

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Irma and Nate by Duke Energy Florida, LLC

Docket No. 20170272-EI

Dated: February 7, 2019

**DUKE ENERGY FLORIDA, LLC'S RESPONSE TO
CITIZENS' FOURTH SET OF INTERROGATORIES (NOS. 67-100)**

Duke Energy Florida, LLC ("DEF") incorporates the objections filed contemporaneous with this response and responds to the Citizens of the State of Florida, through the Office of the Public Counsel's ("Citizens" or "OPC") Fourth Set of Interrogatories to DEF (Nos. 67-100) as follows:

INTERROGATORIES
REDACTED

67.

[REDACTED]

Answer:

[REDACTED]

68.

[REDACTED]

Answer:

[REDACTED]

[Redacted]

69.

[Redacted]

Answer:

[Redacted]

[Redacted]

70.

[Redacted]

Answer:

[Redacted]



71. Vegetation Management. Refer to the response to Citizens' Interrogatory No. 3. Provide for any rate filing after the 2010 case the amount of vegetation management that was requested in the MFRs. To the extent that the filing was settled identify whether vegetation management costs were discussed and/or adjusted as part of the settlement. If adjusted provide the respective adjustments.

Answer: DEF has not filed MFRs since the 2010 test-year rate case, and the only settlements that have taken place prior to the 2017 hurricanes were the 2012 Stipulation and Settlement Agreement followed by the 2013 Revised and Restated Stipulation and Settlement Agreement. Vegetation management costs were neither discussed nor adjusted in either of those Agreements.

72. Vegetation Management. Are tree crews paid for mobilization and/or demobilization? If so, explain how they bill for it, specifically how this billing is separate and different from work billing.

Answer: Mobilization and demobilization, if paid, will either be specifically identified in the contract as a line(s) item, or will be paid as travel expense/cost should Duke Energy request the contractor to move their resources outside their assigned area(s), such as with a major storm response effort. In that case, travel expenses are paid (labor and equipment) for those specifically requested resources responding to the storm. That travel cost will be from the time they leave their home base location until they reach their assignment location. The same applies once those resources are released from the storm from the time of their release until they reach their home base location. These expenses will be based on hourly and mileage (equipment where applicable) rates depending on the distance traveled based on each contractor's contract language regarding major storm procedures.

73. Poles. Refer to the response to Citizens' Interrogatory No. 5. For each year provide the cost of replacements for each named storm referenced.

Answer: Distribution:

<u>ESTIMATED CAPITAL POLE INSTALLATION COSTS:</u>							
Material Components:		Debby	Isaac	Hermine	Matthew	Irma	Total
Capital Materials - Units of Property		\$13,238	\$2,081	\$11,382	\$35,158	\$330,955	\$392,815
Capital Materials - Warehouse Burdens		\$ 1,324	\$ 208	\$ 1,138	\$ 3,516	\$ 33,096	\$39,282
Working Stock materials		\$ 1,986	\$ 312	\$ 1,707	\$ 5,274	\$ 49,643	\$58,922
Capital Materials - Units of Property incl Burdens		16,548	2,602	14,228	43,948	413,694	\$491,019
Labor Components:							
Labor & Burdens to install Units of Property		\$170,937	\$13,444	\$148,560	\$421,910	\$4,251,139	\$5,005,991
Contractor/Affiliate adder		\$104,033	\$8,182	\$83,156	\$236,164	\$2,329,601	\$2,761,136
Overhead Allocation - applied to Labor only		\$ 34,187	\$ 2,689	\$ 38,844	\$ 107,648	\$ 1,240,110	\$ 1,423,478
Fleet Loading - applied to Labor only		\$ 42,734	\$ 3,361	\$ 37,243	\$ 103,558	\$ 1,281,576	\$ 1,468,471
Capital Labor on UOP incl Loading items		\$ 351,892	\$ 27,677	\$ 307,803	\$ 869,280	\$ 9,102,426	\$ 10,659,077
	Distribution Capital Cost	\$ 368,439	\$ 30,279	\$ 322,031	\$ 913,227	\$ 9,516,120	\$ 11,150,096
	# of Poles	89	7	75	213	2,130	2,514

74. Payroll. Refer to the responses to Citizens' Interrogatories Nos. 27 and 29. Please provide as requested the amount of base payroll and the amount of overtime, separately, allowed as part of the decision in the Order No. PSC-10-0131-FOF.

Answer: DEF requested total base payroll of \$398,328,277 in MFR C-35 in DEF's 2010 test-year rate case. In Order No. PSC-10-0131-FOF, the Commission disallowed salary and position increases of \$13,601,404. Therefore, total base payroll included in both capital and O&M was \$384,726,873. Order No. PSC-10-0131-FOF allowed total overtime costs of \$40,860,669.

75. Payroll. Refer to the responses to Citizens' Interrogatories Nos. 27 and 29. Please provide the amount of base payroll and the amount of overtime, separately, included in the MFRs in each base rate filing after the 2010 case. Please identify the amounts by Docket Number. To the extent that the filing was settled, identify whether payroll costs were discussed and/or specifically adjusted as part of the settlement. If adjusted, provide the respective adjustments.

Answer: DEF has not filed MFRs since the 2010 test-year rate case, and the only settlements that have taken place prior to the 2017 hurricanes were the 2012 Stipulation and Settlement Agreement followed by the 2013 Revised and Restated Stipulation and Settlement Agreement. Payroll and overtime costs were neither discussed nor adjusted in either of those Agreements.

76. Payroll. Refer to the responses to Citizens' Interrogatories Nos. 28 and 30. Explain how the responses as provided differentiate between base O&M and overtime O&M. Please provide as requested for each of the years 2012, 2016, and 2017 the amount of actual base payroll and the amount of actual overtime for each year separately.

Answer: The responses to Interrogatory Nos. 28 and 30 were system totals for O&M labor by year, per FERC Form 1. DEF did not break out those amounts between base and overtime because the FERC Form 1 does not provide that level of information. However, DEF's Accounting Department has performed additional research. While DEF is not able to provide the breakout between base and OT payroll for 2012 due to system conversions, DEF is able to provide the following breakout for 2016 and 2017:

2016: Base O&M = \$208,149,323. Overtime O&M = \$29,644,705

2017: Base O&M = \$205,616,272. Overtime O&M = 29,415,400

77. Outside Contractors. Refer to the response to Citizens' Interrogatory No. 38. Is the audit of invoices done by internal or external personnel? Is there any documentation to support audit findings?

