

**ORIGINAL**

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**Subject:** E-Filing  
**Attachments:** storm hardening gulf comments.doc

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B. Docket no. 060172-EU  
 In RE: Proposed rules governing placement of new electric distribution facilities underground, and conversion of existing overhead distribution facilities to underground facilities, to address effects of extreme weather events.

and Docket no. 060173-EU  
 In RE: Proposed amendments to rules regarding overhead electric facilities to allow more stringent construction standards than required by National Electric Safety Code.

C. Gulf Power Company

D. Document consists of 3 pages

E. The attached document is Gulf's Post-Workshop Comments to Staff's May 19, 2006 Rule Development Workshop

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**ORIGINAL**

**Gulf Power Company**

**Post-Workshop Comments to Staff's May 19, 2006 Rule Development  
Workshop on Electric Utility Transmission and Distribution  
Facility Storm-Hardening  
(Docket Nos. 060172-EU and 060173-EU)**

**May 26, 2006**

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Purpose of Memorandum

The purpose of this Memorandum is to summarize Gulf Power Company's comments to Staff's May 19, 2006 Rule Development Workshop (Docket Nos. 060172-EU and 060173-EU).

**Section 25-6.034**

Gulf Power Company agrees with Staff that each utility's construction standards for new Transmission facilities should conform to the requirements of the National Electrical Safety Code (NESC) and that existing T&D facilities are covered by the version of the NESC at the time of construction. Gulf also agrees with the concept of adopting extreme wind loading for Distribution facilities in specific areas determined by the utility that would enhance reliability and reduce outages. The Commission should have access to review those standards.

**25-6.034(2)** - Due to the proprietary nature of a utility's standards, Gulf proposes that each utility certify to the Commission annually that its standards are in compliance with this rule. Transmission standards are prepared by voltage class and are contained in many volumes. It would be less of an administrative burden on the utility and the Commission to certify annually and make available any or all parts upon request. Suggested rule changes in 25-6.034(2) to facilitate this proposal include:

- Page 1, Line 15 of the May 19<sup>th</sup> draft rule – Add the words, “and by January 1 each year thereafter,” between the words “rule” and “each”.
- Page 1, Line 15 of the May 19<sup>th</sup> draft rule – Add the words, “certify to the Director of Economic Regulation that its construction standards are in compliance with this rule” between the words “shall” and “file”.
- Page 1, Line 15 of the May 19<sup>th</sup> draft rule – Delete all language starting with the word, “file” on Line 15 to the end of Section 25-6.034(2).

In the event the Commission desires to require the utilities to file their standards there are some concerns that need to be addressed. Transmission and Distribution standards are proprietary and must be kept confidential. Another area of concern is filing revisions as they occur. Standards by their nature are continually revised by page to incorporate code changes and improved construction techniques. Filing every change may become administratively burdensome to Staff and the utility. Gulf recommends that standards be re-filed in total on annual basis to eliminate this problem. Suggested rule changes in 25-6.034(2) to facilitate this proposal include:

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- Page 1, Line 16 of the May 19<sup>th</sup> draft rule – Following the word, “Regulation.”, add the words, “By January 15 each year, the utility shall file new copies of its construction standards with the Director of Economic Regulation together with a summary of all changes from the previous filing. All filings shall be considered proprietary and confidential and may only be reviewed at the Commission’s offices”.
- Page 1, Line 16 of the May 19<sup>th</sup> draft rule – Delete all language starting with the words, “In the event” to the end of Section 25-6.034(2).

Gulf also recommends that the requirement to provide copies to any person upon request and the ability to challenge the standards be removed.

**25-6.034(7)** - Add the word “distribution” between the words “utility’s” and “electric” in the title on Line 9, Page 3 of the May 19<sup>th</sup> draft rule.

**25-6.034(7)(a)** - Facilitating the re-wiring of customers service entrance and the resulting costs has not been addressed by the rule. There are significant costs to the customer and how or who will be responsible for them should be determined.

**25-6.034(7)(a)** - Add the words, “or public right-of-ways” after the word “easements” in Line 14, Page 3 of the May 19<sup>th</sup> draft rule.

