DUKE ENERGY FLORIDA

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Sr. Counsel
Duke Energy Florida, Inc.



June 6, 2014

**VIA OVERNIGHT MAIL**

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: DEF's Petition for Approval of Revised Underground Residential Distribution Tariff Sheets

Dear Ms. Stauffer:

Please find enclosed on behalf of Duke Energy Florida, Inc. ("DEF"), an original and five (5) copies of DEF's Response to Staff's Second Data Request (Nos. 1-4).

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Respectfully,

Matthew R. Bernier
Sr. Counsel
Matthew.Bernier@duke-energy.com

MRB/mw
Enclosures

cc: Caroline Klancke, Esq.

COM ____
AFD ____
APA ____
ECO 5
ENG ____
GCL 1 to Caroline Klancke
IDM ____
TEL ____
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**DUKE ENERGY FLORIDA, INC.'S RESPONSES TO**
**STAFF'S SECOND DATA REQUEST (NOS. 1 - 4)**
**Docket No. 140067-EI**

The following questions pertain to the Company's response to Staff's First Data Request.

1. Please refer to the response to Question 3. Please elaborate in greater detail regarding the nature of the work performed by the additional levels of management and support personnel that would justify inclusion of the additional costs along with direct field labor and supervision in the "Management and Supervision" loading factor of 35.67 percent of labor.

**RESPONSE:**

The work performed by the additional levels of management and support includes scheduling and resourcing of projects, IT maintenance of work management systems and mobile work stations, administrative support, and supervision related to each of these activities.

2. Please refer to the response to Question 4. Please provide a table showing the derivation of the 6.40% discount rate similar to the table that was provided in response to Staff's Second Data Request in Docket 110293-EI.

**RESPONSE:**

See the components and derivation of Duke Energy Florida's long term discount rates below. These financial capital structures are long term forecasts with the cost of equity being the most recently approved and the cost of debt being the current incremental cost of 10 year maturity debt. These discount rates are updated annually for use in various internal financial analyses.

Long-Term Discount Rate

| Filing | Entity | Cost of Debt | Cost of Equity | Debt Weighting | Equity Weighting | Tax Rate | Discount Rate |
|---|---|---|---|---|---|---|---|
| 2011 URD | PEF | 4.24% | 10.50% | 47% | 53% | 37.12% | 6.82% |
| 2013 URD | DEF | 3.75% | 10.50% | 50% | 50% | 38.58% | 6.40% |

Discount Rate Formula = ((Cost of Debt * Debt Weighting)*(1-Tax Rate)) + (Cost of Equity * Equity Weighting)

3. Please refer to the response to Question 9. Please elaborate in greater detail regarding the nature of the 38% increase in burden rates primarily driven by increases in pension funding expense.

**RESPONSE:**

To clarify the initial response to Question 9, the increase in burden rates was primarily driven by the fact that the pension burden was omitted from the total burden rate in 2011 and 2012 due to oversight. After further review during the update for 2013 rates, the pension burden was included in the total burden rate since that labor cost is charged to all projects.

4. Please refer to the table below and discuss qualitative characteristics about your distribution system and service territory that would contribute to the differences in "storm" and "non-storm" costs when compared to Florida Power & Light.

| | Florida Power & Light<br>Docket No. 140066-EI<br>210-lot | | | | Duke Energy Florida<br>Docket No. 140067-EI<br>210-lot | | |
|---|---|---|---|---|---|---|---|
| | OH | UG | Diff. | | OH | UG | Diff. |
| Total Labor + Materials | $1,952 | $2,326 | $374 | | $1,168 | $1,654 | $486 |
| Storm | | | ($166) | (a) | | | ($68) |
| Non-Storm | | | $208 | | | | $350 |
| ***Total Per Lot charge*** | | | **$416** | | | | **$768** |

(a) FPL Tier 2

**RESPONSE:**

Florida Power & Light's service territory is subject to higher wind loading specifications than Duke Energy's (see chart below).

Duke Energy's per lot storm credits are lower than Florida Power & Light's due to a higher percentage of our distribution system in areas with lower wind loading requirements vs. Florida Power & Light's distribution system located in areas with a higher wind loading requirements.

Based on the current Florida Extreme Wind Regions chart, Duke Energy's overhead facilities are in a lower risk area of Florida for wind related storm damage as compared to Florida

Power & Light's populated areas subject to greater wind related storm damage. This contributes to our lower per lot storm credits.

Duke Energy's overhead construction costs will be inherently lower than the equivalent Florida Power & Light's construction as compared to Duke Energy facilities are in lower wind loading areas resulting in a higher differential between overhead and underground.