

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
CLERK

-M-E-M-O-R-A-N-D-U-M-

DATE: April 12, 2007

TO: Commission Clerk (Cole)

FROM: Division of Economic Regulation (Baxter)
Office of the General Counsel (Holley)

Handwritten initials and signatures: LS, [unclear], [unclear], [unclear], [unclear]

RE: Docket No. 070040-EI – Petition for approval to amend Rate Schedules CS-1 and LS-1, by Progress Energy Florida, Inc.

AGENDA: 04/24/07 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 09/08/07 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\070040.RCM.DOC

Case Background

On January 11, 2007 Progress Energy Florida (PEF or company) filed a petition for Approval to Amend Rate Schedules SC-1 (Tariff Sheets 6.110 and 7.112) and LS-1 (Tariff Sheet 6.284). On March 2, 2007, the Commission issued Order No. PSC-07-0194-PCO-EI, suspending the proposed changes to PEF's Rate Schedules SC-1 and LS-1.

The proposed change to rate schedule SC-1 would alter the application of the reconnection of service charge for nonpayment of bills for accounts with lighting fixtures. The dollar amount of the charge would not change, but its application would expand from the present single charge per account basis to a multiple charges per lighting installation basis.

DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK

Docket No. 070040-EI
Date: April 12, 2007

The proposed change to rate schedule LS-1 would have restricted new lighting service taken after June 1, 2007, to PEF-owned, non-metered lighting and metered roadway lighting of federal, state, and local governments. PEF withdrew its requested change to rate schedule LS-1 on April 9, 2007.

The Commission has jurisdiction over these issues pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should PEF's petition to amend rate schedule SC-1 be approved?

Recommendation: Yes. Staff finds that the proposed change to the SC-1 rate schedule more equitably assigns reconnection costs to customers causing the expenses, and minimizes the amounts being shifted to other rate classes. PEF should notify its lighting customers in a mailing before the change in policy is implemented, and should also provide a sample calculation of the current and proposed reconnection charge amounts. (Baxter, Holley)

Staff Analysis: On January 11, 2007, PEF filed a petition to amend rate schedule SC-1. The rate schedule lists charges for activities such as initial connection of service to a premise and reconnection of service. PEF proposes to change the charges assessed for reconnection of service for accounts with lighting fixtures after disconnection for nonpayment of bills or violation of company or Commission rules. The present charges are \$40.00 per account for a reconnection during business hours (Monday-Friday, 7 A.M. to 7 P.M.) and \$50.00 for reconnection at any other time. PEF's proposed change would not alter the dollar amount of the charges, but would give the Company the option of assessing the charge for each lighting fixture on an account, rather than assessing a single reconnection charge per account.

In response to staff inquiries, PEF stated that the proposed change was due to the large number of lighting reconnections they had to perform and the costs incurred for the reconnections. According to PEF, the reconnections typically occurred on accounts with multiple lighting fixtures, such as lighting accounts from suburban homeowners associations and housing developments. PEF stated that they were reconnecting 3-4 accounts per week, with a total of 15-50 fixtures. Based on PEF's figures, the number of fixtures reconnected annually works out to a range between a minimum of 2,340 (3 x 15 x 52) fixtures and a maximum of 10,400 (4 x 50 x 52) fixtures. More precise figures were not available as PEF does not keep records of the exact number of lighting fixtures disconnected and reconnected. PEF incurred costs between \$56.68 and \$52.21 per fixture for disconnection and reconnection, with costs decreasing slightly as the number of fixtures reconnected for a particular account rose. Nearly 60% of the costs for disconnecting and reconnecting a fixture came from labor costs and the use of a bucket truck to remove and replace each fixture's light bulb. PEF stated that they removed the light bulb from light fixtures, instead of shutting off power to them, since street lighting is typically on the same lines and circuits that provide service to homes and businesses, and not on a discrete circuit of its own. A development of the service charge can be found in Attachment A to this recommendation with costs provided for sample reconnections with 10, 20, 30, 50 and 90 fixtures. The costs are similar to what PEF provided to the Commission in its last rate case.¹

PEF asserts that the Company is presently incurring annual costs between \$132,631 (\$56.68 x 2,340) and \$542,984 (\$52.21 x 10,400) for disconnection and reconnection of lights for nonpayment of bills. Under the present service charges, PEF is presently receiving revenues between \$6,240 (3 x 40 x 52) and \$8,320 (4 x 40 x 52) to cover those costs. PEF stated that the amount presently collected per account is closer to \$40 as PEF tries to schedule most of the

¹ See Order No. PSC-05-0945-S-EI, issued on September 28, 2005, in Docket No. 050078-EI, In Re: Petition for rate increase by Progress Energy Florida, Inc.

reconnection work during normal business hours. By subtracting present revenues from present costs, PEF is presently losing between \$126,391 and \$534,664 annually for disconnection and reconnection of lights due to nonpayment of bills. PEF's proposed amendment to rate schedule SC-1 would lower the Company's losses to between \$39,031 ($\$132,631 - (2,340 \times \$40)$) and \$126,984 ($\$542,984 - (10,400 \times \$40)$). PEF's proposed change to rate schedule SC-1 will lessen the losses that PEF is presently incurring.

