

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petitions for approval of
revision to annual underground
residential distribution tariff
by Florida Power & Light
Company, Florida Power
Corporation, Tampa Electric
Company, and Gulf Power Company.

DOCKET NO. 970517-EI
ORDER NO. PSC-97-0844-FOF-EI
ISSUED: July 14, 1997

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA

ORDER APPROVING UNDERGROUND
RESIDENTIAL DISTRIBUTION TARIFFS

BY THE COMMISSION:

Florida Power Corporation (FPC), Florida Power & Light Company (FPL), Gulf Power Company (Gulf), and Tampa Electric Company (TECO) filed revised tariffs and charges concerning the installation of underground residential electric distribution facilities. Rule 25-6.078, Florida Administrative Code, requires that these charges be updated annually. The charges represent the additional costs associated with providing underground distribution service in place of standard overhead service. The proposed changes were accompanied by work papers explaining their derivations.

The underground residential distribution (URD) tariffs provide customers with standard charges for certain types of underground service. Each utility develops the basic charges based on the same three model subdivisions: a 210-lot low-density single-family home subdivision; a 176-lot high density subdivision served by individual meters; and a 176-lot high density mobile home subdivision served by ganged meters.

The differential rates for these situations are developed by estimating the cost per unit of both underground service and overhead service. The difference between these numbers is the per

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unit charge that customers must pay when they request underground service in lieu of standard overhead service. The estimates are based on each company's standard engineering and design practices, and incorporate company-wide material costs and labor rates. Table 1 below shows the proposed 1997 differentials.

TABLE 1

1997 UNDERGROUND PER LOT DIFFERENTIAL COSTS

RESIDENTIAL SUBDIVISIONS	FPC	FPL	TECO	GULF
Low Density	\$243	\$309	\$273	\$404
High Density Individual Meters	\$128	\$224	\$190	\$394
High Density Ganged Meters	\$6	\$22	N/A	N/A

Because TECO and Gulf do not install a large number of ganged meters in high density subdivisions, they have not developed a differential for this type of installation.

Tables 2, 3, and 4 show comparisons between the existing and proposed underground differentials for each subdivision type.

TABLE 2

1997 OVERHEAD VS. UNDERGROUND PER LOT COST DIFFERENTIALS

210-Lot Low-Density Subdivision	1996 Existing	1997 Proposed	Percent (%) Change
FPC	\$288	\$243	-15.63%
FPL	\$277	\$309	11.55%
TECO	\$251	\$273	8.76%
GULF	\$411	\$404	-1.70%

TABLE 3

1997 OVERHEAD VS. UNDERGROUND PER LOT COST DIFFERENTIALS

176-Lot High-Density Individual Meters	1996 Existing	1997 Proposed	Percent (%) Change
FPC	\$151	\$128	-15.23%
FPL	\$193	\$224	16.06%
TECO	\$195	\$190	-2.56%
GULF	\$429	\$394	-8.16%

TABLE 4

1997 OVERHEAD VS. UNDERGROUND PER LOT COST DIFFERENTIALS

176-Lot High-Density Ganged Meters	1996 Existing	1997 Proposed	Percent (%) Change
FPC	\$31	\$6	-80.65%
FPL	\$0	\$22	-

FPC claims that its differentials are decreasing from the prior year due to a change in the transformer arrestor used for underground service. The new arrestor resulted in an approximate \$22 decrease. FPC's cost for the primary lines it is using has decreased due to a decrease in price from the vendor.

According to FPL, its total cost for both overhead and underground service decreased. Overhead costs decreased more than underground costs, however, causing the cost differential to increase slightly. FPL states that the underground costs did not decrease as much as overhead costs because the conduit used to install underground facilities increased in cost due to general fluctuations in market prices. The use of conduit is only necessary in the installation of underground service and therefore is not a cost component of overhead service.

Gulf's analysis represents a discounted cash value. The analysis is a present worth cash flow over a 10 year build-out

period using a 3% escalation rate and a discount rate of 8.82%. The discount rate is Gulf's after-tax weighted average cost of capital. Approximately 30% construction is assumed in the first year with lower construction rates in the remaining years. Consequently, Gulf's proposed per lot tariff differentials are lower than they would be if 100% build-out in the first year was assumed. This accounts for the difference between the projected differential found in Gulf's schedules and the differential Gulf is proposing to charge. By Order No. PSC-96-1516-FOF-EI, we authorized Gulf to use this methodology.

	<u>1 Year</u> <u>Build-Out</u>	<u>10 Year</u> <u>Build-Out</u>
Proposed Low Density	\$ 608	\$ 404
Proposed High Density	\$ 567	\$ 394

In Order No. PSC-96-1516-FOF-EI, we also required an audit of Gulf's residential subdivisions. The audit was to include a review of the "as-built" drawings and work orders. The audit has not been completed because of the November 26, 1996, effective date of Gulf's present URD rates. We believe that at least a full year of experience is required for the audit to provide meaningful results. If there is a material and substantive finding in the final audit report, the Commission staff shall bring the matter before us for disposition.

We find that the proposed changes to the URD tariffs of FPC, FPL, Gulf, and TECO are appropriate, and we approve each of the revised URD tariffs. The revised URD tariffs of FPC, Gulf, and TECO shall be deemed effective as of the date of our approval, June 24, 1997. FPL's revised URD tariff shall become effective 30 days from the date of our approval.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the revised underground residential distribution tariffs filed by Florida Power Corporation, Florida Power & Light Company, Gulf Power Company, and Tampa Electric Company are approved. It is further

ORDERED that the revised underground residential distribution tariffs of Florida Power Corporation, Gulf Power Company, and Tampa Electric Company shall be deemed effective as of the date of our approval, June 24, 1997, and that Florida Power & Light Company's revised underground residential distribution tariff shall become effective 30 days from the date of our approval.

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ORDERED that any protest to the Commission's approval in this Order of the revised tariffs shall specify the utility or utilities to which the protest applies. It is further

ORDERED that if a protest is filed concerning the revised tariff of a specific utility or utilities and is made in accordance with the requirements set forth below, the protested tariff or tariffs shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 14th day of July, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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 action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 4, 1997.

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

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.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.