State of Florida

ORIGINAL

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE:	August 14, 2007
TO:	Ann Cole, Commission Clerk - PSC, Office of Commission Clerk
FROM:	Elisabeth J. Draper, Economic Analyst, Division of Economic Regulation
RE:	Docket No. 070242-EI - Request for Revisions to Underground Residential Differential.

EJD

Please place the attached response from Gulf Power Company to Staff's August 6, 2007, data request in the above docket. Thanks.

EJD:kb

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Gulf Power Company
Underground Residential Differential Docket No. 070242
Staff's Second Data Request Dated July 17, 2007

August 6, 2007

1. For both 210- and 176-lot subdivisions, overhead and underground, please state the cost per transformer included in the 2004 URD petition (Docket No. 040313-EI) and the cost per transformer included in the current petition. If costs vary by size of transformer, please state the cost for each size.

OH/UG	Transformer Size	Cost	
		2004	2007
OH	15kVA	N/A	542.70
OH	25kVA	406.36	696.40
OH	37.5kVA	543.59	886.16
OH	50kVA	N/A	1,133.57
UG	25kVA	818.60	1,378.53
UG	37.5kVA	936.29	1,564.49
UG	50kVA	1,026.32	1,693.53
UG	75kVA	1,314.22	2,175.51
UG	100kVA	1,648.50	N/A

Note: Transformer cost is for both Low (210) and High (176) Density Subdivisions.

2. Please explain in detail the competitive bid process Gulf uses to purchase transformers. How many manufacturers submitted bids on Gulf's most recent transformer orders? How does Gulf ensure that it is receiving competitively priced transformers?

Competitive Bid Process
Distribution transformers are sourced by Southern Company's Supply Chain Management Volume Procurement Section. The combined volumes of the four Operating Companies (Alabama Power, Georgia Power, Gulf Power, and Mississippi Power) are leveraged in the market to obtain the lowest pricing available. Supply Chain Management's strategy is to source distribution transformers under Strategic Alliances with manufacturers. When market conditions are favorable, Supply Chain Management works with the Strategic Alliance manufacturers in the following competitive bid process:

- Supply Chain Volume Procurement works with the Southern Company Lead Product Engineer to obtain approved manufacturer names, catalog numbers, specifications, Operating Company commodity numbers, long descriptions, and SIIS numbers for the commodity group.
- Supply Chain Volume Procurement works with the Operating Company Buyers to validate annual usage estimates and to discuss specific Operating Company requirements.

- Supply Chain Volume Procurement performs a Supplier Performance Evaluation with input from the Operating Company Buyers and Engineers to document the commercial and technical performance of each approved manufacturer's product. Each approved manufacturer receives a commercial and technical score which is considered in the evaluation of the manufacturers proposals. Feedback is given to each approved manufacturer pertaining to their scores and opportunities to improve.
- Supply Chain Volume Procurement prepares and sends the Request for Proposal letter, commodity specifications, and Bid Proposal Spreadsheet – which includes Operating Company commodity numbers and annual usage estimates – to the approved manufacturers. A date and time is established that all proposals must be returned, and a Sealed Bid System is used. All proposals are collected and held by the Supply Chain Sealed Bid Personnel until after the established date and time. All proposals are delivered to the Supply Chain Volume Procurement Agent at the same time following the close of the proposal date and time.
- Supply Chain Volume Procurement evaluates all of the proposals. The Supply Chain Volume Procurement Agent is responsible for the commercial evaluation of the proposals, and utilizes input from the Southern Company Lead Product Engineer for the technical evaluation of the proposals. The Supply Chain Volume Procurement Agent communicates progress of the evaluation with the Operating Company Buyers. The Supply Chain Volume Procurement Agent considers both quoted price and each supplier's performance (documented in the Supplier Performance Evaluation) in evaluating proposals. Business awards are made based on the "Best Overall Value", which includes pricing, transformer load losses, and Supplier Performance Evaluation criteria. The Supply Chain Volume Procurement Agent communicates the best award decision to each Operating Buyer for their agreement, detailing each commodity's price, and the total annual expenditure for the commodity group.
- Supply Chain Volume Procurement provides complete award documentation to each Operating Company Buyer for their use in placing their blanket purchase orders with the manufacturers, allowing at least three days before informing the manufacturers of the award. Supply Chain Volume Procurement sends award and regret letters to all manufacturers that provided proposals.
- Supply Chain Volume Procurement is responsible for maintaining the Request For Proposal file, which includes all documents related to the RFP and the supplier's proposals.
- Supply Chain Volume Procurement is responsible for evaluating any price escalation and de-escalation that may be proposed by the manufacturers. Some long-term strategic agreements with manufacturers may utilize firm pricing for a period of time, with periodic raw materials reviews conducted. Supply Chain Volume Procurement is responsible for evaluating any price changes proposed by manufacturers based on raw materials price escalation or de-escalation. Raw materials which effect the cost transformers include steel, copper, aluminum, and oil. Supply Chain Volume Procurement is responsible for providing the Operating Company Buyers with commodity pricing.

How many manufacturers submitted bids?

During the most recent transformer bid process, three manufacturers were approved to submit proposals to Southern Company. They were ABB Power T&D Company, Cooper Power Systems, and Howard Industries. Additionally, during 2006, when transformer lead times grew longer due to raw materials shortages, Supply Chain Management evaluated proposals from two other transformer manufacturers. They were Central Moloney and ERMCO. This

evaluation allowed Supply Chain Management to validate its competitive pricing position with ABB, Cooper, and Howard, which was several percent lower than offered by Central Moloney and ERMCO.

