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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20230043-EI

Petition for approval of revised
underground residential distribution
tariffs, by Duke Energy Florida, LLC.
_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 7

COMMISSIONERS
PARTICIPATING: CHAIRMAN ANDREW GILES FAY
COMMISSIONER ART GRAHAM
COMMISSIONER GARY F. CLARK
COMMISSIONER MIKE LA ROSA
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Tuesday, August 1, 2023

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
112 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
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1 P R O C E E D I N G S

2 CHAIRMAN FAY: All right. Commissioners, we
3 are going to move next into items further
4 discussion. We will take up Item No. 7 first.
5 That will be presented about I Mr. Lang this
6 mornings.

7 Mr. Lang, when you are ready, you can present
8 the item.

9 MR. LANG: Good morning, Commissioners. I am
10 Bailey Lang with Commission staff.

11 Item 7 is Duke Energy Florida's petition for
12 approval of its proposed revised underground
13 residential distribution tariffs.

14 An oral modifications to this recommendation
15 has been provided to the Commission offices, and a
16 copy has been placed in the docket file.

17 These tariffs apply to residential
18 subdivisions and represent the additional costs, if
19 any, DEF incurs to provide underground distribution
20 service in place of overhead service.

21 Staff has reviewed this petition by DEF
22 proposing revised distribution tariffs, as well as
23 the utility's responses to staff's data requests.
24 Staff believes the proposed charges are cost-based,
25 and recommends approval of the tariffs as filed.

1 A representative in DEF is available to answer
2 any questions that you may have.

3 Thank you.

4 CHAIRMAN FAY: Great. Thank you, Mr. Lang.

5 All right. Commissioners, we will take up
6 questions on Item No. 7. I do have a few questions
7 for the utility on this item, fairly specific
8 questions, so, Mr. Bernier, if you want to defer,
9 or if you would like to give it a go, you are
10 welcome to do so.

11 I want to start on the explanation and the
12 information provided in the first data request from
13 staff that relates to the cost for the service
14 laterals up to 80 feet, and then beyond 80 feet.
15 So the rule obviously talks about the actual costs
16 being required to be presented in this item.

17 It appears, based on the filing, that after
18 80 feet, the utility is not charging any additional
19 cost to the customer for, I guess, all the way up
20 to 300 feet for a service lateral. I don't quite
21 understand how there could be no cost there. Is it
22 more an issue of the costs are higher for poles,
23 and so the differential is different, or is it the
24 utility has decided they are not going to have
25 additional cost beyond 80 feet?

1 MR. BERNIER: Thank you, Mr. Chairman. I am
2 going to take it your advice and punt to Mr.
3 McCabe. This is Bob McCabe, who is a distribution
4 planning manager.

5 CHAIRMAN FAY: Okay. Great, Mr. McCabe, just
6 make sure your light is on your mic so we can hear
7 you. There you go.

8 MR. McCABE: Thank you.

9 CHAIRMAN FAY: You are live. Go ahead.

10 MR. McCABE: Yes, you pretty much hit it
11 exactly spot on. We do a cost analysis to compare
12 our overhead costs versus our underground costs for
13 that footage between 80 and 300 feet, 81 and 300
14 feet, and the costs, when you have to install the
15 poles and the wire versus if you did underground,
16 the poles and overhead was, indeed, more expensive
17 than the additional footage underground, so the
18 differential between overhead and underground is
19 zero for the 81 to 300 feet.

20 CHAIRMAN FAY: Okay. And is that fairly
21 unusual, like, for these developments, specifically
22 the high density that you have, that extension
23 beyond 80 feet?

24 MR. McCABE: This is strictly related to the
25 single services from an existing source. So this

1 isn't necessarily applicable to the high density or
2 low density subdivisions. There are the single
3 service.

4 CHAIRMAN FAY: Okay. Great.

5 And then you also have some information in
6 here about the process for comparison of the labor
7 costs that go into these. So in staff's second
8 data request there is a response from the utility
9 that they ask about the evaluation of internally
10 doing some assessment as to using your own labor
11 cost.

12 I was surprised, based on the storm protection
13 plans, and knowing how much undergrounding is
14 occurring, that the utilities contracting out with
15 labor to do that. It does sound like it's sort a
16 unique skill set, and that's why historically that
17 labor has been used, but I guess a two-part
18 question. Why not train your own team to be able
19 to do that, your own workers to be able to do that,
20 or do you have of a plan, sort of long-term, where
21 maybe eventually those costs will align and it
22 would be worthwhile to do that?

23 MR. McCABE: We do have a group, our sourcing
24 group, that main -- keeps track of all those costs,
25 overhead costs, underground costs, what it would

1 take on an ongoing basis if Duke were to do that
2 work versus underground contractors. They monitor
3 our contracts and what our rates are that we pay.

4 That's a continuous ongoing process, and there
5 has not been a compelling scenario showing where it
6 would be worthwhile for Duke to ramp up all of the
7 equipment and labor that's needed to do that
8 underground work. It wouldn't be a cost-effective
9 thing at this point.

10 CHAIRMAN FAY: Okay. And do you also look
11 long-term for that, like, the obvious being that
12 there is a lot of underground that's occurring that
13 maybe, in the short-term, you don't have the skill
14 set or capital or equipment to do it, but long-term
15 would those costs potentially level out over time,
16 or do you still think it's because it's for
17 specific projects, it's still better to go out and
18 contract.

19 MR. McCABE: It's still better to go and
20 contract at this point, but then, again, we are
21 always watching.

22 If we do see a trend where it's going to
23 diverge and it might become more effective for Duke
24 to do that work, then we absolutely would look at
25 that. There just hasn't been a compelling --

1 anything compelling at this point to show that.

