

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Revision of tariffs on) DOCKET NO. 960325-EI
underground distribution) ORDER NO. PSC-96-1516-FOF-EI
differential costs for Florida) ISSUED: December 13, 1996
Power & Light Company, Florida)
Power Corporation, Gulf Power)
Company, and Tampa Electric)
Company.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING UNDERGROUND DISTRIBUTION
COSTS FOR GULF POWER COMPANY

BY THE COMMISSION:

On March 18, 1996, Gulf Power Company (Gulf) filed its Underground Distribution Differential Cost Report and tariff sheets. Thereafter, Gulf indicated to the Commission that it intended to revise the tariff sheets initially filed. On May 28, 1996, we issued Order PSC-96-0719-FOF-EI denying Gulf's updated tariff sheets.

On July 2, 1996, Gulf revised its underground residential distribution tariffs. Gulf's revisions reflect a change in the type of underground construction from a direct buried to a full duct system.

Gulf's calculation of its underground residential distribution charges is distinguishable from previous years. Gulf's new underground design uses cable in conduit for all primary, secondary and service conductors. Previously, Gulf's underground design proposed direct burial of conductors. Also, Gulf's differential will be adjusted based on a present value analysis.

In addition, Gulf provides reductions to the differential if the customer provides some of the trenching, duct, or duct installation. The new design matches the installation of underground distribution equipment to when the equipment is needed

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more efficiently. Gulf's direct burial design was installed when the developer requested service to the subdivision and paid the differential.

Gulf maintains that under an all cable in conduit design it can phase in the installation of the facilities as the facilities are needed. Also, Gulf indicates that cable damage is reduced by the use of conduit during construction. Consequently, operation and maintenance expenses are reduced.

Gulf's analysis indicates that, on average, it takes about 10 years for a subdivision in its service area to be completed. Based on this information, Gulf submitted a 10-year discounted cash flow analysis intending to show that it is more cost effective to install a cable in conduit system over time in lieu of installing the entire direct burial system up front.

The analysis assumes in the first year that only 30% of the system will be installed, with lower percentages of completion for each of the remaining years, and 100% build-out occurring in year 10. Gulf increased the costs of construction by an inflation rate of 3% over the ten-year period, and discounted the cash flow using Gulf's after-tax weighted average cost of capital of 8.82%.

Low density subdivisions and High density subdivisions have an underground cost of \$1,190.46 per lot and \$1,035.13 per lot, respectively. Consequently, the proposed tariffed differential cost is as follows:

	<u>Low Density</u>	<u>High Density</u>
Underground Cost:	\$1,190.46	\$1,035.13
Less Overhead Cost:	<u>\$ 779.47</u>	<u>\$ 605.74</u>
Differential Cost:	\$ 411.00	\$ 429.00

Included in the differential cost is a discounted cash flow analysis. The new cable in conduit design would result in a low density differential cost of \$620 per lot, and a high density differential cost of \$611 per lot, if Gulf did not account for a discounted cash flow.

Gulf maintains that if it utilized a direct burial system, the differentials would have been \$294 and \$315 for the low and high density designs, respectively. Thus, the customer under the proposed cable in conduit pays a higher differential cost. The current differentials are \$359 and \$280 per lot. As summarized below the current differential cost is:

	<u>Low Density</u>	<u>High Density</u>
Existing Tariff	\$359	\$280
Gulf Proposed Cable in Conduit	\$411	\$429
Updated Direct Burial Design	\$294	\$315

The cable in conduit design substantially increases the differential cost for both subdivision types.

Gulf, however, contends that the cable in conduit system is the most cost-effective over the long term. Specifically, Gulf argues that the ability to match construction with the need for facilities avoids situations where distribution equipment is installed and remains unused for several years.

We approve Gulf's revised underground residential distribution costs and find that the revised tariff shall be effective November 26, 1996. Gulf's actual costs for installing the new cable in conduit design shall be audited to determine whether the costs are consistent with the estimates used to develop the differential charges. The auditor will review the "as-built" drawings and work orders. Gulf must maintain records of O&M expenses at all residential subdivisions.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's updated tariff sheets and charges associated with the installation of underground electric distribution facilities is hereby approved. It is further

ORDERED that Gulf Power Company's actual cost for installing the new cable in conduit design shall be audited. It is further

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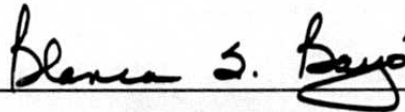
ORDERED that Gulf Power Company must maintain records of operating and maintenance expenses, as discussed in the body of the Order. It is further

ORDERED that Gulf Power Company's revised tariff is effective November 26, 1996. It is further

ORDERED that if a protest is filed in accordance with the requirement set forth below, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 13th day of December, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 3, 1997.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.