

State of Florida



Public Service Commission

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DATE: MAY 9, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK &  
ADMINISTRATIVE SERVICES (BAYO)

FROM: DIVISION OF ECONOMIC REGULATION (E. DRAPER, BREMAN) *EJD DPW WBR*  
DIVISION OF COMPETITIVE MARKETS AND ENFORCEMENT (YAMBOR) *YJA*  
OFFICE OF THE GENERAL COUNSEL (ECHTERNACHT) *ANE MCH CAV JDS*

RE: DOCKET NO. 020284-EI - PETITION FOR APPROVAL OF 2002  
REVISIONS TO UNDERGROUND RESIDENTIAL AND SMALL  
COMMERCIAL/INDUSTRIAL DISTRIBUTION TARIFFS BY FLORIDA  
POWER & LIGHT COMPANY. *78*

AGENDA: 5/21/02 - REGULAR AGENDA - TARIFF FILING - INTERESTED  
PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: 5/31/02

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\020284.RCM

CASE BACKGROUND

On April 1, 2002, Florida Power & Light Company (FPL) filed a petition for approval of revisions to its underground residential and small commercial/industrial distribution tariffs and their associated charges. These charges represent the additional costs FPL incurs to provide underground service in place of overhead service, and are calculated as differentials between the cost of underground and overhead service. The underground residential distribution (URD) tariff applies to residential developments such as subdivisions and townhouses. The underground commercial distribution (UCD) tariff applies to commercial developments that request the installation of underground distribution facilities.

Rule 25-6.078, Florida Administrative Code, requires utilities to file updated URD charges for Commission approval at least every

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three years, or sooner, if a utility's underground cost differential for the standard low-density subdivision varies from the last approved URD charge by 10 percent or more. The utilities are further required to use current cost data.

In order to determine whether or not the utilities are within the 10 percent threshold, each company is required pursuant to Rule 25-6.078(2), Florida Administrative Code, to file overhead and underground costs for its low-density subdivision on Schedule 1, Form PSC/EAG 13, by October 15 of each year. If a utility's cost differential varies from the last approved URD charge by 10 percent or more, the utility is required to submit a complete filing on or before April 1 of the following year.

FPL's current residential URD charges were approved on June 28, 2001. See Order No. PSC-01-1399-TRF-EI. On October 15, 2001, FPL filed Schedule 1 which showed that FPL's cost to provide underground service to a low density subdivision have decreased by 15.94 percent. To comply with the "10 percent or more" requirement of Rule 25-6.078(2), FPL filed the instant petition.

The Commission does not require specific tariffed underground charges for commercial and industrial customers. FPL's current UCD tariff was approved on November 29, 2000. See Order No. PSC-00-2270-TRF-EI. The charges are similar in design to those for underground residential service.

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 residential distribution facilities?

**RECOMMENDATION:** Yes. The Commission should approve FPL's updated tariff sheets and charges associated with the installation of underground residential distribution facilities. [E. Draper, Breman, Yambor]

**STAFF ANALYSIS:** Costs for underground service have historically been higher than for standard overhead construction. This additional cost to provide underground service is 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) a 210-lot low density subdivision with a density of one or more but less than six dwelling units per acre; (2) a 176-lot high density subdivision with a density of six or more dwelling units per acre; and (3) a 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 investor-owned utilities use the same standardized model subdivision designs to develop URD differential charges.

The URD differential is developed by estimating the total cost per lot of both underground and overhead service, and is based on FPL's standard engineering and design practices. 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 costs of both underground and overhead service include the material and labor costs to provide primary, secondary, and service distribution lines, poles, and transformers. The cost to provide underground service also includes the cost of trenching. The material and labor costs are based on actual 2001/2002 data.

The following table shows FPL's present and proposed URD differentials for new residential subdivisions and developments:

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)	\$325	\$367	+12.92%
density of 6 or more dwelling units per acre (high density)	\$224	\$201	-10.27%

As shown in the table above the URD differential for the low density subdivision increased from \$325 to \$367 per lot, while the URD differential for the high density subdivision decreased from \$224 to \$201 per lot. The URD differential for the 176-lot high density subdivision with service from grouped meter pedestals is zero. Examples of this subdivision type include mobile home and R.V. parks.

