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July 14, 2017

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20170074-EI - Petition for approval of 2017 revisions to Underground Residential Differential Tariffs by Gulf Power Company

Dear Ms. Stauffer:

Attached for electronic filing is Gulf Power Company's response to Staff's Second Data Request in the Underground Residential Differential docket.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. McGee, Jr." in a cursive style.

Robert L. McGee, Jr.
Regulatory and Pricing Manager

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Attachments

cc: Beggs & Lane
Jeffrey A. Stone, Esq.
Florida Public Service Commission
Sue Ollila, Division of Economics

1. The following requests refer to Gulf's responses to staff's first data request. Response No. 4 states that there have not been any design changes to either subdivision since 2015. Response No. 13 states overhead construction has seen the majority of cost increases due to the National Electrical Safety Code (NESC) Grade B construction standard. Response No. 14 states that the increase in underground construction cost is primarily due to two items, one being an increase in underground material, such as padmount transformers.
 - a. When did the NESC change referred to in Response No. 13 occur?
 - b. Was the NESC change referred to in Response No. 13 considered a design change to the model subdivisions? Please explain why or why not.
 - c. Are padmount transformers considered a design change to the model subdivisions? Please explain why or why not.
 - d. What are examples of design changes?

RESPONSE:

- a. The NESC Grade B construction standards referenced in staff's first data request, Response No. 13, took place January 1, 2008, and affected the model subdivision designs in the 2009 filing. Since the implementation of the NESC Grade B construction standards in 2008, there have been no design changes to the model subdivisions.
- b. No. There were no changes to the model subdivisions. Please see response to question 1(a).
- c. No. There have been no design changes to the model subdivisions since 2008. Padmount transformers are the standard transformer type required for underground construction. The padmount transformers used in the 2017 model subdivision design are the same padmount transformers used in the model subdivision design for previous filings. As discussed in staff's first data request, Response No. 14, the underground construction costs have changed due to an increase in contract labor and underground specific materials, including padmount transformers, which were mentioned as an example of an underground specific material.
- d. The referenced NESC building requirements did not result in a design change to the 2017 filing's model subdivision. While Gulf has had no design changes, examples of design changes resulting from upgrading to NESC Grade B construction standards could include increasing the size of wood poles, constructing additional span guys and increasing the size of span guys.

2. Referring to Gulf's response to staff's first data request, No. 11(a), please explain what the "change in the allocation of overheads" is and its effect on overhead construction.

RESPONSE:

Since the 2015 filing, Gulf has reviewed the individual components of the overheads allocated to company labor. Based on this review, the travel and headquarter allocation overhead was recalculated using the 2016 actual crew labor, which resulted in a lower travel and headquarter overhead allocation factor. This updated travel and headquarter allocation factor was used in the current (2017) filing and resulted in less estimated company labor time for direct construction labor hours. Therefore, while the individual company man-hour rate increased between 2015 and 2017, the estimated construction labor hours decreased. This combination resulted in a slight reduction of the labor cost for overhead construction.

3. Does Gulf continue to use the same methodology for the NPV calculation of operational costs as was approved in Order No. PSC-12-0531-TRF-EI (Docket No. 120075-EI) and used in the 2015 filing? If not, please explain what the differences are, why changes were made, and the impact on the instant filing's calculation.

RESPONSE:

Yes. Gulf continues to use the same methodology for the NPV calculation.