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COMMISSION
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June 23, 2010

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

Dear Ms. Cole:

Re: Docket No. 100165-EI

Enclosed are the original and five copies of Gulf Power Company's responses to Staff's First Data Request in the Underground Residential Differential docket.

Please call if you have any questions.

Sincerely,

vm

Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esq.
Florida Public Service Commission
Ralph Jaeger, Senior Attorney
Elisabeth Draper, Division of Economic Regulation

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FPSC-COMMUNICATIONS

1. Please provide a list of all design changes since the 2009 filing in Docket No. 090173-EI, and describe their impact on the differential.

ANSWER:

No design changes have occurred since the 2009 filing.

2. Please explain why overhead and underground labor costs decreased (prior to the addition of the Engineering & Staff adder) since the 2009 filing.

ANSWER:

Labor cost (prior to the addition of the Engineering and Staff adder) decreased due to a Gulf Power organizational restructuring resulting in reallocation of the labor cost. This organizational restructuring (separation of engineering and construction department to separate departments) shifted cost from construction specific labor (prior to the addition of the Engineering & Staff adder) to labor cost included in the Engineering & Staff adder.

As a result of this change, the Engineering & Staff labor adder increased. Furthermore, the total labor cost also increased. The labor costs described above are demonstrated on Pages 5 and 6 of Gulf Power's 2010 and 2009 filings.

3. Please explain why the engineering adder increased from 21.9 percent (in Docket No. 090173-EI) to 44 percent.

ANSWER:

The Engineering & Staff adder increased primarily due to Gulf Power's organizational restructuring as discussed in the response to Item No. 2.

4. Please provide an explanation for the decrease in the low density subdivision per lot charge, while the per lot charge increases for the high density subdivision.

ANSWER:

The operating cost multipliers calculated on Pages 15B and 15C decreased between the 2009 and 2010 filings. This resulted in a decrease of the low density subdivision per lot charge demonstrated on Pages 5 and 6.

In preparing this response, Gulf Power determined that the cost per lot charge for the high density subdivision was understated in the 2009 filing. This was due to an inadvertent error in the calculation of overhead construction labor costs. Updating the 2009 cost for this finding actually yields a decrease for the high density subdivision cost per lot charge between the 2009 and 2010 filings.

5. Please discuss all changes since the 2009 filing in the calculation of the overhead and underground lines operating cost multiplier.

ANSWER:

There have been no changes in the calculation methodology used to determine the overhead/underground lines operating cost multipliers. Updates to the inputs for the 2010 calculation are as follows:

- Operating expenses are based on 2008 cost (Page 15);
- Electric plant in service amounts are based on the year end 2008 balance (Page 15A);
- Annual escalation for operating and maintenance expenses decreased to 2.0% from 2.2% (Page 15B through 15D);
- Discount rate increased from 7.76% to 7.92%.