DUKE ENERGY® FLORIDA

Matthew R. Bernier
Associate General Counsel

May 26, 2026

**VIA ELECTRONIC MAIL**

Adam J. Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: *Duke Energy Florida, LLC's Petition for Approval of Revised Underground Residential Distribution Tariff Sheets;* Docket No. 20260046-EI

Dear Mr. Teitzman:

Please find attached for filing Duke Energy Florida, LLC's Response to Staff's First Data Request in the above-referenced Docket.

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 matter.

Respectfully,

*/s/ Matthew R. Bernier*

Matthew R. Bernier

MRB/clg
Attachment

cc: Suzanne Brownless (sbrownle@psc.state.fl.us); discovery-gcl@psc.state.fl.us

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**Duke Energy Florida, LLC's Response to Staff's First Data Request re:**
**Petition for Approval of Revised Underground Residential Distribution Tariff Sheets**

**Docket No. 20260046-EI**

1. Please refer to Illustration B in Exhibit D which provides a summary of proposed cost changes since the last update to the company's URD tariff sheets.

   a. Please discuss the reasons why the projected 2026 costs for overhead and underground construction material and labor have increased since 2023.

   b. As reflected in Illustration B in Exhibit D, please explain why projected 2026 material and labor costs for overhead construction appears to have escalated at a higher rate than projected 2026 costs for underground construction.

**Response:**

a. Although inflation across the United States has moderated substantially over the last couple years, the electric utility industry has still seen costs increase in material and labor. The 2026 cost changes are based on actual cost estimates using current material and labor data. DEF manages a bid process to secure the best market rates available at time of bid.

b. As mentioned in response a, DEF maintains a bid process to secure the best market rates. Overhead costs have increased faster during the period of 2024 to 2026 due to market demands. Overhead costs have escalated more rapidly than underground costs because underground costs have stabilized after a large increase during the 2020 to 2023 time period. DEF is currently seeing equivalent increases in both overhead and underground labor and material.

2. Please refer to Illustration B in Exhibit D which provides a summary of proposed cost changes since the last update to the company's URD tariff sheets. Please discuss the reasons why the projected 2026 costs for stores have increased from 17 percent to 18.7 percent since 2023.

**Response:**

Stores expense is accumulated in FERC account 163 and represents the cost of operation of storerooms, including purchasing, storage, handling and distribution of materials and supplies. FERC requires that the account be cleared by a loading charge (stores loader rate) which distributes the expense over stores issues (materials). In addition, the balance in the account at YE should be reasonably attributable to the inventory balance at YE. As a result Duke Energy has established that YE stores balance should be ~5% of YE inventory balance.

Each month the Finance team does reporting on monitoring how the stores balance compares to inventory. At times, the stores loader rate must be adjusted

(increased/decreased) to get the stores/inventory ratio back on track to 5% by YE. Forecasting all three of the following drivers at times is difficult so at times we have to rely on trends and SMEs in Supply Chain organization:

- Costs going into stores pool (Debit to stores)
- Material usage for T&D- this drives amount of stores that is charged from stores expense (Credit to stores)
- Monthly inventory balance

Each year the stores rate is set in budgeting process. This rate has consistently been kept the same over the years but represents a reasonable rate based off historical materials/stores expense we expect. When adjusting rates, we are typically more conservative with adjustments instead of fully relying on a calculation/trend since volatility occurs in the drivers above.

3. Proposed Revised URD Tariff Sheet No. 4.113 at (2)(a) indicates that for subdivisions with a density of six or more dwelling units per acre, the proposed charge for Duke-provided and installed conduit is going from $332 per dwelling unit to $0 per dwelling unit. Please provide a general discussion as to why the charge decreased to $0.

**Response:**
The overhead costs have increased by 7% total over the last three years while underground costs have increased by 15% over the same time period. This would put upward pressure on the differential cost differential however the net present value of life cycle operational costs including storm restoration and pole attachment revenue has offset any increase in cost differential. The impact from storms Idalia, Debby, Helene and Milton in 2023 and 2024 impacted overhead facilities far more than underground facilities resulting in a 185% increase (from -$550 in 2023 to -$1565 in 2026) in the credit toward the differential. Details on the lifecycle operational costs are provided as part of the question 8 response.

