

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of revised tariff sheets for underground residential distribution service, by Tampa Electric Company. | DOCKET NO. 060299-EI
ORDER NO. PSC-06-0873-TRF-EI
ISSUED: October 23, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
J. TERRY DEASON
ISILIO ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW

ORDER APPROVING UNDERGROUND RESIDENTIAL DISTRIBUTION
TARIFF REVISIONS

BY THE COMMISSION:

Background

On March 31, 2006, Tampa Electric Company (TECO) filed a petition for approval of revisions to its underground residential distribution (URD) tariffs and their associated charges. These charges represent the additional costs TECO incurs to provide underground distribution service in place of overhead service, and are calculated as differentials between the cost of underground and overhead service. The URD tariff applies to residential developments such as subdivisions and townhouses. We suspended the tariff by Order No. PSC-06-0471-PCO-EI, issued June 5, 2006. On August 11, 2006, TECO filed a petition for approval of revised tariff sheets that included certain corrections.

Rule 25-6.078(2), Florida Administrative Code, requires investor-owned electric utilities to file updated URD charges for Commission approval at least every three years, or sooner if a utility's underground cost differential for the standard low-density subdivision varies from the last approved charge by 10 percent or more.¹ To comply with the three-year filing requirement of the rule, TECO filed this petition.

We have jurisdiction pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes.

¹ TECO's current URD charges were approved by Order No. PSC-03-0455-TRF-EI, issued April 2, 2003, in Docket No. 021118-EI, In re: Petition for approval of revised tariffs and updated charges for underground residential and commercial distribution service by Tampa Electric Company.

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Tariff

Costs for underground service have historically been higher than for standard overhead construction. The URD differential is paid by the customer as a contribution-in-aid-of-construction (CIAC). The URD tariffs provide standard charges for certain types of underground service, and apply to new residential developments such as subdivisions and townhouses.

TECO developed URD charges based on two model subdivisions: 1) a 210-lot low-density subdivision with a density of one or more, but less than six, dwelling units per acre; and 2) a 176-lot high-density subdivision with a density of six or more dwelling units per acre. All four of the largest investor-owned electric utilities use the same standardized model subdivisions to develop their URD charges.

As stated in Rule 25-6.078(1), Florida Administrative Code, the URD differential is developed by estimating the cost per lot of both underground service and overhead service. The differential is based on the utility's standard engineering and design practices. The difference between these numbers is the per-lot charge that customers must pay when they request underground service in lieu of standard overhead service. The costs of both underground and overhead service include the material and labor costs to provide primary, secondary, and service distribution lines, and transformers. The cost to provide overhead service also includes poles. The cost to provide underground service also includes the cost of trenching and backfilling. The utilities are required to use current cost data.

The following table shows TECO's current and proposed URD differentials:

Type of Subdivision	Current URD differential per lot	Proposed URD differential per lot	Percent Change
210-lot low density	\$392.25	\$581	+45%
176-lot high density	\$349.77	\$415	+18%

Low-Density Subdivision

TECO cited five reasons for the increase in the differential for the 210-lot low density subdivision: 1) the installation of an additional primary cable or phase to serve the subdivision; 2) the looping of all transformers; 3) the increase in the size of customer air-conditioning units from 3.0 to 3.5 tons; 4) increased material and labor costs; and 5) the cost of providing site preparation for pad-mounted equipment. Each of these are discussed in detail below.

Additional cable. The primary factor driving the increase in the low-density differential is the installation of an additional underground primary cable or phase to meet TECO's primary cable loading guidelines. Currently, all 210 lots in TECO's underground low-density design are served by one primary cable. However, there is a limit on how much load or power usage, measured in kilo-volt amperes (kVA), can be put on a cable. According to TECO's *Distribution*

Engineering Technical Manual, underground primary cable is limited to 800 kVA of connected transformer capacity. As discussed below, TECO has proposed to increase the size of the air-conditioning (AC) units and transformers, resulting in an increase in total connected kVA for the subdivision from 937 kVA to 1275 kVA. This increase in kVA exceeds TECO's primary cable loading guidelines and therefore requires a two-phase primary cable layout. Primary overhead cable is rated for a higher kVA. Therefore, the low-density overhead design does not require a second cable.

