

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of revised underground residential and commercial differential tariffs, by Florida Power & Light Company.

DOCKET NO. 100166-EI
ORDER NO. PSC-10-0578-TRF-EI
ISSUED: September 21, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman
LISA POLAK EDGAR
NATHAN A. SKOP
ART GRAHAM
RONALD A. BRISÉ

ORDER APPROVING UNDERGROUND RESIDENTIAL
AND COMMERCIAL DIFFERENTIAL TARIFFS

BY THE COMMISSION:

I. Background

Rule 25-6.078, Florida Administrative Code (F.A.C.), sets forth the responsibilities of electric investor-owned utilities' (IOU) for filing updated underground residential distribution (URD) tariffs for new subdivisions. This rule requires each IOU to file updated URD charges for our approval at least every three years, or sooner if its 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 annually file, on or before October 15, a schedule showing the increase or decrease in the differential for the standard low-density subdivision.

On October 15, 2009, Florida Power & Light Company (FPL) notified us, pursuant to Rule 25-6.078, F.A.C., that its underground cost differential for the standard low density subdivision decreased from the last approved differential by 46 percent. Accordingly, FPL was required to file updated URD charges by April 1, 2010. The last approved differential was approved in Order No. PSC-08-0774-TRF-EI and the tariff went into effect on November 13, 2008 (2008 tariff).¹ The 2008 tariff for the first time incorporated the difference in the net present value of operational costs, including non-storm and average historical storm restoration costs over the life of the facilities, between underground and overhead system as required by

¹ Order No. PSC-08-0774-TRF-EI, issued November 24, 2008, in Docket No. 070231-EI, In re: Petition for approval of 2007 revisions to underground residential and commercial distribution tariff, by Florida Power and Lights Company.

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Rule 25-6.078(4), F.A.C. The rule was amended in February 2007 to require the inclusion of the operational costs in the URD calculation.

By way of background, Order No. PSC-08-0774-TRF-EI, was protested by the Municipal Utilities Underground Consortium and the City of South Daytona, and the matter was set for hearing. In accordance with Order No. PSC-08-0774-TRF-EI, the 2008 tariff remained in effect with any charges held subject to refund pending resolution of the protest. The parties were able to reach a settlement, and we approved the settlement agreement and its associated tariff sheets (settlement tariff).² The settlement tariff went into effect on April 6, 2010.

To comply with the 10 percent filing requirement of the rule and the changes approved in the settlement, FPL filed on April 1, 2010, a petition for our approval of revisions to its URD Tariff Sheet Nos. 6.090, 6.095, 6.100, 6.110, 6.115, 6.120, 6.125, 6.130, and 9.715 and their associated charges. FPL is also petitioning for approval of its Underground Commercial/Industrial Distribution (UCD) Tariff Sheets No. 6.510, 6.520, 6.530, and 6.540 and their associated charges. By Order No. PSC-10-0353-PCO-EI, issued on June 4, 2010, we suspended FPL's proposed tariffs.

This Order addresses FPL's revised URD and UCD 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.

II. Underground Residential Distribution (URD) Tariffs

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

FPL's URD charges are developed based on three model subdivisions: (1) a 210-lot low density subdivision; (2) a 176-lot high density subdivision; and (3) mobile homes. All four of the largest investor-owned electric utilities use the same standardized model subdivisions to develop their URD charges.

For clarity, Table 1-1 below shows the per lot URD charges approved in the 2008 tariff, the settlement tariff, and FPL's proposed charges.

² Order No. PSC-10-0247-FOF-EI, issued April 22, 2010, in Docket No. 070231-EI, In re: Petition for approval of 2007 revisions to underground residential and commercial distribution tariff, by Florida Power and Lights Company.

Table 1-1				
Type of Subdivision	Number of Service Laterals in Subdivision	2008 Tariff	Settlement Tariff	Proposed URD Charges
Low Density	1 – 200 or more	\$424.23	\$179.23	\$12.39
	2 – 85 - 199	\$654.23	\$409.23	\$242.39
	3 – less than 85	\$731.23	\$486.23	\$319.39
High Density	1 – 300 or more	\$0	\$0	\$0
	2 – 100 - 299	\$203.19	\$0	\$0
	3 – less than 100	\$280.19	\$63.19	\$5.63
Mobile Homes	1 – 300 or more	\$0	\$0	\$0
	2 – 100 - 299	\$19.15	\$0	\$0
	3 – less than 100	\$96.15	\$0	\$0

A. Components of URD charges

The URD charges consist of three components: (1) pre-operational costs, (2) non-storm operational costs, and (3) avoided storm restoration costs. FPL proposes only to revise the pre-operational costs based on updated material and labor costs, as the non-storm and avoided storm costs were approved in Order Nos. PSC-10-0247-FOF-EI and PSC-08-0774-TRF-EI, respectively. The three components are discussed below.

The pre-operational costs represent the material and labor costs to install a distribution system. FPL used 2009 material and labor cost data in its URD calculations. The cost of both underground and overhead service include the material and labor costs to provide primary, secondary, service distribution lines, and transformers. The costs for poles are included in providing overhead service. The costs for trenching and backfilling are included in providing underground service.

The pre-operational costs have decreased as shown in Table 1-2, resulting in the overall decrease of the URD charges.

