State of Florida

ORIGINAL

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-

DATE: June 5, 2006

TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director

FROM: Lawrence D. Harris, Senior Attorney, Office of the General Counsel

RE: Docket Numbers 060172-EU and 060173-EU

Attached are comments and proposed rule revisions filed by Progress Energy Florida to staff's May 19, 2006 rule development workshop.

060172 Progress revisions.ldh.doc
Attachment

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PART III

GENERAL MANAGEMENT REQUIREMENTS

25-6.034 Standard of Construction.

(1) Application and Scope. This rule is intended to define construction standards for all overhead and underground electrical transmission and distribution facilities to ensure the provision of adequate and reliable electric service for operational as well as emergency purposes. This rule applies to all electric utilities, including municipal electric utilities and rural electric cooperative utilities, unless otherwise specified. ~~The facilities of the utility shall be constructed, installed, maintained and operated in accordance with generally accepted engineering practices to assure, as far as is reasonably possible, continuity of service and uniformity in the quality of service furnished.~~

(2) Each utility shall establish and maintain construction standards for overhead and underground electrical transmission and distribution facilities that conform to the provisions of this rule. No later than 180 days after the effective date of this rule, each utility shall file five copies of its construction standards with the Director of Economic Regulation. In the event a utility subsequently modifies its construction standards, the utility shall file its revised standards annually, labeled to indicate the effective date of the new version, together with a type-and-strike annotated copy of the previous version showing the modifications. A copy of the utility's construction standards as filed with the Commission, including Attachment Standards and Procedures pursuant to subsection 8 of this rule, shall be made available by the utility for public inspection. Any challenge by a customer or applicant for service to the utility's filed construction standards shall be handled pursuant to Rule 25-22.032. ~~The Commission has reviewed the American National Standard Code for Electricity Metering, 6th edition, ANSI C-12, 1975, and the American National Standard Requirements, Terminology~~

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~~and Test Code for Instrument Transformers, ANSI 57.13, and has found them to contain reasonable standards of good practice. A utility that is in compliance with the applicable provisions of these publications, and any variations approved by the Commission, shall be deemed by the Commission to have facilities constructed and installed in accordance with generally accepted engineering practices.~~

(3) The facilities of each utility shall be constructed, installed, maintained and operated in accordance with generally accepted engineering practices to assure, as far as is reasonably possible, continuity of service and uniformity in the quality of service furnished.

(4) Each utility shall, at a minimum, comply with the applicable edition of the National Electrical Safety Code (ANSI C-2) [NESC].

(a) The Commission adopts and incorporates by reference the 2002 edition of the NESC, published August 1, 2001. A copy of the 2002 NESC, ISBN number 0-7381-2778-7, may be obtained from the Institute of Electric and Electronic Engineers, Inc. (IEEE).

(b) Electrical facilities constructed prior to the effective date of the 2002 edition of the NESC shall be governed by the applicable edition of the NESC in effect at the time of the initial construction.

(5) For the construction of distribution facilities, each utility shall, to the extent reasonably practical, cost effective, and feasible, adopt the extreme wind loading standards specified by Figure 250-2(d) of the 2002 edition of the NESC. As part of its construction standards, each utility shall establish guidelines and procedures governing the applicability and use of the extreme wind loading standards to enhance reliability and reduce restoration costs and outage times for each of the following types of construction:

(a) new construction;

(b) major planned work, including expansion, rebuild, or relocation of existing facilities, assigned on or after the effective date of this rule; and

(c) targeted critical infrastructure facilities and major thoroughfares taking into account political and geographical boundaries and other applicable operational considerations.

(6) For the construction of underground facilities and their supporting overhead facilities, each utility shall, to the extent reasonably practical,cost-effective, and feasible, establish guidelines and procedures to deter damage resulting from flooding and storm surges in areas designated as Surge Zones by the Department of Community Affairs, Division of Emergency Management.

(7) Location of the utility's electric facilities.

(a) For initial installation, expansion, rebuild, or relocation of overhead facilities, utilities shall use easements, public streets, roads and highways along which the utility has the legal right to occupy, and public lands and private property across which rights-of-way and easements have been provided by the applicant for service. To the extent practical, cost-effective, and feasible, facilities shall be placed in easements in front of the customer's premises adjacent to a public road for all new facilities and major upgrades or rebuilds affecting a customer or contiguous group of customers served by the same distribution line.