Although the proposed change in the application of reconnection charges will result in increased charges to customers reconnecting, the increased cost is easy for a customer to avoid by simply paying their bill on time. Staff recommends approval of the proposed rate schedule since PEF's proposed change more equitably assigns costs for disconnecting and reconnecting light fixtures to the customers causing the expenses, and lessens the amounts being shifted to other rate classes and customers. Staff recommends that PEF notify its lighting customers in a mailing before the change in policy is implemented, and provide a sample calculation of the current and proposed reconnection charge amounts.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the revised Tariff Sheets Nos. 6.110 and 7.112 should become effective on June 1, 2007. PEF should notify its lighting customers in a mailing before the revised Tariff Sheets become effective, and also should provide a sample calculation of the current and proposed reconnection charge amounts. If a protest is filed within 21 days of the issuance of the order, the tariffs 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. (Holley)

Staff Analysis: If Issue 1 is approved, the revised Tariff Sheets Nos. 6.110 and 7.112 should become effective on June 1, 2007. PEF should notify its lighting customers in a mailing before the revised Tariff Sheets become effective, and also should provide a sample calculation of the current and proposed reconnection charge amounts. If a protest is filed within 21 days of the issuance of the order, the tariffs 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.

070040-EI

Attachment A

**Development of Costs By Progress Energy For Disconnection
and Reconnection of Lighting Fixtures**

Narrative and Supporting Notes

**Outdoor Lighting Service Charge:
Reconnect Service After Disconnection for Non-Payment (CONP):**

Two trips to the customer service location are needed to disconnect service for non-payment of a delinquent balance. Approximately half of all orders are automatically sent for disconnect without manual review. Customer Accounting Operations clerical personnel manually review the rest of the accounts that are eligible for collection activity and determine the collection action. With either process, if disconnection is deemed appropriate, an order is issued to field personnel. The field personnel are dispatched to the service location to disconnect the service. When the customer contacts the Company and makes the required payment and/or arrangements, a second order is dispatched to field personnel to restore service at the customer location. The majority of all orders are then completed through the Mobile Link System which updates the Customer Service System.

Line # - Derivation

- 1 - 0.08 hours administrative labor. Average time required to review delinquent lighting accounts.
\$30.78 hourly pay for administrative labor per 2006 Payroll Reports (Based on average for Supervisors for Customer Service/CAO)
- 3 - 0.08 hours for Customer Accounting Operations and Customer Service clerical labor. Amount of time provided by average time from CAO and Customer Service.
\$15.31 hourly pay for clerical labor per 2006 Payroll Reports. (Based on averages for clerical classifications in CAO/Customer Service).
- 4 - Average of 50 minutes per lighting fixture for field labor. Based on two field trips (25 minutes per trip) to site location and the amount of time to:
a. Drive between each lighting fixture
b. Property set up bucket truck
c. Install cones for traffic guidance
d. Put on appropriate safety gear
e. Climb in bucket and affix safety harness
f. Raise bucket to height of fixture
g. Replace existing photocell with shorting cap to effectively disconnect light
h. Return bucket to normal position
i. Return truck to normal driving state
j. Return cones to truck.

These items are repeated during the return trip to perform reconnection of service at each lighting facility, with the exception of item e. This step on the return trip would involve removing the shorting cap and replacing with a new photoelectric cell.
\$ 20.33 hourly pay for Lighting Technicians. Based on 2006 Bargaining Unit handbook for Lighting Technicians.
- 4a - 0.75 hours to travel twice to customer location. Information provided by prior CONP study.
- 6 - 59.60% payroll loading factor per Company Budgeting Policy and Procedures.
- 8 - \$18.27 hourly charge for bucket truck. Information provided by Fleet Services.
- 9 - Materials - Photoelectric Cell to disconnect light - cost \$2.65 per light.
- 11 - 15.00% for overhead and contingencies.

