BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2019 revisions to underground residential distribution tariffs, by Gulf Power Company.	DOCKET NO. 20190078-EI ORDER NO. PSC-2019-0448-TRF-EI ISSUED: October 23, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

TARIFF ORDER APPROVING GULF POWER COMPANY'S PETITION TO REVISE UNDERGROUND RESIDENTIAL DISTRIBUTION TARIFFS

BY THE COMMISSION:

I. Background

On April 1, 2019, Gulf Power Company (Gulf or utility) filed a petition for approval of revisions to its underground residential distribution (URD) tariffs. The URD tariffs apply to new residential subdivisions and represent the additional costs Gulf incurs to provide underground distribution service in place of overhead service. Gulf's proposed URD tariffs (legislative version) are contained in Attachment A to this Order. Gulf's current URD charges were approved in Order No. PSC-2017-0356-TRF-EI.[1]

We suspended Gulf's proposed tariffs by Order No. PSC-2019-0214-PCO-EI, issued June 3, 2019, in this docket. We have jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, 366.06, Florida Statutes (F.S.).

II. Decision

Rule 25-6.078, Florida Administrative Code (F.A.C.), specifies investor-owned utilities' (IOU) responsibilities for filing updated URD tariffs. Gulf filed the instant petition pursuant to subsection (3) of the rule, which requires IOUs to file supporting data and analyses for updated URD tariffs if the cost varies from the Commission-approved differential by more than ten percent. On October 30, 2018, Gulf informed this Commission that its differential for the low density subdivision increased by 14 percent from the differential approved in the 2017 order.

[1] Order No. PSC-2017-0356-TRF-EI, issued September 20, 2017, in Docket No. 20170074-EI, In re: Petition for approval of 2017 revisions to underground residential distribution tariffs, by Gulf Power Company.

The URD tariffs provide charges for underground service in new residential subdivisions and represent the additional costs, if any, the utility incurs to provide underground service in place of overhead service. The cost of standard overhead construction is recovered through base rates from all ratepayers. In lieu of overhead construction, customers have the option of requesting underground facilities. Any additional cost is paid by the customer as contribution-in-aid-of construction (CIAC). Typically, the URD customer is the developer of a subdivision.

Gulf's URD charges are based on two standard model subdivisions: a 210-lot low density subdivision and a 176-lot high density subdivision. While actual construction may differ from the model subdivisions, the model subdivisions are designed to reflect average overhead and underground subdivisions.

Table 1 shows the current and proposed URD differentials for the low and high density subdivisions. The charges shown are per-lot charges. Gulf's URD tariffs also provide for reduced charges if the customer chooses to supply and/or install the primary and secondary trench and duct system.

Table 1
Comparison of URD Differential per Lot

Type of Subdivision	Current URD Differential	Proposed URD Differential
Low Density	$498	$568
High Density	$562	$609

Source: Commission Order PSC-2017-0356-TRF-EI and 2019 Petition.

As shown in Table 1, the proposed URD differentials show an increase for both model subdivisions. The calculations of the proposed URD charges include (1) updated labor and material costs along with the associated loading factors and (2) operational costs. These costs are discussed below.

A. Labor and Material Costs

The installation costs of both underground and overhead facilities include the labor and material costs to provide primary, secondary, and service distribution lines, as well as transformers. The costs of poles are specific to overhead service, while the costs of trenching and backfilling are specific to underground service. Utilities are required, by Rule 25-6.078(5) F.A.C., to use current labor and materials costs in calculating its underground and overhead differential.

Gulf stated that there have not been any design changes to either the low or high density subdivision since 2015. The mix of Gulf employee and contractor labor remains the same as it was in 2017. Gulf employees continue to perform distribution construction activities. However, contract labor is also utilized to perform distribution overhead construction. Both Gulf and contractor labor rates have increase as specified in their respective contracts. Table 2 below compares total 2017 and 2019 per-lot labor and material costs between the two subdivisions.

Table 2
Labor and Material Costs per Lot

	2017 Costs	2019 Costs	Difference
Low Density			
Underground Labor/Material Costs	$2,460	$2,749	$289
Overhead Labor/Material Costs	$1,740	$1,972	$232
Per lot Differential	$720	$777	$57
High Density			
Underground Labor/Material Costs	$1,976	$2,198	$222
Overhead Labor/Material Costs	$1,352	$1,528	$176
Per lot Differential	$624	$670	$46

Source: Commission Order PSC-2017-0356-TRF-EI and 2019 Petition.