(b) For initial installation, expansion, rebuild, or relocation of underground facilities, the utility shall require the applicant for service to provide easements along the front edge of the property, unless the utility determines there is an operational, economic, or reliability benefit to use another location.

(c) For conversions of existing overhead facilities to underground facilities, the utility may, if the applicant for service is a local government that provides all necessary permits and meets the utility's legal, financial, and operational requirements, place facilities in road rights-of-way in lieu of requiring easements.

(8) As part of its construction standards, each utility shall establish and maintain written standards and procedures for attachments by others to the utility's electric transmission

or distribution poles (Attachment Standards and Procedures). Such Attachment Standards and Procedures shall meet or exceed the NESC and other applicable standards imposed by law so as to assure, as far as is reasonably possible, that third-party facilities attached to electric transmission and distribution poles do not impair electric system safety, adequacy, or reliability; do not exceed pole loading capacity; and are constructed, installed, maintained, and operated in accordance with generally accepted engineering practices for the utility's service territory. No attachment to an electric utility's transmission or distribution poles shall be made except in compliance with such utility's Attachment Standards and Procedures as filed with the Commission.

Specific Authority 350.127(2), 366.05(1) FS.

Law Implemented 366.04(2)(c), (5), (6), 366.05(1) FS.

History–Amended 7-29-69, 12-20-82, Formerly 25-6.34, Amended _____..

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25-6.0345 Safety Standards for Construction of New Transmission and Distribution Facilities.

(1) In compliance with Section 366.04(6)(b), F.S., 1991, the Commission adopts and incorporates by reference the 2002 edition of the National Electrical Safety Code (ANSI C-2), published August 1, 2001, as the applicable safety standards for transmission and distribution facilities subject to the Commission's safety jurisdiction. Each investor-owned ~~public~~ electric utility, rural electric cooperative, and municipal electric system shall comply with the standards in these provisions. Standards contained in the 2002 edition shall be applicable to new construction for which a work order number is assigned on or after the effective date of this rule.

(2) Each investor-owned ~~public~~ electric utility, rural electric cooperative and municipal electric utility shall report all completed electric work orders, whether completed by the utility or one of its contractors, at the end of each quarter of the year. The report shall be filed with the Director of the Commission's Division of Regulatory Compliance and Consumer Assistance ~~Auditing and Safety~~ no later than the 30th working day after the last day of the reporting quarter, and shall contain, at a minimum, the following information for each work order:

(a) Work order number/project/job;

(b) Brief title; and

(c) Estimated cost in dollars, rounded to nearest thousand.

(3) The quarterly report shall be filed in standard DBase or compatible format, DOS ASCII text, or hard copy, as follows:

(a) DBase Format

Field Name	Field Type	Digits
1. Work orders	Character	20

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2. Brief title	Character	30
3. Cost	Numeric	8
4. Location	Character	50
~~5. Kv~~	~~Numeric~~	~~5~~
~~6. Contiguous~~	~~Character~~	~~1~~

(b) DOS ASCII Text.

1. Columns shall be the same type and in the same order as listed under Field Names above.

2. A comma (,) shall be placed between data fields.

3. Character data fields shall be placed between quotation marks (". . .").

4. Numeric data fields shall be right justified.

5. Blank spaces shall be used to fill the data fields to the indicated number of digits.

(c) Hard Copy.

The following format is preferred, but not required:

Completed Electrical Work Orders For PSC Inspection

Work Order	Brief Title	Estimated Cost	Location	~~Kv Rating~~	~~Contiguous~~ ~~(y/n)~~

(4) In its quarterly report, each utility shall identify all transmission and distribution facilities subject to the Commission's safety jurisdiction, and shall certify to the Commission that they meet or exceed the applicable standards. Compliance inspections by the Commission shall be made on a random basis or as appropriate.

