BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petitions for approval of Underground Residential Distribution tariff revisions by Gulf Power Company and Tampa Electric Company.	DOCKET NO. 000392-EI ORDER NO. PSC-00-2389-TRF-EI ISSUED: December 13, 2000

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
E. LEON JACOBS, JR.
LILA A. JABER
BRAULIO L. BAEZ

ORDER APPROVING TARIFF MODIFICATION

BY THE COMMISSION:

CASE BACKGROUND

Rule 25-6.078, Florida Administrative Code, requires utilities to file updated underground residential distribution (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 differential by 10 percent or more. The URD charges represent the additional costs to provide underground service in place of standard overhead service. In order to determine whether or not the utilities are within the 10 percent threshold, each company is required to file overhead and underground costs for its low-density subdivision on Schedule 1, Form PSC/EAG 13 by October 15 of each year. If a utility's cost differential between its overhead and underground costs exceed the 10 percent threshold, the utility is required to submit a complete filing on or before April 1 of the following year. All four major investor-owned utilities have filed Schedule 1 showing their current URD low-density subdivision costs. Gulf Power Company (Gulf) and Tampa Electric Company (TECO) have not made a complete filing in three years, therefore, each submitted a complete filing by April 3, 2000. Florida Power & Light Company's and Florida Power Corporation's underground differentials did not change by 10 percent or more, therefore, they did not make a complete filing in April. Both Gulf's and TECO's proposed changes were accompanied by work papers explaining their derivation.

This Commission has jurisdiction to review TECO's and Gulf's tariff sheets under Sections 366.04(2)(f) and 366.05(1), Florida Statutes. By Order No. PSC-00-0987-PCO-EI, issued May 19, 2000, we suspended the tariffs to allow time for the Bureau of Regulatory Review (BRR) to complete its study, "Comparative Review of Underground Residential Distribution Tariff Differentials."

The underground residential distribution (URD) tariffs provide standard charges for certain types of underground service. The differential rates for these subdivisions are developed by estimating the cost per unit of both underground service and overhead service. The difference between these numbers is the per 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.

I. Tampa Electric Company's Proposed Changes

TECO, similar to all other major IOU's develops URD charges based on two model subdivisions: a 210-lot low-density single-family home subdivision and a 176-lot high density subdivision served by individual meters. The following table shows TECO's present and proposed URD differentials:

TABLE 1

	1997 Existing Differential	2000 Proposed Differential	Percent Change
210-Lot Low-Density Subdivision	$273	$278	+1.83%

176-Lot High Density Subdivision	$190	$217	+14.21%

Based on a review of the information provided, we find TECO's proposed charges to be reasonable, and therefore shall be approved. The effective date for TECO's residential underground tariff differentials shall be the date of our vote, November 28, 2000.

II. Gulf Power Company's Proposed Changes

Gulf, similar to all other major IOU's develops URD charges based on two model subdivisions: a 210-lot low-density single-family home subdivision and a 176-lot high density subdivision served by individual meters. The following table shows Gulf's present and proposed URD differentials:

TABLE 2

	1997 Existing Differential	2000 Proposed Differential	Percent Change
210-Lot Low-Density Subdivision	$404	$429	+6.18%
176-Lot High Density Subdivision	$394	$371	-5.84%

Order No. PSC-96-1516-FOF-EI, issued December 13, 1996, required a Commission staff audit of Gulf's underground tariff differentials based on concerns raised by staff during the evaluation of Gulf's previous petition in Docket No. 960325-EI. The Bureau of Regulatory Review (BRR) conducted a comparative review of Underground Residential Distribution differentials and published the results in June 2000.

Gulf's methodology for determining its URD differentials includes a Net Present Value (NPV) analysis which assumes a ten-year build out for developments. The effect of using a ten-year

NPV analysis is a reduction in the URD differentials of approximately 50 percent. BRR's "Comparative Review of Underground Residential Distribution Tariff Differential" states in part: "In the past Gulf has asserted that builders were taking, on average, ten years to build out developments. Staff's review indicated that many developments were in their second and third phase, and the time frame between phases appeared to be one to three years based on Gulf's print revisions."

Based on BRR's review of Gulf's actual build-out time frames, we believe that using the ten-year NPV analysis could significantly understate the actual costs to Gulf. After investigating our concerns with Gulf's high cost of construction and its ten-year NPV analysis, we believe the high costs are due to Gulf's construction standards and practices. Gulf believes its standards and practices are necessary to achieve high reliability and reduced outages on their underground systems. Gulf supported the continued use of a ten-year NPV analysis as a method to discount URD differentials to a level they believed were appropriate. Gulf did not provide any other justification for the continued use of the ten-year build out assumption or the ten-year NPV adjustment.

We believe it is appropriate, when practical, for URD customers to pay the actual costs associated with the service they receive, in order to avoid any subsidization from the general body of ratepayers. However, in this case, excluding the ten-year NPV adjustment would result in a significant increase to Gulf's URD differentials, as shown in Table 3.

TABLE 3

	2000 Proposed Differentials With NPV	2000 Differentials Without NPV	Percent Change
210-Lot Low-Density Subdivision	$429	$630	+46.9%

176-Lot High Density Subdivision	$371	$530	+42.9%

The rate shock that would result from excluding the NPV adjustment is excessive. In order to avoid these large increases in the URD differentials, we hereby approve Gulf's proposed URD differentials as filed. The appropriate effective date for Gulf's residential underground tariff differentials shall be the date of our vote, November 28, 2000.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's underground residential distribution tariff modification is hereby approved and shall be effective as of November 28, 2000. It is further

ORDERED that Gulf Power Company's underground residential distribution tariff modification is hereby approved and shall be effective as of November 28, 2000. It is further

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 13th day of December, 2000.

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

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 Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 3, 2001.

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.