**FLORIDA PUBLIC SERVICE COMMISSION**

 **Capital Circle Office Center, 2540 Shumard Oak Boulevard**

 **Tallahassee, Florida 32399-0850**

 **M E M O R A N D U M**

 **AUGUST 6, 1997**

**TO: DIRECTOR OF RECORD AND REPORTING (BAYO)**

**FROM: DIVISION OF APPEALS (MOORE)**

**DIVISION OF ELECTRIC AND GAS (WHEELER, GOAD, BREMAN)**

**DIVISION OF RESEARCH & REGULATORY REVIEW (HEWITT)**

**RE: DOCKET NO. 960623-EI - PETITION TO INITIATE RULEMAKING TO AMEND RULE 25-6.078, F.A.C., SCHEDULE OF CHARGES, AND RULE 25-6.082, F.A.C., RECORDS AND REPORTS, BY FLORIDA POWER & LIGHT COMPANY, FLORIDA POWER CORPORATION, TAMPA ELECTRIC COMPANY, AND GULF POWER COMPANY**

**AGENDA: AUGUST 18, 1997 - REGULAR AGENDA - RULE PROPOSAL -
 INTERESTED PERSONS MAY PARTICIPATE**

**RULE STATUS: PROPOSAL MAY BE DEFERRED**

**SPECIAL INSTRUCTIONS: S:\PSC\APP\WP\960623EI.RCM**

 **CASE BACKGROUND**

This proposed rule amendment resulted from a joint petition to initiate rulemaking filed by the four major investor-owned electric utilities on May 21, 1996. The petition requested amendments to Rules 25-6.078(3) and 25-6.082(1) to allow the utilities to update their underground residential distribution tariffs every three years, instead of the existing requirement that they be updated every year. These tariffs contain standard one-time charges for new residential customers who request optional underground service, in lieu of the standard overhead service.

Following two staff workshops and discussions with the utilities, the staff is proposing the attached rule amendments. The proposed amendments will decrease utility filing requirements, and will decrease Commission and Commission staff workload, while insuring that any significant changes to the costs of underground service relative to overhead service will be reflected in the rates charged to ratepayers in a timely manner.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission propose changes to Rules 25-6.077, 25-6.078 and 25-6.082, F.A.C.?

**RECOMMENDATION:** Yes. The Commission should propose changes to Rules 25-6.077, 25-6.078 and 25-6.082, F.A.C. to change the requirement for filing annual updates to the underground residential distribution tariffs. The proposed change requires a full filing only once every three years, provided that an abbreviated filing made every year shows that the existing tariff would not change by more than 10 percent. The proposed changes also incorporate by reference Form PSC/EAG 13, which is used to file updates to the tariffs.

**STAFF ANALYSIS:** The rules that are proposed for amendment contain the requirements for filing updates to the investor-owned electric utilities underground residential distribution tariffs. These tariffs contain standard one-time charges for new residential customers who request optional underground service, in lieu of standard overhead service. The charges in the tariffs represent the estimated average difference in cost between underground and overhead service which must be paid by the customer.

Under the existing rules, the charges must be updated every year by the four major investor-owned utilities. This update entails the filing of extensive cost data and engineering analyses that develop and justify the proposed new rates for underground service. The joint petition filed by the four utilities had requested that the rule be amended to require updating of the underground differentials only every three years. The utilities stated that since the differential cost of underground service has been relatively stable for several years, it is not necessary to incur the time and expense of updating the charges every year. Staff recognized this benefit from the proposed change, but was also concerned that significant changes in the differentials due to technology change or other factors would not be reflected in rates as rapidly as under the existing rule.

The rule amendments proposed by staff would require that the utilities, by October 15 of each year, file an estimated differential, using updated labor and material costs, for the most frequently requested type of underground service. (Attachment 1) This filing would require substantially less analysis than the full filing which is now required annually. If the estimate of the differential for the low-density single family subdivision provided under the abbreviated filing varies from the existing tariffed differential by more than 10 percent (higher or lower), the utility would be required to file, by April 1 of the following year, the full filing as required by the existing rules. If this threshold is not exceeded, the utility would not be required to file for a tariff change. The rule amendment also requires that a full filing be made every three years, regardless of the estimated differential.

Staff believes that the proposed change to the filing requirements will be beneficial to staff, the utilities, and to ratepayers. The change will result in a reduction in the number of changes to the underground differential tariffs, with a resulting decrease in workload and filing expenses, as well as an increase in rate continuity for ratepayers. Staff also believes that the rule ensures that significant changes in the differential will be incorporated in the tariffs in a timely manner.

The proposed rule amendments also incorporate by reference Form PSC/EAG 13, which contains the format for the filing requirements contained in the rule. This form has been utilized by the utilities in the past, but was never formally incorporated in the rule. The remaining proposed rule amendments are not substantive, and merely clarify the existing rules.

The Division of Research and Regulatory Review determined that a Statement of Estimated Regulatory Costs is not necessary for the proposed rule changes. (Attachment 2)

**ISSUE 2:** If no requests for hearing or comments are filed, should the rule amendments as proposed be filed for adoption with the Secretary of State and the docket be closed?

**RECOMMENDATION:** Yes.

**STAFF ANALYSIS:** Unless comments or requests for hearing are filed, the rules as proposed may be filed with the Secretary of State without further Commission action. The docket may then be closed.

25‑6.077 Installation of Underground Distribution Systems Within New Subdivisions.

(1) When required. After acceptance by the utility of a proper application the utility shall define the geographical area described and entailed by said application a "Designated Underground Area." The utility shall design and install a suitable underground electric distribution system with sufficient capacity and suitable materials which, in its judgment, will assure that the applicant will receive reasonably safe and adequate electric service for the reasonably foreseeable future.