(5) As soon as practicable, but by the end of the next business day after it learns of the occurrence, each investor-owned electric ~~public~~ utility, rural electric cooperative, and

municipal electric utility shall (without admitting liability) report to the Commission any accident occurring in connection with any part of its transmission or distribution facilities which:

(a) Involves death or injury requiring hospitalization of nonutility persons; or

(b) Is significant from a safety standpoint in the judgment of the utility even though it is not required by paragraph (a).

(6) Each investor-owned electric ~~public~~ utility, rural electric cooperative, and municipal electric utility shall (without admitting liability) report each accident or malfunction, occurring in connection with any part of its transmission or distribution facilities, to the Commission within 30 days after it learns of the occurrence, provided the accident or malfunction:

(a) Involves damage to the property of others in an amount in excess of $5000; or

(b) Causes significant damage in the judgment of the utility to the utility's facilities.

(7) Unless requested by the Commission, reports are not required with respect to personal injury, death, or property damage resulting from vehicles striking poles or other utility property.

Specific Authority 350.127(2) FS.

Law Implemented 366.04(2)(f), (6) FS.

History–New 8-13-87, Amended 2-18-90, 11-10-93, 8-17-97, 7-16-02, Amended _____.

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PART IV

GENERAL SERVICE PROVISIONS

25-6.064 ~~Extension of Facilities;~~ Contribution in Aid of Construction: Installation of New or Upgraded Facilities

(1) ~~Purpose.~~ Application and scope: The purpose of this rule is to establish a uniform procedure by which investor-owned electric utilities ~~subject to this rule will~~ calculate amounts due as ~~contributions in aid of construction~~ contribution-in-aid-of-construction (CIAC) from customers who require new facilities, facilities other than standard installations, or for upgrades to existing facilities resulting from changes in the customer's demand on the system, ~~extensions of distribution facilities~~ in order to receive electric service, except as provided in Rule 25-6.078.

(2) ~~Applicability. This rule applies to all investor-owned electric utilities in Florida as defined in Section 366.02, F.S. Contributions in aid of construction~~ Contribution-in-aid-of-construction shall be calculated as set forth below:

CIAC	=	Cost of installing the facilities	-	4 x base nonfuel energy charge per kWh x expected incremental annual kWh sales over the new facilities	-	4 x expected annual base demand charge revenues from incremental sales over the new facilities

For the purposes of the above formula, costs are defined as follows:

(a) The cost of all new overhead and underground facilities shall be the total estimated work order job cost. In no case shall the revenue credits in the formula be greater than the cost of overhead facilities as defined in sections (a) and (b) herein.

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(b) There shall be no charge for the overhead transformer, service drop and meter for

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new, overhead installations.

(c) The total cost of installing new underground facilities shall be reduced by the cost of an overhead transformer, service drop and meter.

(d) The cost of upgrades to existing facilities shall be the total estimated work order job cost including any costs of removal less any salvage.

(e) For customers in rate classes that pay only energy charges, demand charge revenues shall be zero.

(f) Expected demand charge revenues and energy sales shall be based on an annual period ending not more than 5 years after the extension is placed in service.

~~(3) Definitions. Actual or estimated job cost means the actual cost of providing the specified line extension facilities, calculated after the extension is completed, or the estimated cost of providing the specified facilities before the extension is completed.~~

~~(4) In developing the policy for extending overhead distribution facilities to customers, the following formulas shall be used to determine the contribution in aid of construction owed by the customer.~~

~~(a) For customers in rate classes that pay only energy charges, i.e., those that do not pay demand charges, the CIAC shall be calculated as follows:~~

~~$CIAC_{eh}$~~	=	~~(Actual or estimated job cost for new poles and conductors and appropriate fixtures require to provide service, excluding transformers, service drops, and meters)~~	~~(4 x nonfuel energy charge per KWH x expected annual KWH sales over the new line facilities)~~

~~(b) For customers in rate classes that pay both energy charges and demand charges, the CIAC shall be calculated as follows:~~

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~~$CIAC_{oh}$~~	=	~~(Actual or estimated job cost for new poles and conductors and appropriate fixtures require to provide service, excluding transformers, service drops, and meters)~~	-	~~(4 x nonfuel energy charge per KWH x expected annual KWH sales over the new line)~~	-	~~(4 x expected annual demand charge revenues from sales over the new line)~~

~~(c) Expected demand charge revenues and energy sales shall be based on an annual period ending not more than five years after the extension is placed in service.~~

