

Matthew R. Bernier
Associate General Counsel
Duke Energy Florida, LLC.

November 20, 2018

VIA ELECTRONIC FILING

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

Re: Joint petition for approval of amendment to territorial agreement in Hardee, Highlands, Polk, and Osceola Counties by Peace River Electric Cooperative and Duke Energy Florida, LLC; Docket No. 20180159-EU

Dear Ms. Stauffer:

Please find enclosed for electronic filing in the above-referenced docket, Duke Energy Florida, LLC (DEF) and Peace River Electric Cooperative's (PRECO) Joint Response to Staff's First Data Request (Nos. 1-12).

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Respectfully,

s/Matthew R. Bernier

Matthew R. Bernier

MRB/mw Enclosures

CERTIFICATE OF SERVICE (Dkt. No. 20180159-EU)

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to the following by electronic mail this 20^{th} day of November, 2018, to all parties of record as indicated below.

| | s/Matthew R. Bernier Attorney |
|---|--|
| Johana Nieves Office of General Counsel Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 jnieves@psc.state.fl.us | Randall Shaw P. O. Box 1310 Wauchula, FL 33873 randy.shaw@preco.coop |
| Bruce May Holland Law Firm 315 South Calhoun Street, Suite 600 Tallahassee, FL 32301 bruce.may@hklaw.com | |

Duke Energy Florida, LLC's (DEF) and Peace River Electric Cooperative (PRECO)
Joint Response to Florida Public Service Commission's First Data Request (Nos. 1-12)
re. Joint Petition for Approval of Amendment to Territorial Agreement in Hardee,
Highlands, Polk, and Osceola Counties by
Peace River Electric Cooperative and Duke Energy Florida, LLC (DEF)

Docket No. 20180159-EU

1. Please state the reason(s) for this proposed amendment of the territorial agreement.

Response:

The currently effective territorial agreement between Duke Energy Florida (DEF) and Peace River Electric Cooperative (PRECO) will expire in December 2019. If the proposed agreement is approved by the Commission, PRECO will become the electric service provider for approximately 3,000 DEF customers in Hardee County and a small area of Polk County north of Bowling Green. City of Wauchula customers are not affected.

PRECO and DEF have worked collaboratively to structure the proposed amendment and believe the amended agreement is in the public interest as it furthers the goals of avoiding duplication of services and wasteful expenditures, achieving operational efficiency, as well as protecting the public health and safety from potentially hazardous conditions.

2. Please explain why customers need to be transferred from DEF and PRECO.

Response:

Over the years, utility company service areas may overlap, which results in duplicate facilities such as power poles and lines in the same communities. While this is not unusual in rural areas, it does mean both companies can have facilities in the same communities. For example, on many roads in Hardee county, DEF is on one side and PRECO is on the other side of the same road. Transferring customers from DEF to PRECO will eliminate the duplication of services, create operational efficiencies for both utilities, and will ensure customers continue to receive the safe, reliable electricity they expect and deserve.

3. Please explain why customers need to be transferred from PRECO to DEF.

Response:

During the field due diligence process to determine if there are any encroachments by one utility into the service territory of the other utility, the extra-territorial customers being transferred from PRECO to DEF were identified and found to be served inadvertently by

PRECO in the service territory of DEF. DEF will serve the customers that are in DEF's service territory under the proposed amended agreement.

4. Please list any differences between the current and the proposed territorial agreement.

Response:

The territorial boundaries in the proposed amended territorial agreement have been modified in comparison to those as set forth in the current PRECO and DEF territorial agreement, approved by the Commission Order No. PSC-94-1522-FOF-EU, issued December 12, 1994 and in Order PSC-2006-0742-COEU, issued September 1, 2006, in Docket No. 20060277-EU, which delineates the service territories in Polk, Hardee, Highlands and Osceola counties. If approved, the proposed amended territorial agreement will revise the service area boundaries and PRECO will become the electric service provider to approximately 3,000 customers in Hardee County and southern Polk County who are currently served by DEF. DEF will retain and expand transmission-level services within Hardee county.

The territorial boundary maps were modified as shown in Composite Exhibit A in the proposed agreement. The territorial boundary maps in the proposed amended Agreement have been updated to a GIS format and demonstrate the territorial boundary lines in much greater detail. Additionally, parcels that were divided by the prior territorial boundary lines have been modified to eliminate the split parcels.

A written description is included in the proposed amended agreement as required by Rule 25-6.0440(1)(a), F.A.C.

The current territorial agreement has a term of twenty five years, through December 12, 2019, and provides for automatic renewal for another twenty five year period with prerequisite approval by the Commission. This proposed amended territorial agreement has been negotiated for an initial term of 30 years, and may automatically be extended for succeeding periods of five years except that this agreement may be terminated by either PRECO or DEF after expiration of the 30 year term period or succeeding five year period upon one year's written notice to the other utility.

5. Paragraph 5 of the petition states that customer transfers will be completed within 36 months of the effective date of the agreement. Please explain the steps of customer transfers and the reasons for the 36-month transfer time frame.

Response:

The customer transfer procedure is a multi-step process and requires extensive planning and coordination across multiple departments within each utility. After approval of the amended agreement by the Commission, detailed engineering and customer communication plan is developed to effectuate the customer transfers.

After approval of the amended agreement, PRECO and DEF will perform the necessary analyses to determine whether to purchase facilities in order to serve the extra-territorial customers. The facilities valuation process is time-consuming and extremely detailed in nature, often taking 12 months or more to complete. Additional field reviews are completed to determine engineering requirements for the customer transfers. Individual engineering work requests are designed for each customer transferring. If new facilities must be built to serve the new customers that cannot be purchased from the other utility, the facilities are designed and built. Mapping inputs for parcels and facilities transferring to each utility are entered into the respective GIS systems prior to customer transfers. Customer data for customers to be transferred to each utility is obtained and provided to the other utility in order to build the new customer accounts for the receiving utility. Multiple coordination meetings occur to determine the day of the Coordinated scheduling occurs with each utility to determine a customer transfers. date of transfer. Customers are sent communications noting the exact day of transfer, within a four hour timeframe, at least two weeks prior to the transfer date. Any customer subject to transfer is provided a contact name at each utility for any questions. After the actual day of customer transfers, each utility must finalize any asset purchases and respond to any final reporting follow up to the Commission.

6. Paragraph 6 states that six industrial customers are to be transferred from DEF to PRECO. Please state what type of industries these six customers represent.

Response:

The industrial customers that are subject to transfer to PRECO from DEF are manufacturing companies in the fertilizer, concrete and food industries.

7. Paragraph 6 of the petition states that 2,858 customers are being transferred from DEF to PRECO. Does PRECO currently have the capacity and ability to reliably serve the additional customers without a negatively impacting the existing customer base?

Response:

Yes. PRECO and DEF have worked collaboratively to construct the proposed agreement and believe the agreement is in the public interest as it furthers the goals of avoiding duplication of services and wasteful expenditures, achieving operational efficiency, as well as protecting the public health and safety from potentially hazardous conditions. An important part of the process in constructing and reviewing the proposed amended territorial agreement is an engineering review. PRECO and DEF would not have entered into an amendment that they believed, based on the results of their reviews, would cause a decrease in the reliability of service to customers.

8. Would DEF be compensated by PRECO for the 2,858 customers being transferred to PRECO?

Response:

No, there is no provision in the proposed amended territorial agreement for compensation for transferring customers.

9. Will any facilities be transferred from DEF to PRECO or from PRECO to DEF? If yes, please explain which facilities and show the derivation of the purchase price.

Response:

As set forth in Section 3.3: Transfer of Related Service Facilities and in Section 3.4: Compensation for Transferred Facilities, the Parties may elect to purchase the electric facilities used exclusively for providing electric service to the transferred customers using a common engineering cost estimation methodology such as the Handy-Whitman index.

As stated above, PRECO and DEF have not yet finalized whether to exchange and purchase the respective facilities but plan to make those decisions as soon as practical should the proposed agreement be approved. PRECO and DEF are currently performing the analysis to ascertain the extent of the assets that may be transferred. The valuation process is time-consuming and detailed in nature, often taking 12 months to complete. For this reason, the analysis is not undertaken until a proposed agreement is approved; the proposed agreement accommodates this analysis time by providing PRECO and DEF with up to 36 months to complete the transfer of customers and the related facilities.

In Hardee county, the DEF distribution lines that serve customers' homes and business will be integrated with PRECO's system and are excluded from Section 3.4. In Polk, Highlands and Osceola counties, PRECO and DEF believe that the net purchase by both utilities would not exceed \$175,000 and would be generally evenly split among both PRECO and DEF.

10. Exhibit D lists two commercial customers to be transferred from PRECO to DEF. Please state types of commercial customers being transferred.

Response:

The commercial customers that are subject to transfer from PRECO to DEF are in the agricultural industry.

11. Please provide a large scale map showing the current DEF and PRECO service territory and indicate on the map the areas being transferred (map can be simplified or hand drawn to indicate the changes).

Response:

A map showing the territorial boundaries in the prior territorial agreement and the proposed modified territorial boundaries is attached as Attachment 1.