**Progress Energy Florida
 Docket No.070040-EI
 Summary of Cost per Light Fixture
 For Disconnect and Reconnect for Non-Payment**

<u>No. Lights</u>	<u>Total Cost</u>	<u>Cost Per Fixture</u>	<u>Cost @ \$40 Svc Charge</u>	<u>Diff \$40 vs. Avg Cost</u>
10 10 Lights	\$ 566.83	\$ 56.68	\$ 400.00	\$ (129.15)
20 20 Lights	\$ 1,083.72	\$ 54.19	\$ 800.00	\$ (258.29)
30 30 Lights	\$ 1,600.04	\$ 53.33	\$ 1,200.00	\$ (387.44)
50 50 Lights	\$ 2,633.25	\$ 52.67	\$ 2,000.00	\$ (645.74)
90 90 Lights	\$ 4,699.10	\$ 52.21	\$ 3,600.00	\$ (1,162.33)
40	Average Cost	\$ 52.91		

**Progress Energy Florida
Docket No.070040-EI
Summary of Cost per Light Fixture
For Disconnect and Reconnect for Non-Payment**

Input Assumptions:

Avg Field Labor per Light - disc/recon	50	Minutes
Travel Time - 2 Round Trips	45	Minutes
Administrative Labor	5	Minutes
Clerical Labor	5	Minutes
Administrative Labor Hourly Rate	\$ 30.78	
Clerical Labor Hourly Rate	\$ 15.31	
Bucket Truck - Hourly Charge	\$ 18.27	
Materials - Photoelectric cell	\$ 2.65	Per Light
Hourly Rate - Lighting Tech	\$ 20.33	
Payroll Loading Rate	59.600%	
General & Administrative Overhead	15.00%	

SCHEDULE E-7

DEVELOPMENT OF SERVICE CHARGES

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: Provide the calculation of the current cost of providing the services listed in Schedule E-13b. At a minimum, this documentation should include an estimate of all labor, transportation, customer accounting and overhead costs incurred in providing the service. Also provide a short narrative on the tasks involved in performing the service.

COMPANY: PROGRESS ENERGY FLORIDA, INC

DOCKET NO.: 070040-EI

Service Charge : Re-establishment of Service after Disconnect for Non-Payment - Outdoor Lighting

Line	Task Description	Units	Rate	Subtotal Costs	Total Costs	
1	Administrative Labor	Hours 0.08	\$ 30.78	\$ 2.48		Number of Lights: 10
2	Clerical Labor					
3	Customer Accounting	Hours 0.08	\$ 15.31	1.22		Field Labor per Light 50 Minutes
4	Field Labor - Lighting Tech	Hours 8.33	\$ 20.33	169.35		
4a	Labor - Travel Time	Hours 0.75	\$ 20.33	15.25		Travel Time Round Trip 45 Minutes
5	Subtotal Labor before Loading				\$ 188.28	
6	Payroll Loading (Line 5 * loading rate)		59.600%		112.22	
7	Total Labor				300.50	
8	Bucket Truck - Hourly Charge	Hours 9.08	\$ 18.27	165.89		
9	Materials	Lights 10	\$ 2.65	\$26.50		
10	Total Charges before Overhead				492.89	
11	Overhead @ 15% (Line 10 * 15%)		15.00%		73.93	
12	Total Cost of Providing Service				\$ 566.83	
13	Cost per Lighting Fixture				\$ 56.68	

SCHEDULE E-7

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COMPANY: PROGRESS ENERGY FLORIDA, INC

DOCKET NO.: 070040-EI

Service Charge : Re-establishment of Service after Disconnect for Non-Payment - Outdoor Lighting

Line	Task Description	Units	Rate	Subtotal Costs	Total Costs	
1	Administrative Labor	Hours 0.08	\$ 30.78	\$ 2.46		Number of Lights: 20
2	Clerical Labor					
3	Customer Accounting	Hours 0.08	\$ 15.31	1.22		Field Labor per Light 50 Minutes
4	Field Labor - Lighting Tech	Hours 16.67	\$ 20.33	338.90		
4a	Labor - Travel Time	Hours 0.75	\$ 20.33	15.25		Travel Time Round Trip 45 Minutes
5	Subtotal Labor before Loading				\$ 357.84	
6	Payroll Loading (Line 5 * loading rate)		59.600%		213.27	
7	Total Labor				571.11	
8	Bucket Truck - Hourly Charge	Hours 17.42	\$ 18.27	318.26		
9	Materials	Lights 20	\$ 2.85	\$53.00		
10	Total Charges before Overhead				942.37	
11	Overhead @ 15% (Line 10 * 15%)		15.00%		141.36	
12	Total Cost of Providing Service				\$ 1,083.72	
13	Cost per Lighting Fixture				\$ 54.19	

