,294	\$85,565
UG 34yr life cycle wo/storm	\$69,817	\$81,970
UG 34yr life cycle – storm	\$3,477	\$3,595

- (a) For each of the 2014 amounts listed above, please explain in detail how the amounts were developed. Please provide all work papers to support the calculations and list all assumptions that are used in the calculations. Please discuss the discount rate(s) used

and provide the rationale regarding why the discount rates are appropriate. For any spreadsheets provided, please ensure that all formulas are intact and unlocked.

- (b) Please compare the 2011 and 2014 amounts in the table above and describe the reasons why costs have increased between 2011 and the present. In particular, please discuss why the values for overhead are increasing at a greater rate than the values for underground.
5. Please refer to the page entitled “Schedule 40 Conduit” and the accompanying support. Please describe the reasons underlying the increase between 2011 and 2014 in the materials costs presented in support of the cost per foot amounts shown for feeder mains with 2”, 4”, and 6” conduit.
 6. Please elaborate in greater detail regarding the changes in costs that contributed to the increase in the charge for new underground service laterals (0-80’) from overhead electric distribution systems (tariff section 11.04) from \$478 to \$670. Discussion of changes to loading factors provided in response to Question 4 above need not be reiterated here.
 7. Please elaborate in greater detail regarding the changes in costs that contributed to the increase in the charge for an underground service lateral replacing existing overhead services (tariff section 11.05) from \$570 to \$806. Please include a discussion of the increase in materials costs to install new underground services (\$187 to \$333). Discussion of changes to loading factors provided in response to Question 4 above need not be reiterated here.
 8. Please refer to the last three ‘clipped’ sections of Exhibit C. These three sections contain the design drawings for each of the three model subdivisions respectively. Please refer specifically to the lead sheets for each of these sections that provide a value for “Actual Material Cost.” In each of the lead sheets for the 2014 model subdivisions, staff notes that “Actual Material Cost” differs from the computer estimates of materials costs as shown in the following table:

Subdivision Description	Actual Material Cost	Computer Estimated Cost
Low Density Overhead	\$83,729	\$87,859
Low Density Underground	\$104,632	\$125,350
High Density Overhead	\$54,536	\$57,962
High Density Underground	\$65,628	\$77,377
High Density O/H w/ pedestals	\$47,339	\$49,955
High Density U/G w/ pedestals	\$47,204	\$56,480

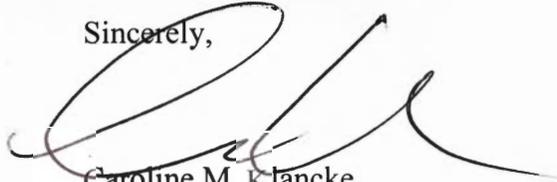
Please explain the difference between “Actual Material Cost” and the computer generated estimates and explain why the computer estimates rather than the “Actual Material Cost” figures were used in the derivation of the ‘Differential’ amounts for each subdivision as presented in Schedule Nos. 1, 5, and 8 of Exhibit C.

9. Please discuss how the Company’s in-house and contract labor rates are determined, including an explanation of the drivers of the increases in labor rates between 2011 and 2014 (e.g., was there a new collective bargaining agreement, etc.).

Page 4
May 1, 2014

Please file the original and five copies of the requested information by Friday, May 16, 2014, with Carlotta Stauffer, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6220 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'CK', with a long horizontal flourish extending to the right.

Caroline M. Klancke
Senior Attorney

CMK/ace

cc: Office of Commission Clerk