Transformer looping. The second factor driving the increase in both the low-density and high-density differential is the looping of all transformers. Utilities can use either a radial or a looped design. The load on a radial cable is fed from one direction. In the event of a cable failure, all customers fed by the cable will experience an outage. A looped cable, on the other hand, is fed from two different sources. In the event of a cable failure, customers continue to receive service from the second source. TECO's current low-density and high-density subdivisions incorporate both looped and radial designs. The customers served by a radial cable are mainly located in cul-de-sacs. Therefore, while a looped design may increase the cost of an underground installation, it provides increased reliability and better protection against lengthy outages.

During TECO's last URD tariff filing, our staff and TECO met to discuss our staff's concerns regarding TECO's use of a radial system to serve some customers in the low- and high-density subdivisions. TECO indicated at that time it would consider using a looped design for all customers in its designs in future URD filings.

Air-conditioner size. Third, TECO proposes to increase the assumption of the size of the customers' AC units from 3.0 to 3.5 tons in their low-density subdivision design. TECO states that a 3.5 ton AC unit is a more appropriate assumption given that houses in the low-density subdivision design are 2,000 square feet. Both Florida Power & Light Company and Progress Energy Florida use 3.5 ton AC units in their low-density subdivision design. Larger AC units require the use of larger transformers. Transformers are manufactured in standard sizes, such as 50 kVA or 75 kVA and utilities typically use a mix of different size transformers. While TECO did not increase the number of transformers (22), TECO proposed to use more of the larger-size transformers. This design change was made to both the overhead and underground low-density subdivision. However, since underground pad-mounted transformers are more expensive than standard overhead transformers, the differential will increase as a result.

New contract labor rate. Fourth, while overhead service work is done by company employees, TECO hires outside contractors for the underground service work. In February 2006, TECO signed a new contract for the trenching and installation of underground service lines (cable from padmount transformer to the house). The contractor labor rate increased from \$2.77/foot to \$4.47/foot. Contractor labor rates for primary and secondary trenching and conduit experienced only minor increases.

Site preparation. A final factor affecting the differential is the additional cost of providing site preparation for pad-mounted transformers. Currently, this work is the responsibility of the applicant (developer) and the cost is not included in the differential. However, developers

frequently ask TECO to prepare the site. Should the developer prepare the site, the developer will receive a refund for the cost. The low-density subdivision has 22 pad sites and the cost to prepare a pad site is \$180.18 or \$19 per lot. Since overhead construction does not require pad-mounted equipment, the differential will increase.

High-Density Subdivision

TECO's proposed high-density charge is \$415 per lot, an increase of 18.5% over the current charge of \$349.77. The increase in the high-density charge is attributed to the looping of all transformers, increased material and labor costs, and the inclusion of the cost of site preparation for pad-mounted equipment as discussed above. TECO has not proposed to increase the size of the AC units (2.5 ton) since the houses are smaller than in the low-density subdivision (1,250 square feet) or add a second phase, resulting in a smaller increase in the high-density charge.

In addition to the proposed changes discussed above, TECO proposed to revise its non-refundable deposit charges for CIAC estimates for new construction (except for residential subdivisions covered by the standard URD charges) and conversion of overhead facilities to underground. Since the current deposit charges have been in effect since 1999, TECO adjusted the charges for inflation that occurred between 1999 and 2006. The charges include engineering labor and vehicle rates and differ between urban and rural areas. TECO also proposed modifications to the charges and credits for customers requesting new underground service laterals from overhead distribution systems, and for the conversion of existing service laterals from overhead to underground.

Ruling

We have reviewed the proposed charges and accompanying work papers. Based on a review of the information provided, we believe the proposed charges are reasonable and hereby approve them effective October 3, 2006.

Based on the foregoing, it is

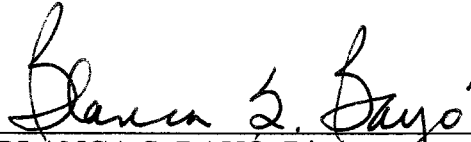
ORDERED by the Florida Public Service Commission that Tampa Electric Company's petition for approval of revisions to its underground residential distribution tariffs and their associated charges is approved. It is further

ORDERED that this Order shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that if a petition for formal proceeding is timely filed by a person whose substantial interests are affected by this decision, the tariff shall remain in effect, with any revenues held subject to refund, pending resolution of the protest. It is further

ORDERED that a petition for formal proceeding is not timely filed by a person whose substantial interests are affected by this decision, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 23rd day of October, 2006.



BLANCA S. BAYO, Director
Division of the Commission Clerk
and Administrative Services

(SEAL)

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 13, 2006.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.