Answer: The reviewing of invoices submitted for storms is primarily completed by internal employees. If the size of the storm requires significant resources acquired that subsequently produces a volume of invoices larger than our invoice team can reasonably review and pay in a timely manner, we will supplement our internal invoice staffing with contractors on-site. They are led by our internal invoice team members at the same work location. Yes, appropriate documentation is kept on every invoice submitted for payment.

78. Non-Incremental. Refer to testimony of Bryan Buckler at page 6, lines 4-8. Provide a summary of specific adjustments by storm and a detailed explanation how the amounts were determined (*e.g.* - what was the payroll benchmark, what was used for vegetation, etc.).

Answer:

Duke Energy Distribution Response:

Non-Incremental (000's)	Debby	Isaac	Colin	Hermine	Matthew	Irma	Nate	Total
Regular Payroll	\$ 376	\$ 165	\$ 75	\$ 150	\$ 250	\$ 1,145	\$ 14	\$ 2,174
Labor Burdens	\$ 80	\$ 78	\$ 57	\$ 125	\$ 141	\$ -	\$ 8	\$ 489
Overtime Payroll	\$ 91	\$ 25	\$ 32	\$ 40	\$ 74	\$ 467	\$ 4	\$ 734
Incentives	\$ 154	\$ 61	\$ 24	\$ 192	\$ 216	\$ 1,711	\$ 14	\$ 2,373
Overhead Allocations	\$ -	\$ -	\$ 388	\$ 1,125	\$ 287	\$ 26	\$ 28	\$ 1,853
Internal Fleet Costs	\$ 100	\$ 63	\$ 83	\$ 99	\$ 462	\$ -	\$ 9	\$ 815
Vegetation Management	\$ 419	\$ 248	\$ 510	\$ 685	\$ 413	\$ 1,806	\$ 0	\$ 4,082
Other	\$ -	\$ -	\$ 0	\$ 1	\$ -	\$ 245	\$ -	\$ 246
	\$ 1,220	\$ 641	\$ 1,169	\$ 2,417	\$ 1,844	\$ 5,400	\$ 76	\$ 12,766
Capital	\$ 1,149	\$ 103	\$ -	\$ 1,182	\$ 1,917	\$ 20,248	\$ -	\$ 24,599

Explanations of Adjustments:

- **Regular Payroll** – All payroll with responsibility centers associated with Duke Energy Florida are included in a calculation highlighted in the schedule provided in POD 19. The intent of the calculation is to determine what portion of the payroll charged would be considered non-incremental based on an average of payroll charging related to the month in which the storm occurred.
- **Overtime** – All overtime with responsibility centers associated with Duke Energy Florida are included in a calculation highlighted in the schedule provided in POD 19. The intent of the calculation is to determine what portion of the overtime charged would be considered non-incremental based on 3-year averages of overtime charging related to the month in which the storm occurred.
- **Burdens/Incentives** – On the BB-2 this is grouped, but our calculations are done separately. POD 19 will show the calculations related to labor burdens and incentives.
- **Overhead Allocations** – All non-capitalized DEF originating overhead allocations were categorized as Non-Incremental, where Affiliate overhead allocations are categorized as Incremental.
- **Internal Fleet Costs** – All non-capitalized DEF fleet costs that have gone through the calculation to determine what is not Fuel are categorized as Non-Incremental, where Affiliate fleet costs outside of DEF costs are categorized as Incremental.
- **Vegetation Management** – the 3-year average of Vegetation Management costs (for the month in which the storm occurred) were calculated and compared to the storm month's actuals. In the event the storm month's actuals were less than the respective 3-year average of the same month, the difference was determined to be Non-Incremental.
- **Other** – Costs that did not fit the categories above and were determined Non-Incremental to charge against the storm reserve were reflected here.
- **Capital** – This calculation takes into consideration the units of property, the costs of those materials, estimated hours to install those units, average labor rates for internal / external resources, fleet, material and overhead allocations to extrapolate the estimated costs of capital per storm.

Duke Energy Transmission Response

See a summary of Transmission's storm adjustments below:

Non-Incremental Costs	Debby	Isaac	Colin	Hermine	Matthew	Irma	Nate	Total
Regular Payroll	(114)	(70)	(24)	(80)	(102)	(1,140)	(3)	(1,532)
Overtime Payroll	-	-	-	-	-	(194)	-	(194)
Burdens/Incentives	(23)	(5)	(9)	(88)	(99)	(1,126)	(3)	(1,353)
Overhead Allocations	-	-	(0)	(3)	(0)	(229)	(25)	(258)
Internal Fleet Costs	(78)	(37)	-	-	-	(66)	(0)	(182)
Vegetation Management	-	-	(12)	(72)	(62)	(289)	-	(435)
Other	-	-	-	-	-	(12)	-	(12)
Subtotal	(214)	(113)	(45)	(243)	(263)	(3,057)	(31)	(3,967)
Capital	(527)	-	-	-	(6)	(6,143)	-	(6,675)
Total Non-Incremental	(741)	(113)	(45)	(243)	(269)	(9,200)	(31)	(10,642)

As detailed and provided in Transmission's Response to OPC's POD 19, all storm costs charged to storm codes are identified by the following:

- Region - jurisdictional origination (e.g., Duke Energy Florida, Duke Energy Carolinas, Duke Energy Indiana, etc.) by Responsibility Center
- Cost category – each cost has an associated Resource Type, which identifies what type of cost it is (e.g., Payroll, Overtime, Materials, Contractor, Employee Expenses, etc.)

Once the costs are properly categorized, non-incremental amounts are calculated by the following:

- **Regular Payroll** – All non-capitalized DEF originating payroll are categorized as Non-Incremental, where Affiliate payroll outside of DEF costs are categorized as Incremental.
- **Overtime** – All non-capitalized overtime is initially categorized as Incremental. For Hurricane Irma, DEF's allowable overtime is factored against an average of routine workload overtime. This portion of overtime is determined to be the Non-Incremental amount.
- **Burdens/Incentives** – All non-capitalized Burdens and Incentives were categorized as Non-Incremental.
- **Overhead Allocations** – All non-capitalized DEF originating overhead allocations were categorized as Non-Incremental, whereas Affiliate overhead allocations are categorized as Incremental.
- **Internal Fleet Costs** – All non-capitalized DEF originating fleet costs are categorized as Non-Incremental, where Affiliate fleet costs outside of DEF costs are categorized as Incremental. DEF Transmission's fleet costs also included fuel; however, it was insignificant and treated as non-incremental.
- **Vegetation Management** – the 3-year average of Vegetation Management costs (for the month where the storm occurred) were calculated and compared to the storm month's actuals. In the event the storm month's actuals were less than the respective 3-year average of the same month, the difference was determined to be Non-Incremental.

