

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of contributions-in-aid-of-construction tariff revision, by Progress Energy Florida, Inc.

DOCKET NO. 070327-EI
ORDER NO. PSC-07-0605-TRF-EI
ISSUED: July 30, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
MATTHEW M. CARTER II
KATRINA J. McMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

ORDER APPROVING TARIFFS

BY THE COMMISSION:

Rule 25-6.064, Florida Administrative Code, requires investor-owned electric utilities to establish procedures by which the utilities calculate contribution-in-aid-of-construction (CIAC) amounts due from customers who request new or upgraded facilities in order to receive electric service. We recently revised Rule 25-6.064, Florida Administrative Code, and several other rules related to construction standards and the strengthening of the electric infrastructure.¹ The amendments to the rule include: (a) expanding the rule application to include upgrades to existing facilities as well as line extensions; (b) including transformer costs in the CIAC calculation; (c) requiring a true-up of the CIAC at a customer's request; and (d) requiring that the CIAC be prorated to future customers.

On May 18, 2007, Progress Energy Florida, Inc. (PEF) filed a petition seeking approval for CIAC tariff revisions to comply with the recent revisions to Rule 25-6.064, Florida Administrative Code. We have jurisdiction over this subject matter pursuant to Section 366.06, Florida Statutes.

PEF's proposed tariffs are intended to comply with the revisions to Rule 25-6.064, Florida Administrative Code. Because most of PEF's proposed tariffs simply copy the new rule language, they would normally be approved administratively by our staff. However, because PEF's proposed implementation of the CIAC proration expands and clarifies the rule language, the proposed tariff revisions require our explicit approval.

¹ See Order No. PSC-07-0043-FOF-EU, issued January 16, 2007, in 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.

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FPSC-COMMISSION CLEAR

Under the prior rules, if a line extension was required to serve a customer, the first customer to request the extension was responsible for the total cost of the extension pursuant to the CIAC formula, even if other customers later connected to the line. We revised this rule provision, and 25-6.064(6)(b), Florida Administrative Code, now states:

In cases where more customers than the initial applicant are expected to be served by the new or upgraded facilities, the utility shall prorate the total CIAC over the number of end-use customers expected 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 payment equal to the full amount of the CIAC from the initial customer. For the 3-year period following the in-service date, the utility shall collect from those customers a prorated share of the original CIAC amount, and credit that to the initial customer who paid CIAC. The utility shall file a tariff outlining its policy for the proration of CIAC.

The initial customer is responsible for paying the full CIAC upfront in order to obtain service. However, as new customers connect to the line pursuant to the provisions of Rule 25-6.064(6)(b), Florida Administrative Code, PEF must collect a share of the initial CIAC amount from each new customer and credit that amount to the initial customer. This process would continue for each new connection during a three year period from the in-service date of the facilities. At the end of that period, no further customers would be required to pay for the line extension and credits to the initial customer would cease.

PEF proposed to set a \$1,500 threshold of total CIAC paid in order for the applicable end-use customer to be eligible for a proration. End-use customers do not include developers or builders who actually do not take service at the location other than temporary service for construction. To support this tariff provision, PEF provided a table that shows the number of annual work orders for end-use customers that require CIAC and the corresponding CIAC amounts. The numbers are based on 2006 data.

Table 1

CIAC thresholds and corresponding work orders

<u>CIAC threshold</u>	<u>Annual number of work orders</u>
\$250	450
\$500	300
\$1,000	50
\$1,500	35
\$2,000	20

Based on the above table, 450 of PEF's work orders for the year 2006 required a CIAC of \$250 or higher.

PEF states that it has no automated system in place to track whether other customers will take service from the initial installed facilities within 3 years. Therefore, PEF will manually track this information. PEF states that an automated tracking system has an initial cost of \$1.4 million and \$0.5 million in ongoing annual costs. PEF states that the proposed \$1,500 threshold will allow for efficient and cost-effective administration of this rule requirement.

PEF's proposed tariffs also specify that the proration would only apply to customers that are served from the initial facilities by a service drop and meter, and not to customers requiring additional equipment. Customers requiring additional equipment for service (transformers, poles, conductors, etc.) are not considered part of the initial line extension and would be a separate CIAC calculation.

We believe that PEF's proposed proration threshold is reasonable and shall therefore be approved. PEF serves many large rural areas that are more likely to require an extension of facilities to serve new customers than a utility serving a predominantly urban area. We find that it is reasonable that the implementation of a CIAC proration results in some additional costs to the utility to administer the collections and refunds of CIAC because of the customer equity issue. We also find that PEF has shown that requiring a proration of all CIAC amounts, no matter how small, would create a significant administrative burden and that the \$1,500 threshold is reasonable since manual tracking is now required. However, PEF should strive to automate its proration system, and at the time of PEF's automation, we shall re-visit PEF's proration threshold. PEF shall inform our staff if and when PEF has an automated tracking system in place.


Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Progress Energy Florida, Inc.'s petition seeking approval of its CIAC tariff revisions is hereby approved. It is further

ORDERED that Progress Energy Florida, Inc.'s tariff shall become effective on July 10, 2007. It is further

ORDERED that if a protest is filed within 21 days of the issuance of our Order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket shall be closed upon the issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 30th day of July, 2007.



ANN COLE
Commission Clerk

(S E A L)

LAH

NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 20, 2007.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

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.