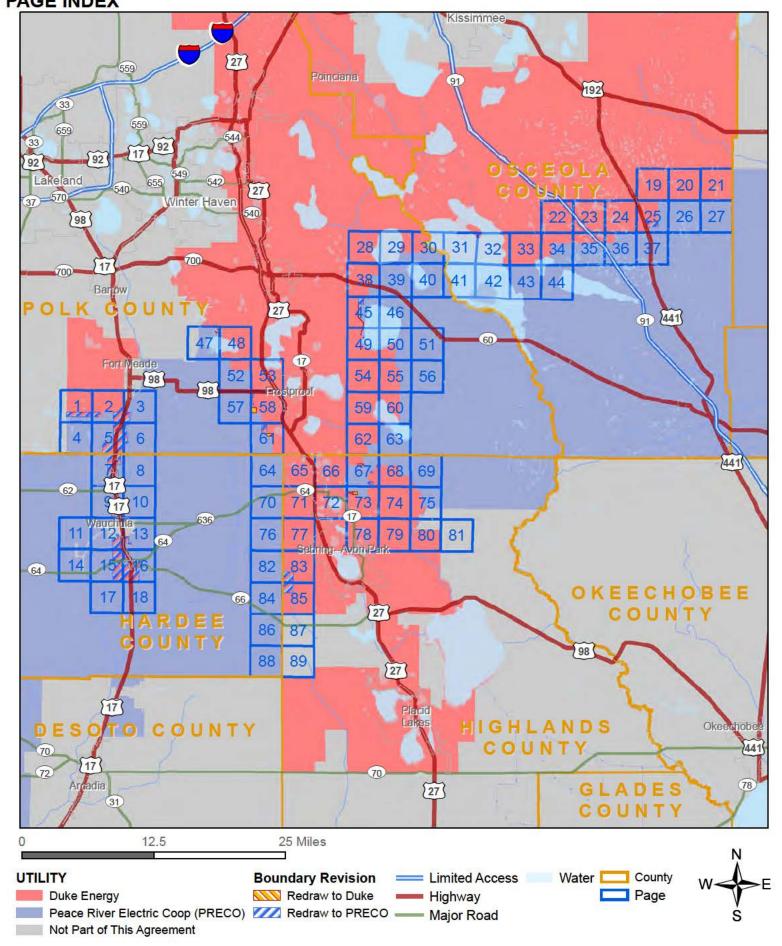
12. Please provide a copy of an official Florida Department of Transportation General Highway County map for each affected county depicting boundary lines established by the proposed territorial agreement, as required by Rule 25-6.0440, Florida Administrative Code.

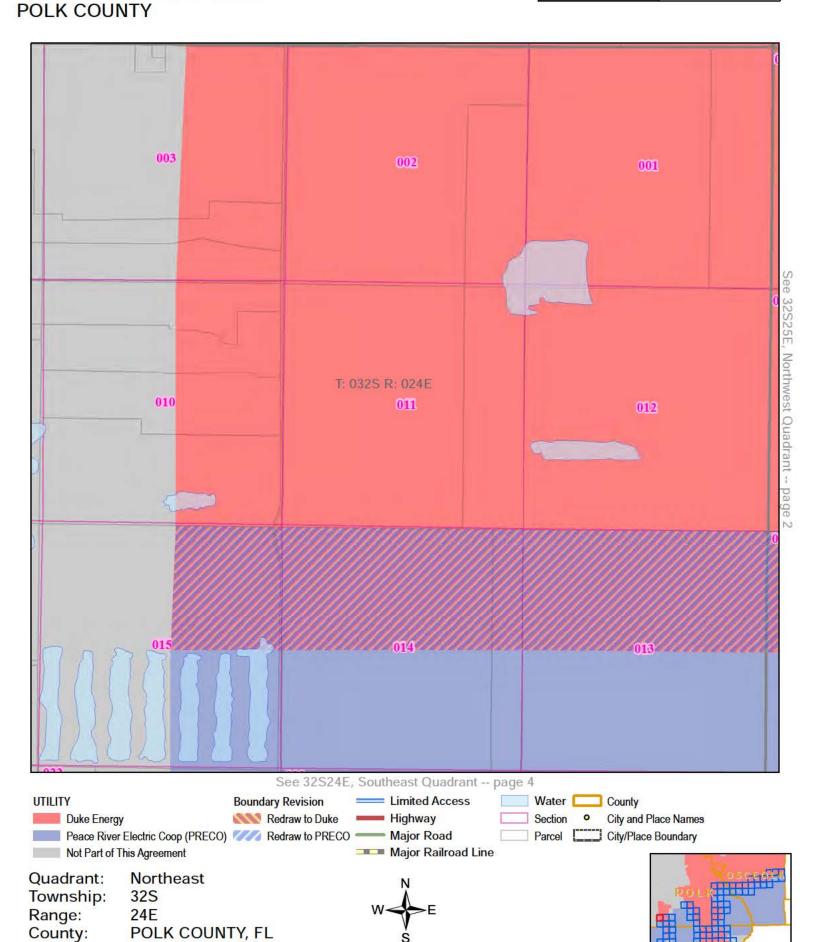
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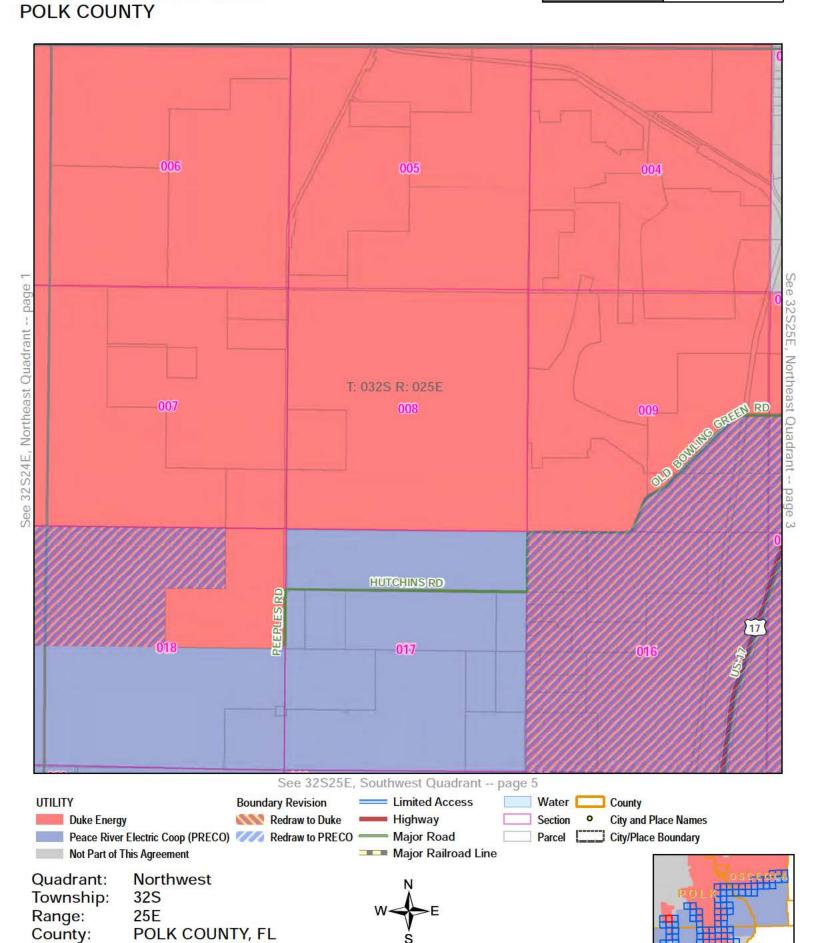
Please see the Florida Department of Transportation General Highway County maps included as Attachment 2.

ATTACHMENT 1

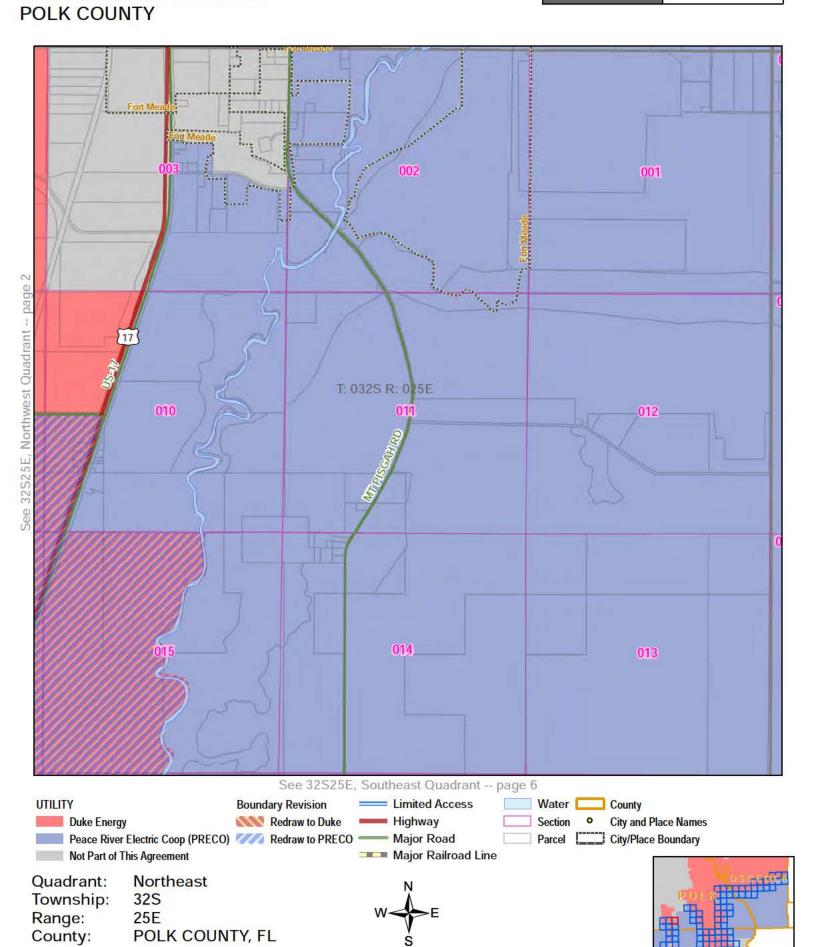
DUKE ENERGY - PEACE RIVER ELECTRIC COOP (PRECO) TERRITORIAL AGREEMENT HARDEE, HIGHLANDS, OSCEOLA, and POLK COUNTIES PAGE INDEX