- **Other** – Any costs not fitting the categories above were captured as Other and were subsequently Non-Incremental or were capitalized.
- **Capital** – During storm response, Transmission creates storm specific capital projects, where all applicable labor, Contractor costs, materials, and other costs are charged to that project during restoration. This allows a clean and separate account of storm restoration O&M costs versus capitalized restoration costs, with minimal calculations needed.

79. Non-Incremental. Refer to testimony of Bryan Buckler at page 7, lines 16-24 and page 8, lines 1-7 and Exhibit BB-2. For each storm, provide a breakdown of the amount on the Labor Burdens/Incentive line of Exhibit BB-2 and explain why the testimony states that non-incremental labor burdens have been removed yet there is no adjustment shown for non-incremental labor burdens on Exhibit BB-2.

Answer:

Duke Energy Distribution Response:

Distribution								
Labor Burdens / Incentives (000's)								
	Debby	Isaac	Colin	Hermine	Matthew	Irma	Nate	Total
Labor Burdens	\$ 295	\$ 230	\$ 221	\$ 871	\$ 1,228	\$ 6,251	\$ 61	9,156
Incentives	\$ 154	\$ 61	\$ 24	\$ 144	\$ 208	\$ 1,428	\$ 14	2,035
	\$ 449	\$ 291	\$ 245	\$ 1,015	\$ 1,436	\$ 7,679	\$ 76	\$11,191

Above is the breakout of the Labor Burdens/Incentives reflected on the BB-2 schedule.

For Distribution, any adjustments related to non-incremental labor burdens were grouped under Regular Payroll (or part of capital calculations) and that is why it is not broken out separately in the non-incremental section of the BB-2.

Duke Energy Transmission Response:

After Transmission categorizes costs (as explained in ROG 78), all DEF non-capitalized labor burdens and incentives were categorized as non-incremental, or “Disallowed”. On BB-2, line 19 – in “Incentives”, the costs reported include both non-capitalized incentives and labor burdens.

See a breakdown of Transmission’s incentives below:

2016-2017 Storms

Row Labels	1 - Colin	2 - Hermine	3 - Matthew	4 - Irma	5 - Nate
<input type="checkbox"/> Labor Burdens/Incentives	9,000	87,737	99,439	1,138,152	2,765
Disallowed	9,000	87,737	99,439	1,125,847	2,765
Capital				12,305	
Grand Total	9,000	87,737	99,439	1,138,152	2,765

2012 - Debby

Row Labels	Transmission
<input type="checkbox"/> Disallowed	\$ 23,079
Labor Loaders/Incentives	\$ 23,079
Grand Total	\$ 23,079

2012 - Isaac

Row Labels	Sum of Transaction Amount
<input type="checkbox"/> Disallowed	5,249
Labor Loaders/Incentives	5,249
Grand Total	5,249

80. Non-Incremental. Refer to testimony of Bryan Buckler at page 8, lines 9-22 and Exhibit BB-2. For each storm, provide a breakdown of the amount of the Overhead Allocations associated with DEF employees and the Overhead Allocations associated with Duke Energy employees to verify the Overhead Allocation amount on Exhibit BB-2.

Answer:

Duke Energy Distribution Response:

Overhead Allocations (000's)						
	Colin	Hermine	Matthew	Irma	Nate	Total
Duke Energy Florida	\$ 388	\$ 1,233	\$ 478	\$ 2,284	\$ 28	\$ 4,411
Affiliate	\$ -	\$ 52	\$ 110	\$ 3,223	\$ 1	\$ 3,386
	\$ 388	\$ 1,285	\$ 587	\$ 5,508	\$ 28	\$ 7,797

Above is the schedule that breaks out overhead allocations between Duke Energy Florida Employees and Affiliates.

Duke Energy Transmission Response

After Transmission categorizes costs (as explained in ROG 78), all non-capitalized DEF labor overheads were determined to be non-incremental, or “Disallowed”. See a breakdown of Transmission’s Overhead Allocations below:

2016-2017 Storms

Sum of Monetary Amount JD	Column Labels				
Row Labels	1 - Colin	2 - Hermine	3 - Matthew	4- Irma	5 - Nate
Overhead Allocations	83	2,786	619	1,188,339	26,039
Allowed			206	402,491	593
Duke Energy Carolinas			206	98,434	
Duke Energy Kentucky				737	
Duke Energy Ohio				737	
Duke Energy Progress				302,584	593
Capital				493,801	
Duke Energy Business Services				16	
Duke Energy Carolinas				49	
Duke Energy Florida				493,736	
Disallowed	83	2,786	413	292,047	25,445
Duke Energy Florida	83	2,786	413	292,047	25,445
Grand Total	83	2,786	619	1,188,339	26,039

When providing data for ROG 21 and ROG 22, capital projects did not have overhead allocated as the estimates were being trued up in late May. As a result, portions of DEF originating Overhead Allocations (RT 78000) was moved to Irma's capital projects from the Irma storm code. The May filing reported the correct disallowance amount of \$229k. To stay consistent with data used in the filing, the preadjustment overhead allocation data is used in this support.

Debby

Row Labels	Sum of amount
Overhead Allocations	22,148
Grand Total	22,148

All of Debby's overhead allocations were capitalized, thus not recoverable.

81. Non-Incremental. Refer to testimony of Bryan Buckler at page 8, lines 9-22 and Exhibit BB-2. Explain how it was determined that all Duke Energy Affiliate employees costs allocated to the storm were incremental, explain how those costs were separately accounted for such that any Duke Energy employee costs in base rates were not captured as storm costs.

Answer:

The vast majority of Duke Energy affiliate employee costs were associated with linemen from Duke Energy affiliates in the Carolinas and Midwest that were utilized in lieu of third party contractors, and as such, they are incremental to DEF or were part of the capitalized amounts for the units of property replaced. These affiliates would not have worked on DEF's distribution system under normal circumstances due to their location. They are essentially replacing contractors that would have been hired at a higher cost,

and since these affiliate employees would not have charged to DEF absent the storm response efforts, these costs were deemed to be incremental.

