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VIA ELECTRONIC MAIL

Adam J. Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: *Duke Energy Florida, LLC's Petition for Approval of Revised Underground Residential Distribution Tariff Sheets*; Docket No. 20230043-EI

Dear Mr. Teitzman:

Please find attached for filing Duke Energy Florida, LLC's Response to Staff's Second Data Request in the above-referenced Docket.

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 matter.

Respectfully,

/s/ Matthew R. Bernier

Matthew R. Bernier

MRB/vr
Attachment

cc: M. Barrett (MBarrett@PSC.STATE.FL.US)

**Duke Energy Florida, LLC's Response to Staff's Second Data Request re:
Petition for Approval of Revised Underground Residential Distribution Tariff Sheets**

Docket No. 20230043-EI

1. Exhibit D of the Petition, the Summary of Cost Changes for Residential Subdivision Designs states, in part, "DEF already had all utility assets adjacent to roadways for all theoretical designs."
 - A. Please explain which utility assets are included for all designs, and how and when any change in this regard was implemented.
 - B. DEF states that it added a second phase to allow for resiliency not included in the previous design. What impact did this addition have on the URD for single phase service (as applicable for high density design for DEF provided and installed conduit)?
 - C. DEF's proposed URD Tariff Sheet No. 4.113 Sheet at (2)(a) refers to single phase service applicable to various densities of subdivisions, yet the Company states it has added a second phase for resiliency in its high density design. Please clarify if the added second phase for resiliency is applicable for overhead single phase installations only, and not applicable for underground single phase installations.

RESPONSE:

- A. DEF implemented changes with the 2019 filing. All poles, wire, transformers, pedestals, and conduit are installed adjacent to roadways. All underground designs were redesigned as noted in our 2019 filing when we adopted a new subdivision design software. Overhead designs were already adjacent to roadways in 2019.
 - B. The addition of the second phase increased the overhead design by \$25,672 which resulted in a decrease of the differential by \$146 per lot.
 - C. The equivalent underground design for the high density subdivision already had a second phase in the design. Adding the second phase in the overhead design only serves to make both overhead and underground designs closer in alignment.
2. Please refer to DEF's response to Staff's First Data Request, No. 3.
 - A. Explain why DEF's design change to remove back or side lot installations resulted in higher underground cost per lot for high density single phase service, but did not do so for low density subdivisions.
 - B. Describe the impact of the removal of back or side lot installations had on DEF's URD for high density single service in its 2019 URD filing, and in each subsequent filing.

RESPONSE:

- A. Removing side lot and back lot installations resulted in an increase in underground cable required to complete the underground loop designs in the high density subdivision. This was not the same situation in the low density subdivision. The cost of the additional cable and associated trenching increased the per lot cost for the underground design without an equivalent increase in the overhead design as the overhead designs were already adjacent to road right of way. In addition, the additional cable results in additional lifecycle operational costs for the underground design which reduces the lifecycle operational advantage underground maintains against the overhead design.
 - B. DEF had similar impacts in the 2019 and 2020 full URD filings. The 2019 filing had a differential per lot cost of \$34 for the high density subdivision while the cost for low density was zero. The 2020 filing had a zero cost for both high density and low density subdivisions.
3. The response to Data Request 1(A) states, in part, that “DEF manages a bid process to secure the best market rates available at the time of bid.” Please answer the following regarding the bid process:
- A. Please provide a general overview of the DEF’s bid process described in this response (request for proposals, or RFP)?
 - B. Please provide a list and explanation of each of the overhead/underground labor and material procurement functions (e.g. boring, trenching, cables, etc.) of DEF’s bid process as applies to URD.
 - C. Identify the bid selection criteria DEF uses to “award” purchase agreements for overhead and underground labor and material procurement.
 - D. Please identify the dates of the most recent RFPs issued for overhead and underground labor and materials and the number of bids received for each.

RESPONSE:

A.