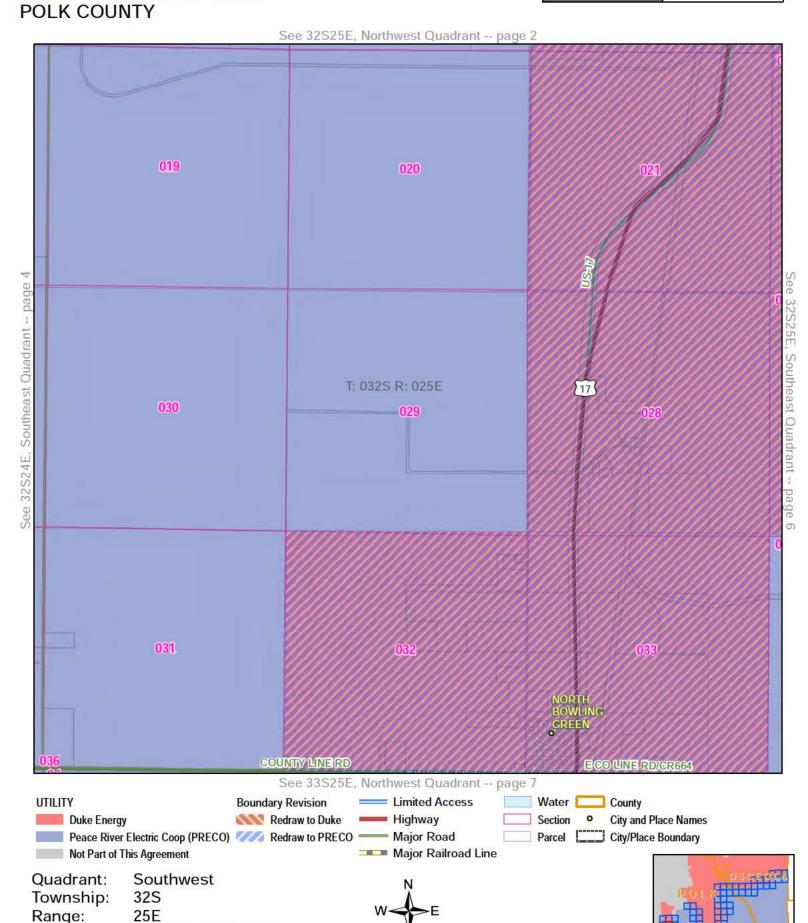








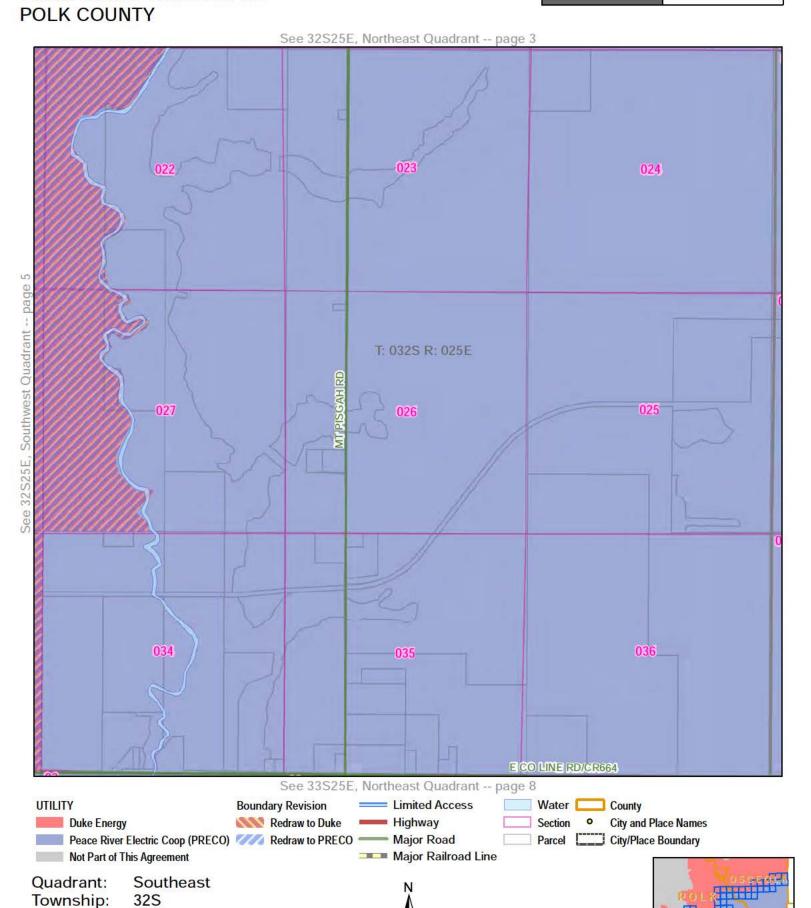




County:

POLK COUNTY, FL

Miles 1



Page 6

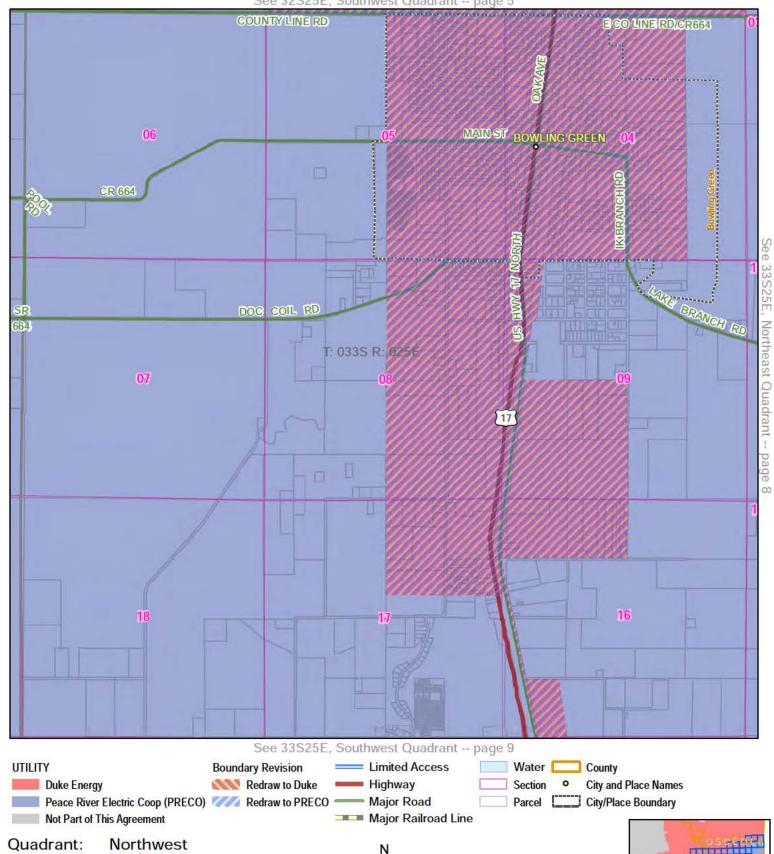
Range:

County:

25E

POLK COUNTY, FL

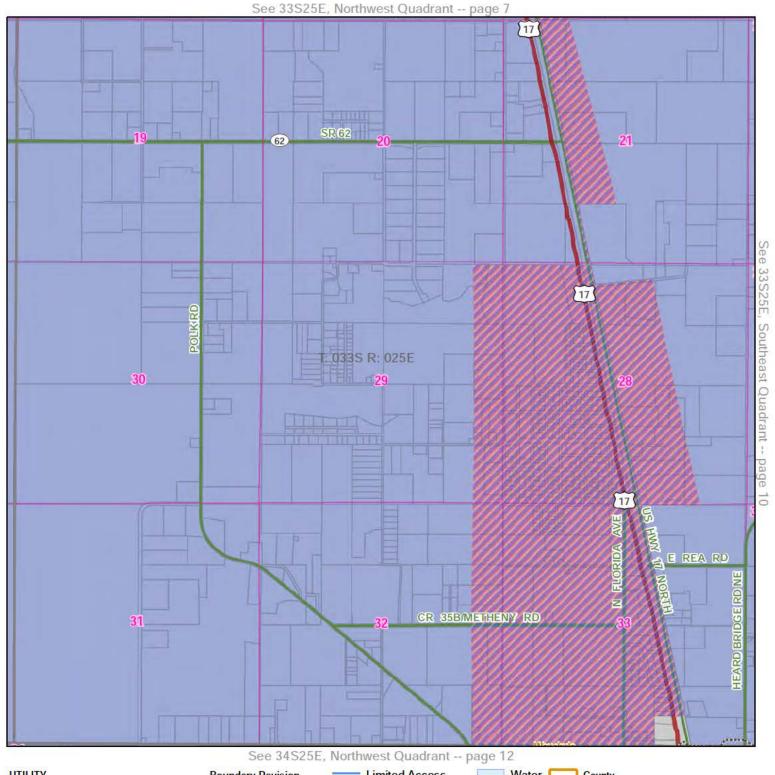




Township: 335 Range: 25E

County: HARDEE COUNTY, FL





Limited Access UTILITY **Boundary Revision** Water [County City and Place Names **Duke Energy** Redraw to Duke Highway Section City/Place Boundary Peace River Electric Coop (PRECO) Redraw to PRECO Major Road Parcel Major Railroad Line Not Part of This Agreement

