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From: Rhonda Dulgar [rdulgar@yvlaw.net]
Sent: Wednesday, May 03, 2006 5:36 PM
To: Filings@psc.state.fl.us
Cc: Larry Harris
Subject: Electronic Filing - Docket 060172-EU and 060173-EU

Attachments: UG & Hardening Rule Comments.May03.doc



UG & Hardening
Rule Comments.M...

a. Person responsible for this electronic filing:

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b. Docket Nos. 060172-EU and 060173-EU

In Re: Proposed Rules Governing the Placement of New Electric Distribution Facilities Underground, and the Conversion of Existing Overhead Distribution Facilities, to Address the Effects of Extreme Weather Events

and
In Re: Proposed Amendments to Rules Regarding Overhead Electric Facilities to Allow More Stringent Construction Standards Than Required by the National Electric Safety Code.

c. Document being filed on behalf of the Towns of Palm Beach and Jupiter Island.

d. There are a total of 4 pages.

e. The document attached for electronic filing is Comments of the Town of Palm Beach and the Town of Jupiter Island Regarding Proposed Rules Relating to Undergrounding and Distribution Infrastructure Hardening.

(see attached file: UG & Hardening Rule Comments.May03.doc)

Thank you for your attention and assistance in this matter.

Rhonda Dulgar
Secretary to Schef Wright
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COMMENTS OF THE TOWN OF PALM BEACH AND THE TOWN OF JUPITER
ISLAND REGARDING PROPOSED RULES RELATING TO UNDERGROUNDING AND
DISTRIBUTION INFRASTRUCTURE HARDENING

Comments Regarding Palm Beach's and Jupiter Island's Proposed
Rule Language:

Rule 25-6.078, F.A.C.

The Towns' comments on this rule are intended to make clear that differences in operating and maintenance costs, including vegetation management costs and storm restoration costs, which are certainly borne by the utility's general body of customers, are taken into account in calculating CIACs for underground installations. For reference, the Commission should note the testimony of Geisha Williams, FPL's Vice President of Distribution, in the recent hearings on FPL's proposed storm surcharges to address its 2005 storm restoration costs.

Ms. Williams testified on cross-examination that of FPL's total 2005 claimed storm restoration costs of \$885.6 million, about \$782 million was related to transmission and distribution. In Re: Florida Power and Light Company's Petition for Issuance of a Storm Recovery Financing Order, PSC Docket No. 060038-EI, Transcript at 1420-22. It is fair to say that most of this was for distribution costs. Transcript at 1421. Hearing Exhibit 106 shows that approximately \$615 million was spent for labor and contractors, \$62 million for vegetation clearing and removal, and only \$57 million for materials. This indicates that a very large amount of money, probably on the order of half a billion dollars in 2005 alone was spent on "reworking connections, tightening," and similar activities. Transcript at 1431-32.

Regarding the Towns' proposed requirement that storm restoration costs be evaluated as though any new installation would be impacted by a storm at least once in its useful life, the Towns recognize that it is true that some installations will not be thus impacted, but it is also true that some installations will be impacted by more than one storm within their useful lives. And, it is clearly true (from Ms. Williams's testimony) that, even if facilities do not actually have to be replaced, substantial costs are likely to be incurred just to rework and tighten them to ensure that they are fit for restoration to service.

Rule 25-6.115, F.A.C.

The Towns' proposals with regard to this rule are intended to ensure that all costs associated with overhead and underground facilities, as those costs would be borne by utility customers, are factored into the calculation of CIACs for overhead-to-underground conversions. The Towns' proposals are also intended to protect applicants, be they local governments, neighborhood associations, or other entities, against unreasonable costs being used as offsets against credits given when applicants do the conversion work themselves.

Chief among these is the utilities' applying their "corporate overheads" that would be included in a utility-funded underground conversion as an offset to the credit given where a local government or other applicant hires its own contractors to do the project. Based on the Towns' experience to date, this item is typically worth 20-25 percent of the total job cost, and the utility's attempts to include it is unjust - charging corporate overheads on work that they don't even do - as well as a substantial disincentive to undergrounding.

New Rule 25-6.116, F.A.C.

The Towns propose this new rule to require investor-owned utilities to provide the maximum practicable information regarding future projects to potential applicants, in order to foster coordination and efficiency. For example, total costs should be minimized and total benefits and efficiency maximized, where the applicant and the utility coordinate an overhead-to-underground conversion with a road widening project, or with the replacement of water and sewer lines, or in lieu of a utility-initiated replacement of old overhead facilities.

New Rule 25-6.117, F.A.C.

This proposed rule would require the investor-owned electric utilities to maintain and report comparative reliability and cost data for overhead and underground facilities and systems, on an ongoing basis. The Towns have been shocked at the utilities' claimed lack of specific data relative to this subject, and the Commission must act to remedy this situation.

Consideration of Additional Benefits to Florida:

It is well known that customers actually value electricity - i.e., not being interrupted or blacked out - at values much greater than the retail price of electricity. Values attached by residential customers to not being blacked out range from \$1 to \$10 per kWh not interrupted to as much as \$30 per kWh not interrupted for commercial and industrial customers (testimony of Dr. Richard Brown in FPL's storm surcharge hearing, Transcript at 326-27).

Other sources support this range. For example, an article by Judah Rose and Charles Mann, published in Public Utilities Fortnightly, December 1, 2005, "Unbundling the Electric Capacity Price in a Deregulated Commodity Market," stated the following:

A recent survey of utilities that we conducted revealed that on average, utilities estimated that customers would pay \$12 (not cents, but dollars) per kilowatt-hour on average to avoid being blacked out. In other words, the value of power is very high relative to its average cost. For some customers, willingness to pay is especially high even relative to this high average. For example, businesses are anxious to avoid having expensive capital and labor sitting idle. Hence they exhibit an even higher willingness to pay for reliability.

While there may be some argument about the magnitude of the economic benefits of increased reliability and reduced electric service interruptions, there can be no doubt that the total value to Florida and Floridians of avoiding blackouts, and of reducing their scope, duration, and severity is tremendous. The Towns would suggest that these values may well make even the very high price-tags for undergrounding proffered by the utilities appear entirely reasonable relative to the total benefits provided. Accordingly, the Commission, in keeping with its overarching mandate to regulate in the public interest, should take this into consideration in its deliberations on these important issues.

Scope of Evaluation:

The Commission should examine and evaluate what would be required, in terms of physical facilities and costs, to harden overhead facilities to withstand Category 4 and 5, as well as Category 3 storms. Such evaluation should include the estimated difference in reliability from additional hardening efforts.

Timing of Proceedings:

As stated at the April 17 Rule Development Workshop, the Town of Palm Beach and the Town of Jupiter Island are participating with a consortium of other towns and cities that are keenly interested in converting parts or all of their existing overhead distribution facilities to underground facilities. These cities and towns are in the process of engaging engineering consultants/experts to prepare a study of the cost-effectiveness of undergrounding vs. hardening of OH facilities to withstand different strength storms, pursuant to a substantial consulting services contract. However, as it relates to the timing of these dockets, the consultants cannot reasonably be expected to complete their work in 2 or 3 months. The Towns have been negotiating and working toward having the work completed by the end of August, with a view toward rule hearings in late September or October, and we would respectfully ask the Commission to set the schedule for these dockets accordingly.

The Town of Palm Beach and the Town of Jupiter Island thank the Commission and the Commission Staff for the opportunity to present these comments and for their consideration of them. The Towns look forward to continuing to participate in these critically important rulemaking dockets.