

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for revisions to underground residential differential, by Gulf Power Company.

DOCKET NO. 070242-EI
ORDER NO. PSC-07-0836-TRF-EI
ISSUED: October 16, 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:

Background

Rule 25-6.078, Florida Administrative Code (F.A.C.), defines electric investor-owned utilities' (IOU) responsibilities for filing Underground Residential Distribution (URD) tariffs. This rule requires IOUs to file updated URD charges for Commission approval at least every three years, or sooner if a utility's underground cost differential for the standard low-density subdivision varies from the last approved charge by 10 percent or more. The rule requires IOUs to file on or before October 15 of each year a schedule showing the increase or decrease in the differential for the standard low-density subdivision.

On October 12, 2006, Gulf Power Company (Gulf) notified us, pursuant to Rule 25-6.078, F.A.C., that its underground cost differential for the standard low-density subdivision varies from the last approved differential by 16.71 percent.¹ Gulf's current URD charges were approved in 2004.²

To comply with both the 3-year and the 10 percent filing requirement of the rule, Gulf filed a petition for our approval of revisions to its URD tariffs and their associated charges on April 2, 2007. The URD tariffs apply to new residential developments and represent the additional costs Gulf incurs to provide underground distribution service in place of overhead service. By Order No. PSC-07-0490-PCO-EI, issued on June 11, 2007, we suspended Gulf's

¹ Rule 25-6.078 was recently amended as part of our rulemaking proceedings to require electric utilities to strengthen Florida's electrical infrastructure. The amended rule became effective on February 1, 2007. However, because Gulf initiated this matter by its notification to us on October 12, 2006, the prior rule governs in this instance.

² See Order No. PSC-04-0669-TRF-EI, issued July 12, 2004, in Docket No. 040313, In re: Request for approval of 2004 underground residential cost report and revised tariff sheets by Gulf Power Company.

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proposed tariffs. On June 4 and on August 13, 2007, Gulf filed revised tariff sheets that included a correction in the calculation of the overhead estimate for the high-density subdivision. On June 4 and August 6, 2007, Gulf filed responses to our staff's data requests.

This Order addresses Gulf's revised URD tariffs and the associated charges. We have jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes.

Underground Residential Distribution (URD) Tariffs

The URD charges represent the additional costs Gulf incurs to provide underground distribution service in place of overhead service, and are calculated as differentials between the cost of underground and overhead service. Costs for underground service have historically been higher than for standard overhead construction. The URD differential is paid by the customer as a contribution-in-aid-of-construction (CIAC). Typically, the URD customer is the developer of the subdivision. The URD tariffs provide standard charges for certain types of underground service, and apply to new residential developments such as subdivisions and townhouses.

Gulf developed URD charges based on two model subdivisions: (1) a 210-lot low-density subdivision with a density of one or more, but less than six, dwelling units per acre; and (2) a 176-lot high-density subdivision with a density of six or more dwelling units per acre. All four of the largest investor-owned electric utilities use the same standardized model subdivisions to develop their URD charges. Gulf does not install underground service to subdivisions where service is provided using grouped meter pedestals (e.g., mobile home parks).

As stated in Rule 25-6.078(1), F.A.C., the URD differential is developed by estimating the cost per lot of both underground service and overhead service. The differential is based on the utility's standard engineering and design practices. The difference between these numbers is the per-lot charge that customers must pay when requesting underground service in lieu of standard overhead service. The costs of both underground and overhead service include the material and labor costs to provide primary, secondary, and service distribution lines, and transformers. The cost to provide overhead service also includes poles. The cost to provide underground service also includes the cost of trenching and backfilling. The utilities are required to use current cost data.

The following table shows Gulf's current and proposed URD differentials:

Type of Subdivision	Current URD differential per lot	Proposed URD differential per lot	Percent Change
210-lot low density	\$413	\$507	+23%
176-lot high density	\$363	\$397	+9%

The above per-lot charges apply if Gulf supplies and installs all equipment and materials. Gulf's URD tariff also provides for reduced URD charges if the customer chooses to supply and/or install the primary and secondary trench and duct system.

Gulf states that the overall increase in the URD differentials are due to increases in material and labor costs. Gulf proposed one design change, which reduces the differential.

Material Costs. Gulf states that material costs for transformers, conductors, and duct for the underground conductors have risen due to an increase in prices of steel, copper, aluminum, and other raw materials used in the manufacturing process. In addition, manufacturers' transportation costs have increased because of higher fuel costs. Gulf also states that mergers and acquisitions of manufactures and suppliers have limited the available supplier base.