~~(5) In developing the policy for extending underground distribution facilities to customers, the following formula shall be used to determine the contribution in aid of construction.~~

~~$CIAC_{ug}$~~	=	~~(Estimated difference between the cost of providing the facilities distribution line extension, including not only the distribution line extension itself but also the transformer, the service drop, and other necessary fixtures, with underground facilities vs. the cost of providing service using overhead facilities)~~	-	~~$CIAC_{oh}$ (as above)~~

~~6) Nothing in this rule shall be construed as prohibiting a utility from collecting from a customer the total difference in cost for providing underground service instead of overhead service to that customer.~~

~~(7) In the event that amounts are collected for certain distribution facilities via the URD differential tariff as permitted by Rule 25-6.078, F.A.C., that would also be collected pursuant to this rule, the utility shall give an appropriate credit for such amounts collected via the URD differential tariff when calculating the line extension CIAC due pursuant to this rule.~~

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(3)~~(8)~~ Each utility shall apply the ~~above~~ formulas in subsection (2) of this rule uniformly to residential, commercial and industrial customers ~~requiring~~ requesting new or upgraded facilities at any voltage level ~~line extensions~~.

(4) The costs applied to the formula in subsection (2) shall be based on the requirements of Rule 25-6.034, Standards of Construction.

~~(9) Each utility shall calculate an appropriate CIAC for line extensions constructed to serve customers who receive service at the primary distribution voltage level and the transmission voltage level consistent with paragraphs (4), (5), and (6) of this rule. This CIAC shall be based on the actual or estimated cost of providing the extension less an appropriate credit.~~

(6)~~(10)~~ Each ~~The~~ utility shall use its best judgment in estimating the total amount of revenues and sales which new or upgraded facilities ~~each line extension is~~ are expected to produce in ~~the~~ a 4-year time frame commencing with the in-service date of the new or upgraded facilities ~~near future~~. If the amount of the estimated credit to the CIAC is disputed, at the customer's request, the utility shall true-up the CIAC collected using actual revenues based on available records at the end of the 4-year period over which the CIAC was estimated.

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(7)~~(11)~~ The utility may elect to waive ~~the line extension~~ all or any portion of the CIAC for customers, even when a CIAC is found to be applicable ~~owing~~. However, if the utility waives the CIAC, the utility shall reduce net plant in service as though the CIAC had been collected ~~Commission will reduce the utility's net plant in service by an equal amount for ratemaking purposes, as though the CIAC had been collected, except when the company's annual revenues from a customer are sufficient to offset the unpaid line extension CIAC under subsection (4) or (5)~~. Each utility shall maintain records of amounts waived and any subsequent changes that served to offset the CIAC.

(8)~~(12)~~ In cases where ~~larger developments~~ more customers than the initial applicant

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are expected to be served by the new or upgraded facilities ~~line extensions~~, the utility may elect to ~~may elect to~~ prorate the total ~~line extension~~ ~~costs and~~ CIAC's, ~~owed~~ over the number of customers the utility expects to be served by the new or upgraded facilities within a period not to exceed 3 years commencing with the in-service date of the new or upgraded facilities. The utility may require an advance equal to the full amount of the CIAC from the initial customer. As additional customers connect to the facilities subject to the CIAC, the utility shall collect from those customers a pro-rated CIAC, and credit that amount to the initial customer who paid the CIAC. In the event the projected growth in customers or usage does not materialize by the end of the 3-year period, the remaining CIAC shall be retained by the utility to offset the cost of the construction. The utility shall file a tariff outlining its policy for the proration of CIAC.

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(9)~~(13)~~ A detailed statement of its standard facilities extension and upgrade policy~~ies~~ shall be filed by each utility as part of its tariffs. ~~This policy~~ The tariffs shall have uniform application and shall be nondiscriminatory.

(10)~~(14)~~ If a utility and applicant are unable to agree ~~in regard to an extension~~ on the CIAC amount, either party may appeal to the Commission for a review.

Specific Authority 366.05(1), 350.127(2) FS.

Law Implemented 366.03, 366.05(1), 366.06(1) FS.

History–New 7-29-69, Amended 7-2-85, Formerly 25-6.64, Amended _____.