4. Proposed Revised URD Tariff Sheet No. 4.113 at (2)(b) indicates that for "1000 MCM U.G. vs. 795 MCM O.H." the proposed charge for Duke provided and installed conduit is going from $2.17 per foot to $0. Please provide a general discussion as to why the charge decreased to $0.

**Response:**
The cost per foot not including Stores, Engineering and Supervision for the underground feeder remained unchanged over the last three years while the cost per foot not including Stores, Engineering and Supervision for the overhead feeder increased by 25%. When including Stores, Engineering and Supervision the costs changed –3% and 10% respectively. The net result was a decrease in the per foot differential. DEF includes the net present value of life cycle operational costs including storm restoration and pole attachment revenue as part of the calculation which provided a $52.18 credit toward the differential in 2026 as compared to the $22.13 credit per foot in 2023. As noted in question

3, the lifecycle operational cost credit increased considerable due to the system impacts of storms Debby, Helene and Milton.

5. Please answer the following regarding information on the proposed Revised URD Tariff Sheet No. 4.115:

   a. For a service lateral up to 80 feet, the charge for "Duke supplied and installed conduit" is proposed to change from $983 per applicant to $853 per applicant, a decrease of about 13.22 percent. Please explain the primary and contributing factors for the differences in current and proposed costs.

   b. For a service lateral up to 80 feet, the charge for "Customer supplied and installed conduit" is proposed to change from $619 per applicant to $520 per applicant, a decrease of about 15.99 percent. Please explain the primary and contributing factors for the differences in current and proposed costs.

**Response:**

a. The primary contributing factor is that DEF has seen a greater escalation in some overhead material and labor as compared to the underground costs. When comparing 2023 underground cost of $1445 versus $1576 in 2026, the differential in underground was $131 or 9%. The equivalent overhead costs were $462 in 2023 and $723 in 2026 realizing a net increase in overhead of $261 or 56%. The net result was a differential decrease of $130 or 13% as compared to the 2023 filing.

b. The primary contributing factor is that DEF has seen a greater escalation in some overhead material and labor as compared to the underground costs. When comparing 2023 underground cost of $1081 versus $1243 in 2026, the differential in underground was $162 or 15%. The equivalent overhead costs were $462 in 2023 and $723 in 2026 realizing a net increase in overhead of $261 or 56%. The net result was a differential decrease of $99 or 16% as compared to the 2023 filing.

6. Please answer the following regarding information on the proposed Revised URD Tariff Sheet No. 4.115:

   a. For a service lateral where the applicant requests the company to supply the trench or to remove any additional equipment other than the service lateral, the charge excluding trenching costs is proposed to change from $1,930 per service to $2,286 per service. Please explain the primary and contributing factors for the differences in current and proposed costs.

   b. For a service lateral where the applicant does not request an open trench, the charge is proposed to change from $1,765 per service to $1,918 per service. Please explain the primary and contributing factors for the differences in current and proposed costs.

**Response:**

a. The primary contributing factor is that DEF has seen a greater escalation in some overhead material and labor as compared to the underground costs. This impacts the conversion costs because the cost to remove the existing overhead service and the remaining undepreciated value of the overhead service is now higher. When comparing 2023 underground cost of $1566 versus $1681 in 2026, the differential in underground was $115 or an increase of 7%. The cost to remove the overhead service was $187 in 2023 and $328 in 2026 realizing a net increase of $141 or 75%. The remaining undepreciated value of the overhead service was $204 in 2023 going to $319 in 2026, a 56% increase, because the cost to install overhead services has increased. The overhead service salvage value credit also increased 56% but because the salvage credit was small, the increase did not offset the other overhead increases. The net result was a differential increase of $356 or 18% as compared to the 2023 filing.