Affiliate costs are identified based on the following:

- **Region** - jurisdictional cost origination (e.g., Duke Energy Florida, Duke Energy Carolinas, Duke Energy Indiana, etc.) are identified by Responsibility Center. In other words, the Responsibility Center code specifically identifies from where which Affiliate costs originated. All Responsibility centers not part of Duke Energy Florida are considered Affiliates.
- **Cost category** – each cost has an associated Resource Type, which identifies what type of cost it is (e.g., Payroll, Overtime, Materials, Contractor, Employee Expenses, etc.)

82. Affiliate Costs. Provide the amount of costs for Duke Energy Affiliate employees that was allowed in base O&M rates in the 2010 rate case Order No. PSC-10-0131-FOF.

Answer:

DEF has searched the testimony and discovery in the 2010 rate case docket and is unable to ascertain the amount of Duke Energy Affiliate employee costs that were included in the MFRs. This amount is not reported separately in MFRs.

83. Affiliate Costs. Provide the amount of costs for Duke Energy Affiliate employees that was include in the MFRs for any rate case filing subsequent to the 2010 rate case Order No. PSC-10-0131-FOF. For each, identify the filing, and to the extent that the filing was settled, identify whether the Affiliate costs were discussed and/or adjusted as part of the settlement. If adjusted provide the respective adjustments.

Answer:

DEF has not filed MFRs since the 2010 test-year rate case, and the only settlements that have taken place prior to the 2017 hurricanes were the 2012 Stipulation and Settlement Agreement followed by the 2013 Revised and Restated Stipulation and Settlement Agreement. Duke Energy affiliate employee costs were neither discussed nor adjusted in either of those Agreements.

84. Contractor Cost. Refer to testimony of Bryan Buckler at page 9, lines 6-9 and Exhibit BB-2. For each storm, provide a summary of contractor costs separating the costs by the various categories discussed in the testimony. Also, explain in detail what services and/or products were provided by any of the “other outside contractors” as referenced in the testimony.

Answer:

Duke Energy Distribution Response:

Distribution Contractor Costs (000's)								
Type of Contractors	Debby	Isaac	Colin	Hermine	Matthew	Irma	Nate	Total
Line Contractors	\$4,116	\$2,576	\$1,571	\$10,020	\$18,064	\$245,130	\$ 930	\$282,407
Staging and Logistic Contractors	\$ -	\$ -	\$ -	\$ 4,025	\$ 3,801	\$ 65,780	\$1,584	\$ 75,191
Tree Trimming Contractors	\$ 922	\$ 408	\$ 510	\$ 2,028	\$ 2,044	\$ 26,862	\$ 0	\$ 32,774
Other Outside Contractors	\$ 144	\$ 508	\$ (15)	\$ 3,250	\$ 1,991	\$ 17,291	\$1,870	\$ 25,039
	\$5,182	\$3,492	\$2,066	\$19,323	\$25,900	\$355,063	\$4,385	\$415,411

The above schedule represents the summary of Contractor Costs by category. The “Other Outside Contractors” represent a variety of vendors used during the storm. This relates to companies used to do damage assessment, vendors that provided fueling services, vendors that assisted with materials, vendors that provided security (staging sites, material yards, parking areas, operating centers, etc.), vendors that provided transportation services, vendors that provided flagging and traffic control services and various other rental/service companies.

Duke Energy Transmission Response:

For Transmission, any vendor considered “Other” would be for costs/services charged to the contractor resource type that fall outside of any other category.

A summary of contractor costs is attached bearing Bates Numbers 20170272-DEF-OPC-ROG 4-84-0001 through 20170272-DEF-OPC-ROG 4-84-0004. The attachment is confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida Public Service Commission (“Commission”) along with DEF’s Notice of Intent to Request Confidential Classification dated February 7, 2019.

85. Internal Fleet Costs. Refer to testimony of Bryan Buckler at page 9, lines 16-17 and Exhibit BB-2. Explain how the Company determined what costs were incremental and non-incremental and how the accounting was able to track the costs to distinguish between fuel and vehicle overhead costs being charged to storm costs.

Answer:

Duke Energy Distribution Response:

The fleet costs that are charged to the storm project are an allocation done at the end of the month through our financial systems based on internal labor charges. The rate is comprised of 4 components: Leasing/Ownership Costs, Depreciation, Repair Labor & Parts, Fuel. These four pieces make up respective percentages that add up to 100%. Only the fuel percentage is considered incremental and the other components are considered part of base rates and are deemed non-incremental. The non-incremental piece is reduced related to the estimated fleet costs associated with the capital estimate and that remaining amount is reflected on the non-incremental schedule. All Affiliate fleet costs were considered incremental.

Duke Energy Transmission Response:

After Transmission categorizes costs (as explained in Interrogatory 78), all non-capitalized fleet costs originating from Duke Energy Florida were determined to be non-incremental, where fleet costs originating from Duke Energy Affiliates were determined to be incremental. DEF Transmission's fleet costs also included fuel; however, it was insignificant and treated as non-incremental.

86. Uncollectibles. Refer to testimony of Bryan Buckler at page 9, lines 19-20 and Exhibit BB-2. What is the specific factual basis for including this cost in storm restoration, and identify the provision in Rule 25-6.0143, F.A.C. that authorizes such recovery.

Answer:

With Commission approval, uncollectible accounts expense is permitted to be charged to Account No. 228.1 pursuant to Rule 25-6.0143(1)(g)2., F.A.C.. As Mr. Buckler explained (see page 18, lines 5-16), the incremental uncollectible accounts expense is the difference between actual account charge-offs for January, February, and March 2018 versus the forecasted amounts for those same periods.

87. Uncollectibles. Refer to testimony of Bryan Buckler at page 18, lines 3-12 and Exhibit BB-2. Explain in detail how the estimated amounts were determined.

Answer:

The estimated Charge-Offs amounts were determined by comparing the actual Charge-offs incurred to the amount of chargeoffs predicted by our Charge-Off Model, that forecasts future chargeoffs. For 2018, the Model predicted chargeoffs of \$12.92 million through August, compared to actual gross Chargeoffs of \$12.78 million (an accuracy rate of 98.9%).

88. Uncollectibles. Provide the amount of Uncollectibles for Duke Energy that was allowed in base O&M rates in the 2010 rate case Order No. PSC-10-0131-FOF.

