STATE OF FLORIDA

OFFICE OF THE GENERAL COUNSEL
S. CURTIS KISER
GENERAL COUNSEL
(850) 413-6199

Public Service Commission

February 16, 2012

John T. Burnett, Esquire
Associate General Counsel
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042

STAFF'S FIRST DATA REQUEST

Re: Docket No. 110293-EI - Petition for approval of revised underground residential distribution tariffs, by Progress Energy Florida, Inc.

Dear Mr. Burnett:

By this letter, the Commission staff requests that Progress Energy Florida, Inc. (PEF or Company) provide responses to the following data requests.

1. Please explain, in detail for each subdivision, how the NPV of operational costs between underground and overhead systems was developed. Please provide all workpapers to support the calculation. List all assumptions that go into the calculation.

2. Please explain why, for the low density subdivisions, the NPV of life cycle operational costs increase from $131 (approved in Docket No. 080719) to $279 especially in light of the operational costs decreasing in the high density and ganged meter subdivisions.

3. Please explain why, for the high density subdivision, the NPV of life cycle operational costs decrease from $165 to $104.

4. Please explain why, for the ganged meters subdivision, the NPV of life cycle operational costs decrease from $158 to $89.

5. When comparing the NPV Life Cycle Costs calculations provided in Docket No. 080719-EI to the NPV Life Cycle Costs provided in this docket, the "miles of line" used to calculate the per lot differential changed substantially in all three subdivisions. Please explain the change in "miles of line".

6. When comparing the NPV Life Cycle Costs provided in Docket No. 080719-EI to the NPV Life Cycle Costs provided in this docket, the 5-year average OH Unit costs (excluding storm) decreased slightly (from $3,575 to $3,262), while the UG Unit costs decreased more significantly (from $4,902 to $3,936), resulting in a decrease in the non-storm differential from -$1,327 to -$674. Please explain the larger decrease in underground non-storm operational costs than overhead non-storm operational costs.

7. Please discuss the reasons for the change in the storm differential from $492 to $416. Has PEF updated the $21.4 million annual storm damage cost used to calculate the current storm differential?

8. The following questions refer to footnotes 4 (design and project management), 5 (management and supervision), and 6 (fleet) shown on Schedules No. 2:

   a. Are footnotes 4, 5, and 6 intended to replace the current footnote no. 4 (shown currently as engineering, 20% of all material and labor)?
   b. Provide a discussion on the costs included in footnote 4
   c. Provide a discussion on the costs included in footnote 5
   d. Provide a discussion on the costs included in footnote 6

9. Please discuss the changes in costs that contributed to the increase in the charge for an underground service lateral replacing existing overhead services (tariff section 11.05) from $321 to $570. Discuss separately why removal costs of overhead service changed from $40.09 to $105 and salvage of overheard service changed from -$44.59 to -$11.

10. Please discuss how PEF's labor rates are determined. Are they based on union contracts, and if so, how often are they typically re-negotiated? Are there other costs, such as vehicles, or other miscellaneous costs, included in PEF's labor rate?

11. Please explain how PEF obtains 3rd party contractors.

12. What percentage of underground residential distribution construction is performed by 3rd party contractors?

13. Exhibit D explains that PEF has continued to see an increase in material and labor costs. Please provide a discussion on the drivers of the increases for both overhead and underground material and labor costs.

14. Exhibit D states that the increase in material and labor costs appear to have been relatively equal for both overhead and underground, and the impact on the differential is not highly significant. That seems true for the high density subdivision (as seen on Schedule No. 1), however, Schedule Nos. 5, and 8, with respect to the differential in material costs, show that for the high density and the ganged subdivisions, the increase in underground material costs is greater than the increase in overhead material costs, resulting in an increase in the material costs differential. Please explain.

15. Exhibit D explains that the underground design for both the high- and low-density subdivisions were redesigned to help reduce costs. Please discuss and explain the design changes and their impact on costs.

Please file the original and five copies of the requested information by Wednesday March 7, 2012, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6212 if you have any questions.

Sincerely,

Martha F. Barrera
Attorney

MFB

cc: Office of Commission Clerk
Division of Economic Regulation (Draper)