

FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center, 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

OCTOBER 23, 1997

TO : DIRECTOR OF RECORDS AND REPORTING (BAYO)

FROM : DIVISION OF ELECTRIC AND GAS (DRAPER) <sup>EJD</sup>  
DIVISION OF LEGAL SERVICES (KEATING) <sup>WXRVE</sup>

RE : DOCKET NO. 971217-EI - PETITION TO WITHDRAW OPTIONAL  
MUNICIPAL UNDERGROUND CAPITAL COST RECOVERY TARIFF BY  
FLORIDA POWER CORPORATION

AGENDA: NOVEMBER 4, 1997 - REGULAR AGENDA - TARIFF FILING -  
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: NOVEMBER 16, 1997

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\971217EI.RCM

CASE BACKGROUND

In Order No. PSC-94-0053-POF-EI, issued January 14, 1994, the Commission approved Florida Power Corporation's (FPC) petition for approval of tariffs that provide a mechanism for the recovery of costs incurred by franchised municipalities to convert electric distribution facilities from overhead to underground. Under the tariff, municipalities contract with FPC to convert existing overhead distribution facilities to underground in a specific location, or Underground Assessment Area (UAA). The municipality is responsible for securing financing to pay FPC for the conversion costs and for securing the agreement of customers in the UAA to pay for the conversion. FPC then bills the electric customers in the UAA for the agreed upon conversion charge on their monthly electric bill and remits the dollars collected to the municipality.

FPC proposed these optional municipal underground cost recovery tariffs in 1993 after receiving requests for cost estimates to convert overhead facilities to underground facilities from a number of municipalities. FPC indicates that the discussions focused on ways FPC might facilitate the cities' ability to finance the cost of providing underground service to its customers. While several options are available to municipalities to raise funds, such as increased local taxation, municipalities were reluctant to use them. As a result of the discussions with the municipalities, FPC developed a method to recover the

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underground conversion costs. On September 17, 1997, however, FPC filed the instant petition to withdraw this optional Underground Capital Cost Recovery tariff.

#### DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Florida Power Corporation's petition to withdraw Tariff Sheets Nos. 4.124 and 4.125, Municipal Underground Capital Cost Recovery, and to withdraw the Municipal Underground Fee clause in Tariff Sheet No. 6.106.

RECOMMENDATION: Yes.

STAFF ANALYSIS: FPC cites three reasons to withdraw its optional Municipal Underground Capital Cost Recovery tariff (underground tariff). First, since the implementation of FPC's underground tariff on January 20, 1994, FPC has prepared 11 detailed underground cost recovery estimates for municipalities. The tariff requires the municipality to notify affected customers of a pending undergrounding project and to provide the customers with estimated charges and an opportunity to submit comments. None of the municipalities who requested estimates have implemented the conversion of their distribution system. FPC believes that this is due to the realization by customers of the high cost of converting facilities to underground. No additional requests for a cost estimate are currently pending.

Second, at the time the underground tariffs were approved, FPC agreed to pay some of the programming cost out of operating expenses. The programming costs, estimated to be \$300,000, include FPC programming its Customer Service System to show a separate line item on a bill for a designated area only. These costs do not change whether one or several municipalities undertake undergrounding projects. FPC now believes that the underground tariff will be utilized, if at all, by only a few municipalities, which does not justify FPC and its ratepayers absorbing the programming costs.

Finally, FPC cites the uncertainty associated with possible retail wheeling in the future. If the customers in the affected UAA choose a different electric supplier, FPC believes it would lose the ability to collect the underground fee.

Staff's recommendation to approve the instant petition is based primarily on the fact that this is an optional tariff which has never been applied. FPC's expectations that numerous municipalities would utilize this tariff did not materialize.

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Staff also notes that municipalities have other options to finance undergrounding projects, such as special property assessments or local taxation. FPC's petition to withdraw the underground tariff does not prevent a municipality from converting overhead distribution facilities to underground.

ISSUE 2: What should be the effective date of the tariff revisions?

RECOMMENDATION: The effective date should be November 4, 1997.

STAFF ANALYSIS: The tariffs should be withdrawn effective November 4, 1997, as requested by the company.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's order in this docket files a protest within 21 days of the issuance of the order, this docket should be closed. If a protest is timely filed, the tariff should remain in effect pending resolution of the protest.

STAFF ANALYSIS: If no person whose substantial interests are affected by the Commission's order in this docket files a protest within 21 days of the issuance of the order, this docket should be closed. If a protest is timely filed, the tariff should remain in effect pending resolution of the protest.