As shown Table 2, Gulf maintains that there has been an increase in underground and overhead labor and material costs. Gulf explained that the increase is due to increases in its direct labor rate, material costs, and engineering and supervision overhead for both labor and materials. Specifically, Gulf's labor costs have increased approximately 20 percent for both overhead and underground since 2017.

B. Operational Costs

Rule 25-6.078(4), F.A.C., requires that the differences in net present value (NPV) of operational costs between overhead and underground systems, including average historical storm restoration costs over the life of the facilities, be included in the URD charge. The inclusion of the operational cost is intended to capture longer term costs and benefits of undergrounding.

Operational costs include operations and maintenance costs, and capital costs. These costs represent the cost differential between maintaining and operating an underground versus an overhead system over the life of the facilities. The inclusion of the storm restoration cost in the URD differential lowers the differential. This is due to an underground distribution system generally incurring less damage than an overhead system as a result of a storm and, therefore, would incur less restoration costs when compared to an overhead system. Gulf's operational costs, last updated for the 2017 filing, represent a five-year average of historical operational costs (2013-2017). The methodology used by Gulf for calculating the NPV of operational costs was approved in Order No. PSC-12-0531-TRF-EI.[2] Gulf's NPV calculation used a 32-year life of the facilities and a 7.35 percent discount rate. We note that operational costs may vary in amount for different IOUs as a result of differences in size of service territory, miles of coastline, regions subject to extreme winds, age of the distribution system, or construction standards.

Gulf's combined non-storm operational costs and avoided storm costs have decreased slightly for both overhead and underground since 2017. In the low density model, the combined cost differential is -$209, as compared to -$222 in 2017. For the high density model, the

[2] Order No. PSC-12-0531-TRF-EI, issued October 4, 2012, in Docket No. 120075-EI, In re: Request by Gulf Power Company to modify its underground residential differential tariffs.

combined cost differential is -$61, as compared to -$62 in 2017. Overhead operational costs for both subdivisions are higher than underground operational costs. Therefore, the inclusion of the operational costs results in a reduction to the pre-operational differential.

Gulf states that Hurricane Michael storm costs are not included in the calculations of avoided storm costs in this filing. We note that Rule 25-6.078(3), F.A.C., requires IOUs to file, in the undocketed filings docket and by October 15 of each year, an updated calculation of the low density subdivision using current costs with the Office of Commission Clerk. If the calculated cost differential varies from the Commission-approved differential by more than ten percent, the utility is required to file a petition for updated URD tariffs on or before April 1 of the following year.

Table 3 presents the pre-operational, non-storm operational, and the avoided storm restoration cost differentials between overhead and underground systems. As noted above, the operational cost differentials are slightly lower than in the 2017. Overall, the proposed URD differential increase is related to the pre-operational labor and materials.

Table 3
NPV of Operational Costs Differential per Lot

Type of Subdivision	Pre-Operational (A)	Non-storm Operational costs (B)	Avoided Storm costs (C)	Proposed URD Differentials (A)+(B)+(C)
Low Density	$777	($174)	($35)	$568
High Density	$670	($43)	($18)	$609

Source: 2019 Petition and Commission staff data requests.

III. Conclusion

We have reviewed Gulf's proposed URD tariffs and associated charges, accompanying work papers, and responses to Commission staff data requests. We find that the proposed URD tariffs and associated charges are reasonable and approve Gulf's proposed URD tariffs and associated charges, as shown in Attachment A to this Order, effective October 3, 2019.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's proposed underground residential distribution tariffs and associated charges, as shown in Attachment A to this Order, are approved, effective October 3, 2019. It is further

ORDERED that if a protest is filed within 21 days of issuance of this Order, the tariff 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 23rd day of October, 2019.

ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

KMS

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 13, 2019.

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 Power

Section No. IV
~~Fifteenth~~ Sixteenth Revised Sheet No. 4.25
Canceling ~~Fourteenth~~ Fifteenth Revised Sheet No. 4.25

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6.2.8 DAMAGE TO COMPANY'S EQUIPMENT. The Applicant shall be responsible to ensure that the Company's distribution facilities once installed, are not damaged, destroyed, or otherwise disturbed during the construction of the project. This responsibility shall extend not only to those in his employ, but also to his subcontractors. Should damage occur, the Applicant shall be responsible for the full cost of repairs.

6.2.9 PAYMENT OF CHARGES. The Company shall not be obligated to install any facilities until payment of applicable charges, if any, has been completed.