Table 1-2			
Type of Subdivision	Current Pre-operational Costs (2008 tariff)	Proposed Pre-operational Costs	Percent Change
210-lot low density	\$563.23	\$396.39	-29.62%
176-lot high density	\$140.19	\$82.63	-41.06%
Mobile Homes ³	\$0	\$0	0%

FPL explains that several factors contributed to the decrease in the pre-operational costs. Unit prices for overhead transformers and poles increased significantly. In order to mitigate the increasing cost of the overhead transformers and poles, FPL revised the equivalent overhead design, reducing the number of transformers, which also required an increase in secondary conductor footage. In contrast, decreases in the metals and plastics markets have reduced unit costs for underground cable and conduits. The net effect of the increasing overhead costs and decreasing underground costs results in a decrease in the pre-operational costs. Both underground and overhead labor rates have increased; however, the underground labor rates have increased slightly more than the overhead labor rates.

FPL's proposed URD tariff also provides for updated charges to reflect current labor and material costs for additional customer-requested equipment such as feeder mains or switch package. Finally, FPL's tariff provides for credits if the customer installs certain equipment.

Rule 25.6-078(4), F.A.C., requires URD calculations to also address operational costs and storm restoration costs. Pursuant to the settlement, the non-storm operational component of the URD calculation is set at \$0 for the three subdivisions until January 1, 2013. The non-storm operational costs represent the cost differential between maintaining and operating an underground versus an overhead system over the life of the facilities.

Finally, the storm cost component of the URD charge represents avoided storm restoration costs when an area is undergrounded, and is subtracted from the pre-operational costs, thus reducing the URD charge. FPL's URD tariff provides for three separate charges for each subdivision model based on the number of service laterals in the project being undergrounded. FPL's experience with the savings from avoided storm restoration costs has varied based on the size of the subdivision which has underground distribution. Larger subdivisions provide the greatest benefit from having their service underground, and thus reflect larger avoided storm restoration costs than smaller subdivisions. We approved the three-tier application of the avoided storm restoration costs and the level of the avoided storm costs in Order No. PSC-08-0774-TRF-EI. No significant storms have occurred in recent years to warrant FPL to update its storm restoration data.

³ The calculated pre-operational cost differential is (\$189.86) compared to (\$43.85) in 2008. Because the differential is a negative amount, the charge is set at \$0.

Table 1-3 shows the three components of the URD charges discussed above. All three components, when added together, result in the approved URD charges.

Table 1-3					
Type of Subdivision	Number of Service Laterals in Subdivision	Pre-Operational Costs (A)	Non-storm Operational Costs (B)	Avoided Storm Costs (C)	Approved URD Charges (A)+(B)+(C)
Low Density	1 – 200 or more	\$396.39	\$0	(\$384)	\$12.39
	2 – 85 - 199		\$0	(\$154)	\$242.39
	3 – less than 85		\$0	(\$77)	\$319.39
High Density	1 – 300 or more	\$82.63	\$0	(\$384)	\$0
	2 – 100 - 299		\$0	(\$154)	\$0
	3 – less than 100		\$0	(\$77)	\$5.63
Mobile Homes	1 – 300 or more	\$0	\$0	(\$384)	\$0
	2 – 100 - 299		\$0	(\$154)	\$0
	3 – less than 100		\$0	(\$77)	\$0

The above per lot charges apply if FPL supplies and installs all equipment and materials. FPL's URD tariff also provides for reduced URD charges if the customer chooses to provide the trench and installation of the conduit. We note that Rule 25-6.078(7), F.A.C., provides that any credit shall be no more in amount than the total charges applicable.

B. Conclusion

Upon review of FPL's proposed URD charges and associated tariffs, and their accompanying work papers, we find the proposed URD charges are reasonable and they are approved.

III. Underground Commercial Distribution (UCD) Tariffs

The UCD charges represent the additional costs FPL incurs to provide commercial and industrial customers underground distribution service in place of overhead service. Generally, the UCD charges are tailored to specific equipment and materials that are utilized to provide

underground service to a single or limited number of commercial buildings in distinct and widely varying circumstances. The UCD tariffs are not governed by Rule 25-6.078, F.A.C.; however, FPL has incorporated the cost effects of hardening into its overhead system in the calculations of its UCD charges.

The UCD tariff contains charges for commercial underground distribution facilities such as laterals, risers, pad-mounted transformers, and hand-holes. In addition, the UCD tariff provides for credits that apply if the applicant provides trenching and backfilling. The UCD charges are derived from cost estimates of underground commercial facilities and their equivalent overhead designs. These cost estimates are based on FPL's standard design, estimating practices, and the system costs, which were in use at the end of 2009.

Upon review of the UCD proposed tariff charges and their accompanying work papers, we find that the charges are reasonable. Unlike the URD tariffs, the UCD tariffs are not governed by Rule 25-6.078, F.A.C., and utilities are not required to file them; however, the filing of the standard charges promotes transparency, efficiency, and reduces any controversy regarding UCD charges. Therefore, the proposed UCD charges are approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Petition for approval of revisions to underground residential and commercial/industrial distribution tariffs by Florida Power & Light Company is approved as set forth in the body of this Order. It is further

ORDERED that the tariffs shall be effective as of September 30, 2010. It is further

ORDERED that if a protest is filed within 21 days of issuance of the 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 21st day of September, 2010.



ANN COLE
Commission Clerk

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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 October 12, 2010.

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.