(2) Facilities required to be underground.

(a) All service, secondary, and primary distribution conductors with the possible exception of feeder mains shall be underground. Appurtenances such as transformers, pedestal mounted terminals, switching equipment, and meter cabinets may be placed above ground at the discretion of the utility.

(b) At the option of the applicant and subject to requirements of governmental authorities and Rule 25‑6.078, new feeder mains or portions thereof required to supply service within the subdivision, supply location distribution, or to serve spot loads may be either overhead or underground.

(3) Service connection. The service connection to the building will normally be at or near the part of the building nearest

the point at which the underground secondary electric supply is available to the property to be served. If the service connection point selected on any building requires the installation of a service lateral in excess of ~~seventy‑five (~~75~~)~~ feet, then the applicant may be required to pay for the service lateral and installation in excess of ~~seventy‑five (~~75~~)~~ feet in accordance with the utility's tariff rules and regulations on file with the Commission; except as provided under Rule 25‑6.078(6)~~(5)~~ herein.

Specific Authority: 366.05(1), F.S.

Law Implemented: 366.03, 366.04(6), 366.041(1)(4), 366.05(1), 366.06(1), F.S.

History: New 4/10/71, Amended 4/13/80, 2/12/84, formerly 25‑6.77, Amended .

25‑6.078 Schedule of Charges.

(1) Each utility shall file with the Commission ~~within 60 days of the applicability of this rule~~ a written policy that shall become a part of the utility's tariff rules and regulations. Such policy

shall be subject to review and approval of the Commission and shall include an Estimated Average Cost Differential, if any, and shall state ~~indicate~~ the basis upon which the utility will provide underground service and its method for recovering the difference in cost of an underground system and an equivalent overhead system

from the applicant at the time service is extended. The charges to the applicant shall be not more than the estimated difference in cost of an underground system and an equivalent overhead system.

(2) On or before October 15th of each year each utility shall file with the Commissions Division of Electric and Gas Form PSC/EAG 13, Schedule 1, using current material and labor costs. If the cost differential as calculated in Schedule 1 varies from the Commission-approved differential by plus or minus 10 percent or more, the utility shall file a written policy and supporting data and analyses as prescribed in sections (1), (3), and (4) of this rule on or before April 1 of the following year; however, each utility shall file a written policy and supporting data and analyses at least once every three years.

(3) Differences in operating and maintenance costs between underground and overhead systems, if any, may be taken into consideration in determining the overall Estimated Average Cost Differential.

(4)~~(3)~~ Detailed supporting data and analyses ~~study results~~ used to determine the Estimated Average Cost Differential for underground and overhead distribution systems shall be concurrently filed by the utility with the Commission and shall be updated ~~annually~~ using cost data developed from the most recent 12-month period. The utility shall record these data and analyses on Form PSC/EAG 13 ( / ). Form PSC/EAG 13, entitled Overhead/Underground

Residential Differential Cost Data is incorporated by reference into this rule and may be obtained from the Division of Electric and Gas, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 904/413-6700.

(5)~~(4)~~ ~~Subject to the provisions of Rule 25‑6.079(a),~~ S~~s~~ervice for a new multiple‑occupancy building shall be constructed underground within the property to be served to the point of delivery at or near the building by the utility at no charge to the applicant, provided the utility is free to construct its service extension or extensions in the most economical manner.

(6)~~(5)~~ The ~~method of~~ recovery~~ing~~ of the cost differential as filed by the utility and approved by the Commission may not be waived or refunded unless it is mutually agreed by the applicant and the utility that the applicant will perform certain work as defined in the utilitys tariff ~~do all of the trenching and backfilling~~, in which case the applicant shall receive a credit. ~~per trench foot for each foot of trenching and backfilling provided by him in accordance with provisions~~ Provision for the credit shall be set forth in the utility's tariff rules and regulations, and shall ~~such credit to~~ be no more in amount than the total charges applicable.

(7)~~(6)~~ The difference in cost as determined by the utility in accordance with its tariff shall be based on ~~reasonably~~ full use of the subdivision for building lots or multiple‑occupancy buildings.

If any given subdivision is designed to include large open areas, the utility or the applicant may refer the matter to the Commission for a special filing as provided under Rule 25‑6.083.

(8)~~(7)~~ The utility shall not be obligated to install any facilities within a subdivision until satisfactory arrangements for the construction of facilities and payment of applicable charges, if any, have been completed between the applicant and the utility by written agreement. A standard agreement form shall be filed with the company's tariff.

(9)~~(8)~~ Nothing herein contained shall be construed to prevent any utility from assuming all cost differential of providing underground distribution systems, provided, however, that such assumed cost differential shall not be chargeable to the general body of rate payers, and any such policy adopted by a utility shall have uniform application throughout its service area.

Specific Authority: 366.04(2)(f), 366.05(1), F.S.

Law Implemented: 366.03, 366.041(1)(4), 366.06(1), F.S.

History: New 4/10/71, Amended 4/13/80, 2/12/84, formerly 25‑6.78, Amended .

25‑6.082 Records and Reports.

(1) To insure the development and availability of appropriate data necessary to satisfy the ~~annual~~ reporting requirements of Rule

25‑6.078~~(2)~~ herein, each utility shall ~~will~~ ~~undertake to establish and~~ maintain separate records or sub‑accounts for underground distribution construction, operation and maintenance costs.

(2) Records shall also be maintained of experienced results obtained in the use of joint trenching, in such manner and detail as will afford an opportunity to evaluate the economies available using this practice.

Specific Authority 366.04(2)(f), 366.05(1), F.S.

Law Implemented: 366.03, 366.04(2)(a)(f), F.S.

History: New 4/10/71, formerly 25‑6.82, Amended .