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Public Service Commission  
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**DATE:** February 20, 2006  
**TO:** Kay B. Flynn, Chief of Records, Division of the Commission Clerk & Administrative Services  
**FROM:** Elisabeth J. Draper, Economic Analyst, Division of Economic Regulation *EJD*  
**RE:** Docket No. 060017-EI - Petition for approval of revised underground residential distribution tariffs, by Progress Energy Florida, Inc.

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Please place the attached letter addressed to Nancy Holdstein, PEF regarding URD questions, in the above Docket file. Thank you.

EJD:kb

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- COM \_\_\_\_\_
- CTR \_\_\_\_\_
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TIMOTHY DEVLIN, DIRECTOR  
DIVISION OF ECONOMIC REGULATION  
(850) 413-6900

## Public Service Commission

February 17, 2006

Nancy L. Holdstein  
Progress Energy Florida  
P.O. Box 14042  
CX 2J  
St. Petersburg, FL 33733

**Re: Questions regarding 060017-EI**

Dear Ms. Holdstein:

By this letter, the Commission staff requests that Progress Energy Florida, Inc. provide written responses to the following data requests:

1. Please explain how and why, in the Distribution Construction Costs study, labor rates are being adjusted by company benefits loading and productivity.
2. Please explain and provide support to how the company developed an engineering overhead cost of 20%. Please list the costs embedded in the engineering overhead charge.
3. Please refer to the Distribution Construction Costs study. For example, for the Low Density 210 Lot Subdivision, what are the differences between the transformers listed on pages 3 and 5, and then page 7 of the study. If the transformers are different, why are different transformers being used? The same discrepancy in transformer costs exists with all three subdivisions, please explain.
4. On the cost support page labeled "Underground Service Laterals from Overhead Electric Distribution Systems", why is the stores overhead charge set at 20% when it is 10% elsewhere?
5. Please explain and reconcile all differences between the cost study and the design specifications shown on the drawing labeled "PSC Filing Project Typical UG Residential S/D". For example, page 5 of the Distribution Construction Cost study lists two 25kva, seven 50 kva, and thirteen 75 kva transformers, while the drawing shows three 25 kva, ten 50 kva, and fifteen 75 kva transformers.

Nancy L. Holdstein  
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6. Progress Energy's explanation for the increased costs on the URD tariff mentions as a reason the increased use of conduit. Please explain what types of conduit used have increased and why. Provide the percentage increase in the use of conduit (e.g. ft. per lot for each case) and the increase in unit cost (material cost per foot and labor cost per hour). What is the benefit to the customer of increased use of conduit?
7. Please provide a spreadsheet that provides the prices per foot from 2004 and 2006 of 1/0 direct buried primary, 3-phase 1/0 db primary, 2/0 db secondary, 4/0 db secondary, and triplexed 350 db secondary cable.
8. Please list and explain all design adjustments to both overhead and underground subdivisions from 2004 to 2006.
9. Please provide a summary of cost changes from the 2004 to 2006 URD tariffs.
10. Please provide work papers explaining how the credits extended to customers who do their own trenching and backfilling on tariff sheets 4.113, section (2)(c) and 4.114, section 11.04, (2)(b) were derived.
11. Please explain in detail the reasons for the increase in the hourly labor rate for underground and overhead construction. Please provide a spreadsheet that lists the company name, previous and current hourly rate, percentage increase since 2004, and date the current contract with the contract labor company became effective.
12. Please refer to PSC Rule 25-6.078(3), which states that differences in operations and maintenance (o&m) costs between underground and overhead systems may be taken into consideration. Explain why Progress did not quantify the o&m costs in developing the URD differential.
13. Please provide a discussion on whether o&m costs should be considered in developing the differential.
14. Please break out and quantify the annual o&m costs for underground and overhead residential distribution systems for which the URD differential is being developed.

Please provide responses by March 15, 2006. If you have any questions, please do not hesitate to contact me at (850) 413-6646.

Sincerely,

John W. Baxter Jr.  
Regulatory Analyst II  
Division of Economic Regulation