PEF Comments on Proposed Changes to Rule 25-6.064

Section 8 – PEF suggests that the word "shall" in line 2 be replaced with "may elect to". The actual implementation of this requirement is more complicated than it may at first appear. The Company does not currently have any automated way of tracking and associating new customers who come along after an initial installation to the initial customer. The company

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would need to build functionality into its systems and implement processes in order to track the initial CIAC payments and then any customers who are subsequently served by the same facilities. This could potentially be very costly and would probably require additional resources and may require significant time to implement.

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PART V

RULES FOR RESIDENTIAL ELECTRIC UNDERGROUND EXTENSIONS

25-6.078 Schedule of Charges.

(1) Each utility shall file with the Commission a written policy that shall become a part of the utility's tariff rules and regulations on the installation of underground facilities in new subdivisions. 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 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 not be more than the estimated difference in cost of an underground system and an equivalent overhead system.

(2) For the purposes of calculating the Estimated Average Cost Differential, cost estimates shall reflect the requirements of Rule 25-6.034, Standards of Construction.

(3)~~(2)~~ On or before October 15~~th~~ of each year each utility shall file with the Commission's Division of Economic Regulation Form PSC/ECR 13-E, 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 subsections (1), (~~4~~3) and (5~~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 3 ~~three~~ years.

(4)~~(3)~~ Differences in the estimated net present value of the total life cycle costs, including, estimated differences in storm restoration costs over the life of the facilities, between underground and overhead systems, if any, shall ~~may~~ be taken into consideration in determining the overall Estimated Average Cost Differential. Each utility will establish

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policies and procedures to estimate these differentials. The estimate of these differentials may differ on a case by case basis depending on the relevant factors of each situation. Each utility shall establish sufficient record keeping and accounting measures to support the assumptions used in the calculation of these estimates.

Deleted: separately identify storm related operating and maintenance costs for underground and overhead facilities.

(5)~~(4)~~ Detailed supporting data and analyses 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 using cost data developed from the most recent 12-month period. The utility shall record these data and analyses on Form PSC/ECR 13-E (10/97). Form PSC/ECR 13-E, entitled "Overhead/Underground Residential Differential Cost Data" is incorporated by reference into this rule and may be obtained from the Division of Economic Regulation, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, (850) 413-6900.

(6)~~(5)~~ Service 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. The applicant for such service shall be responsible for the difference in cost as determined by the utility between the installation of underground and overhead facilities.

Deleted: at no charge to the applicant, provided the utility is free to construct its service extension or extensions in the most economical manner.

(7)~~(6)~~ The recovery 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 utility's tariff, in which case the applicant shall receive a credit. Provision for the credit shall be set forth in the utility's tariff rules and regulations, and shall be no more in amount than the total charges applicable.

(8)~~(7)~~ The difference in cost as determined by the utility in accordance with its tariff shall be based on 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 ruling as provided under Rule 25-6.083, F.A.C.

(9)~~(8)~~ 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.

(10)~~(9)~~ Nothing herein contained shall be construed to prevent any utility from absorbing ~~assuming~~ all or any portion of the costs ~~differential~~ of providing underground distribution systems, provided, however, that such ~~assumed~~ costs in excess of a comparable overhead system ~~differential~~ shall not be chargeable to the general body of ratepayers, 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) FS.

Law Implemented 366.03, 366.04(1), (4), 366.04(2)(f), 366.06(1) FS.

History–New 4-10-71, Amended 4-13-80, 2-12-84, Formerly 25-6.78, Amended 10-29-97, _____.

PEF COMMENTS ON PROPOSED CHANGES

Section 4 – PEF has several concerns regarding Staff's proposed language in section 4:

- First, PEF does not have a breakdown of historical storm costs between underground and overhead. PEF could put processes in place to track this data in the future and include an adjustment in the calculation of the differential on a prospective basis.
- Secondly, even if this data were available, there are a number of factors that would need to be considered in determining how to use this data to predict differences in storm costs between overhead and underground in the future and how much of an adjustment is appropriate. For example, underground service in coastal communities could experience significant damage if subjected to storm surge and the utilities could

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incur significant capital and O&M costs to restore this service. The question of how much of an adjustment is appropriate is also complicated by the specifics of each underground situation. For example, even though service to a certain customer or group of customers may be underground, at some point this service is usually supported by overhead facilities. There could be one or two residences in a neighborhood with underground service versus an entire subdivision with underground service. There would probably be only minimal, if any, impact on restoration costs in those situations with only a few underground customers.