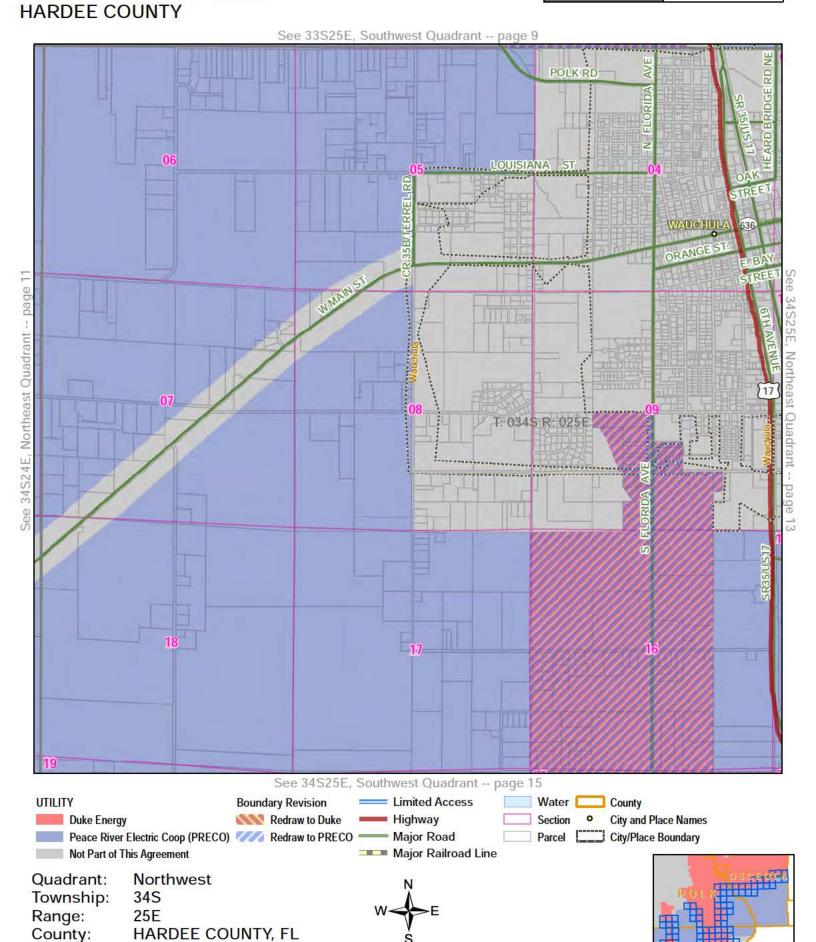
Quadrant: Southwest

Township: 335 Range: 25E

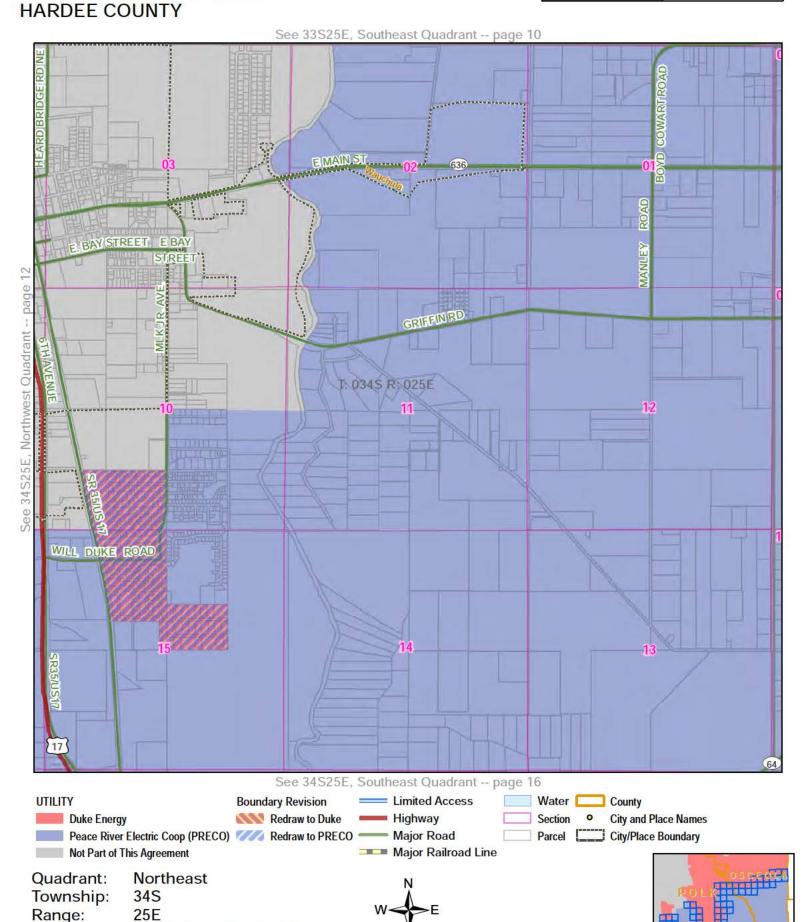
HARDEE COUNTY

County: HARDEE COUNTY, FL



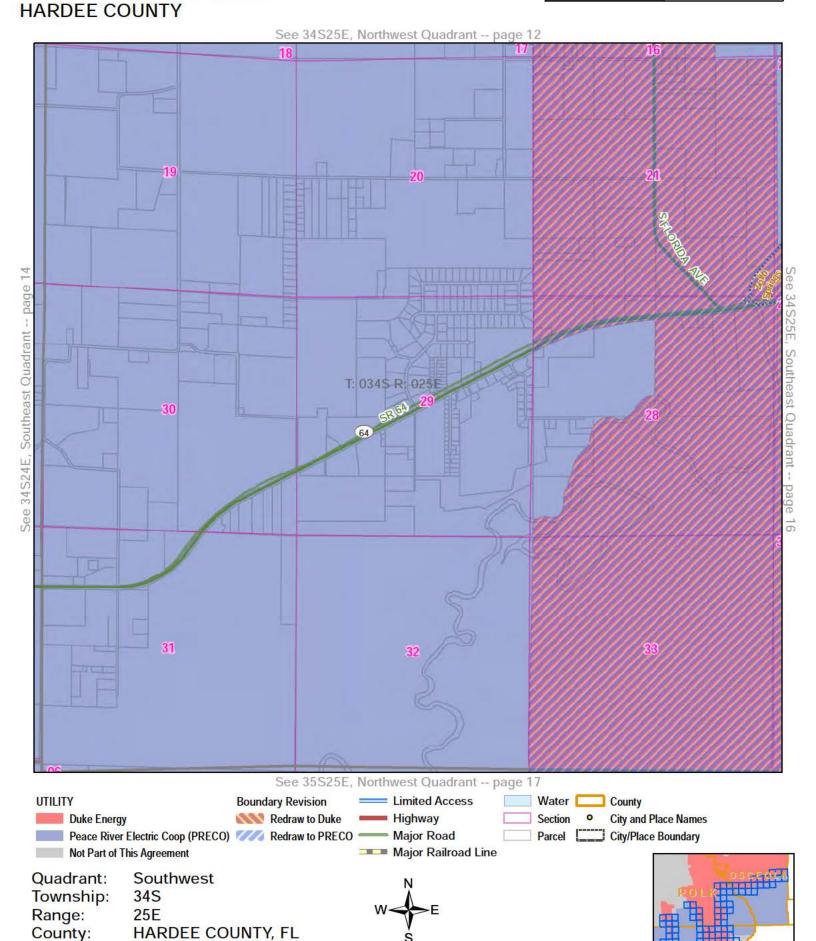


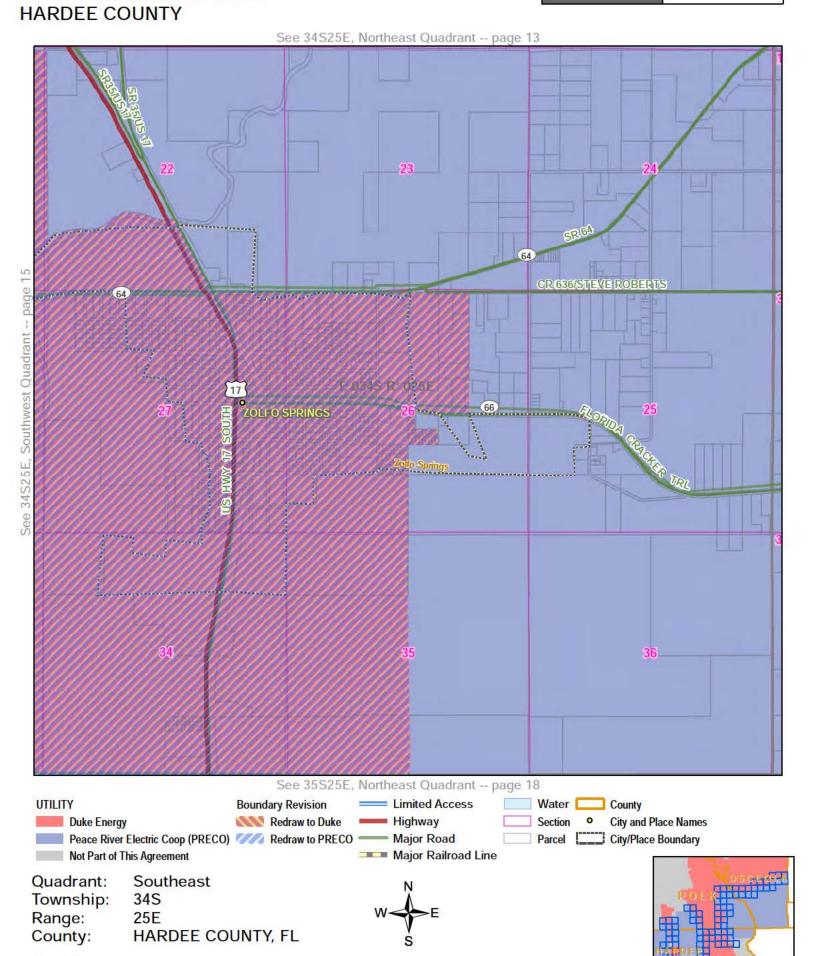




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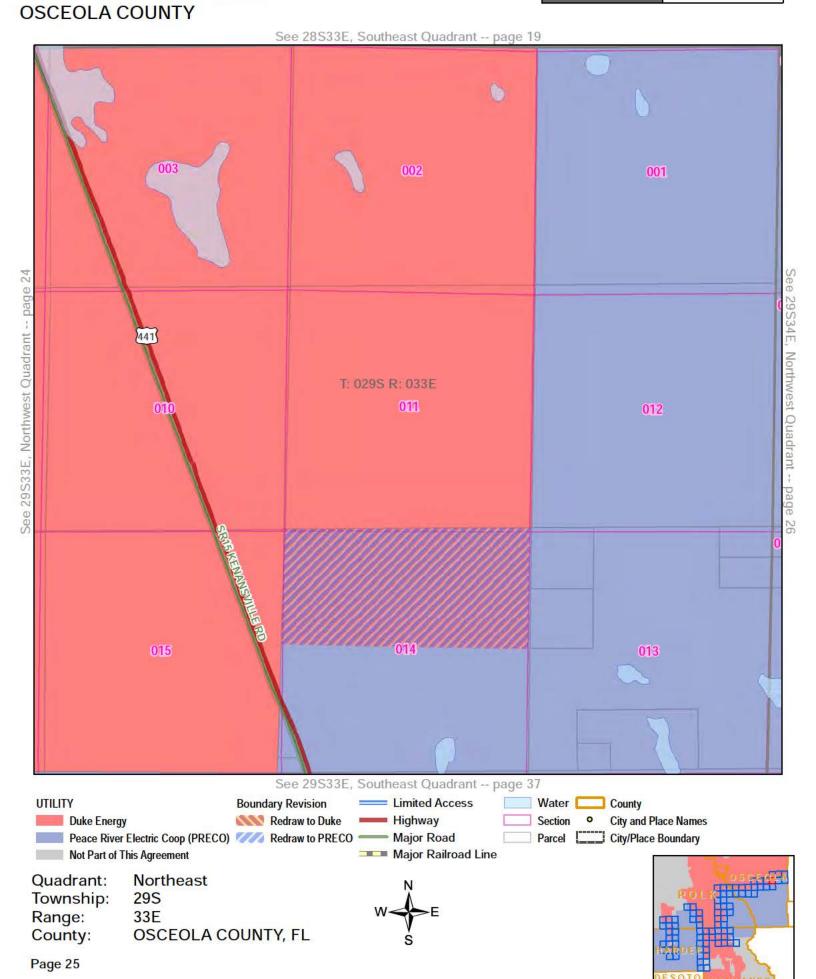
HARDEE COUNTY, FL