Answer:

\$13,815,000

89. Uncollectibles. Provide the amount of Uncollectibles for Duke Energy that was include in the MFRs for any rate case filing subsequent to the 2010 rate case Order No. PSC-10-0131-FOF. For each, identify the filing, and to the extent that the filing was settled, identify whether the Uncollectibles amount was discussed and/or adjusted as part of the settlement. If adjusted provide the respective adjustments.

Answer:

DEF has not filed MFRs since the 2010 test-year rate case, and the only settlements that have taken place prior to the 2017 hurricanes were the 2012 Stipulation and Settlement Agreement followed by the 2013 Revised and Restated Stipulation and Settlement Agreement. Uncollectible expense was neither discussed nor adjusted in either of those Agreements.

90. Uncollectibles. Refer to testimony of Bryan Buckler at page 18, lines 13-16 and Exhibit BB-2. Explain how the use of forecasted charge-offs is considered a proper benchmark for the level of Uncollectibles actually included in base O&M expense and as part of rates in existence.

Answer:

The amount of Uncollectibles currently included in base O&M rates is \$13.815 million. This amount was set during our last rate case in 2010, and was reasonable at the time it was set. However, because the Uncollectibles amount was set so long ago, we believe it no longer provides a good benchmark. We believe our Chargeoffs budget provides the most recent indication of expected Uncollectibles expense, and therefore provides a better benchmark.

91. Uncollectibles. Refer to testimony of Bryan Buckler at page 18, lines 3-12. Are the costs requested in Account No. 186 or have they been charged to Account No. 228.1? If charged to Account No. 228.1, provide or identify the Commission approval required to make that transfer of costs.

Answer:

The costs requested are in Account No. 186.

92. Capitalized Cost. Refer to testimony of Bryan Buckler at page 15, lines 18-24. For each storm, provide the average number of hours for DEF's employees to install items by Unit of Property ("UOP") type and the number of line resources needed. Also, for each storm, provide the total hours for DEF's employees to install UOP. Finally, in each response provide the associated employee cost(s) capitalized.

Answer:

Duke Energy Distribution Response:

Below is the chart used to estimate how many hours would be needed to install a unit of property under normal conditions and the estimated number of resources per unit of property. We do not distinguish between an DEF employee or Contractor resource for the time of installation.

UOP	# of People	# of Hours	Total Hours	Coverision
Transformer - Pole	2.00	2.00	4.00	
Transformer - Padmount	2.00	3.00	6.00	
Wire - ft	2.00	2.00	4.00	200 ft per span
Cutout	2.00	1.00	2.00	
Pole	4.00	8.00	32.00	
Cable - Underground - ft	2.00	2.00	4.00	75 ft
Arrester	2.00	1.00	2.00	
Switchgear	4.00	8.00	32.00	
Luminaire	1.00	1.00	1.00	
Recloser	4.00	6.00	24.00	
Regulator	4.00	8.00	32.00	
Streetlight Pole	2.00	4.00	8.00	

Below is the total estimated DEF employee & labor burden cost (highlighted in yellow) and total estimated number of hours (DEF employee/Contractor – also highlighted in yellow) to install the units of property.

Summary of Capital Costs							
Distribution Capital Storm Estimate							
CAPITAL PROJECT							
Material Components:	Debby	Isaac	Hermine	Matthew	Irma	Total	
Capital Materials - Units of Property	\$ 261,667	\$ 20,835	\$ 261,178	\$ 300,197	\$ 2,917,499	\$ 3,761,376	
Capital Materials - Warehouse Burdens	\$ 26,167	\$ 2,084	\$ 26,118	\$ 30,020	\$ 291,750	\$ 376,138	
Working Stock materials	\$ 39,250	\$ 3,125	\$ 39,177	\$ 45,030	\$ 437,625	\$ 564,206	
Capital Materials - Units of Property incl Burdens	\$ 327,084	\$ 26,044	\$ 326,472	\$ 375,246	\$ 3,646,873	\$ 4,701,720	
Labor Components:							
Labor & Burdens to install Units of Property	\$ 399,362	\$ 37,228	\$ 412,737	\$ 748,331	\$ 7,753,275	\$ 9,350,933	
Contractor/Affiliate adder	\$ 243,054	\$ 22,657	\$ 231,029	\$ 418,877	\$ 4,248,752	\$ 5,164,369	
Overhead Allocation - applied to Labor only	\$ 79,872	\$ 7,446	\$ 107,919	\$ 190,932	\$ 2,261,726	\$ 2,647,895	
Fleet Loading - applied to Labor only	\$ 99,841	\$ 9,307	\$ 103,469	\$ 183,678	\$ 2,337,352	\$ 2,733,646	
Capital Labor on UOP incl Loading items	\$ 822,129	\$ 76,638	\$ 855,153	\$ 1,541,818	\$ 16,601,106	\$ 19,896,844	
Distribution Capital Cost	\$ 1,149,213	\$ 102,682	\$ 1,181,626	\$ 1,917,065	\$ 20,247,979	\$ 24,598,564	
A	Labor hours estimated	6,654	620	6,668	12,089	124,311	150,342

Duke Energy Transmission Response:

As discussed in Bryan Buckler’s testimony at page 14, lines 5-13, Transmission creates storm specific capital projects, where all applicable labor, Contractor costs, materials, and other costs

are charged to that project during restoration. This allows a clean and separate account of storm restoration O&M costs versus capitalized restoration costs, with minimal calculations needed. The hours analysis used to capitalize employee and contractor labor is not applicable for Transmission.

Below are the capitalized employee labor costs:

Irma

Row Labels	Sum of Monetary Amount JD
Regular Payroll	20,621

Debby

Row Labels	Sum of amount
Regular Payroll	166,566

93. Capitalized Cost. Refer to testimony of Bryan Buckler at page 16, lines 1-10. For each storm, provide the average number of hours necessary for DEF’s contractors to install by type of UOP and the number of line resources needed. Also, for each storm, provide the total hours necessary for DEF’s contractors to install UOP. Finally, in each response provide the associated contractor cost(s) capitalized.

Answer:

Duke Energy Distribution Response:

See DEF’s Response to question 92 – the table provided is the estimate for DEF Employees or Contractors for average number of hours to install a unit of property and number of resources. As stated in Bryan Buckler’s testimony page 16, lines 15-18 the Company is not able to determine with precision the portion of capital Distribution work completed by DEF employees versus contractors. Therefore, our calculation to install a unit of property starts with estimating DEF employee labor costs and then taking the net difference between our estimated Contractor costs and recording that as our “Contractor/Affiliate adder” as highlighted in yellow below.