How does Gulf ensure competitive pricing?
Gulf's competitive pricing is initially obtained through the competitive bid process as detailed above. Leveraging the combined volumes of all four Operating Companies provides Southern Company with the lowest pricing offered by the manufacturers. Also, annually, Supply Chain Management requires that each successful transformer supplier provide information (which is confidential) that shows Southern Company's transformer pricing compared to their other customers pricing. Southern Company's transformer pricing has always been among the very lowest of all utilities.

3. Please refer to Gulf's responses to Staff's May 23, 2007, data request No. 6. Provide the cost of fuel that is included in the overhead labor pricing for the dates shown in the response (9-23-2003, 10-12-2004, 9-21-2005, and 9-6-2006). Using the same effective dates, provide the cost of fuel included in Gulf's tree trimming contractor's rates.

In the chart below, the three sub-categories which compose the labor pricing are shown. The transportation cost includes fuel cost, general supervision and expenses, equipment maintenance & repair, and depreciation. Transportation along with labor drive the percent change between years.

Labor Pricing	Date Effective	% Change	Labor	Transportation *	Small Tools, Minor material, Communications
$51.93	09-23-2003	-	$34.82	$11.41	$5.70
$54.94	10-12-2004	5.8	$36.27	$13.05	$5.62
$53.44	09-21-2005	(2.7)	$37.31	$10.47	$5.66
$64.40	09-06-2006	20.5	$41.12	$15.07	$8.21

* Transportation includes the cost of fuel, which is estimated to be $1.68, $2.09, $1.86, and $2.57, respectively, for each of the dates shown above.

In response to the cost of fuel in Gulf's tree trimming contractor rates, Gulf does not have access to this information. The cost of fuel in Gulf's contracts is not broken out separately.

4. Please refer to Gulf's responses to Staff's May 23, 2007, data request No. 7. Provide the cost of fuel that is included in underground labor pricing for the dates shown in the response (9-23-2003, 10-12-2004, 9-21-2005, and 9-6-2006). Using the same effective dates, provide the cost of fuel included in Gulf's underground contractor's rates.

In the chart below, the three sub-categories which compose the labor pricing are shown. The transportation cost includes fuel cost, general supervision and expenses, equipment maintenance & repair, and depreciation. Transportation along with labor drive the percent change between years.

Labor Pricing	Date Effective	% Change	Labor	Transportation *	Small Tools, Minor material, Communications
$51.93	09-23-2003	-	$34.82	$11.41	$5.70
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* Transportation includes the cost of fuel, which is estimated to be $1.68, $2.09, $1.86, and $2.57, respectively, for each of the dates shown above.

In response to the cost of fuel in Gulf's underground contractor's rates, Gulf does not have access to this information. The cost of fuel in Gulf's contracts is not broken out separately.

5. Please state the following overhead design assumptions for the low- and high-density subdivisions:

a. A/C or Heat pump (tons)
b. Heat strips (kw)
c. Subdivision total power usage (KVA)
d. Loading per Lot (KVA)
e. Total Transformers
f. Average homes per transformer
g. Size of the home (sq. ft)
h. Total cable feet
i. Number of phases

	Low (210 Lot)	High (176 Lot)
a. A/C or Heat pump (tons)	3.5	2.5
b. Heat strips (kw)	10	10
c. Subdivision total Power usage (KVA)	2,100	1,622
d. Loading per Lot (KVA)	9.4-S; 11.4-W	7.2-S; 10.3-W
e. Total Transformers	69	46
f. Average homes per transformer	3.0	3.8
g. Size of home (sq. ft)	2,400 - 3,200	<1,800
h. Total cable feet (includes 10% adder)	48,005	28,514
1/0 tpx service	16,170	10,648
4/0 tpx service	0	0
1/0 tpx secondar	2,915	3,020
4/0 tpx secondary	0	0
1/0 primary conductor	27,396	13,784
4/0AAC Covered Riser Wire	1,524	1,062
i. Number of phases	3	3

6. Please state the following underground design assumptions for the low- and high-density subdivisions:

- **a. A/C or Heat pump (tons)**
- **b. Heat strips (kw)**
- **c. Subdivision total power usage (KVA)**
- **d. Loading per Lot (KVA)**
- **e. Total Transformers**
- **f. Average homes per transformer**
- **g. Size of the home (sq. ft)**
- **h. Total cable feet**
- **i. Number of phases**
- **j. Loop design (yes or no?)**
- **k. Cable in conduit (yes or no?)**

	Low (210)	High (176)	Notes:
a. A/C or Heat pump (tons)	3.5	2.5	210 drawing incorrectly states 2.5 Tons.
b. Heat strips (kw)	10	10	
c. Subdivision total Power usage (KVA)	1,913	1,550	
d. Loading per Lot (KVA)	9.4-S; 11.4-W	7.2-S; 10.3-W	
e. Total Transformers	46	23	
f. Average homes per transformer	5	8	
g. Size of home (sq. ft)	2,400 – 3,200	<1,800	
h. Total cable feet(includes 5% adder)	38,409	24,641	
1/0 tpx service	18,319	11,800	
4/0 tpx service	266	0	
1/0 tpx secondar	2,738	2,337	
4/0 tpx secondary	3,411	3,594	
1/0 primary conductor	13,675	6,910	
i. Number of phases	4	3	
j. Loop design (yes or no?)	Some looped, some radial	Mostly looped, some radial	
k. Cable in Conduit (yes or no?)	Yes	Yes	