- For the reasons outlined above, PEF proposes that, any provision for an adjustment for storm restoration costs that is included in the final rule, needs to allow the utility the flexibility to develop policies and procedures for the calculation of the adjustment that takes these factors that have been identified here into consideration.
- PEF also has concerns about the inclusion of the difference in underground and overhead O&M costs in the calculation of the CIAC. As stated in PEF's previously filed comments on this provision, although there may be differences in the O&M costs between overhead and underground facilities, there are also differences in the life expectancy of the facilities. Underground facilities typically have a shorter life and maintenance that is required on underground facilities is often capital as facilities are replaced rather than repaired. Since the CIAC contribution is only made at the time of initial installation of the facilities, the general body of ratepayers bears the higher cost to replace these facilities. PEF proposes that if the final rule includes a requirement to include an adjustment for differences in O&M expenses, all of these factors need to be taken into consideration and the rule should provide for the differences in projected total costs over the life cycle of the assets.

Section (6) – The costs of installing underground facilities for multiple-occupancy

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buildings can be greater than the costs of overhead facilities. The economics vary depending on the number of units and design of the facilities. PEF suggests that when the costs of installation of underground is higher than overhead, the applicant should be required to pay CIAC on the difference. Otherwise these costs will be borne by the general body of ratepayers.

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PART VII

UNDERGROUND ELECTRIC DISTRIBUTION FACILITY CHARGES

25-6.115 Facility Charges for Conversion of Existing Overhead ~~Providing Underground Facilities of Public~~ Investor-owned Distribution Facilities ~~Excluding New Residential Subdivisions~~.

(1) Each ~~public~~ investor-owned utility shall file a tariff showing the non-refundable deposit amounts for standard applications addressing ~~new construction and~~ the conversion of existing overhead electric distribution facilities to underground facilities ~~excluding new residential subdivisions~~. The tariff shall include the general provisions and terms under which the public utility and applicant may enter into a contract for the purpose of ~~new construction or~~ converting~~sion of~~ existing overhead ~~electric~~ facilities to underground ~~electric~~ facilities. The non-refundable deposit amounts shall ~~approximate~~ be calculated in the same manner as the engineering costs for underground facilities serving each of the following scenarios: urban commercial, urban residential, rural residential, existing low-density single family home subdivision and existing high-density single family home subdivision service areas.

(2) For ~~the~~ purposes of this rule, the applicant is the person or entity seeking the undergrounding of existing overhead electric distribution facilities. In the instance where a local ordinance requires developers to install underground facilities, the developer who actually requests the construction for a specific location is ~~when a developer requests local government development approval, the local government shall not be~~ deemed the applicant for purposes of this rule.

(3) Nothing in the tariff shall prevent the applicant from constructing and installing all or a portion of the underground distribution facilities provided:

(a) sSuch work meets the investor-owned ~~public~~ utility's construction standards;

(b) t~~T~~he investor-owned ~~public~~ utility will own and maintain the completed distribution facilities; and

(c) sSuch agreement is not expected to cause the general body of ratepayers to incur ~~greater~~ costs in excess of the costs the utility would incur for the installation.

(4) Nothing in the tariff shall prevent the applicant from requesting a non-binding cost estimate which shall be provided to the applicant free of any charge or fee.

(5) Upon an applicant's request and payment of the deposit amount, an investor-owned ~~public~~ utility shall provide a binding cost estimate for providing underground electric service.

(6) An applicant shall have at least 180 days from the date the estimate is received, to enter into a contract with the public utility based on the binding cost estimate. The deposit amount shall be used to reduce the charge as indicated in subsection (7) only when the applicant enters into a contract with the public utility within 180 days from the date the estimate is received by the applicant, unless this period is extended by mutual agreement of the applicant and the utility.