SCHEDULE E-7

DEVELOPMENT OF SERVICE CHARGES

FLORIDA PUBLIC SERVICE COMMISSION

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COMPANY: PROGRESS ENERGY FLORIDA, INC

DOCKET NO.: 070040-EI

Service Charge : Re-establishment of Service after Disconnect for Non-Payment - Outdoor Lighting

Line	Task Description	Units	Rate	Subtotal Costs	Total Costs	
1	Administrative Labor	Hours 0.08	\$ 30.78	\$ 2.46		Number of Lights: 30
2	Clerical Labor					
3	Customer Accounting	Hours 0.08	\$ 15.31	1.22		Field Labor per Light 50 Minutes
4	Field Labor - Lighting Tech	Hours 25.00	\$ 20.33	508.25		
4a	Labor - Travel Time	Hours 0.75	\$ 20.33	15.25		Travel Time Round Trip 45 Minutes
5	Subtotal Labor before Loading				\$ 527.18	
6	Payroll Loading (Line 5 * loading rate)		59.600%		314.20	
7	Total Labor				<u>841.39</u>	
8	Bucket Truck - Hourly Charge	Hours 25.75	\$ 18.27	470.45		
9	Materials	Lights 30	\$ 2.65	\$79.50		
10	Total Charges before Overhead				<u>1,391.34</u>	
11	Overhead @ 15% (Line 10 * 15%)		15.00%		208.70	
12	Total Cost of Providing Service				<u>\$ 1,600.04</u>	
13	Cost per Lighting Fixture				\$ 53.33	

SCHEDULE E-7

DEVELOPMENT OF SERVICE CHARGES

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COMPANY PROGRESS ENERGY FLORIDA, INC

DOCKET NO.: 070040-EI

Service Charge: Re-establishment of Service after Disconnect for Non-Payment - Outdoor Lighting

Line	Task Description	Units	Rate	Subtotal Costs	Total Costs	
1	Administrative Labor	Hours 0.08	\$ 30.78	\$ 2.46		Number of Lights: 50
2	Clerical Labor					
3	Customer Accounting	Hours 0.08	\$ 15.31	1.22		Field Labor per Light 50 Minutes
4	Field Labor - Lighting Tech	Hours 41.67	\$ 20.33	847.15		
4a	Labor - Travel Time	Hours 0.75	\$ 20.33	15.25		Travel Time Round Trip 45 Minutes
5	Subtotal Labor before Loading				\$ 866.09	
6	Payroll Loading (Line 5 * loading rate)		59.600%		516.19	
7	Total Labor				1,382.27	
8	Bucket Truck - Hourly Charge	Hours 42.42	\$ 18.27	775.01		
9	Materials	Lights 50	\$ 2.65	\$132.50		
10	Total Charges before Overhead				2,289.79	
11	Overhead @ 15% (Line 10 * 15%)		15.00%		343.47	
12	Total Cost of Providing Service				\$ 2,633.25	
13	Cost per Lighting Fixture				\$ 52.67	

SCHEDULE E-7

DEVELOPMENT OF SERVICE CHARGES

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COMPANY: PROGRESS ENERGY FLORIDA, INC

DOCKET NO.: 070040 EI

Service Charge : Re-establishment of Service after Disconnect for Non-Payment - Outdoor Lighting

Line	Task Description	Units	Rate	Subtotal Costs	Total Costs	
1	Administrative Labor	Hours 0.08	\$ 30.78	\$ 2.46		Number of Lights: 90
2	Clerical Labor					
3	Customer Accounting	Hours 0.08	\$ 15.31	1.22		Field Labor per Light 50 Minutes
4	Field Labor - Lighting Tech	Hours 75.00	\$ 20.33	1,524.75		
4a	Labor - Travel Time	Hours 0.75	\$ 20.33	15.25		Travel Time Round Trip 45 Minutes
5	Subtotal Labor before Loading				\$ 1,543.68	
6	Payroll Loading (Line 5 * loading rate)		59.600%		920.04	
7	Total Labor				2,463.72	
8	Bucket Truck - Hourly Charge	Hours 75.75	\$ 18.27	1,383.95		
9	Materials	Lights 90	\$ 2.65	\$238.50		
10	Total Charges before Overhead				4,086.17	
11	Overhead @ 15% (Line 10 * 15%)		15.00%		612.93	
12	Total Cost of Providing Service				\$ 4,699.10	
13	Cost per Lighting Fixture				\$ 52.21	