

State of Florida



Public Service Commission

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DATE: JUNE 13, 2001

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

FROM: DIVISION OF ECONOMIC REGULATION (E. DRAPER, SPRINGER) *ESD*
 DIVISION OF SAFETY AND ELECTRIC RELIABILITY (BREMAN) *max*
 DIVISION OF REGULATORY OVERSIGHT (YAMBOR) *JTB*
 DIVISION OF LEGAL SERVICES (STERN) *MKS RVE* *JDJ* *WBM*

RE: DOCKET NO. 010386-EI - PETITION FOR APPROVAL 2001 REVISIONS TO UNDERGROUND RESIDENTIAL DISTRIBUTION TARIFF BY FLORIDA POWER & LIGHT COMPANY.

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 & LIGHT COMPANY.

FILE NAME AND LOCATION: S:\PSC\ECR\WP\010386.RCM

CASE BACKGROUND

Pursuant to Rule 25-6.078, Florida Administrative Code, Florida Power & Light Company (FPL) 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 the utility incurs to provide underground residential service in place of overhead service.

On May 16, 2001, FPL filed a waiver of the 60-day file and suspend period set forth in Section 366.06(3), Florida Statutes.

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FPSC-RECORDS/REPORTING

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On May 21, 2001, FPL filed an amended petition which contains corrections to the overhead subdivision design. On June 5, 2001, FPL filed a Second Set of Amendments to its Petition for Approval of 2001 Revisions to FPL's Underground Residential Distribution Tariff. This amended petition contains a correction to the cost estimate of the underground ganged meter subdivision. FPL's petitions were accompanied by work papers explaining the derivation of the proposed URD tariff charges.

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 FPL's updated tariff sheets and charges associated with the installation of underground electric distribution facilities?

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

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. FPL 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 FPL's present and proposed URD differentials:

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)	\$268	\$325	+21.27%

density of 6 or more dwelling units per acre (high density)	\$190	\$224	+17.89%
density of 6 or more dwelling units per acre taking service at grouped meter pedestals	\$0	\$0	N/A

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

FPL's cost differentials have increased from the existing charges for the low density and high density subdivision design. The increases are largely due to increases in the labor rate and in the engineering and overhead (EO) rate.

The labor rate is determined by actual labor and vehicle costs. FPL states that labor costs have increased due to a large demand in the utility industry for qualified workers combined with a shortage of qualified workers. Vehicle costs have increased due to an increase in fuel costs.

The EO rate is a fixed percentage that is applied to total material costs. FPL proposes to increase the EO rate from 15.69 percent to 18.73 percent. Payroll related costs represent the majority of the costs included in the EO rate. FPL states that its employees spend more time in construction-related activities due to an increase in construction workload.

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

Staff has reviewed the proposed charges and accompanying work papers. Staff has also requested additional information that supports FPL 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 FPL's updated tariff sheets and charges associated with the installation of underground electric distribution facilities?

RECOMMENDATION: The appropriate effective date for FPL'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 FPL'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.