Labor RFP

Task No.	Task Description	Major Tasks
1	Bid Development	Development of the Bidding Documents & Scheduling the Pre-Bid Meeting (Collaborate with Business Unit, Legal, Risk, Insurance, etc.)
2	Bid Window	Launching the bidding event, conducting the pre-bid meeting, answering of questions and submittal of proposals
3	Evaluation and Negotiation	Reviewing the submitted information, asking clarifying questions, conducting proposal review meetings, IT architecture and security reviews (as applicable), completing the evaluation scoring, and early management briefing, Conformed Specification and T&C negotiation and confirmation
4	Internal Approvals & Award	Making the recommendation to management and seeking additional management feedback utilizing a Letter of Recommendation or an Executive Summary, a Legal Summary, and other required documents leading to the Award and Issuance of the Purchase order/purchase contract

Materials RFP

Task No.	Task Description	Major Tasks
1	Bid Development	Development of the Bidding Documents & Engineering Standards Specifications (Collaborate with Business Unit, Legal, Insurance, etc.)
2	Bid Window	Launching the bid event, supplier meetings to answer questions and submittal of proposals
3	Evaluation and Negotiations	Reviewing the submitted information, asking clarifying questions, conducting proposal review meetings, NERC CIP reviews (as applicable), completing the evaluation scoring, and early management briefing. Conformed specification and T&C negotiation and confirmation
4	Internal Approvals & Award	Making the recommendation to management and seeking additional management feedback utilizing a letter of recommendation or an Executive Summary, a Legal Summary, and other required documents leading to the Award (or multiple awards) and Issuance of the Purchase order/purchase contract

- B. Duke Energy utilizes a bidding process for all labor, equipment, and material procurement functions for the work and materials associated with URD. This includes labor and equipment associated with boring, trenching, cable installation, cable termination, equipment installation as well as material procurement for transformers, cables, and other items necessary to provide service to underground subdivisions. Labor, equipment, and material for URD projects use master service agreements or blanket agreements that are completed through the previously described RFP process, but do not utilize RFP events for specific projects.
- C. Grouped in three separate categories for Materials and Services award decisions - Technical, Commercial, and Corporate Responsibility for bid evaluation segmentation using the weighting percentages delineated below:
- Technical Scoring is 25% to 30% of the evaluation
 - Commercial Scoring is 50% to 65% of the evaluation.
 - Corporate Responsibility Scoring is 10% to 20% of the evaluation
- D. Recent Bid Events
- a. Distribution Line Construction (Overhead & Underground) Bid Event:
 - Dates: 8/12/22 - Est. Close Sept 2023
 - Number of Bids Received: 22 Florida Distribution Line Construction (Overhead & Underground) + 10 FL Secondary Cable Repair / Replace
 - b. Distribution Transformer Bid Event
 - Bid in late 2020 / early 2021
 - Number of Bidders = 8
 - c. Wire & Cable Sourcing Strategy Re-evaluation
 - Date 2019
 - Suppliers Evaluated – 2

4. The response to Data Request 1(B) states, in part, that the company contracts underground work while overhead work is “balanced with DEF native crews,” which helps keep costs lower for overhead work activities.
 - A. Please clarify if any “DEF native crews” perform underground labor activities (such as boring, trenching, or installation of underground equipment), or whether all such work activities are contracted, and performed by non-company personnel? If applicable, discuss the reasons that DEF native crews are limited to only performing work activities on overhead facilities.
 - B. What recourse has DEF pursued or is considering to address the significant increase in contracted underground labor costs?
 - C. Does DEF believe the significant difference in labor costs between its native crews and contracted labor will persist? Please explain.
 - D. If DEF’s answer to 4.C above is affirmative, has the company performed a cost-benefits analysis for training and equipping its native crews to perform undergrounding work functions? Does the company have any plans within the next 5 years for deploying DEF native crews to perform undergrounding work functions? Please discuss your response.

