



Public Service Commission

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DATE: JUNE 13, 2001

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ECONOMIC REGULATION (E. DRAPER, SPRINGER) *EJD*
DIVISION OF SAFETY AND ELECTRIC RELIABILITY (BREMAN) *mas*
DIVISION OF LEGAL SERVICES (STERN) *MKS* *RUE* *RZ* *JDS*

DAW
PTT
WBM
TAD

RE: DOCKET NO. 010384-EI - PETITION FOR APPROVAL OF REVISED TARIFF SHEETS THAT CONTAIN UPDATED UNDERGROUND RESIDENTIAL DISTRIBUTION (URD) CHARGES BASED ON DIFFERENTIAL BETWEEN COST OF OVERHEAD AND UNDERGROUND FACILITIES INSTALLED TO PROVIDE RESIDENTIAL SERVICE IN TYPICAL LOW AND HIGH DENSITY SUBDIVISION LAYOUTS BY FLORIDA POWER CORPORATION.

AGENDA: 6/25/01 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: JUNE 1, 2001, 8-MONTH EFFECTIVE DATE: DECEMBER 2, 2001

SPECIAL INSTRUCTIONS: 60-DAY SUSPENSION DATE WAIVED BY FLORIDA POWER CORPORATION

FILE NAME AND LOCATION: S:\PSC\ECR\WP\010384.RCM

CASE BACKGROUND

Pursuant to Rule 25-6.078, Florida Administrative Code, Florida Power Corporation (FPC) filed on April 2, 2001, a petition for approval of revised tariff sheets that contain updated underground residential distribution (URD) charges. Rule 25-6.078 requires utilities 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 differential by 10 percent or more. The URD charges represent the additional costs to provide underground service in place of overhead service.

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On May 4, 2001, FPC filed an amended petition which contains corrections and clarifications. FPC's petition was accompanied by work papers explaining the derivation of the proposed URD tariff. On May 8, 2001, FPC provided a waiver of the 60-day file and suspend period set forth in Section 366.06(3), Florida Statutes.

The Commission has jurisdiction over the subject matter pursuant to sections 366.04, 366.05, and 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve FPC's updated tariff sheets and charges associated with the installation of underground electric distribution facilities?

RECOMMENDATION: Yes. [E. DRAPER, BREMAN, SPRINGER]

STAFF ANALYSIS: Costs for underground service have historically been higher than standard overhead construction. The additional cost to provide underground service is therefore recovered through the URD differential paid by the customer as a contribution in aid of construction.

The URD tariffs provide standard charges for certain types of underground service. FPC develops URD charges based on three model subdivisions: (1) 210-lot low density subdivision with a density of one or more but less than six dwelling units per acre; (2) 176-lot high density subdivision with a density of six or more dwelling units per acre; and (3) 176-lot high density subdivision with a density of six or more dwelling units per acre taking service at grouped meter pedestals. All four major IOU's use the same standardized model subdivision designs to develop URD differential charges.

The URD differential is developed by estimating the cost per lot of both underground service and overhead service. The difference between these numbers is the per lot charge that customers must pay when they request underground service in lieu of standard overhead service. The estimates are based on the utility's standard engineering and design practices, and incorporate company-wide material and labor rates.

The following table shows FPC's present and proposed URD differentials:

Type of Subdivision	Current URD differential per lot	Proposed URD differential per lot	Percent Change
density of 1 or more but less than 6 dwelling units per acre (low density)	\$264	\$289	+9.47%

density of 6 or more dwelling units per acre (high density)	\$181	\$267	+47.51%
density of 6 or more dwelling units per acre taking service at grouped meter pedestals	\$65	\$117	+80%

FPC's current URD charges were approved in 1998. See Order No. PSC-98-0791-FOF-EI, issued June 8, 1998.

FPC asserts that the primary reason for the increase in their URD charges is the increase in the contract labor rate for the installation of Cable-In-Conduit (CIC). FPC switched from the direct burial design to the CIC design for service and secondary wires in 1998. CIC is a polyethylene duct that already has the cable installed inside. FPC states that CIC is more labor intensive to install than direct burial cable. CIC has a larger diameter than direct burial cable and requires more handling to get it from the reel into the ditch, which accounts for the increase in the per foot installation cost.

While the cable in conduit design increases the cost of an underground installation, it does provide increased reliability and better protection against accidental dig-ins and damage during construction. Staff notes that Florida Power & Light Company, Tampa Electric Company, and Gulf Power Company have used the cable in conduit design for the past several years. In 1996, for example, the Commission approved Gulf Power's design change from the direct burial system to the cable in conduit system, which resulted in a substantial increase in the differential charge. See Order No. PSC-96-1516-FOF-EI.

FPC states that the cost estimate for CIC labor used in the 1998 URD filing was made prior to any experience with CIC by FPC or its contractor. In the 1998 URD tariff filing FPC used an estimated CIC labor rate of \$0.15 per foot, which was the same labor rate as for direct burial. The current rate for CIC labor, however, is \$0.54 per foot.

The increase in the labor cost affects all three subdivision models equally. However, FPC made a significant change to its low-density subdivision design which largely offsets the increase in labor costs. Specifically, FPC reduced the per-lot length of service wire to reflect a change in design. This design adjustment

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in the low-density subdivision results in savings in underground trenching costs.

FPC only slightly reduced the length of the service wire in its high-density subdivision design, which provides for minimal savings in the underground trenching costs. FPC made no similar design change in its grouped meter pedestal subdivision.

FPC provided information regarding the number of construction work orders completed in 2000 for each subdivision design. FPC completed 156 work orders for the low density subdivision design, 7 work orders for the high density subdivision design, and 3 work orders for the grouped meter pedestal subdivision design.

In addition to the proposed changes for the three subdivisions, FPC proposed minor changes to the credits they offer customers who chose to do their own trenching and other work. FPC also proposed revisions due to changing material and labor costs to the charges for other types of underground service, such as the undergrounding of primary feeder mains.

Staff has reviewed the proposed charges and accompanying work papers. Staff also requested additional information that supports FPC filing. Based on a review of the information provided, staff believes that the proposed charges are reasonable, and should be approved.

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ISSUE 2: What is the appropriate effective date for FPC's updated tariff sheets and charges associated with the installation of underground electric distribution facilities?

RECOMMENDATION: The appropriate effective date for FPC's updated tariff sheets and charges associated with the installation of underground electric distribution facilities is June 25, 2001. [E. DRAPER]

RECOMMENDATION: If the Commission approves FPC's updated tariff sheets and charges associated with the installation of underground electric distribution facilities at its June 25, 2001, Agenda Conference, they should become effective on that date.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes, if no protest is filed within 21 days of the issuance of the order. [STERN]

STAFF ANALYSIS: If a protest is filed within 21 days of the Commission order approving this tariff, the tariff should remain in effect pending resolution of the protest, with any charges held subject to refund pending resolution of the protest. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order.