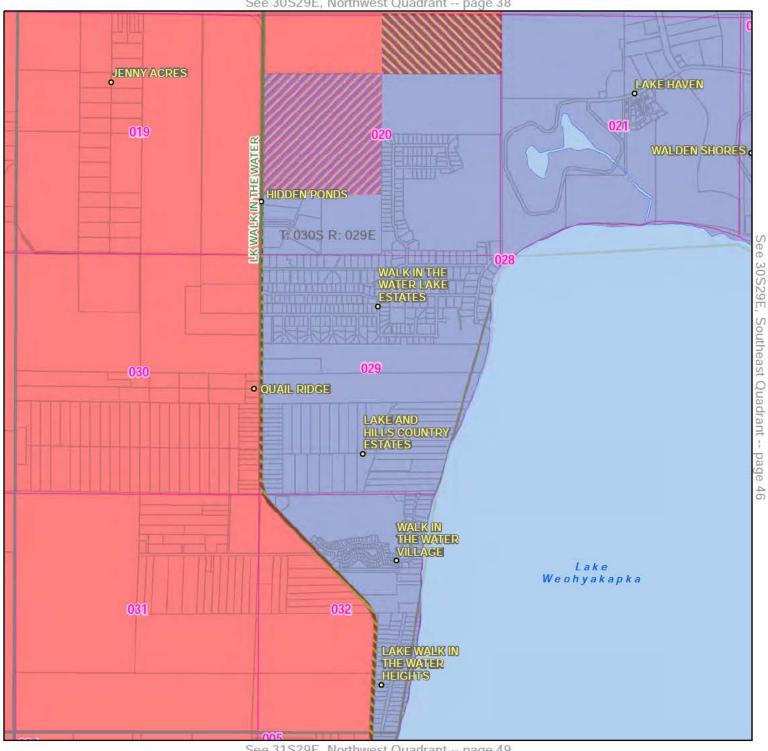


Miles









See 31S29E, Northwest Quadrant -- page 49



Quadrant: Southwest

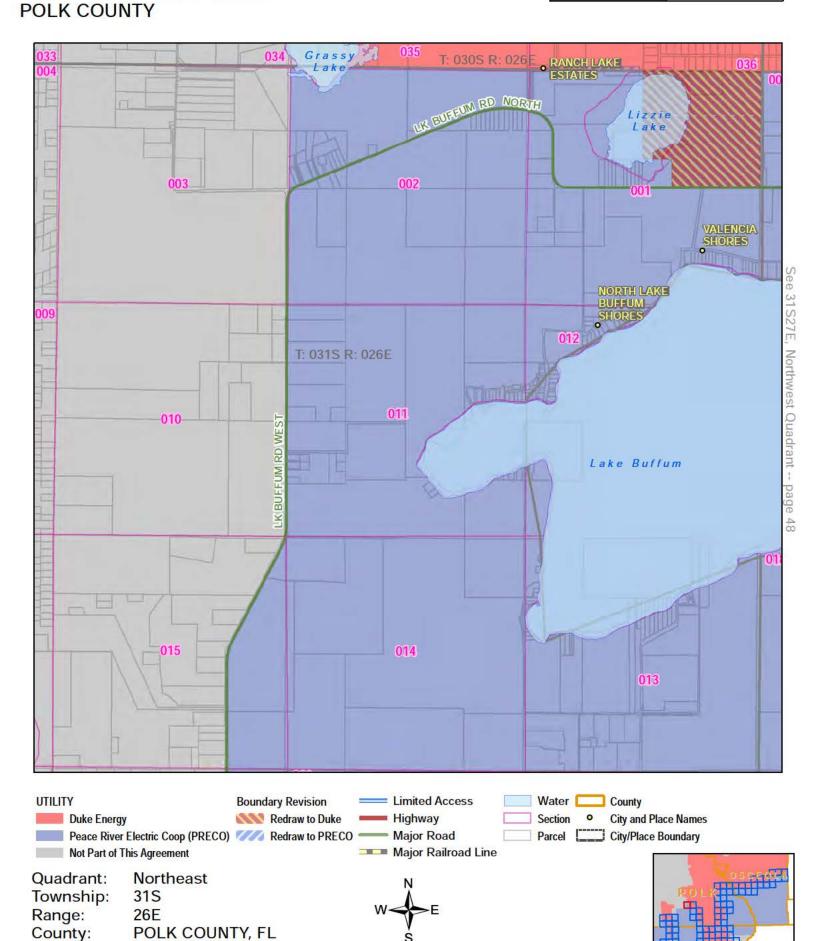
Township: 30S Range: 29E

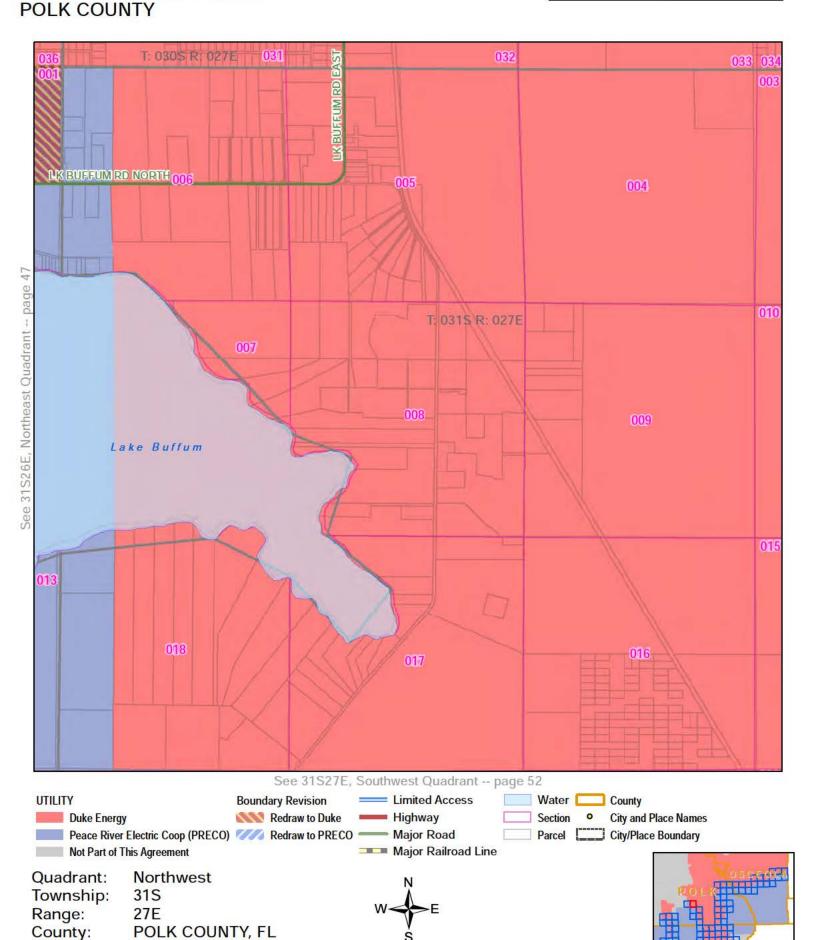
POLK COUNTY

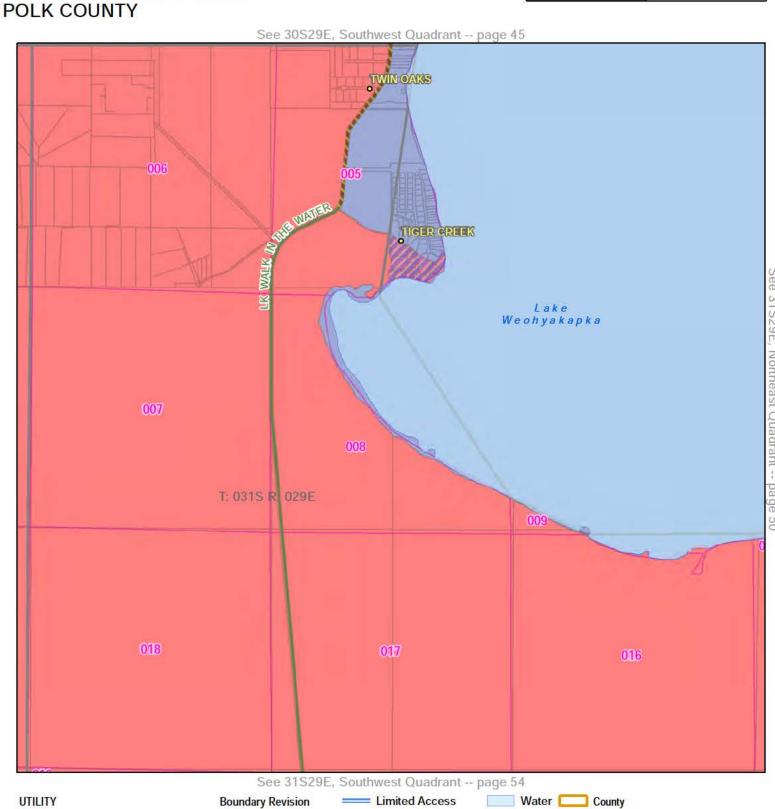
County: POLK COUNTY, FL











UTILITY

Boundary Revision

Limited Access

Water County