Summary of Capital Costs							
Distribution Capital Storm Estimate							
CAPITAL PROJECT							
Material Components:	Debby	Isaac	Hermine	Matthew	Irma	Total	
Capital Materials - Units of Property	\$ 261,667	\$ 20,835	\$ 261,178	\$ 300,197	\$ 2,917,499	\$ 3,761,376	
Capital Materials - Warehouse Burdens	\$ 26,167	\$ 2,084	\$ 26,118	\$ 30,020	\$ 291,750	\$ 376,138	
Working Stock materials	\$ 39,250	\$ 3,125	\$ 39,177	\$ 45,030	\$ 437,625	\$ 564,206	
Capital Materials - Units of Property incl Burdens	\$ 327,084	\$ 26,044	\$ 326,472	\$ 375,246	\$ 3,646,873	\$ 4,701,720	
Labor Components:							
Labor & Burdens to install Units of Property	\$ 399,362	\$ 37,228	\$ 412,737	\$ 748,331	\$ 7,753,275	\$ 9,350,933	
Contractor/Affiliate adder	\$ 243,054	\$ 22,657	\$ 231,029	\$ 418,877	\$ 4,248,752	\$ 5,164,369	
Overhead Allocation - applied to Labor only	\$ 79,872	\$ 7,446	\$ 107,919	\$ 190,932	\$ 2,261,726	\$ 2,647,895	
Fleet Loading - applied to Labor only	\$ 99,841	\$ 9,307	\$ 103,469	\$ 183,678	\$ 2,337,352	\$ 2,733,646	
Capital Labor on UOP incl Loading items	\$ 822,129	\$ 76,638	\$ 855,153	\$ 1,541,818	\$ 16,601,106	\$ 19,896,844	
Distribution Capital Cost	\$ 1,149,213	\$ 102,682	\$ 1,181,626	\$ 1,917,065	\$ 20,247,979	\$ 24,598,564	
A	Labor hours estimated	6,654	620	6,668	12,089	124,311	150,342

Duke Energy Transmission Response:

As discussed in Bryan Buckler’s testimony at page 14, lines 5-13, Transmission creates storm specific capital projects, where all applicable labor, Contractor costs, materials, and other costs are charged to that project during restoration. This allows a clean and separate account of storm restoration O&M costs versus capitalized restoration costs, with minimal calculations needed. The hours analysis used to capitalize employee and contractor labor is not applicable for Transmission.

Below are the capitalized contractor costs:

Irma

Row Labels	Sum of Monetary Amount JD
Contractor Costs	3,787,320

Debby

Row Labels	Sum of amount
Contractor	93,702

94. Capitalized Cost. Refer to testimony of Bryan Buckler at page 13, lines 14-24 through page 16, line 24 and Exhibit BB-2. For each storm, provide a summary of capitalized costs by topic as discussed (e.g. - material, employee labor, contractors and Duke Energy Affiliate labor, etc.) showing whether or not the total matches the amount shown on Exhibit BB-2.

Answer:

Duke Energy Distribution Response:

Below is the summary of the estimated capital costs which tie to the BB-2 schedule – use yellow highlighted line to tie back to row 26 on each respective storm’s “Less: Capitalizable Costs” found in the BB-2.

Summary of Capital Costs							
Distribution Capital Storm Estimate							
CAPITAL PROJECT							
Material Components:	Debby	Isaac	Hermine	Matthew	Irma	Total	
Capital Materials - Units of Property	\$ 261,667	\$ 20,835	\$ 261,178	\$ 300,197	\$ 2,917,499	\$ 3,761,376	
Capital Materials - Warehouse Burdens	\$ 26,167	\$ 2,084	\$ 26,118	\$ 30,020	\$ 291,750	\$ 376,138	
Working Stock materials	\$ 39,250	\$ 3,125	\$ 39,177	\$ 45,030	\$ 437,625	\$ 564,206	
Capital Materials - Units of Property incl Burdens	\$ 327,084	\$ 26,044	\$ 326,472	\$ 375,246	\$ 3,646,873	\$ 4,701,720	
Labor Components:							
Labor & Burdens to install Units of Property	\$ 399,362	\$ 37,228	\$ 412,737	\$ 748,331	\$ 7,753,275	\$ 9,350,933	
Contractor/Affiliate adder	\$ 243,054	\$ 22,657	\$ 231,029	\$ 418,877	\$ 4,248,752	\$ 5,164,369	
Overhead Allocation - applied to Labor only	\$ 79,872	\$ 7,446	\$ 107,919	\$ 190,932	\$ 2,261,726	\$ 2,647,895	
Fleet Loading - applied to Labor only	\$ 99,841	\$ 9,307	\$ 103,469	\$ 183,678	\$ 2,337,352	\$ 2,733,646	
Capital Labor on UOP incl Loading items	\$ 822,129	\$ 76,638	\$ 855,153	\$ 1,541,818	\$ 16,601,106	\$ 19,896,844	
Distribution Capital Cost	\$ 1,149,213	\$ 102,682	\$ 1,181,626	\$ 1,917,065	\$ 20,247,979	\$ 24,598,564	

Duke Energy Transmission Response:

Below are the summarized capitalized costs:

Irma

Row Labels	Sum of Monetary Amount JD
Contractor Costs	3,787,320
Fleet Costs (Internal)	8,857
Labor Burdens/Incentives	12,305
Materials & Supplies	1,748,715
Other	0
Other Employee Expenses	579
Overhead Allocations	556,584
Overtime Payroll	7,838
Regular Payroll	20,621
Grand Total	6,142,820

Debby

Row Labels	Sum of amount
Contractor	93,702
Materials & Supplies	105,229
Other	137,008
Other Employee Expenses	1,864
Overhead Allocations	22,148
Regular Payroll	166,566
Grand Total	526,517

95. Recovery. Refer to the response to Citizens' Interrogatory No. 13. Explain how the response to this question is consistent with Rule 25-6.0143(1)(d) wherein it states "All costs charged to Account 228.1 are subject to review for prudence and reasonableness by the Commission."

Answer:

DEF agrees that the incremental costs DEF incurred and charged to the storm reserve as a result of Tropical Storms Debbie and Colin and Hurricanes Isaac, Hermine, and Matthew are "subject to review for prudence and reasonableness by the Commission" and DEF has presented those costs in its filings and supported those costs with its discovery responses. However, as discussed in DEF's response to Citizens' Interrogatory No. 13, DEF did not and does not believe that the terms of the Rule and the 2017 Second Revised and Restated Settlement Agreement require the Commission to identify the costs for each of those storms as specific issues in this docket; rather DEF is of the opinion that they can be subsumed within other issues. That said, if parties or staff propose specific issues on those topics, DEF will not object.