A combination of factors affect the proposed URD differential for both the low and high-density subdivisions. Labor and material costs vary from year to year, and some costs increase while others decrease. FPL's high density differential decreased primarily as a result of a decrease in underground labor rates that was greater than the decrease in overhead labor rates. Furthermore, the price of overhead transformers increased while the price of transformers used in underground installations decreased.

The increase in the low density differential was driven by changes in the design of the low density subdivision that more accurately reflect FPL's current design practices and that improve reliability. Certain design changes, such as the addition of transformers to both the overhead and underground design did not significantly affect the differential. FPL's goal is to serve fewer customers per transformer and thus increase reliability. Some design changes in the low density underground layout, however, increased the differential. For example, FPL added five splice boxes to the low density underground design. As a result, underground material costs increased, which increased the differential. Splice boxes aid in protecting primary cable. Staff has reviewed FPL's proposed changes to the low density underground

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design, and believes that they are appropriate in order to improve reliability.

In addition to the proposed changes for the two subdivision types discussed above, FPL proposed revisions to the charges for customers requesting new underground service laterals from overhead distribution systems, and underground service laterals replacing existing services. Finally, FPL proposed minor changes to the credits they offer customers who do their own trenching, or install company-provided conduit, handholes, splice boxes, or concrete transformer pads.

The staff has reviewed the proposed charges and accompanying workpapers, and believes that they are reasonable. Accordingly, staff believes that the proposed URD tariff sheets and charges should be approved.

**ISSUE 2:** Should the Commission approve FPL's revised tariff sheets and charges associated with the installation of underground commercial/industrial distribution facilities?

**RECOMMENDATION:** Yes. The Commission should approve FPL's revised tariff sheets and charges associated with the installation of underground commercial/industrial distribution facilities. [E., Draper, Breman, Yambor]

**STAFF ANALYSIS:** FPL's proposed UCD tariff contains revised standard charges for new commercial and industrial customers who request underground distribution service in lieu of the standard overhead service. FPL's UCD tariff was originally established by Order No. PSC-93-1712-FOF-EI. FPL's current UCD tariff was approved in Order No. PSC-00-2270-TRF-EI. The tariff provisions are patterned after those that are required by rule to be filed for underground residential service. The Commission does not require tariffed differentials for commercial and industrial customers.

The charges are derived from cost estimates of underground commercial distribution facilities and their equivalent overhead design. The estimates were made using standard FPL design and 2001/2002 labor and material costs. FPL's current UCD tariff is based on 1999 cost data.

The UCD tariff contains charges for commercial underground distribution facilities such as service laterals, risers, transformers, and handholes. In addition, the UCD tariff provides for credits that apply if the customer provides trenching and backfilling, or installs company-supplied conduit, handholes, splice boxes, or concrete transformer pads.

The proposed revisions to the UCD charges and credits reflect updated labor and material costs. As a result, certain charges increase, while others decrease. FPL proposed a decrease in charges for an underground distribution system that includes primary lateral, riser, pad mounted transformer, and trench with cable-in-conduit. The decrease was due primarily to a decrease in the price of transformers used for commercial underground installations, accompanied by a price increase for commercial overhead transformers. A decrease in underground labor rates that was greater than the decrease in overhead labor rates also results in a decrease in certain charges, and a minor decrease in the

credits provided. FPL proposed to increase the charges for primary splice boxes due to an increase in primary material costs.

The staff has reviewed the proposed charges and accompanying workpapers, and believes that they are reasonable. As stated above, there is no Commission requirement that UCD tariffs be filed by investor-owned utilities. However, staff believes that standard charges promote efficiency and avoid controversy which may result from customer-specific estimates of undergrounding costs. Accordingly, staff believes that the proposed tariff sheets and charges are reasonable and should be approved.

**ISSUE 3:** Should this docket be closed?

**RECOMMENDATION:** Yes, if Issues 1 and 2 are approved, this tariff should become effective on May 21, 2002. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. [Echternacht, E. Draper]

**STAFF ANALYSIS:** If Issues 1 and 2 are approved, this tariff should become effective on May 21, 2002. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.