2 CHAIRMAN FAY: Okay. Great.

3 And then last question for you. The
4 differential in the high density component, from
5 what I understand, and you mentioned this, that's
6 essentially just a cost -- just hypothetical. So a
7 developer goes in in one of those high density
8 units, they have the cost differential assessed
9 because they choose to underground on each of
10 those. There is no impact directly to customers.
11 This would be something that a developer would be
12 paying, and not actual -- not actual homeowner,
13 correct?

14 MR. McCABE: That is correct. We bill the
15 developer directly.

16 CHAIRMAN FAY: Okay. Great.

17 I obviously don't -- you know, I don't know
18 about all the utilities, but I don't think I have
19 seen another one where the tariff has gone to zero
20 and then it's gone back up. I recognize the rule
21 states pretty the actual data is what drives this
22 cost differential, and so there is somewhat of a
23 limited ability to deviate from that. But I am
24 hopeful, as a utility -- really, the only utility
25 at this point that has differential, you will keep

1 looking as to ways to drive that cost down. I
2 think the Commission has talked a lot about how
3 important undergrounding is for safety of
4 customers, for reliability. I mean, it's just been
5 proven over and over again. And I hate to see that
6 differential thinking maybe a developer would
7 choose to do otherwise if they were coming in, but
8 I think maybe the market will prove otherwise. It
9 seems most neighborhoods and developments at this
10 point are undergrounding their lines.

11 So I am going to support this today. I don't
12 love it going up. I don't love that number, but
13 based on what the law requires, and the rule
14 requires, I think you have satisfied what's in
15 there. So thank you for your time in answering my
16 questions.

17 Commissioners, any other questions for --
18 commissioner Clark, you are recognized, and then we
19 will go to Commissioner La Rosa.

20 COMMISSIONER CLARK: Thank you, Mr. Chairman.
21 Just a follow-up.

22 And we were talking about the low density,
23 high density subdivisions, and comparing that to
24 just regular residential lots, where you would have
25 one transformer, one service. I notice those

1 numbers still remain pretty high, and you still
2 have a cost differential charge there as well. I
3 just wanted to point that out.

4 So when you are doing your low density
5 subdivisions and your high density calculations, is
6 that primarily because you are serving three houses
7 off of one transformer, four houses off of one
8 transformer as opposed to single transformer single
9 house services?

10 MR. McCABE: For the -- it's going to be lower
11 when it comes to a subdivision, just due to the
12 scale of laying everything out clean, and we can
13 get in there and just put in our stuff and leave;
14 whereas, when you have a single service, you are
15 mobilizing crews out there for one single service.
16 They are showing up, setting up, doing all -- doing
17 everything you have to do, trenching in that one
18 service and then leaving. So there is an economy
19 of scale there when it comes to that.

20 COMMISSIONER CLARK: Right. And I guess my
21 question would be, if you looked at the percentage
22 of new installations that your company is
23 installing, what would you say are high density,
24 low density versus single transformer service?
25 50-50, or how do those numbers work?

1 MR. McCABE: Low density compared to high
2 density, or compared to the single --

3 COMMISSIONER CLARK: No, compared to single
4 service.

5 MR. McCABE: I honestly do not have an answer
6 for that. I am not sure.

7 We do have a pretty substantial number of
8 single services, but if I had to guess, which it
9 would be pure speculation, I would say about
10 between 20, 30 percent maximum for single services.

11 COMMISSIONER CLARK: For single services?
12 Thank you.

13 CHAIRMAN FAY: Great.

14 Commissioner La Rosa.

15 COMMISSIONER LA ROSA: Thank you, Chairman.
16 And follow-up to the Chairman's question, when
17 undergrounding in a new construction development,
18 what I am hearing you say is that you guys hire a
19 third party for most of your trenching work and
20 undergrounding, and so forth.

21 Is there scenarios where you work with a
22 developer, or you use the developer's, you know,
23 site contractors and folks that are already there
24 mobilized on-site, pulling up ground, laying
25 sewage, you know, laying underground lines that are

1 obviously getting put in for the first time?

2 MR. McCABE: 100 percent. In fact, actually
3 in one of our previous filings, we set up the
4 differentials where a customer can choose to
5 provide and install conduit on their own without
6 Duke doing anything. We provide the layout, they
7 do all the work, and their differential remains at
8 zero if they choose do that. And that's for all
9 the different subdivisions, it will still be zero.

10 COMMISSIONER LA ROSA: Thank you. And just,
11 you know, kind of the tone of what we're talking
12 about, I don't like the fees going up either. What
13 I can't shake is the fact that, although, these
14 costs are being beared on by the developer, or a
15 contractor, at the end of the day the homeowner or
16 the tenant is going to pay for this somehow being
17 baked into the fees.

18 So I understand 100 percent, but that I can't
19 shake, but I am supportive of what's before us
20 today.

21 CHAIRMAN FAY: Great. All right.
22 Commissioners, any other questions? Commissioner
23 Passidomo? Commissioner Graham?

24 All right. With that, Commissioners we will
25 take up a motion on Item No. 7.

1 COMMISSIONER CLARK: Move staff recommendation
2 on Item No. 7, Mr. Chairman.

3 COMMISSIONER GRAHAM: Second.

4 CHAIRMAN FAY: Okay. We have a move staff
5 recommendation, including the oral modification,
6 for Item No. 7.

7 All that approve say aye.

8 (Chorus of ayes.)

9 CHAIRMAN FAY: Showing none opposed, Item No.
10 7 passes unanimously.

11 Thank you.

12 MR. BERNIER: Thank you.

13 (Agenda item concluded.)

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CERTIFICATE OF REPORTER


STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
time and place herein stated.

IT IS FURTHER CERTIFIED that I
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transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative,
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financially interested in the action.

DATED this 15th day of August, 2023.


DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024