The largest increase in the material costs occurred in the costs of transformers. Transformers are the most costly individual piece of equipment installed and impact the subdivision costs more than any other single piece of equipment. Gulf's transformer costs have increased by over 60 percent since 2004. Gulf states that Southern Company uses a competitive bid process to ensure Gulf obtains the lowest pricing available. Attachment A summarizes the number of transformers used and the cost associated with each transformer size. Transformer sizes are measured as kilovolt amperes (kva). The number of transformers and customers per transformer vary among the IOUs.

Labor Costs. Gulf uses company employees for its overhead construction and contractors for its underground construction and tree trimming. Gulf's labor rates are adjusted annually. Some factors that are taken into consideration are employee pay and benefits, as well as transportation costs. The increase in labor rates was primarily due to the transportation component, especially fuel costs.

Design changes. Attachment B shows Gulf's overhead and underground design assumptions. Each IOU has its own engineering and design philosophy for constructing the standard URD subdivision, which impacts costs and, thus, the URD differential. For both low- and high-density subdivisions, Gulf has always designed its subdivisions using front-lot construction. Differences in air conditioning and heat strip assumptions among the IOUs are a result of temperature differences within geographic areas. For instance, Gulf uses 10 kW heat strips in its overhead and underground design, while Florida Power & Light Company (FPL) uses 5 kW heat strips. The number of transformers used in the subdivision and loading criteria also vary among the IOUs.

Gulf proposed one change to the overhead design for both the low and high-density subdivision. Gulf's current standard overhead design provides for one spool rack to connect the neutral service wire to the transformer. However, during the past hurricane seasons, Gulf found that installing three spool racks (one for each conductor) adds strength to the connection between the transformer and service wire. Gulf, therefore, proposed to include two additional spool racks in its overhead URD design. This design change results in an increase in the overhead cost per lot of \$15.40 for the low-density subdivision and of \$12.81 for the high-density subdivision.

This increase in overhead costs decreases the URD differential. Gulf proposed no changes to the underground designs.

Finally, Gulf's tariff includes charges that apply when an applicant requests a three-phase lift station for sewage in a new residential subdivision. Gulf proposed to update those charges to reflect current material costs.

Conclusion. Having reviewed the proposed charges, the accompanying work papers, and the information provided, we find the proposed charges are reasonable, and they are approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Petition for approval of 2007 revisions to underground residential distribution tariffs by Gulf Power Company is approved. It is further

ORDERED that the tariffs shall be effective as of October 9, 2007. It is further

ORDERED that if a protest is filed within 21 days of the issuance of this Order, the tariffs shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that 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 16th day of October, 2007.



ANN COLE
Commission Clerk

(S E A L)

RRJ

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 November 6, 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.

Gulf 2004 vs. 2007 transformer costs

	<u>number of transformers</u>	<u>kva</u>	<u>2004 cost per transformer</u>	<u>2007 cost per transformer</u>
OH -210 lot	30	25	406.36	696.4
	36	37.5	543.59	886.13
	66			
UG -210 lot	1	25	818.60	1,378.53
	31	37.5	936.29	1,564.49
	13	50	1,026.32	1,693.53
	1	75	1,314.22	2,175.51
	46			
OH -176 lot	4	15	n/a	542.7
	2	25	406.36	696.4
	39	37.5	543.59	886.16
	1	50	n/a	1,133.57
	46			
UG -176 lot	9	50	1,026.32	1,693.53
	12	75	1,314.22	2,175.51
	2	100	1,648.50	2,578.74
	23			

Gulf's Design Assumptions for overhead and underground

OVERHEAD DESIGN	LOW DENSITY (210 Lot)	HIGH DENSITY (176 Lot)
a. A/C or Heat pump (tons)	3.5	2.5
b. Heat strips (kW)	10	10
c. Subdivision total Power usage (kva)	2,100	1,622
d. Total Transformers	66	46
e. Average homes per transformer	3.0	3.8
f. Size of home (sq. ft)	2,400 - 3,200	<1,800
g. Total cable feet	48,005	28,514
h. Number of phases	3	3

UNDERGROUND DESIGN	LOW DENSITY (210 Lot)	HIGH DENSITY (176 Lot)
a. A/C or Heat pump (tons)	3.5	2.5
b. Heat strips (kW)	10	10
c. Subdivision total Power usage (kva)	1,913	1,550
d. Total Transformers	46	23
e. Average homes per transformer	5	8
f. Size of home (sq. ft)	2,400 – 3,200	<1,800
g. Total cable feet(includes 5% adder)	38,409	24,641
h. Number of phases	4	3
i. Loop design (yes or no?)	Some looped, some radial	Mostly looped, some radial
j. Cable in Conduit (yes or no?)	Yes	Yes