

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** June 5, 2017  
**TO:** Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk  
**FROM:** Suzanne M. Ollila, Economic Analyst, Division of Economics *S.M.O.*  
**RE:** Docket No. 170074-EI

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Document No. 04913-17 was mistakenly filed in Docket No. 170074-EI (it is a duplicate of Document No. 04535-17 correctly filed in Docket No. 170069-EI). Please replace Document No. 04913-17 with the attached data request to Jeffrey A. Stone, attorney for Gulf Power Company (staff's first data request, response requested by June 2, 2017).

If you have any questions, please contact me. Thank you.

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STATE OF FLORIDA



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# Public Service Commission

May 18, 2017

## STAFF'S FIRST DATA REQUEST via email

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**Re: Docket No. 170074-EI – Petition for approval of 2017 revisions to underground residential distribution tariffs, by Gulf Power Company.**

Gentlemen:

By this letter, Commission staff requests the following information from Gulf Power Company (Gulf or Company). Staff notes that references to the “2015 filing” refer to Docket No. 150112-EI, Gulf’s underground residential distribution filing.

1. Please refer to Revised Tariff Sheet No. 4.25, legislative format, Section 6.3.2(a)(3). Please explain the reasons for the increase for both the low and high density subdivisions.
2. Please refer to Revised Tariff Sheets Nos. 4.25 – 4.26.2, legislative format, beginning with Section 6.3.2(b) for the following questions.
  - a. Please explain the basis for the increases and decreases.
  - b. Please confirm that there is no charge per foot for certain two phases and all three phases because the “necessary facilities for certain lift station installations are already available due to the typical subdivision design requirements, thus

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incurring no added conductor costs,” (Gulf’s response to staff’s first data request No. 13(b) in Docket No. 150112-EI.)

3. Referring to Revised Tariff Sheet No. 4.28, legislative format, Section 6.5.3, please explain why the binding cost estimates increased from 2015 to 2017 for each listed category.
4. Please identify and explain any design changes to the low and high density subdivisions since 2015 and describe their impact on the differential charges.
5. The following questions concern labor rates.
  - a. In Gulf’s response to staff’s first data request No. 4 in Docket No. 150112-EI, Gulf explained that the labor contract is effective September 15, 2014 through April 14, 2019. Please confirm that Gulf’s 2017 labor rates are contract rates. Have there been any increases to the labor rates (e.g., cost of living) since 2015?
  - b. To the extent not answered in Gulf’s response above, are the 2017 charges for labor based on calendar year 2016 values? If not, what is the basis?
6. The following questions concern contractor labor.
  - a. Does Gulf continue to use contractor labor to perform trenching activities and install duct work for underground facilities as it did in 2015? If not, please explain.
  - b. Does Gulf use contractor labor for any other activities? Please explain.
7. Do Gulf employees continue to perform all overhead activities as in 2015? If not, please explain.
8. Are the 2017 charges for material based on calendar year 2016 values? If not, what is the basis?
9. The following questions concern the Stores Handling loading factor (pages 5, 6, 11, and 12).
  - a. Please explain how the Stores Handling loading factor is calculated.
  - b. Please explain why the Stores Handling loading factor excludes meters and transformers.
  - c. Please explain why the Stores Handling loading factor increased from 4 percent in 2015 to 17 percent in the current docket (pages 5, 6, 11, and 12) and describe the impact have on costs.
  - d. Using Material on page 5 as an example, if transformers (\$342) are subtracted from the Material subtotal of \$572 ( $572-342=230$ ), and the result, \$230, is multiplied by 17 percent, the resulting Stores Handling factor would be about \$39,



\$10 less than the \$49 listed. This apparent discrepancy also occurs on pages 6, 11, and 12. Please clarify/explain how the Stores Handling factor is applied.

10. The following questions concern the Engineering loading factor (pages 5, 6, 11, and 12).
  - a. Please explain what functions are contained in the Engineering loading factor and how the factor is calculated.
  - b. Referring to footnote 6 on pages 5, 6, 11, and 12, please explain why the Engineering loading factor is applied to all material as well as labor.
  - c. Please explain why the Engineering loading factor increased from 48 percent in 2015 to 52 percent in 2017 (pages 5, 6, 11, and 12).
  - d. Using page 5 as an example, please explain why there is no dollar amount for the Engineering factor under the Material heading (also see pages 6, 11, and 12).
  - e. Under the Labor heading on page 5, the Engineering amount is \$472; however, that amount is not 52 percent of Labor, Material, or a combination of both. See also pages 6, 11, and 12. Please clarify/explain the derivation of the Engineering dollar amount.
  
11. The following questions refer to the 210 low density lot summary sheets (page 4) of the current filing and the 2015 filing.
  - a. Please explain why there is a minimal increase in labor for underground (\$9) and a slight decrease in labor for overhead (-\$2) from 2015 to the current filing.
  - b. Underground material increased approximately 17.4 percent (\$144), while overhead material increased approximately 4.5 percent (\$27) from 2015 to the current filing. Please explain why the cost of underground material is increasing at a faster rate than that of overhead material.
  - c. Please explain why the operating cost for overhead is increasing (\$12) while the operating cost for underground is decreasing (\$20) from 2015 to the current filing.
  
12. The following questions refer to the 176 high density lot summary sheets (page 10) of the current filing and the 2015 filing.
  - a. Please explain why underground labor increased by 2.2 percent (\$26) while there was no change in overhead labor from 2015 to the current filing.
  - b. Underground material increased approximately 8 percent (\$55) while overhead material increased approximately 4.3 percent (\$21) from 2015 to the current filing. Please explain why the cost of underground material is increasing at a faster rate than that of overhead material.
  - c. Please explain why the operating cost for overhead increased (\$6) while the operating cost for underground decreased (-\$13).

Jeffrey A. Stone  
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13. Please explain what effects, if any, Gulf's storm hardening has had and is expected to have on the costs of overhead vs. underground for both the 210 low density subdivision and the 176 high density subdivisions.
14. In the 2015 filing, the differentials decreased for the 210 low density subdivision and increased for the 176 high density subdivision. In this filing, the differential increased for both low and high density subdivisions. To the extent not already answered in Gulf's responses to previous questions, please explain why the differential for the low density subdivision increased (especially compared to 2015 when the differential decreased) and why the differential for the high density subdivision increased.
15. Referring to page 15, "Average Historical Operating Expenses (2012-2016)," overhead expenses increased while underground expenses decreased from 2015 filing to the current filing. Please discuss the primary reasons overhead expenses increased while underground expenses decreased.
16. What is the basis for the O&M Annual Escalation Percent of 2.82% used on pages 15a – 15c of the current filing?
17. What is the basis for the Discount Rate of 6.69% used on pages 15a – 15c of the current filing?
18. Please explain the derivation of the Cumulative PV on pages 15a, 15b, and 15c.

Please file all responses electronically no later than Friday, June 2, 2017 via the Commission's website at [www.floridapsc.com](http://www.floridapsc.com) by selecting the Clerk's Office tab and Electronic Filing Web Form. Please feel free to call me at 850-413-6540 if you have any questions.

Sincerely,

*/s/ Sue Ollila*

Economic Analyst  
[sollila@psc.state.fl.us](mailto:sollila@psc.state.fl.us)

cc: Office of Commission Clerk