RESPONSE:

- A. No, typically “DEF native crews” do not perform boring, trenching or installation of underground equipment such as cable; however, they do install larger underground equipment such as three phase pad mount transformers and switchgear. The majority of underground work for URD subdivisions is performed by non-company personnel. Resource Management personnel review all scopes of work for projects and assign the appropriate resource to complete the task.
- B. Anticipated cost increases due to market conditions have been incorporated into project estimates and negotiations are focused on limiting increases as much as possible.
- C. We understand this market well. We have a large workforce of our own and we clearly understand the market pressures that exist. Through our Human Resources and Labor Relations organizations, we have been able to successfully use this market intelligence to negotiate very reasonable contracts. We are applying this same intelligence to our decisions in selecting contract partners. One of our top priorities is maintaining affordability for our customers. Mitigating cost impacts to Duke Energy will ensure we are successfully able to deliver on these commitments. DEF does not expect a long term differential in labor costs between native and contract crews. DEF believes this may be a short term market situation but this is being closely monitored.
- D. No response required

5. The response to Data Request 3 states, in part, that “DEF had adjusted the High Density design in our 2019 filing to remove any back lot or side lot installations that were not adjacent to roadways and not open to truck as per Florida Administrative Code (Rule 25- 6.0341, F.A.C., Location of the Utility’s Electric Distribution Facilities).”
 - A. Is it correct to state that the 2023 High and Low Density designs do not reflect any back and/or side lot installations? Please explain your response.
 - B. Please describe why this change was made in relation to the specific requirements of the Rule, at subparagraphs (1), (2), and (3).

RESPONSE:

- A. It is correct to say 2023 high and low density overhead and underground designs do not include any side lot or back lot installations. All facilities are adjacent to roadways and open for vehicle access.
 - B. DEF previously had some cable placement that was side lot and fed from rear lot locations. Side lot and back lot installations are not front lot adjacent to roadway as noted in the F.A.C. Side lot and back lot installations frequently become reliability issues as customers add fences, sheds, pools, and other facilities on their property, potentially damaging assets and limiting access for maintenance and restoration.
6. Please refer to Proposed Revised URD Tariff Sheet No. 4.113 for the following questions. For the three-phase primary main or feeder, the cost differential between overhead and underground placements has resulted in the proposed charge for Duke provided and installed conduit rising from \$0 to \$2.17 per foot.
 - A. What portion of the proposed \$2.17 per foot charge is associated with adding the second phase for resiliency?
 - B. What portion of the proposed \$2.17 per foot charge is associated with labor charges increasing since the company’s prior URD filing?
 - C. What portion of the proposed \$2.17 per foot charge is associated with material costs increasing since the company’s prior URD filing?

RESPONSE:

- A. The second phase added for resiliency has no effect on the three-phase primary main or feeder differential as it is not related to any of the theoretical subdivisions.
- B. 18% of the cost is associated with changes in labor costs
- C. 82% of the cost is associated with changes in material costs.

7. Please provide an Excel file with cells unlocked for Schedule No. 12 (Duke trench and install) showing the calculations for the 795 MCM AAAC Overhead Conductor differential.

RESPONSE:

Please see Attachment "Response to DR2 #7.xlsx".

DUKE ENERGY FLORIDA
OVERHEAD / UNDERGROUND RESIDENTIAL COST DATA
DUKE TRENCH AND INSTALL CONDUIT
AVERAGE UNDERGROUND FEEDER COSTS

SCHEDULE NO. 12

1000 MCM Al. Underground Cable

	Material	Labor	Total
From Computer Study	\$219,110.90	\$47,721.64	\$266,832.54
Stores - 10.0% stores + 7% sales tax	\$37,248.85	\$0.00	\$37,248.85
Subtotal			\$304,081.39
Engineering and Supervision			\$19,327.26
Total			\$323,408.66

795 MCM AAAC Overhead Conductor

	Material	Labor	Total
From Computer Study	\$51,923.57	\$95,625.44	\$147,549.01
Stores - 10.0% stores + 7% sales tax	\$8,827.01	\$0.00	\$8,827.01
Subtotal			\$156,376.02
Engineering and Supervision			\$38,728.30
Total			\$195,104.32

NPV Life Cycle Cost (\$22.13)

Differential = (323,408.66 - 195,104.32) / 5280 plus NPV

= \$2.17 /ft.