b. The primary contributing factor is that DEF has seen a greater escalation in some overhead material and labor as compared to the underground costs. This impacts the conversion costs because the cost to remove the existing overhead service and the remaining undepreciated value of the overhead service is now higher. When comparing 2023 underground cost of $1401 versus $1313 in 2026, the differential in underground was $88 or a decrease of 6%. The cost to remove the overhead service was $187 in 2023 and $328 in 2026 realizing a net increase of $141 or 75%. The remaining undepreciated value of the overhead service was $204 in 2023 going to $319 in 2026, a 56% increase, because the cost to install overhead services has increased. The overhead service salvage value credit also increased 56% but because the salvage credit was small, the increase did not offset the other overhead increases. The net result was a differential increase of $153 or 9% as compared to the 2023 filing.

7. The low density cost per service lateral summary table states that the differential has changed by -30.8 percent. Comparing it to the same table in Docket No. 20230043-EI, please state how that number was calculated.

**Response:**

The change of –30.8% is a comparison of the value in the 2025 short filing of -$1358 to the current 2026 value of -$1776. The percentage when comparing the 2023 filing would be -$36 in 2023 as compared to the 2026 value of -$1776 which would return a percentage of –4833%

8. Please provide the summary of NPV life cycle costs per mile for overhead and underground distribution sheet that was provided in previous URD filings.

**Response:**

Please see “Response to DR1 #8.xlsx” attached.

**Duke Energy Florida**
**Actuals for 5 Year Period of 2020-2024**
**Summary of NPV Life Cycle Costs per mile for Overhead and Underground Distribution**
**Including Storm Costs and Pole Attachment Revenues**

| | Including Storm | Excluding Storm | Storm |
|---|---|---|---|
| 5 year average OH Unit Costs in 2024 Dollars - Annual | $ 24,707 | $ 6,114 | $ 18,593 |
| 5 year average UG Unit Costs in 2024 Dollars - Annual | $ 6,315 | $ 5,202 | $ 1,113 |
| Differential in 2024 Dollars - OH more (less) than UG | $ 18,392 | $ 912 | $ 17,480 |

| **NPV of 34 Year Life Cycle** | Including Storm | Excluding Storm | Storm |
|---|---|---|---|
| Overhead - Per Mile | $ 379,659 | $100,847 | $278,812 |
| Underground - Per Mile | $ 104,163 | $85,804 | $18,358 |
| **Differential - OH more (less) than UG** | **$ 275,496** | **$ 15,043** | **$ 260,453** |

**NPV Life Cycle Costs - Per Lot Differentials**

| | OHD | UG | | | |
|---|---|---|---|---|---|
| **Low Density** | | | | | |
| Miles of Line * | 1.82 | 2.51 | | | |
| Number of Lots | 210 | 210 | | | |
| Per Lot - OHD | | | $ 3,296 | $ 875 | $ 2,420 |
| Per Lot - UG | | | $ 1,245 | $ 1,025 | $ 219 |
| Per Lot - Differential | | | $ (2,051) | $ 150 | $ (2,201) |
| **High Density-IND** | | | | | |
| Feet of Line | 6,296 | 8,987 | | | |
| Miles of Line | 1.19 | 1.70 | | | |
| Number of Lots | 176 | 176 | | | |
| Per Lot - OHD | | | $ 2,572 | $ 683 | $ 1,889 |
| Per Lot - UG | | | $ 1,007 | $ 830 | $ 178 |
| Per Lot - Differential | | | $ (1,565) | $ 147 | $ (1,711) |
| **High Density-GNG** | | | | | |
| Feet of Line | 3,435 | 3,693 | | | |
| Miles of Line | 0.65 | 0.70 | | | |
| Number of Lots | 176 | 176 | | | |
| Per Lot - OHD | | | $ 1,403 | $ 373 | $ 1,031 |
| Per Lot - UG | | | $ 414 | $ 341 | $ 73 |
| Per Lot - Differential | | | $ (989) | $ (32) | $ (958) |