6.3 UNDERGROUND DISTRIBUTION FACILITIES FOR NEW RESIDENTIAL SUBDIVISIONS

6.3.1 AVAILABILITY. After receipt of proper application and compliance by the Applicant with applicable Company rules and procedures, the Company will install underground distribution facilities to provide single phase service to new residential subdivisions of five (5) or more building lots.

6.3.2 CONTRIBUTION BY APPLICANT.

(a) Prior to such installations, the Applicant and the Company will enter into an agreement outlining the terms and conditions of installation, and the Applicant will be required to pay the Company in advance the entire cost as described below:

Option	Low Density Subdivision ($ per lot)	High Density Subdivision ($ per lot)
1. Gulf supplies and installs all primary, secondary, and service trench, duct, and cable.	$~~498~~568	$~~562~~609
2. Applicant installs primary and secondary trench and duct system. Gulf supplies primary and secondary duct and supplies and installs service duct. Gulf supplies and installs primary, secondary, and service cable.	$~~307~~349	$~~428~~455
3. Applicant supplies and installs primary and secondary trench and duct. Gulf supplies primary and secondary cable. Gulf supplies and installs service duct and cable.	$~~181~~209	$~~327~~344

All construction done by the Applicant must meet the Company's specifications. All installations must be approved by the Company's authorized representative.

(b) The Applicant is required to pay a charge per foot and a cost differential for transformers and services (see "Three Phase Lift Station" charts below) for three phase commercial loads requiring 120/240 volt open delta, 120/208 volt wye, or 277/480 volt wye service in new residential subdivisions for each three phase service. This average cost will be added to the advanced payment in 6.3.2(a) above.

ISSUED BY: Charles S. Boyett

Gulf Power

Section No. IV
~~Nineteenth~~ Twentieth Revised Sheet No. 4.26
Canceling ~~Eighteenth~~ Nineteenth Revised Sheet No. 4.26

PAGE	EFFECTIVE DATE

6.3.2 (continued)

THREE PHASE LIFT STATION
COSTS TO PROVIDE 3 PH SVC TO LIFT STATION W/IN TYPICAL SUBDIVISION - OPTION 1

CUSTOMER REQUEST: 120/208 or 277/480

MOTOR SIZE	AVAILABLE UNDERGROUND FACILITIES		
	SINGLE PHASE	TWO PHASES	THREE PHASES
< 5HP	$~~21.70~~25.87 per ft plus 3ph padmount tx, pad, and ug service minus one oh transformer, cutout, arrester, and service	$~~15.18~~17.77 per ft plus 3ph padmount tx, pad, and ug service minus one oh transformer, cutout, arrester, and service	$0 cost per ft plus 3ph padmount tx, pad, and ug service minus one oh transformer, cutout, arrester, and service
5HP < X < 25HP	$~~8.88~~11.58 per ft plus 3ph padmount tx, pad, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$~~10.80~~12.86 per ft plus 3ph padmount tx, pad, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 3ph padmount tx, pad, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service
> 25HP	$~~4.51~~6.67 per ft plus 3ph padmount tx, pad, and ug service minus 3 oh transformers, 3 cutouts, 3 arresters, cluster mt, and service	$~~2.36~~3.47 per ft plus 3ph padmount tx, pad, and ug service minus 3 oh transformers, 3 cutouts, 3 arresters, cluster mt, and service	$0 cost per ft plus 3ph padmount tx, pad, and ug service minus 3 oh transformers, 3 cutouts, 3 arresters, cluster mt, and service

CUSTOMER REQUEST: 120/240 OPEN DELTA

MOTOR SIZE	AVAILABLE UNDERGROUND FACILITIES		
	SINGLE PHASE	TWO PHASES	THREE PHASES
< 5HP	$~~10.99~~13.01 per ft plus 2 padmount tx, 2 pads, and ug service minus one oh transformer, cutout, arrester, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus one oh transformer, cutout, arrester, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus one oh transformer, cutout, arrester, and service
5HP < X < 25HP	$~~2.15~~3.20 per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service
> 25HP	$~~2.15~~3.20 per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service

ISSUED BY: Charles S. Boyett

Gulf Power

Section No. IV
~~Seventh~~ Eighth Revised Sheet No. 4.26.1
Canceling ~~Sixth~~ Seventh Revised Sheet No. 4.26.1

PAGE	EFFECTIVE DATE

6.3.2 (continued)