#### **Cost Estimates – Transmission & Distribution**

Gulf estimated that Staff’s original proposal to replace all wood transmission poles with concrete or steel would take approximately \$300 million in today’s dollars. Assuming resources are available to complete the transmission upgrade work over a 10-year period, the annual incremental revenue requirement would be approximately \$4 million for each of the 10 years. The requirement to upgrade the entire distribution system to extreme wind loading criteria was estimated to take approximately \$487 million and a 30% increase in distribution capital budgets going forward. Assuming resources are available to complete the distribution upgrade work over a 10-year period, the annual incremental revenue requirement would be approximately \$7 million for each of the 10 years. The impact on revenue requirements related to the 30% increase in distribution capital budgets going forward is approximately \$2 million per year. Staff’s current proposed rule would result in minimal cost increases to transmission. There will be increased distribution costs associated with the upgrade of targeted areas but at this time no estimates have been prepared. As stated before, in general there will be a 30% increase in distribution capital costs for those projects.

#### **Section 25-6.0345**

Gulf Power has no comments on the suggested changes in Section 25-6.0345 at this time.

#### **Section 25-6.064**

Gulf Power reiterates its comments provided on May 3<sup>rd</sup>, as well as those made at the May 19<sup>th</sup> workshop, that revisions to the CIAC rule (Rule 25-6.064) and underground differential rules (Rule 25-6.078 and Rule 25-6.115) are not necessary parts of the proposed rule amendments. There is no specific relationship between proposed changes to the construction standards, placement of electric distribution facilities, safety standards, and third-party attachments rules (Rules 25-6.034 and 25-6.0345); and the CIAC/underground differential rules that result in the need to address the CIAC and underground differential rules at this time. The current CIAC and underground differential rules are not broken. Since

the FPSC Staff's stated objective with respect to CIAC and underground differential rules is merely to simplify (and not to change) those rules, there is no need to amend those rules at the same time that the "storm hardening" issues are addressed through this rulemaking process.

If it is determined that the CIAC rules and underground differential rules must be addressed now, then several specific modifications need to be made to the May 15<sup>th</sup> draft rule version which was the subject of the May 19<sup>th</sup> workshop. These include:

**25-6.064(2)** - The CIAC formula shown on page 8 of Attachment 1 handed out in the May 19<sup>th</sup> workshop, as modified by (2)(c) on page 9 and as explained in Attachment 2, leads to very different results than would the current rule. This is in conflict with the objective of "merely simplifying". This was discussed at length in the May 19<sup>th</sup> workshop, with "patches" suggested. Inconsistencies with the current rule center on (a) the "crediting" of revenues against underground costs, and (b) the exclusion of costs for transformer, service drop, and meter in determining cost of underground facilities.

**25-6.064(2)** - The revenue amounts used in the CIAC formula should describe base-rate revenue rather than "Non-fuel energy charge."

**25-6.064(2)(a)** - For (2) (a) on page 8 of the May 19<sup>th</sup> draft rule, the term "line extensions" should be replaced with the word "facilities." This change is consistent with changes proposed in paragraph (1) of that same draft version.

**25-6.064(2)(b)** - For (2) (b) on page 8 of the May 19<sup>th</sup> draft rule, change to "Costs for transformer, service drop and meter for new standard overhead installations shall be excluded."

**25-6.064(2)(c)** - For (2) (c) on page 9 of the May 19<sup>th</sup> draft rule, delete (c) entirely.

**25-6.064(3)** - For (3) on page 11 of the May 19<sup>th</sup> draft rule, retain the word "requiring" rather than change to "requesting" in order to be consistent with terminology used in (1) on page 8.

**25-6.064(6)** - For (6), on page 11 of the May 19<sup>th</sup> draft rule, end the first sentence with a period after the word "produce", and delete the remainder of the draft new language. The new proposed additions to this section are confusing since there is no relevant "4 year time frame" nor "estimated credit to the CIAC." Also, both utility and customer can appeal a disputed CIAC amount to the Commission under paragraph (10) on page 12.

### **Section 25-6.078**

Gulf Power has no comments on the suggested changes in Section 25-6.078 at this time.

### **Section 25-6.115**

**25-6.115(11)(b)** - For paragraph (11) (b) on page 18 of the May 19<sup>th</sup> draft rule, make the reference to the customer consistent using either the term "applicant" or "customer", but not both.