(7) The charge paid by the applicant shall be the charge for the proposed underground facilities as indicated in subsection (8 ~~10~~) minus the charge for overhead facilities as indicated in subsection (9 ~~11~~) minus the non-refundable deposit amount. The applicant shall not be required to pay an additional amount which exceeds 10 percent of the binding cost estimate.

(8) For the purpose of this rule, the charge for the proposed underground facilities shall include:

(a) ~~T~~the estimated cost of construction of the underground distribution facilities including the construction cost of the underground service lateral(s) to the meter(s) of the customer(s); and

(b) ~~For conversions,~~ the estimated remaining net book value of the existing facilities

to be removed less the estimated net salvage value of the facilities to be removed.

(9) For the purpose of this rule, the charge for overhead facilities shall be the estimated construction cost to build new overhead facilities, including the service drop(s) to the meter(s) of the customer(s). Estimated construction costs shall be based on the requirements of Rule 25-6.034, Standards of Construction.

(10) An applicant ~~to a public utility for~~ requesting construction of underground distribution facilities under to this rule may ~~petition~~ challenge the utility's cost estimates ~~the Commission~~ pursuant to Rule 25-22.032, F.A.C.

(11) For the purposes of the computing the charges required in subsections (8) and (9):

(a) The utility shall include differences in the estimated net present value of the total life cycle costs, including estimated differences in storm restoration costs over the life of the facilities, between underground and overhead systems determining the overall Estimated Average Cost Differential. Each utility will establish policies and procedures to estimate these differentials. The estimate of these differentials may differ on a case by case basis depending on the relevant factors of each situation. Each utility shall establish sufficient record keeping and accounting measures to support the assumptions used in the calculation of these estimates.

Deleted: the net present value of operating and maintenance costs and the average historical storm restoration costs for comparable facilities over the expected life of the facilities.

(b) If the applicant chooses to construct or install all or a part of the requested facilities, all costs, including overhead assignments, avoided by utility due to the applicant assuming responsibility for construction shall be subtracted from the CIAC charged to the customer, or if the full CIAC has already been paid, credited to the customer. At no time will the CIAC be less than zero.

(12) Nothing herein contained shall be construed to prevent any utility from absorbing all or any portion of the cost of providing underground distribution systems, provided, however, that such costs in excess of a comparable overhead system shall not be chargeable to

the general body of ratepayers, and any such policy adopted by a utility shall have uniform application throughout its service area.

(1~~1~~3) Nothing in this rule shall be construed to grant any investor-owned electric utility any right, title or interest in real property owned by a local government.

Specific Authority 366.04, 366.05(1) FS.

Law Implemented 366.03, 366.04, 366.05 FS.

History–New 9-21-92, Amended

19 workshop2.ldh.doc

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

Staff Rule Development Workshop
Cost Estimates for Rule Changes
May 19, 2006

	Estimated Annual Incremental Costs Due to Rule Changes (2006 $'s)					
	Staff's Initial Draft		Staff's May 19 Draft		Company Alternatives	
25-6.034						
Comply with ANSI C-2 (Capital)	12,706,386	(1)	0		0	
Extreme Wind Loading (Poles < 60ft) (Capital)	216,716,865	(2)	1,955,129	(3)	1,955,129	(3)
Location of Utilities Electric Facilities (Capital)	114,241,380	(4)	0		0	
25-6.064						
True-up & Prorate Provisions (Capital)	1,510,250	(5)	0		0	
True-up & Prorate Provisions (non-Capital)	377,562	(6)	377,562	(6)	0	
Total Annual True-up & Prorate Provision Cost	1,887,812		377,562		0	

	Estimated Total Incremental Costs Due to Rule Changes (2006 $'s)					
	Staff's Initial Draft		Staff's May 19 Draft		Company Alternatives	
25-6.034						
Comply with ANSI C-2 (Capital)	127,063,865	(1)	0		0	
Extreme Wind Loading (Poles < 60ft) (Capital)	2,167,168,649	(2)	19,551,289	(3)	19,551,289	(3)
Location of Utilities Electric Facilities (Capital)	1,142,413,801	(4)	0		0	
25-6.064						
True-up & Prorate Provisions (Capital)	30,204,991	(5)	0		0	
True-up & Prorate Provisions (non-Capital)	7,551,240	(6)	7,551,240	(6)	0	
Total True-up & Prorate Provision Cost	37,756,231		7,551,240		0	