Peace River Electric Coop (PRECO)

Redraw to PRECO

Major Road

Parcel

City/Place Boundary

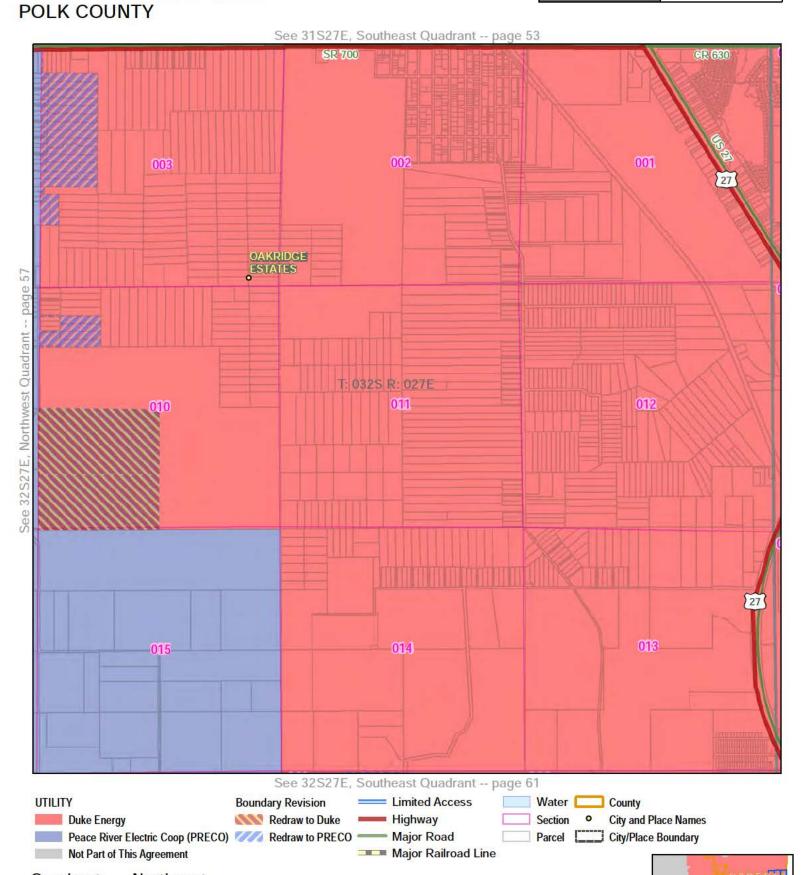
Major Railroad Line

Quadrant: Northwest

Township: 31S Range: 29E

County: POLK COUNTY, FL





Quadrant: Northeast

Township: 32S Range: 27E

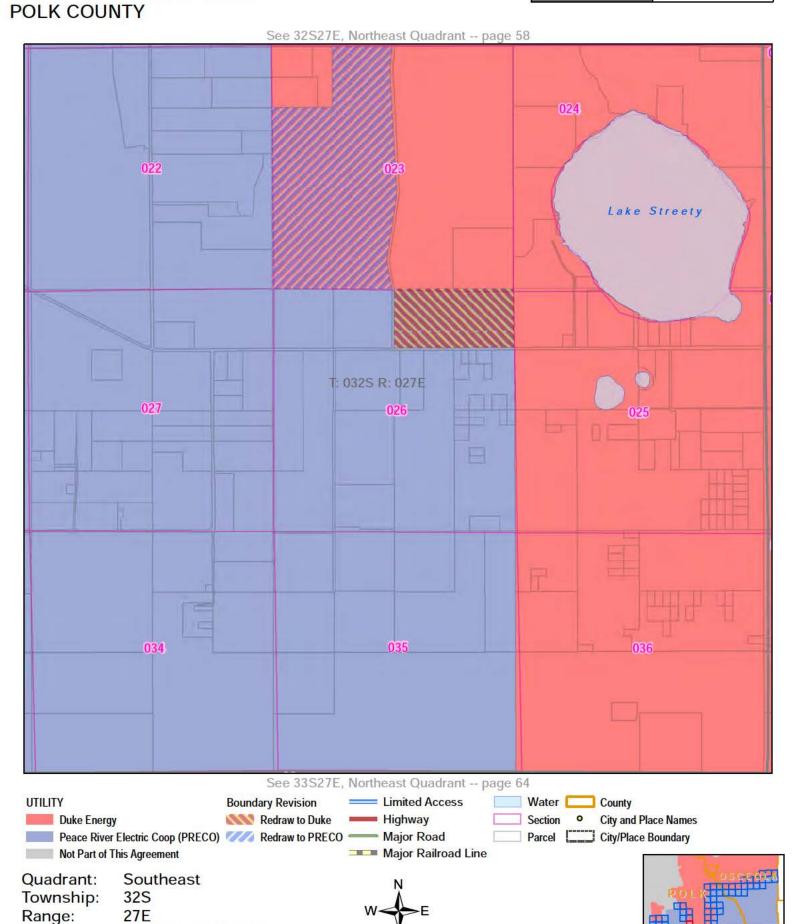
County: POLK COUNTY, FL



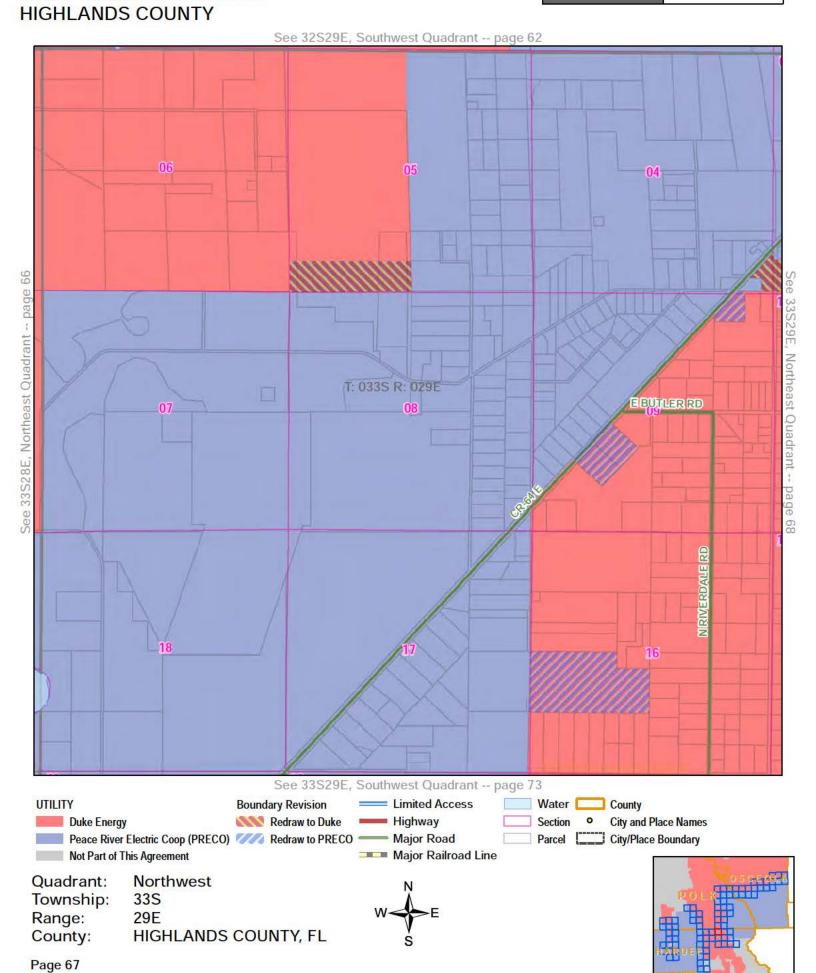
POLK COUNTY, FL

County:

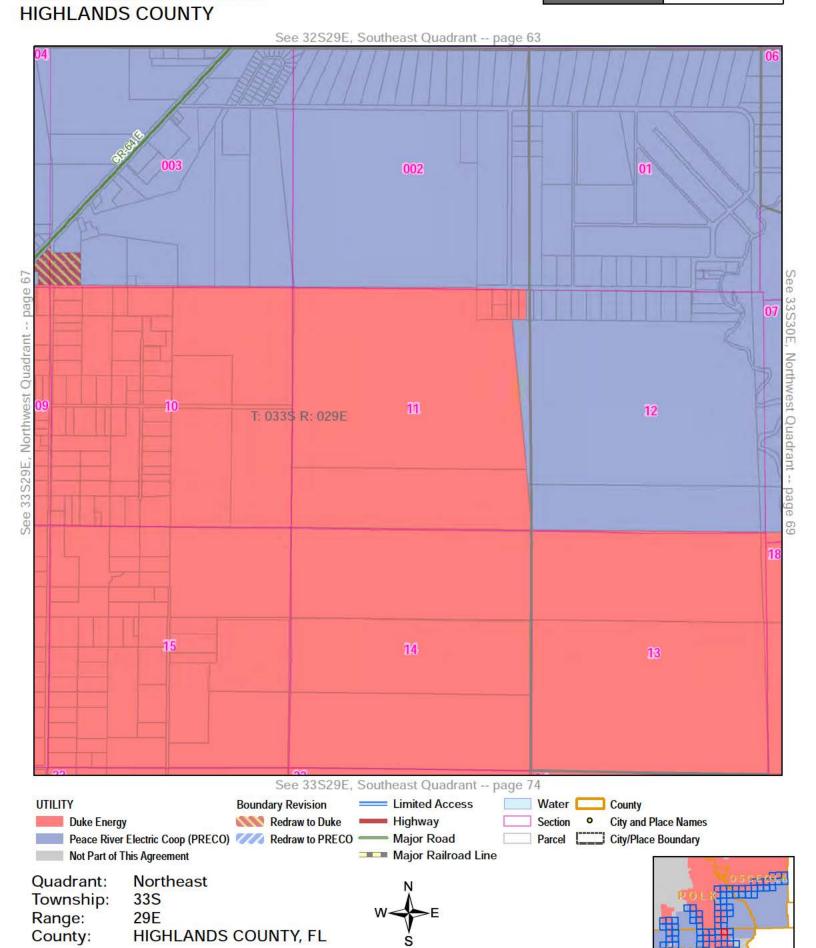




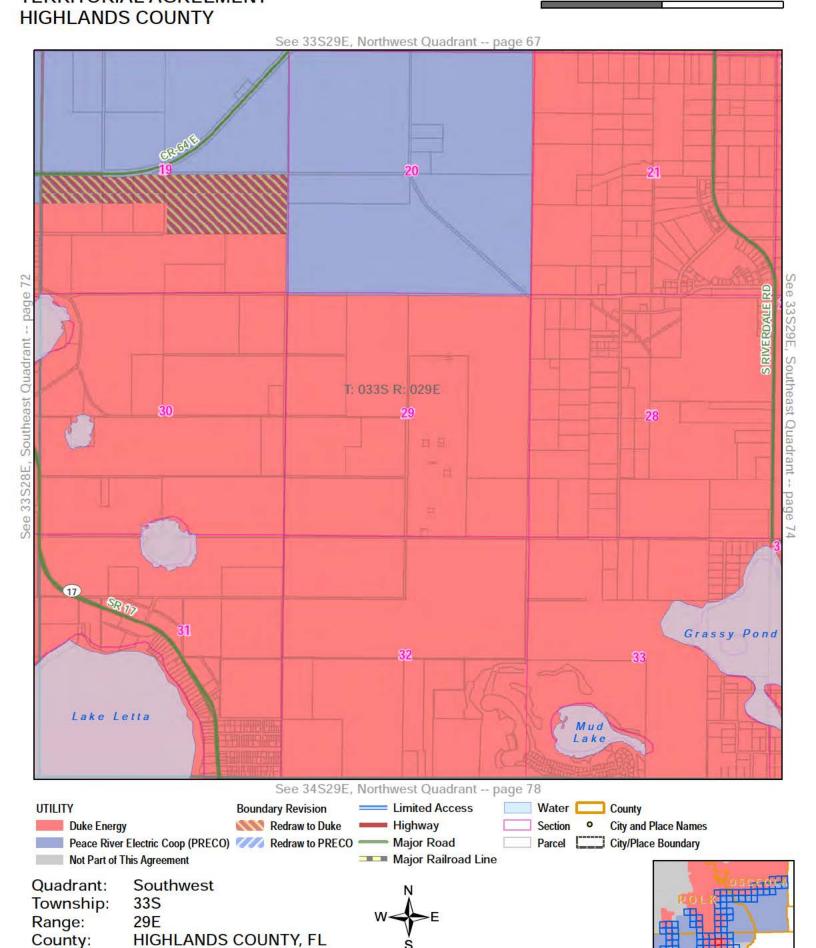






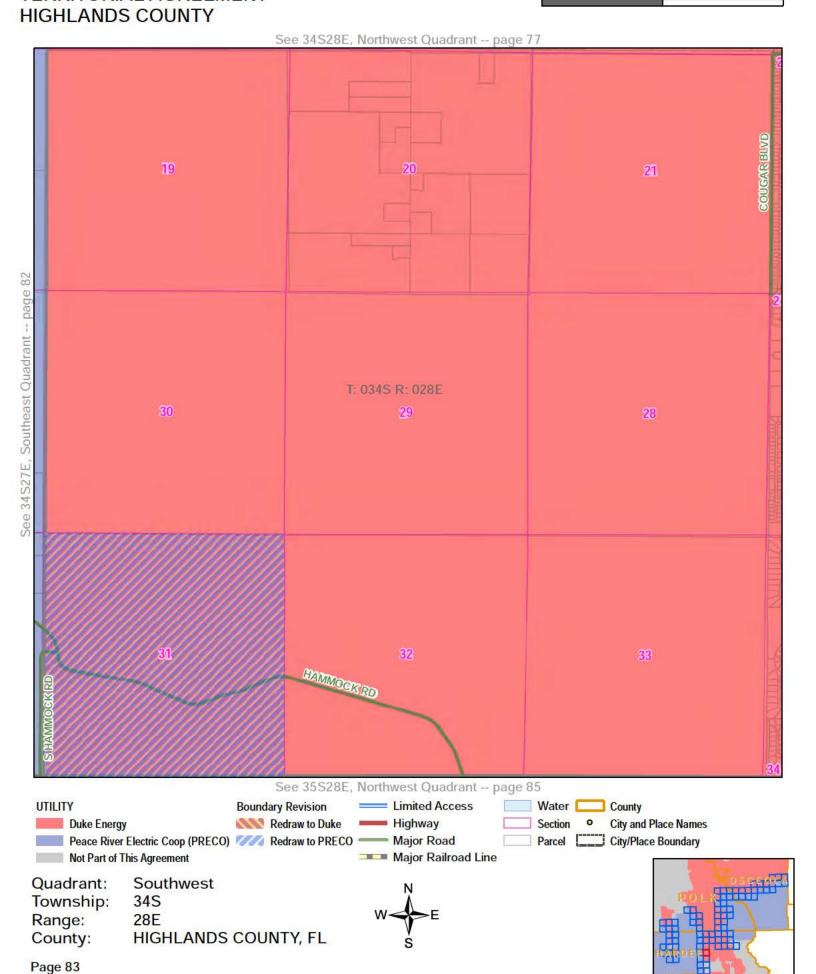


Miles



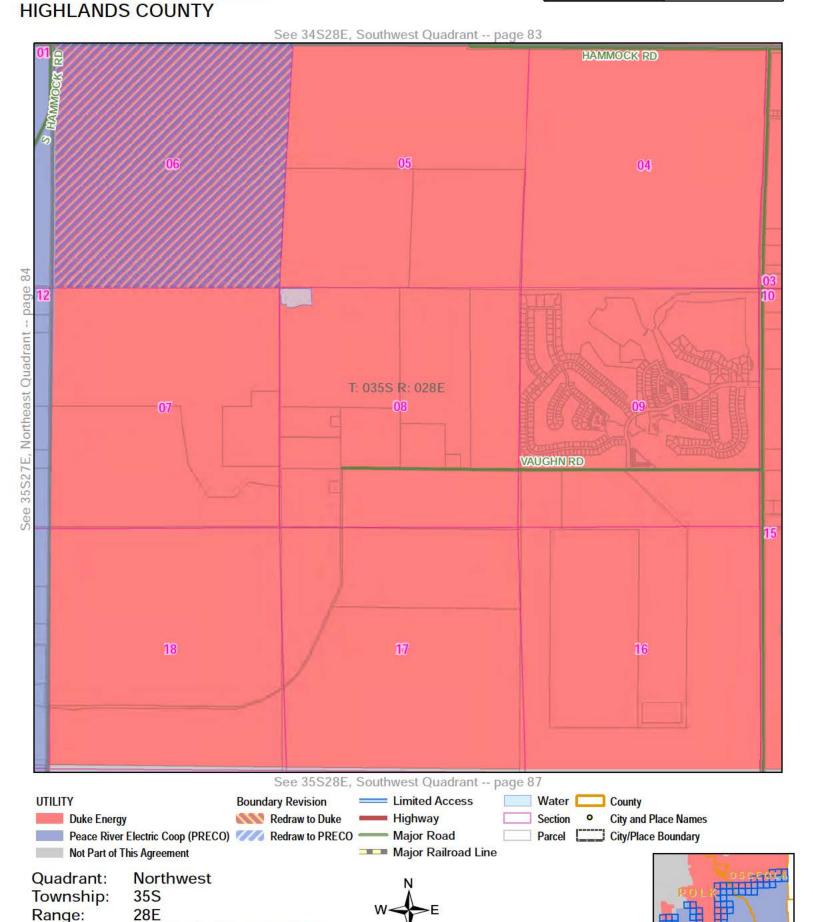






Miles



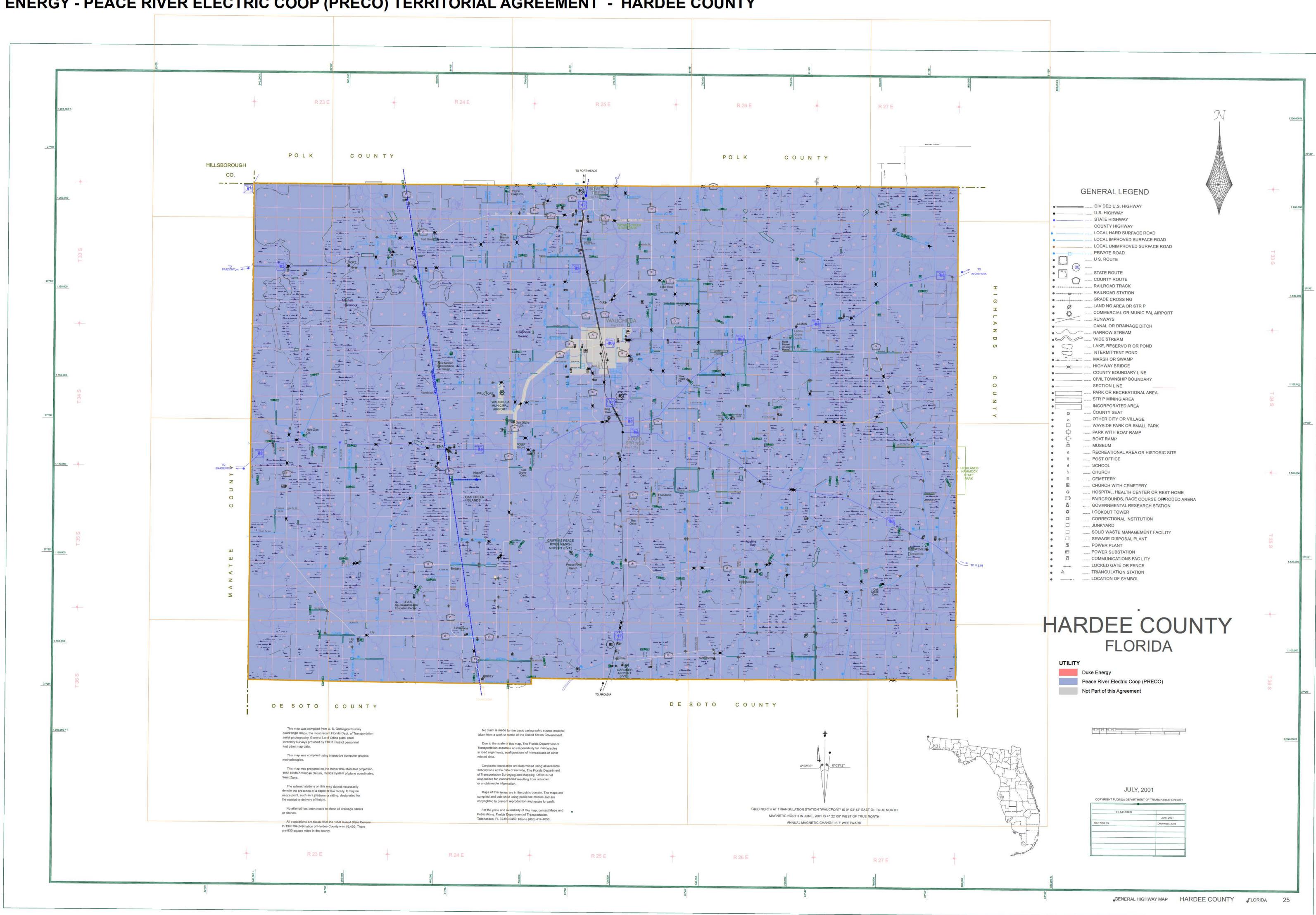


