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DATE: AUGUST 7, 2003
TO: DIRECTOR, DIVISION OF THE COMMISSION ADMINISTRATIVE SERVICES (BAYÓ)
FROM: DIVISION OF ECONOMIC REGULATION (DRAPER, SLEMKEWICZ) OFFICE OF THE GENERAL COUNSEL (BROWN)
RE: DOCKET NO. 030571-EI - PETITION FOR APPROVAL OF MECHANISM FOR GOVERNMENTAL RECOVERY OF UNDERGROUNDING FEES, BY FLORIDA POWER & LIGHT COMPANY.
AGENDA: 08/19/2003 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE
CRITICAL DATES: 60-DAY SUSPENSION DATE: 08/23/2003
SPECIAL INSTRUCTIONS: NONE
FILE NAME AND LOCATION: S:\PSC\ECR\WP\030571.RCM

CASE BACKGROUND

On June 24, 2003, Florida Power & Light Company (FPL) filed a Petition for Approval of a Mechanism for Governmental Recovery of Undergrounding Fees. The proposed tariff provides local governments with an optional mechanism for the recovery of the costs of converting overhead electric service to underground service through a fee on FPL's electric bill.

The Commission approved a similar tariff for Progress Energy Florida in Order No. PSC-02-1629-TRF-EU, issued on November 25, 2002.

The Commission has jurisdiction over the subject matter pursuant to Sections 366.04 and 366.05(1), Florida Statutes.

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve FPL's proposed Mechanism for Governmental Recovery of Undergrounding Fees tariff?

RECOMMENDATION: Yes. (DRAPER, SLEMKEWICZ)

STAFF ANALYSIS: FPL's proposed Governmental Recovery of Undergrounding Fees tariff (underground tariff) is available to local governments (municipalities or counties) within FPL's service territory. The proposed underground tariff provides local governments with an optional procedure to recover their conversion costs from customers on whose behalf the conversion was made through a fee on the FPL electric bill.

In order to receive service under the proposed underground tariff, the local government must first comply with FPL's tariff Section 12.2 which outlines the terms and conditions for converting existing electric distribution facilities from overhead to underground service. In addition, the local government is responsible for establishing an Underground Assessment Area (UAA). The UAA is a geographic area that is used to identify customers who benefit from the underground conversion. Only customers in the UAA will be responsible for the conversion costs.

In addition to the conversion costs, customers in the UAA will be responsible for the computer programming costs FPL expects to incur. The programming costs include start-up costs such as the modification of the billing system to add a line item to the electric bill and the cost of identifying each account located in the UAA. These programming costs will be capped at the lesser of 10 percent of the conversion costs or \$50,000.

Finally, the local government has the option of adding additional costs related to the conversion project for recovery through the proposed tariff. These additional costs can include right-of-way acquisition and charges paid to an electrical contractor hired by the local government to convert customer-owned meters to receive underground service.

The local government is responsible for securing financing to pay the contracted conversion costs and the programming costs. After the conversion project is complete, FPL will determine an annual recovery amount the local government is eligible to receive

from FPL based on the contracted conversion costs, the programming costs, the number of years over which the costs will be recovered, and the interest rate applied. For example, a local government that pays FPL \$500,000 for a conversion project and wishes to recover its costs over 20 years, will be eligible to receive \$25,000 annually (excluding interest for this example).

The annual recovery amount will be calculated as a percentage of projected total electric revenues in the UAA. Based on the example provided above (\$25,000 annual recovery amount) and a UAA that is projected to generate \$400,000 in annual sales, the percentage is 6.25. The annual recovery amount, however, cannot exceed 15 percent of the projected revenues.

FPL will then determine the Governmental Underground Fee (fee), which represents the monthly conversion cost to each customer in the UAA. The fees collected from the customers in the UAA over a 12-month period are calculated to produce the annual recovery amount. Specifically, the percentage calculated in the above example, i.e., 6.25 percent, is applied to customers' bills. The proposed tariff provides limitations on the maximum fee customers can be assessed. The fee cannot exceed the lesser of (1) 15 percent of a customer's bill, or (2) a maximum amount of \$30 for residential customers and \$50 for each 6,000 kilowatt-hour increment of consumption for commercial/industrial customers. For example, a residential customer whose monthly electric bill is \$100 would pay no more than a \$15 fee.

This fee will be included as a separate line item in the customer's electric bill, and FPL will remit the fees collected to the local government within 60 days following the conclusion of each calendar year. Amounts collected through the fee will not be considered by FPL as revenues for any purpose, including the establishment of electric rates or the determination of any revenue sharing plan approved by the Commission.

The proposed underground tariff includes a mechanism for customer notification. At least 90 days prior to final implementation of the tariff, the local government must mail a notice to each electric customer located within the UAA stating its intention to recover the cost of the conversion project through a monthly fee.

The proposed tariff provides that FPL will not disconnect service to customers who do not pay the fee. FPL will provide to the local government on an annual basis a list of customers that failed to pay the fee for four consecutive months. It will be the local government's responsibility to take the appropriate collection action.

Conclusion

Staff recommends that the proposed underground tariff be approved. The optional tariff provides a reasonable way to facilitate a local government's ability to recover the substantial costs of providing underground service to customers within its boundaries.

The application of the proposed tariff does not appear to impact the general body of ratepayers. Customers in the UAA will be responsible for the administrative costs of the tariff.

For these reasons, staff recommends that FPL's proposed underground tariff be approved.

DOCKET NO. 030571-EI

DATE: August 7, 2003

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If Issue 1 is approved, this tariff should become effective on August 19, 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. (BROWN)

STAFF ANALYSIS: If Issue 1 is approved, this tariff should become effective on August 19, 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. At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.