96. Contractors. Refer to the response to Citizens' Production of Documents No. 6. Based on the response and the inclusion of the listing identified as invoices over \$25,000 is this document offered as a reliable summary of all the invoices provided in response to POD No. 6? If not, explain the purpose of the listings provided as part of this response.

Answer:

Duke Energy Distribution Response:

The document does not represent all the invoices over \$25,000 for Distribution. This was due to the company still processing and paying invoices. The file attached, bearing Bates Numbers 20170272-DEF-OPC-ROG 4-96-0006 through 20170272-DEF-OPC-ROG 4-96-00021 reflects the complete listing of all invoices over \$25,000 for Distribution. The attachment is confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida Public Service Commission ("Commission") along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.

Duke Energy Transmission Response:

Transmission's list of invoices over \$25,000, supporting Citizens' Production of Documents No. 6, was produced in April 2018, at a time when costs were still being identified or accrued without invoices. After the May 2018 filing, Transmission updated the list. The list is attached as a response to this question. This list should supersede the list provided for POD No. 6. The attached list bears Bates Numbers 20170272-DEF-OPC-ROG 4-96-0001 through 20170272-DEF-OPC-ROG 4-96-0005. The attachment is

confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida Public Service Commission (“Commission”) along with DEF’s Notice of Intent to Request Confidential Classification dated February 7, 2019.

97. Contractors. Refer to the response to Citizens’ Interrogatory No. 43. Does the Company agree that the totals on the respective attachments can be verified by cross-referencing the amounts reflected on the corresponding lines of each of the respective pages 1-7 of Exhibit BB-2? If not, explain why not.

Answer:

Duke Energy Distribution Response:

Yes. Interrogatory 43 for Distribution will tie to the grouping “Contractor Costs” on Exhibit BB-2.

Duke Energy Transmission Response:

Transmission’s summary of costs (listing each invoice) by function, by contractor should agree to the totals listed as Contractor Costs on Exhibit BB-2.

98. Contractors. Refer to the response to Citizens’ Interrogatory No. 43. Explain why for several vendors the invoice amounts listed appear to be identical round amounts, and why the invoices often are exact fractions of the total amount billed. If this invoice breakdown is based on a contractual agreement the Company had with these vendors, explain when such agreement was reached, including whether it was before, during, or after the storm impacted the service territory.

Answer:

Due to the volume of invoices incurred from Irma, and the in-depth review of invoices for accuracy that would occur prior to payment in full of the final amount DEF determined to be appropriate, DEF offered pre-payment standards. This pre-payment offer was approved after the storm impacted the service territory in order to alleviate cash flow issues for the contractors supporting DEF’s unprecedented storm response. The following terms were communicated to the vendors:

- For all invoices \$100K and greater, DEF would permit the contractor to provide an initial invoice representing a set percentage of the contractor’s total invoice amount that DEF would approve for payment immediately;
- A second invoice for the remaining balance would then be submitted by the contractor and DEF would pay 90 days after receipt of all supporting documentation and the opportunity to review for consistency with the contract, accuracy, etc., as discussed herein.
- All invoices less than \$100K would be processed as normal

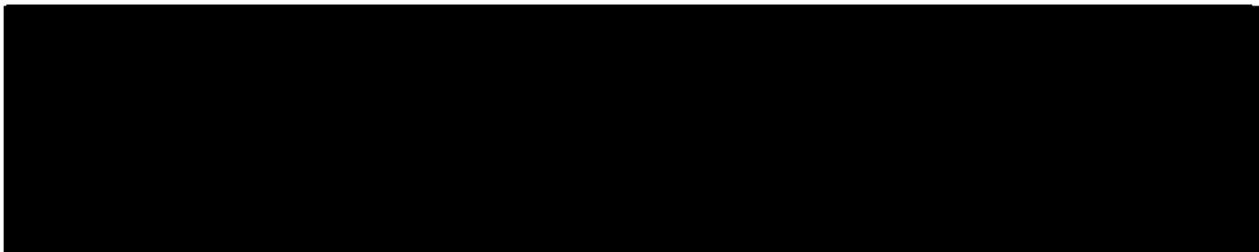
99. Contractors. Refer to the response to Citizens’ Interrogatory No. 43. Explain what vendors and/or costs totaling \$15,488,308 are included in the “Not Grouped” classification. Identify each vendor(s) for which the supporting documents were included in the response Citizens’ Production of Documents No. 6.