THREE PHASE LIFT STATION
COSTS TO PROVIDE 3 PH SVC TO LIFT STATION W/IN TYPICAL SUBDIVISION - OPTION 2

CUSTOMER REQUEST: 120/208 or 277/480

	AVAILABLE UNDERGROUND FACILITIES		
MOTOR SIZE	**SINGLE PHASE**	**TWO PHASES**	**THREE PHASES**
< 5HP	$~~20.98~~25.03 per ft plus 3ph padmount tx, pad, and ug service minus one oh transformer, cutout, arrester, and service	$~~14.79~~17.32 per ft plus 3ph padmount tx, pad, and ug service minus one oh transformer, cutout, arrester, and service	$0 cost per ft plus 3ph padmount tx, pad, and ug service minus one oh transformer, cutout, arrester, and service
5HP < X < 25HP	$~~8.16~~10.74 per ft plus 3ph padmount tx, pad, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$~~10.41~~12.41 per ft plus 3ph padmount tx, pad, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 3ph padmount tx, pad, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service
> 25HP	$~~3.78~~5.83 per ft plus 3ph padmount tx, pad, and ug service minus 3 oh transformers, 3 cutouts, 3 arresters, cluster mt, and service	$~~1.97~~3.02 per ft plus 3ph padmount tx, pad, and ug service minus 3 oh transformers, 3 cutouts, 3 arresters, cluster mt, and service	$0 cost per ft plus 3ph padmount tx, pad, and ug service minus 3 oh transformers, 3 cutouts, 3 arresters, cluster mt, and service

CUSTOMER REQUEST: 120/240 OPEN DELTA

	AVAILABLE UNDERGROUND FACILITIES		
MOTOR SIZE	**SINGLE PHASE**	**TWO PHASES**	**THREE PHASES**
< 5HP	$~~10.57~~12.62 per ft plus 2 padmount tx, 2 pads, and ug service minus one oh transformer, cutout, arrester, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus one oh transformer, cutout, arrester, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus one oh transformer, cutout, arrester, and service
5HP < X < 25HP	$~~1.81~~2.81 per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service
> 25HP	$~~1.81~~2.81 per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service

ISSUED BY: Charles S. Boyett

Gulf Power

Section No. IV
~~Seventh~~ Eighth Revised Sheet No. 4.26.2
Canceling ~~Sixth~~ Seventh Revised Sheet No. 4.26.2

PAGE	EFFECTIVE DATE

6.3.2 (continued)

THREE PHASE LIFT STATION
COSTS TO PROVIDE 3 PH SVC TO LIFT STATION W/IN TYPICAL SUBDIVISION - OPTION 3

CUSTOMER REQUEST: 120/208 or 277/480

	AVAILABLE UNDERGROUND FACILITIES		
MOTOR SIZE	**SINGLE PHASE**	**TWO PHASES**	**THREE PHASES**
< 5HP	$~~18.26~~21.94 per ft plus 3ph padmount tx, pad, and ug service minus one oh transformer, cutout, arrester, and service	$~~13.43~~15.77 per ft plus 3ph padmount tx, pad, and ug service minus one oh transformer, cutout, arrester, and service	$0 cost per ft plus 3ph padmount tx, pad, and ug service minus one oh transformer, cutout, arrester, and service
5HP < X < 25HP	$~~5.44~~7.65 per ft plus 3ph padmount tx, pad, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$~~9.05~~10.86 per ft plus 3ph padmount tx, pad, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 3ph padmount tx, pad, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service
> 25HP	$~~1.07~~2.74 per ft plus 3ph padmount tx, pad, and ug service minus 3 oh transformers, 3 cutouts, 3 arresters, cluster mt, and service	$~~0.61~~1.47 per ft plus 3ph padmount tx, pad, and ug service minus 3 oh transformers, 3 cutouts, 3 arresters, cluster mt, and service	$0 cost per ft plus 3ph padmount tx, pad, and ug service minus 3 oh transformers, 3 cutouts, 3 arresters, cluster mt, and service

CUSTOMER REQUEST: 120/240 OPEN DELTA

	AVAILABLE UNDERGROUND FACILITIES		
MOTOR SIZE	**SINGLE PHASE**	**TWO PHASES**	**THREE PHASES**
< 5HP	$~~9.21~~11.08 per ft plus 2 padmount tx, 2 pads, and ug service minus one oh transformer, cutout, arrester, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus one oh transformer, cutout, arrester, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus one oh transformer, cutout, arrester, and service
5HP < X < 25HP	$~~0.46~~1.27 per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service
> 25HP	$~~0.46~~1.27 per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service	$0 cost per ft plus 2 padmount tx, 2 pads, and ug service minus 2 oh transformers, 2 cutouts, 2 arresters, and service

ISSUED BY: Charles S. Boyett