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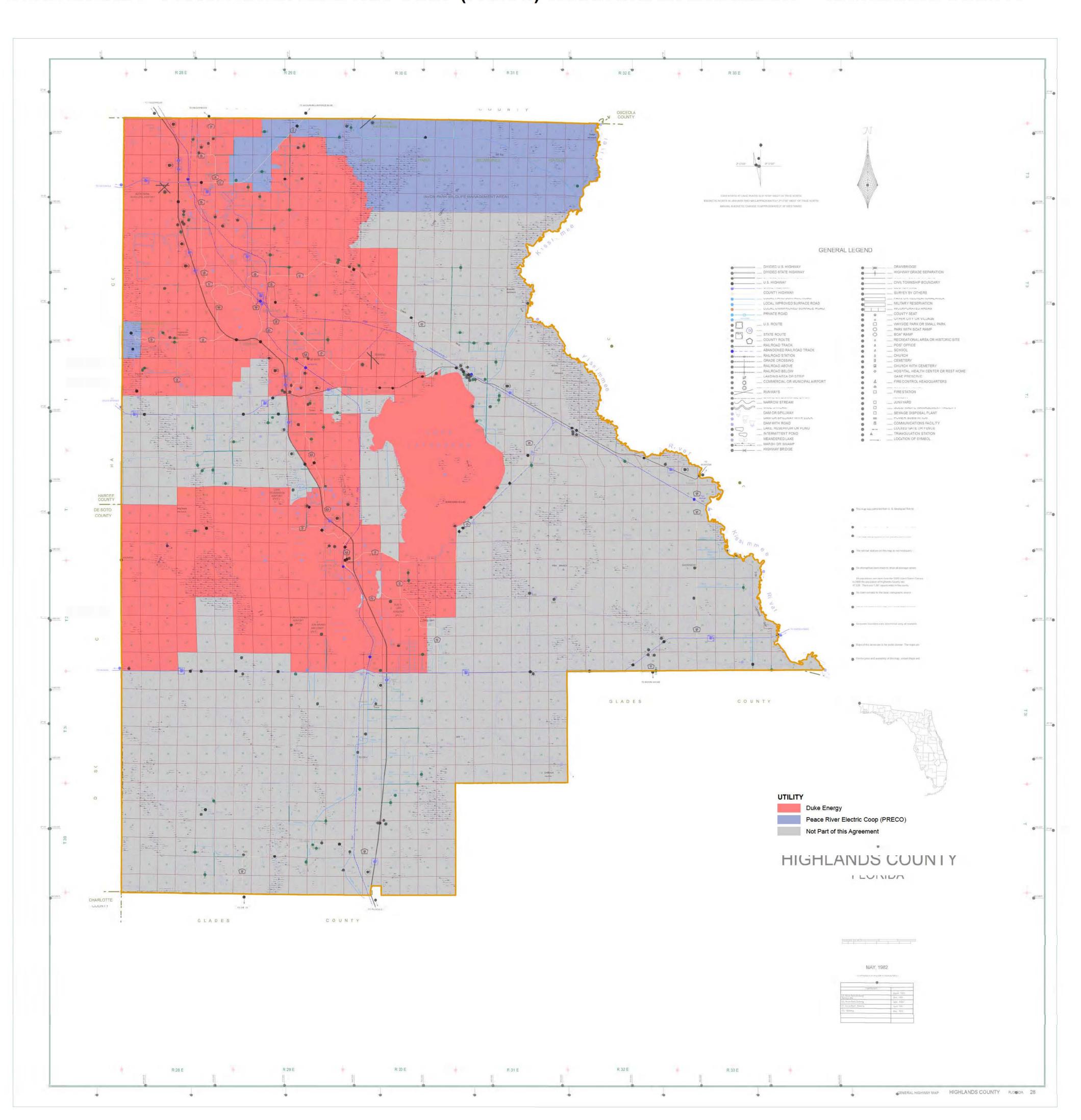
County:

HIGHLANDS COUNTY, FL

ATTACHMENT 2



DUKE ENERGY - PEACE RIVER ELECTRIC COOP (PRECO) TERRITORIAL AGREEMENT - HIGHLANDS COUNTY



DUKE ENERGY - PEACE RIVER ELECTRIC COOP (PRECO) TERRITORIAL AGREEMENT - OSCEOLA COUNTY