(1) Assumes upgrade all poles not meeting standard within 10 years of the order.
(2) Assumes would require changing out all poles within 10 yrs.
(3) Assumes targeted approach used. Actuals may differ significantly as targeting strategy is refined.
(4) Assumes would require moving all back lot facilities within 10 years of rule being implemented.
(5) CIAC shortfall due to not collecting all CIAC up-front. Assumes goes on in perpetuity with a 5% discount rate.
(6) Admistrative costs. Does not include any incremental IT costs which could vary greatly depending on intrepretation of the rule. Assumes goes on in perpetuity with a 5% discount rate.

Progress Energy Florida
Proposed Rulemaking 25-6.064
Interpretation of Rule Change - CIAC Formula Section (2)

The current formula provides for CIAC for the cost of new OH service less 4 X the expected annual base revenues. The formula for UG CIAC provides for the calculation of CIAC for UG service equal to the difference between the cost of the UG service and Oh service plus the CIAC for the OH service.

The new formula provides for UG CIAC to be calculated by reducing the cost of the UG service by the standard OH cost less 4 x the expected annual base revenues. Standard OH cost is not defined but is assumed to be only OH transformer, service drop and meter. OH CIAC in the new formula is calculated the same as the old rule.

The new rule needs to clearly indicate that UG is credited only for OH transformer, service drop & meter, not lateral line extension costs
The new rule needs to limit the revenue credit to a maximum of the OHD cost (excluding transformer, service drop & meter)

Examples: **Assumptions**	**PEF Recommend** UG CIAC 4x Rev Limited to OH CIAC OH CIAC = 0	**PEF Recommend** UG CIAC 4x Rev Limited to OH CIAC OH CIAC > 0	**As Written** UG CIAC 4x Rev not limited to OH using STD OH	**As Written** UG CIAC 4x Rev not limited to OH using Comparable OH
Total Cost of UG Service (includes Pad Mount trsfr, Service Drop & Meter)	$1,500	$1,500	$1,500	$1,500
Cost of OH Lateral Line Extension	$300	$300	$300	$300
Cost of OH Transformer, Service Drop & Meter = "Standard OH Cost"	100	100	100	100
Total Cost of OH Service = "Comparable OH Cost"	$400	$400	$400	$400
4 x Expected Annual Revenues (in 5 Year period)	$400	$200	$400	$400
Current Formula - Calculation of OH CIAC				
Cost of OH Lateral Line Extension	$300	$300	$300	$300
Less 4 Times Expected Revenues Over Next 5 Years	(400)	(200)	(400)	(400)
Equals OH CIAC (not less than zero)	$0	$100	$0	$0
Current Formula - Calculation of UG CIAC				
Total Cost of UG Service	$1,500	$1,500	$1,500	$1,500
Total Cost of OH Service (Comparable OH Cost)	(400)	(400)	(400)	(400)
Difference between Cost of OH & UG Service	1,100	1,100	1,100	1,100
Plus CIAC OH	$0	$100	$0	$0
Equals UG CIAC (not less than zero)	$1,100	$1,200	$1,100	$1,100
New Formula - Calculation of OH CIAC				
Cost of OH Lateral Line Extension	$300	$300	$300	$300
Less 4 Times Expected Revenues Over Next 5 Years	(400)	(200)	(400)	(400)
Equals OH CIAC (not less than zero)	$0	$100	$0	$0
New Formula - Calculation of UG CIAC				
Total Cost of UG Service	$1,500	$1,500	$1,500	$1,500
Cost of OH Tsfmr, Service Drop & Meter (Standard OH Cost)	(100)	(100)	(100)	(100)
Cost of OH Lateral Line Extension	-	-	-	(300)
Total Cost of Installing New UG Facilities	$1,400	$1,400	$1,400	$1,100
Less 4 x Expected Rev (limited to OH CIAC if indicated in column title)	(300)	(200)	(400)	(400)
Equals UG CIAC (not less than zero)	$1,100	$1,200	$1,000	$700
Difference UG Current vs. UG New Formula	**$0**	**$0**	**-$100**	**-$400**