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May 8, 2020

VIA ELECTRONIC FILING
Mr. Adam Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20200113-EI - Gulf Power Company's Petition for Approval of 2020 Revisions to Underground Residential Tariffs and for Approval of Initial Commercial Differential Tariffs (Staff's First Data Request)

Dear Mr. Teitzman:

Enclosed please find Gulf Power Company's Responses to Staff's First Data Request, Nos. 1 through 8.

Please contact me at (561) 691-2512 or (561) 313-0781 if you or your Staff have any questions regarding this filing.

Sincerely,

/s/ Kenneth M. Rubin
Kenneth M. Rubin

Enclosure

cc: Oakley Ward
Shaw Stiller, Esq.

QUESTION:
Please refer to Revised Tariff Sheet No 4.26.3 for the following questions.

a. Is there still a cost differential between the different types of motor sizes shown in the current tariff sheet No. 4.26.3? Please explain.

b. If so, how is this information reflected in the proposed tariff sheets?

RESPONSE:
a. No, there is no longer a cost differential between different types of motor sizes as shown in tariff sheet No. 4.26.3. Instead, Gulf will use a simpler cost-per-foot charge for the excess primary required to serve additional facilities within a subdivision, depending on the number of phases required.

   These per-foot costs are listed in section 6.3.2 (c) on Sheet No. 4.26.1 for single phase, two phase, and three phase lines.

b. Please see Gulf's response to subpart a.

QUESTION:
Please refer to Appendix URD 4, Exhibits II, III, V, and VI for the following questions.

a. Please explain the reason for the increase in service and primary material costs when compared to the numbers presented in Docket No. 20190078-EI (2019 docket).

b. Please explain the increase in the low density overhead primary labor cost from $34 in the 2019 docket to $170.41 in the instant docket.

c. Please explain why in the 2019 docket the engineering cost are only shown to be added to labor, while in this docket the engineering percentage is added to both material and labor.

d. Please explain why engineering costs as a percent of all material and labor decreased from 69 percent in the 2019 docket to 46.28 percent in the instant docket. What factors led to this decrease?

RESPONSE:
a. Gulf made several changes in 2020 that contributed to service and primary materials cost increases.

The first reason for the increase in costs was due to how materials were classified by Gulf's former work management system and its current work management system. Certain materials that were previously grouped with either poles or transformers, have been moved to primary or service costs. These include insulators, hardware, cutouts, t-brackets, and arresters.

The second reason for the increase in costs (for overhead designs only) is the addition of ALS (Automatic Lateral Switches) as the subdivision's protective device, in place of fuses. This change was made to bring the designs in line with Gulf's current protective device standards to improve system reliability.

The third reason for the increase in costs was upgrading materials from mild steel to stainless steel and using higher quality insulators, in line with Gulf's current construction standards.

Low Density Subdivision – Overhead Service and Primary Materials:

2019 Cost per lot (as filed):	$101
2020 Cost per lot (as filed):	$368
Increase in cost per lot:	$267
Increase due to reclassifying materials:	$38
Increase due to upgraded materials:	$91
Increase due to addition of ALS:	$82
Total Increase Accounted for:	$213

b. As mentioned in Gulf's response to part a, there were significant changes to the classification of materials that moved costs from poles and transformers to primary and services. Using the classification of materials used in 2020, the 2019 overhead primary labor cost would have been $133, while pole and transformer labor would decrease correspondingly. The increase in costs from $133 (2019 costs reclassified) to $170.41 (2020 filed costs) of approximately $38 dollars can be attributed in part to the additional labor costs to install ALS and upgraded construction materials.

c. In previous filings, the engineering costs were calculated as a portion of labor costs associated with various materials in Gulf's former work management system. Since these costs were classified solely as labor, they were attributed only to labor costs in former filings. However, in this year's filing, engineering costs were calculated using the annual Engineering Overhead rate for 2019, which was applied to both labor and materials.

d. Gulf's distribution capital investments increased in 2019, which increased the eligible base to allocate the engineering overhead expenditures. This increased capital base reduced the engineering overhead expenditures applied to the individual capital construction projects, thus reducing the engineering overhead rate.

QUESTION:
Please explain the purpose of the utility restructuring the current tariff language to the proposed tariff language. How does this benefit consumers?

RESPONSE:
Gulf's proposed restructuring of its current tariff language, if approved by the Commission, is expected and intended to result in a number of positive results for customers. While there are several intended goals for the new tariff language, the primary goal is to promote the installation of new underground facilities by customers. The new language is designed to offer simplified contributions and charges per unit to allow the customer to easily gauge the total costs for installing facilities underground. In addition, allowing the customer to choose credits per lot or per foot provides flexibility in the amount of work a customer may contribute to undergrounding their facilities.

The proposed tariff language, which is similar to the analogous Florida Power & Light tariff language, also provides standardized options for new or replaced services, small commercial/industrial installations, and other services that were not available previously, which promotes transparency in costs for many common scenarios and reduces the need for individual cost estimates for these facilities.

QUESTION:
Please provide the utility's methodology in developing its proposed storm operational costs used in its calculations and discuss in detail the impacts of Hurricane Michael on the storm operation cost differential.

