



Public Service Commission

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COMMISSION CLERK

DATE: MARCH 6, 2003

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK &
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (DRAPER, BREMAN)
DIVISION OF COMPETITIVE MARKETS & ENFORCEMENT (YAMBOR)
OFFICE OF THE GENERAL COUNSEL (BRUBAKER)

DPW E&D
RTW
JOS
SP

RE: DOCKET NO. 021118-EI - PETITION FOR APPROVAL OF REVISED
TARIFFS AND UPDATED CHARGES FOR UNDERGROUND RESIDENTIAL
AND COMMERCIAL DISTRIBUTION SERVICE BY TAMPA ELECTRIC
COMPANY.

AGENDA: 03/18/2003 - REGULAR AGENDA - TARIFF FILING - INTERESTED
PERSONS MAY PARTICIPATE

CRITICAL DATES: 8-MONTH EFFECTIVE DATE: 07/01/2003

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\021118.RCM

CASE BACKGROUND

On November 1, 2002, Tampa Electric Company (TECO) filed a petition for approval of revisions to its underground residential and commercial distribution 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 underground residential distribution (URD) tariff applies to residential developments such as subdivisions and townhouses. The underground commercial distribution tariff applies to commercial developments that request the installation of underground distribution facilities.

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On December 26, 2002, TECO filed a revised petition that contained certain corrections and clarifications. By Order No. PSC-03-0027-PCO-EI, issued January 6, 2003, the Commission suspended TECO's proposed tariffs and charges to allow staff additional time to review the petition and to allow the company to submit additional documentation.

Rule 25-6.078, Florida Administrative Code, requires 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 URD charge by 10 percent or more. The Commission does not require specific tariffed underground charges for commercial customers. The utilities are further required to use current cost data.

TECO's current underground residential and commercial distribution charges were approved on December 13, 2000. See Order No. PSC-00-2389-TRF-EI, issued December 13, 2000, in Docket No. 000392-EI. To comply with the "10 percent or more" requirement of Rule 25-6.078, Florida Administrative Code, TECO filed the instant petition.

The Commission has jurisdiction over the subject matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve TECO's updated tariff sheets and charges associated with the installation of underground residential and commercial distribution facilities?

RECOMMENDATION: Yes. (Draper, Breman, Yambor)

STAFF ANALYSIS: Costs for underground electric service have historically been higher than for standard overhead construction. The additional cost to provide underground service is recovered through the URD differential paid by the customer as a contribution-in-aid-of-construction.

The URD tariffs provide standard charges for certain types of underground service. TECO develops 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 major investor-owned utilities use the same standardized model subdivision designs to develop URD differential charges.

The URD differential is developed by estimating the total cost per lot of both underground and overhead service, and is based on TECO's standard engineering and design practices. The difference between these numbers is the per-lot charge that customers 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 underground service also includes the cost of trenching, installing conduit, and backfilling. The material and labor costs are based on TECO's currently available data.

The following table shows TECO's present and proposed URD differentials for new residential subdivisions and developments:

Subdivision Type	Current URD differential per lot	Proposed URD differential per lot	Percent Change
Density of 1 or more but less than 6 dwelling units per acre (low-density)	\$278	\$392.25	41.10%
Density of 6 or more dwelling units per acre (high-density)	\$217	\$349.77	61.20%

As shown in the table above, the URD differential for the low-density subdivision increased from \$278 to \$392.25 per lot, and the URD differential for the high-density subdivision increased from \$217 to \$349.77 per lot.

A combination of factors affect the proposed URD differential for both the low- and high-density subdivisions. Labor and material costs vary from year to year, and some costs increase while others decrease. The differential increase for both types of subdivisions is mainly attributable to an increase in the contract labor rate for underground installations. TECO's contract with the company that installed its underground primary and secondary cables expired in 2002. TECO conducted a bid process to select a new contractor, and received several proposals. TECO states that it selected two contractors. In addition, TECO renegotiated the labor rate with its contractors who install underground service laterals.

In addition to an increase in the underground contract labor rate, TECO states that it inadvertently excluded the underground inspection costs from the calculation of the current high-density subdivision differential. TECO's inspectors supervise all work done by the contractors. The inclusion of these underground inspection costs further contributed to the increase in the high-density differential.

The Commission does not require specific tariffed underground differentials for commercial customers. When a commercial customer requests underground service, TECO provides a customer-specific estimate of the undergrounding costs. TECO's tariff contains the general rules and regulations regarding the installation of commercial underground distribution facilities. The only charge

applicable to commercial underground installations currently included in the tariff is the charge for new pad-mounted transformers. TECO is proposing, however, to discontinue including this charge in its tariff. TECO states that by not listing a tariffed charge, they can assess customers the most current transformer cost.

In addition to the proposed changes discussed above, TECO proposed modifications to the installation 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.

Radial vs looped design. Utilities can use either a radial or a looped design for the underground primary cable serving a subdivision. The load on a radial cable is fed from one direction. In the event of a cable failure, all customers fed by the cable may experience a lengthy outage. A looped cable, on the other hand, is fed from two different sources on the same circuit. In the event of a cable failure, customers continue to receive service from the second source. Therefore, while a looped design may increase the cost of an underground installation, it provides increased reliability and better protection against lengthy outages.

Staff notes that TECO's underground primary cable design for both the low- and high-density subdivisions incorporates both looped and radial designs. Specifically, in the low-density subdivision, 144 customers are served by a looped cable, while 66 customers are served by a radial cable. In the high-density subdivision, 130 customers are served by a looped cable, while 46 customers are served by a radial cable. The customers served by a radial cable are mainly located in cul-de-sacs.

Staff met with TECO to discuss its concerns regarding TECO's use of a radial system to serve some customers in the low- and high-density subdivisions. TECO stated that a looped design provides increased reliability, however, the increased costs do not justify its use in every instance. TECO further asserted that it currently provides a high degree of reliability. TECO also stated that the underground designs used to calculate the differentials represent the typical subdivisions served by TECO. However, TECO has seven service areas, and the engineering supervisors in each area have the discretion to modify the standard underground design to meet the needs of a specific subdivision. TECO indicated that

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they will consider using a looped design for all customers in its standard subdivision designs in future URD tariff filings.

Staff has reviewed the proposed charges and accompanying workpapers, and believes that they are reasonable. Based on its discussions with TECO, staff believes that TECO has adequately addressed staff's concerns regarding the use of a radial design for some customers in the low- and high-density subdivisions. Accordingly, staff believes that the proposed residential and commercial underground tariff sheets and charges should be approved.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If Issue 1 is approved, this tariff should become effective on March 18, 2003. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Draper, Brubaker)

STAFF ANALYSIS: If Issue 1 is approved, this tariff should become effective on March 18, 2003. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.