

**Eric Fryson**

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**From:** Roddy, Lisa [Lisa.Roddy@pgnmail.com]  
**Sent:** Tuesday, May 15, 2012 3:52 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** Burnett, John; Elisabeth Draper; Holdstein, Nancy L  
**Subject:** E-Filing: PEF Responses to Staff 2nd Data Request - Dkt# 110293  
**Attachments:** PEF Responses to Staff's 2nd Data Request - Dkt# 110293.pdf

**This electronic filing is made by:**

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**Docket No. 110293-EI**

**On Behalf of Progress Energy Florida, Inc.**

**Consisting of 3 Pages.**

**The attached document for filing is PEF's  
Responses to Staff's 2<sup>nd</sup> Data Request  
in the above-referenced docket.**

*Lisa Roddy*

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DOCUMENT NUMBER-DATE

03096 MAY 15 2012

FPSC-COMMISSION CLERK

5/15/2012



May 15, 2012

**VIA ELECTRONIC FILING**

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

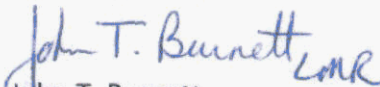
Re: Petition for approval of revised underground residential distribution tariffs, by Progress Energy Florida, Inc.; **Docket No. 110293-EI**

Dear Ms. Cole:

Enclosed for filing on behalf of Progress Energy Florida, Inc. ("PEF") is its responses to Staff's Second Data Request in the above-referenced docket.

Thank you for your assistance in this matter.

Sincerely,

  
John T. Burnett

JTB/lmr

Attachment

DOCUMENT NUMBER-DATE  
03096 MAY 15 12  
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PROGRESS ENERGY FLORIDA, INC.'S RESPONSES TO STAFF'S SECOND DATA REQUEST  
Docket No. 110293-EI

**Material Costs:**

1. Please provide a table showing the major material costs for overhead (transformer, poles, primary and secondary conductor, etc) and major material costs for underground (transformer, primary and secondary cable, conduit, etc) used in the 2008 URD filing and used in the current filing for each subdivision. Show the impact on the differential and provide an explanation for each of the cost changes.

Response: Please see attached documents which provide both a narrative explanation of the major material cost impacts, numerical material cost variances and impact on the per lot differential between PEF's 2008 URD filing and the current 2011 URD filing.

2. The response to Staff's First Data Request No. 15 states that the low density underground subdivision design has fewer materials. Please list the materials which the low density underground subdivision design has fewer of.

Response: Please see attached documents which provide both a narrative explanation of the major material cost impacts, numerical material cost variances and impact on the per lot differential between PEF's 2008 URD filing and the current 2011 URD filing.

3. Please discuss the design changes discussed in response Staff's First Data Request No. 14 by comparing the maps used in the 2008 URD filing to current maps.

Response: Please see attached documents which provide both a narrative explanation of the major material cost impacts, numerical material cost variances and impact on the per lot differential between PEF's 2008 URD filing and the current 2011 URD filing. Maps of both the 2008 subdivision designs and the 2011 subdivision designs were provided for discussion and review during the informal meeting held with FPSC staff on 5/9/12.

4. The stores handling formula as shown in the Excel spreadsheets PEF provided to staff show that the subtotal is divided by 1.07 before multiplying by 8.7%. Please explain the 1.07.

Response: PEF's current development of the stores handling loader percent is based upon a pretax material cost. The data exported from the work management software for materials in this URD filing includes sales tax of 7%. In order not to double count the sales tax in the application of the stores loading the 7% sales tax is removed from the materials cost by dividing by the 1.07 factor.

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**NPV Analysis:**

- 1. Please explain the change in the discount rate from 8.10% to 6.82%. Show the derivation of the 6.82%.**

Response: See components and derivation of PEF's long term discount rates below. These financial capital structures are long-term target forecasts with the cost of equity being mostly recently approved and the cost of debt being current incremental cost of 10 year maturity debt. These discount rates are updated annual for use in various internal financial analyses.

		Long-Term Discount Rate					
		Cost of Debt	Cost of Equity	Debt Weighting	Equity Weighting	Tax Rate	Discount Rate
2008 URD	<b>PEF</b>	5.87%	11.75%	45%	55%	37.65%	<b>8.10%</b>
2011 URD	<b>PEF</b>	4.24%	10.50%	47%	53%	37.12%	<b>6.82%</b>
		Discount Rate Formula = ((Cost of Debt * Debt Weight) * (1- Tax Rate)) + Cost of Equity * Equity Weight					

- 2. Please explain PEF's response Staff's First Data Request No. 5 by showing the difference of "miles of line" and "circuit miles" on the subdivision maps. Does PEF know what definition the other investor-owned electric utilities use when calculating their NPV life cycle costs?**

Response: Circuit miles are derived from the Company's GIS system and encompass miles across our entire system. PEF's circuit miles include distribution primary and secondary wire. Circuit miles are comprised of the total distance between poles, regardless of the number of wires on the poles (for underground the equivalent would be trench feet). PEF does not include duplicate facilities in the same space. From the substation designs, PEF determined the miles of line from the drawings in a manner consistent with the definition of circuit miles such that the derivation of the per mile NPV cost (using circuit miles) and the application to the per lot cost (using miles of line) are on a consistent basis. PEF has historically maintained statistics on circuit miles only. Examples of areas where the company uses circuit miles:

- Actual capital and maintenance line work (work order development)
- Budgeting of Capital and Maintenance costs
- Budgeting and actual vegetation management cost (tree trimming)

In a brief discussion with TECO, we learned that TECO does not include secondary wire in their definition of circuit miles and also does not include the secondary wire from their subdivision drawings in applying the per mile cost. TECO does however include in circuit miles duplicate facilities in the same pole span space or trench space.

In a discussion with FPL, we learned that FPL uses the terms pole line miles (OH) and trench feet (UG). They include everything except services, but do not count duplicate facilities in the same pole span space or trench space. FPL counts the miles and feet from their drawings in a consistent manner when applying the per mile cost.