RESPONSE:
To develop its proposed storm operational costs, Overhead storm costs are spread over customers impacted to determine an average cost per customer. This average cost per customer is used to determine the estimated storm costs per line mile within a Low Density Subdivision (LDS). The 30-year net-present-value of the overhead storm costs per line mile are calculated as the avoided storm recovery costs to include in the URD tariffs, as a credit to CIAC.

Prior to Hurricane Michael, Gulf had a minimal amount of data to analyze in order to assess the operational cost differential between overhead and underground service. Hurricane Michael's overhead storm costs were $342,016,000, while underground costs were approximately $38,000,000. The magnitude and impact of damage caused by Hurricane Michael provided Gulf with a significant amount of additional data to incorporate into the Company's assessment of the operational cost differential.

QUESTION:
Are the 2020 charges for labor based on 2019 values? If not, what is the basis? Additionally, please discuss any changes in labor costs that impact the differential.

RESPONSE:
Yes, the charges for labor are based on 2019 values. Some of the changes in labor costs that impact the differential were related to ratifying a new labor contract.

QUESTION:
Please discuss the reasons for the increase in total overhead and underground material costs for both subdivisions compared to the 2019 docket.

RESPONSE:
Gulf modified its designs for both overhead and underground subdivisions in 2020 to be in line with enhanced construction standards related to storm hardening. These include:

(1) Upgraded poles sizes on overhead designs to meet EWL (extreme wind loading) construction designs.

(2) Replaced fuses protecting the overhead subdivision with ALS (Automatic Lateral Switch) in line with enhanced protection standards to improve system reliability.

(3) Replaced mild-steel transformers on overhead and underground subdivision designs with stainless steel, in line with enhanced construction standards.

(4) Upgraded primary insulators and hardware from mild steel to stainless steel, along with higher quality insulation, in line with new construction standards.

QUESTION:
Please refer to Appendix URD 2 for the follow questions.

a. If applicable, please provide a detailed description of any differences (including design drawings) and included supporting documentation illustrating the impact to the "per lot" differentials caused by the design changes.

b. Does the reduction of the minimum number of buildings per acre have an impact on the low density differential?

RESPONSE:

a. None of the design changes mentioned required any changes to the subdivision design drawings.

The following estimates are based on 2020 costs for the materials and labor for the 2020 design standards versus the 2019 design standards, resulting in a current per lot cost comparison for the previous design versus the proposed design.

The estimated impact of increasing the pole sizes as needed to meet EWL (Extreme Wind Loading) criteria for both material and labor is $24.89 per lot for a low density overhead subdivision and $21.26 per lot for a high density overhead subdivision. Underground subdivisions were not impacted by this change.

The estimated impact of using ALSs (Automatic Lateral Switch) instead of a standard fused cutout is $84.26 per lot for a low density overhead subdivision and $59.94 per lot for a high density overhead subdivision.

The estimated per-lot impact of using stainless steel transformers, versus mild steel transformers, is $66.66 per lot for an overhead low density subdivision, $101.00 per lot for an underground low density subdivision, $40.12 per lot for an overhead high density subdivision, and $49.64 per lot for an underground high density subdivision.

The estimated per-lot impact of using stainless hardware and insulators with increased BIL (Basic Insulation Level) is $138.38 per lot for an overhead low density subdivision, $2.51 per lot for an underground low density subdivision, $74.93 per lot for an overhead high density subdivision, and $2.28 per lot for an underground high density subdivision.

b. No, Gulf does not expect there to be an impact to the low density differential by lowering the criteria to 0.5 buildings per acre. Subdivisions with a low number of buildings per acre are rare and should not be costlier to serve than any other low density subdivision.

QUESTION:
Please explain why there are no material costs for poles in Appendix URD 4, Exhibit V.

RESPONSE:
This was due to an error where the labels for "Initial Tree Trim" and "Poles" were swapped within the table. This is corrected in the table below.

OVERHEAD MATERIAL AND LABOR
High Density 176 Lot Subdivision
(Corrected)

ITEM	MATERIAL (1)	LABOR(4)	TOTAL
SERVICE(2)	$124.30	$49.14	$173.44
PRIMARY	$151.53	$129.29	$280.82
SECONDARY	$12.93	$9.88	$22.81
INITIAL TREE TRIM	$0.00	$117.21	$117.21
POLES	$120.80	$162.09	$282.89
TRANSFORMERS	$338.89	$117.46	$456.35
SUBTOTAL WITHOUT STORES	$748.45	$467.86	$1,333.52
STORES (3)	$85.32	----------	$85.32
SUBTOTAL WITH STORES	$833.77	$467.86	$1,418.84
ENGINEERING (5)	$385.87	$270.77	$656.64
TOTAL(6)	$1,219.64	$738.63	$2,075.48

(1) INCLUDES SALES TAX
(2) INCLUDES METERS
(3) 11.4% OF ALL MATERIAL
(4) INCLUDES PAYROLL, TAXES, INSURANCE, P&W, AND TRANSPORTATION
(5) 46.28% OF ALL MATERIAL AND LABOR
(6) DOES NOT INCLUDE STORM OR OPERATIONAL COSTS