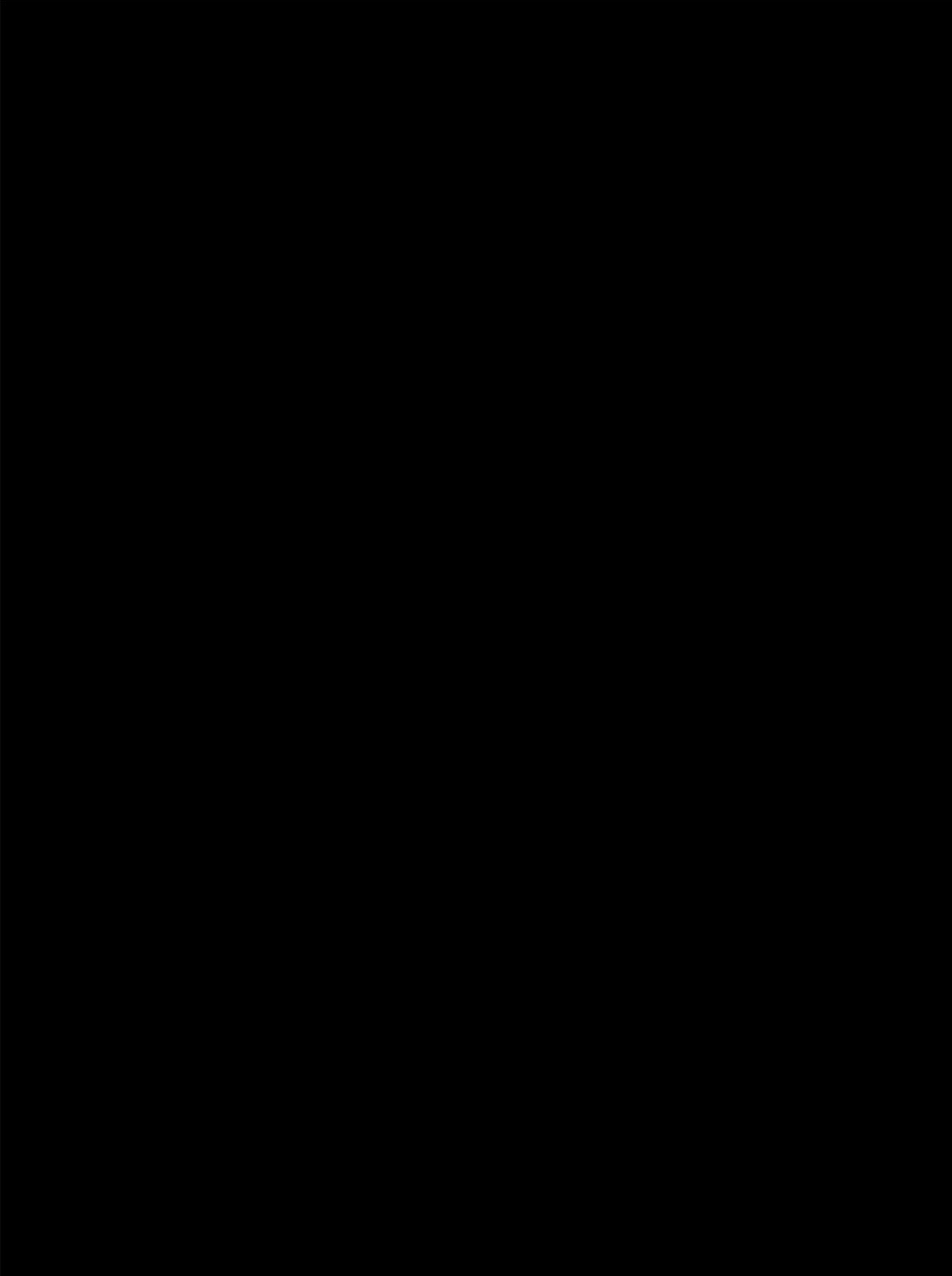
Answer:

Duke Energy Distribution Response:

Please see the attached documents bearing Bates Numbers 20170272-DEF-OPC-ROG 4-99-0000001 through 20170272-DEF-OPC-ROG 4-99-0000009. The attachments bearing Bates Numbers 20170272-DEF-OPC-ROG 4-99-0001 through 20170272-DEF-OPC-ROG 4-99-0000009 are confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida Public Service Commission (“Commission”) along with DEF’s Notice of Intent to Request Confidential Classification dated February 7, 2019. The remaining documents for this response will be provided at a later date.

100.







Answer:

Duke Energy Distribution Response:

There are 3 reasons why POD 6 and ROG 43 are different. First is that the POD 6 represented a point in time that was being used to pull invoices before we had processed all the invoices. Second, POD 6 reflects all \$25k *or greater* invoices regardless of the cost driver grouping that was used. ROG 43 requested *all invoices* (including ones less than \$25k) related to “Contractor Costs” which we took as our cost driver Contractors. We do have vendors that provided service during the storm, but their costs would have been picked up under Materials, Employee expenses (hotels, rental cars, etc.) and fleet. Third, POD 6 requested all invoices over \$25k and ROG 43 did not have that threshold and therefore all invoices were included. An updated list of all \$25k or greater invoices is attached. See the attachments bearing Bates Numbers 20170272-DEF-OPC-ROG 4-100-0001 through 20170272-DEF-OPC-ROG 4-100-000910. The attachments are confidential; a redacted slip sheet is attached hereto and unredacted copies have been filed with the Florida Public Service Commission (“Commission”) along with DEF’s Notice of Intent to Request Confidential Classification dated February 7, 2019.

Slipsheet - Question 67

Attachments bearing Bates Numbers 20170272-DEF-OPC-ROG 4-67-0001 through 20170272-DEF-OPC-ROG 4-67-000118 are confidential. Unredacted copies have been filed with the Commission along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.

Slipsheet - Question 84

Attachments bearing Bates Numbers 20170272-DEF-OPC-ROG 4-84-0001 through 20170272-DEF-OPC-ROG 4-84-0004 are confidential. Unredacted copies have been filed with the Commission along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.

Slipsheet - Question 96

Attachments bearing Bates Numbers 20170272-DEF-OPC-ROG 4-96-0001 through 20170272-DEF-OPC-ROG 4-96-00021 are confidential. Unredacted copies have been filed with the Commission along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.

Slipsheet - Question 99

Attachments bearing Bates Numbers 20170272-DEF-OPC-ROG 4-99-0001 through 20170272-DEF-OPC-ROG 4-99-000009 are confidential. Unredacted copies have been filed with the Commission along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.

Slipsheet - Question 100

Attachments bearing Bates Numbers 20170272-DEF-OPC-ROG 4-100-0001 through 20170272-DEF-OPC-ROG 4-100-000910 are confidential. Unredacted copies have been filed with the Commission along with DEF's Notice of Intent to Request Confidential Classification dated February 7, 2019.

AFFIDAVIT

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBERG

I hereby certify that on this _____ day of _____, 2019, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared BRYAN BUCKLER, who is personally known to me, and has acknowledged before me that he/she provided the answers to interrogatory number(s) 67 through 70, 72, 73, 77 through 81, 84 through 87, 90 through 100 of OPC'S FOURTH SET OF INTERROGATORIES TO DUKE ENERGY FLORIDA, LLC (NOS. 67-100) in Docket No. 20170272-EI, and that the responses are true and correct based on his/her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this _____ day of _____, 2019.

BRYAN BUCKLER

Notary Public
State of Florida, at Large

My Commission Expires:_____

AFFIDAVIT

STATE OF FLORIDA

COUNTY OF PINELLAS

I hereby certify that on this _____ day of _____, 2019, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared MARCIA OLIVIER, who is personally known to me, and he acknowledged before me that she provided the answers to interrogatory number(s) 71, 74, 75, 76, 82, 83, 88, and 89 of OPC'S FOURTH SET OF INTERROGATORIES TO DUKE ENERGY FLORIDA, LLC (NOS. 67-100) in Docket No. 20170272-EI, and that the responses are true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this _____ day of _____, 2019.

MARCIA OLIVIER

Notary Public
State of Florida, at Large

My Commission Expires:
