

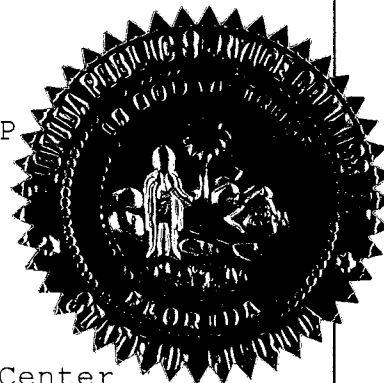
1 BEFORE THE
2 FLORIDA PUBLIC SERVICE COMMISSION

3 In the Matter of: DOCKET NO. 060172-EU

4 PROPOSED RULES GOVERNING PLACEMENT OF
5 NEW ELECTRIC DISTRIBUTION FACILITIES
6 UNDERGROUND, AND CONVERSION OF EXISTING
7 OVERHEAD DISTRIBUTION FACILITIES TO
8 UNDERGROUND FACILITIES, TO ADDRESS
9 EFFECTS OF EXTREME WEATHER EVENTS.

10 PROPOSED AMENDMENTS TO RULES DOCKET NO. 060173-EU
11 REGARDING OVERHEAD ELECTRIC
12 FACILITIES TO ALLOW MORE STRINGENT
13 CONSTRUCTION STANDARDS THAN REQUIRED
14 BY NATIONAL ELECTRIC SAFETY CODE.

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18 PROCEEDINGS: RULE DEVELOPMENT WORKSHOP
19 DATE: Friday, May 19, 2006
20 TIME: Commenced at 9:35 a.m.
21 Concluded at 4:02 p.m.
22 PLACE: Betty Easley Conference Center
23 Room 148
24 4075 Esplanade Way
25 Tallahassee, Florida
REPORTED BY: MARY ALLEN NEEL
Registered Professional Reporter

VOLUME 2
Pages 119 - 225

DOCUMENT NUMBER-DATE

04798 JUN-5g

1 (Transcript continued from Volume 1.)

2 MR. HARRIS: We've brought in the big guns
3 now. We've got Patti Daniel here to help answer some
4 questions we're going to have on the next rule in the
5 series, which is 25-6.046.

6 Patti, do you want to go ahead and give an
7 overview of what we're doing here?

8 MS. DANIEL: I'll be glad to.

9 Good afternoon. I'm Patti Daniel on staff
10 with the Commission. My background is water and
11 wastewater, but it is with CIAC, so I suppose that's why
12 I was put in charge of giving you the overview of this
13 particular part of the rule.

14 Bob asked to have one formula, and I gave him
15 one formula, and he didn't like it because it didn't
16 read like it used to. Go figure. So this is my attempt
17 to explain to you why the one formula hopefully is
18 exactly the same type of information, just in a little
19 bit different format. I've got an attachment at the
20 back of the agenda, Attachment 2. It's got two maps and
21 some talking points, and those are the talking points
22 that I'll be using this afternoon.

23 First of all, let me talk about part A of this
24 diagram. This is the line extension. And in the prior
25 formulas, the line extension was commingled in each of

1 the individual formulas with some information about the
2 services, the drops or the laterals. And I just took
3 that out and made it, this is what happens with line
4 extensions, and the answer is, CIAC for a new overhead
5 or underground line extension is the total cost of the
6 line extension, and that's what the rule says.

7 The next talking point there in the attachment
8 is the CIAC for an upgraded overhead or underground line
9 extension is, guess what, the total cost of the line
10 extension plus the cost of the removal of the existing
11 service less salvage. I hope that's exactly how it has
12 always been and will continue in the future.

13 On the next page of the attachment, new or
14 upgraded overhead and underground service drops or
15 laterals, this is talking about on the diagram B1, the
16 service lateral, and it's also the service drop for the
17 underground.

18 My understanding is that a standard service
19 lateral is maybe 75 feet. Can I get some indication
20 that that's generally -- does anybody do something
21 really substantially different?

22 Okay. Good.

23 My understanding is that for the service
24 lateral, there's no CIAC for a standard overhead
25 service, and that's what the rule says.

1 The CIAC for a new standard underground
2 service lateral is the cost in excess of the cost of a
3 standard overhead service drop, just the difference.
4 And again, I'm just talking about a service lateral
5 that's 75 feet or less.

6 The third talking point, the CIAC for an
7 upgrade to an existing service drop or lateral is the
8 total cost of the upgrade plus the cost of removal of
9 the existing service less salvage. You have to go to
10 that second diagram to see the B1 and the B2, and I just
11 wanted to show you that for the first 75 feet, the cost
12 to the customer would be zero if it's overhead. If it's
13 underground, it's going to be the difference. And then
14 for 75 feet or greater, it's going to be the cost. And
15 I think that's consistent with what you've always done.

16 For the portion of the new overhead or
17 underground service drop or lateral that exceeds the
18 cost of a standard overhead service drop, the total --
19 is the total cost of that portion of the service drop or
20 lateral. That is a talking point. It is implied by the
21 rule, but it's not express, so I hope that's your
22 understanding of the intent of the rule. Yes? Okay.

23 And then just another comment there. As has
24 always been, the CIAC for new connections and upgrades
25 to existing connections shall be reduced by four times

1 the expected incremental annual revenues. And, of
2 course, if a customer doesn't pay a demand charge, then
3 that part would be zero.

4 Again, we've just reworked the rule into one
5 formula and made little subparts, (a) through (d). And
6 the intent was to keep things exactly as they were with
7 just one formula, simplifying it so that when Joe
8 Jenkins retires and as Connie and Bob approach or exceed
9 30 years and the rest of us are left here to work with
10 this rule, we too will be able to know what you are
11 doing in the industry.

12 With that, I'll take any questions or
13 comments.

14 MR. BUTLER: This is the time to start
15 commenting on the rule, Larry, generally?

16 MS. DANIEL: Just part (2).

17 MR. BUTLER: Just part (2) being -- okay.

18 MS. DANIEL: .064(2).

19 MR. BUTLER: Okay. Well, a significant
20 comment we have -- and honestly, when we saw what you
21 proposed for the second time, we were beginning to
22 conclude that you intended to modify the formula,
23 because we had made some comments the first time, and it
24 didn't seem like it had changed in directions that
25 reflected those.

1 Let me try to explain what is at least one of
2 the fundamental concerns by what -- in our view, what
3 has happened here in collapsing the formulas, the two
4 formulas into one.

5 When there were two formulas, focusing on the
6 issue of underground versus overhead, it wasn't
7 possible, because the CIAC overhead component was either
8 zero or a positive number. You would always collect at
9 least the differential in cost between the underground
10 and the overhead service.

11 Under the formula as it's expressed in the
12 staff proposal, the utility can end up collecting less
13 than that if the revenues, the four times revenues,
14 basically if it exceeds the cost of the standard
15 overhead service that would be provided, because what
16 you'll end up having is, the residual will end up
17 offsetting part of the cost of the underground versus
18 overhead differential. And in our minds, that's a
19 fundamental change of the way the rule works and is
20 really inconsistent with what we had understood this was
21 trying to do and kind of the role of the four times
22 revenues offset.

23 In our mind, you know, utilities have an
24 obligation to provide service, and at the other end of
25 spectrum, where this service is kind of something out of

1 the ordinary, there is an expectation that the customer
2 will help to pay for that. The four times revenues
3 offset is kind of a rough balancing in between there.
4 The utility has the obligation to provide the service,
5 don't want the customer to get extraordinary service for
6 nothing, and at the other end of the spectrum, don't
7 want the customer to get the service for nothing, so
8 between those two, you come to a middle ground.

9 That obligation to provide basic service,
10 least-cost service, in our mind, is typically something
11 that is met by providing overhead service. If the
12 customer wants underground, there's no obligation on the
13 utility's part to provide underground service, and the
14 customer ought to pay the full extra cost of that
15 underground service.

16 The way that the rule proposal works as staff
17 has laid it out, there is a distinct chance that
18 customers will end up paying less than the full
19 underground-over-overhead differential. And there are
20 some other things that we would like to talk about, but
21 that one is probably worth just getting on the table and
22 talking about first, because it's our perhaps most
23 fundamental concern with the formula that shows up as
24 your revised formula in section (2).

25 MS. DANIEL: Let me see if I understand it.

1 And let me use this exhibit that's up here on the
2 overhead. You're telling me that previously you had the
3 differential plus the cost of the overhead less the four
4 years of revenue. And at a minimum, you felt like the
5 cost of the overhead less the four years of revenue
6 would be no less than zero, and your concern today is
7 that could go negative? Is that fundamentally what
8 you're telling me?

9 MR. BUTLER: That's how the math works out.
10 When you had two formulas, there was a formula for
11 calculating the CIAC overhead, and that took into
12 account the four times revenue. The CIAC for
13 underground was a separate formula, and it was the
14 actual differential between the underground and overhead
15 costs plus any CIAC overhead.

16 MS. DANIEL: Limited to zero.

17 MR. BUTLER: Yes. Certainly FPL's application
18 of that, and I believe it has been pretty consistent
19 everywhere, is that that was not something where you
20 would use a negative number for the CIAC overhead,
21 because certainly as you calculated and used the CIAC
22 overhead, that's what you would do. If it turned out
23 that that was a negative number and the customer wanted
24 overhead, you wouldn't credit them with the difference.

25 MS. DANIEL: I understand.

1 MR. BUTLER: And so fundamentally, by sort of
2 collapsing this into one formula, that sort of
3 limitation that the CIAC overhead can't be a negative
4 number has effectively disappeared.

5 MS. DANIEL: So the qualifier would be -- if
6 we wanted to be hardheaded and stick with this rule, we
7 would need to have a qualifier in there that if the four
8 years of revenue exceeded the cost of the underground --
9 overhead, I'm sorry, then it would never go below zero.

10 MR. BUTLER: Right. You couldn't more than
11 offset the cost of the basic overhead service; right.

12 MS. DANIEL: Now, I have no idea if that's how
13 you all have done it in the past, but let me just tell
14 you, when I looked at these formulas -- and the reason I
15 have this diagram set up the way I do with the line
16 extensions and the service laterals separately, I looked
17 at it mathematically, and I saw for the underground, the
18 cost of the underground, and blah-blah-blah about the
19 laterals or drops, minus the cost of the overhead,
20 something about the laterals, plus the cost of the
21 overhead, and I thought, "Well, those two cancel each
22 other out."

23 MR. BUTLER: If you can have a negative --

24 MS. DANIEL: And you've got --

25 MR. BUTLER: If you can have a negative value

1 for the CIAC overhead, you're right. But I would submit
2 that's why they were stated separately in the first
3 place, is to keep the --

4 MS. DANIEL: I've never heard that argument.
5 I'll look to Connie to tell me the answer on that. Is
6 that something that has been your understanding, that it
7 couldn't go below zero for the overhead?

8 MS. KUMMER: To me, it doesn't make any sense
9 that it would ever go below zero, because if your
10 revenues outweighed your costs, there would be no CIAC.

11 MR. BUTLER: For the overhead, for the
12 overhead, that's right. If they did, you wouldn't
13 collect any. But then if that same customer wants
14 underground service, what we would do --

15 MS. KUMMER: Then he would pay the underground
16 differential.

17 MR. BUTLER: I'm sorry?

18 MS. KUMMER: Then he would simply pay the
19 underground differential.

20 MR. BUTLER: Right. And the underground
21 differential would be the difference between the
22 underground costs and the overhead costs. But the way
23 the formula works with it having been collapsed, you
24 could have it reduced below that differential, because
25 you've got residual revenues that are now going to

1 offset part of that underground-versus-overhead
2 differential.

3 MS. KUMMER: Would it help then if we put a
4 statement in here somewhere that CIAC will never be less
5 than zero? I mean, that's the only way it makes it
6 work.

7 MR. BUTLER: It's not the CIAC being less than
8 zero. It would have to be that the differential -- I
9 mean, we actually proposed -- and one of the reasons,
10 frankly, that we kind of thought that you must be
11 intending to change the rule is that in our rule
12 proposal submittal after the first workshop, we had a
13 sentence that was intended to clarify that in no
14 instance would the utility not collect the full
15 underground/overhead cost differential, and staff didn't
16 pick that up in its rule proposal. So that's kind of
17 going the other direction of getting to what you were
18 talking about rather than using two separate formulas.

19 MR. BREMAN: If I may, could I ask that the
20 utilities quantify the dollar amount that we're talking
21 about, because I need to know -- I think it would be a
22 good idea to know the materiality of what we're talking
23 about.

24 MS. DANIEL: How often would it happen that
25 the four years of revenue would exceed the cost of the

1 overhead?

2 SPEAKER IN AUDIENCE: Often -- (inaudible).

3 MS. DANIEL: Often? By a substantial amount?

4 SPEAKER IN AUDIENCE: (Inaudible.)

5 MR. BUTLER: I don't think any of us have any
6 statistics, but my sense is that when this rule is being
7 applied for undergrounded facilities, that's often the
8 case. The deal isn't the sort of overhead extension
9 dollars, CIAC dollars. It's the underground-to-overhead
10 differential cost that utilities are seeking to collect,
11 and it could quite often be offset by this sort of
12 residual revenue.

13 MR. BREMAN: This would include residential
14 customers as well as commercial and -- I mean, I sort of
15 understand it on commercial/industrial installations,
16 but this would be also true on residential?

17 MR. BUTLER: I think it could be, yes.

18 MR. BREMAN: I would be interested in seeing
19 the data.

20 MS. KUMMER: Yes. I've never run across this
21 situation either, and that's what's puzzling me. That's
22 why it never occurred to me, because I have never seen a
23 situation in which the revenues outweighed the CIAC.
24 And again, in my mind, if the revenues outweigh the
25 CIAC, the CIAC simply is zero. And maybe we can just

1 add something to that effect. Would that solve this
2 thing?

3 MR. BUTLER: No, but, Connie, it doesn't. Now
4 you only have one formula for CIAC, and the CIAC in your
5 rule is the only place that a differential between
6 underground and overhead is collected.

7 See, it used to be with the two formulas, it
8 worked pretty neatly, because at least everybody
9 understood and applied it that CIAC wouldn't be a
10 negative number, and so if your overhead CIAC was less
11 than zero, it sort of defaulted to zero, and then you
12 had purely the formula of underground CIAC was the cost
13 differential. But now, by collapsing the formulas, you,
14 in effect, include the negative impact on the CIAC
15 overhead in calculating how much can be collected as the
16 CIAC underground.

17 MS. DANIEL: Let me ask you if this would fix
18 it. Tell me if this is still falling short. "For
19 underground extensions, if the four years of revenue
20 exceeds the overhead CIAC, the CIAC will equal the cost
21 of the underground." If that were added to the rule,
22 would that fix the problem? And let me repeat it.

23 MR. BUTLER: I think what you said, except it
24 has to be the underground-to-overhead differential.
25 It's not the full cost of the undergrounding, because

1 what you're collecting is the differential between the
2 undergrounding and the overhead.

3 MS. KUMMER: For an extension? We're talking
4 extension.

5 MR. BUTLER: That's what this rule is. I
6 mean, that just becomes --

7 MS. KUMMER: So you're just worried about --

8 MR. BUTLER: -- a word description as a --

9 MS. DANIEL: I see. I see.

10 MR. BUTLER: -- limitation that is what was
11 achieved previously with the second formula. But that's
12 fine. I mean, if you would prefer to do it that way, we
13 certainly wouldn't have a problem.

14 MS. DANIEL: I have it now. I'm doing it
15 mathematically, and I'm with you now. For underground,
16 if the revenue, the four years of revenue exceeds the
17 overhead CIAC, then the CIAC will be the underground
18 differential.

19 MR. BUTLER: I don't know if that's --

20 MS. DANIEL: No? Tell me the words.

21 MR. GRIFFIN: This is Jesse Griffin from
22 Progress Energy. That's J-e-s-s-e, G-r-i-f-f-i-n.

23 Your formula would be correct if you replaced
24 the word "CIAC" with "overhead job cost."

25 MS. DANIEL: So give me the sentence.

1 MR. GRIFFIN: Would you repeat yours, and I'll
2 just put in "overhead job cost" for "CIAC."

3 MS. DANIEL: Well, let me see if I can do it.
4 "For underground, if the four years of revenue exceeds
5 the overhead job cost, then the CIAC will equal the
6 underground differential."

7 MR. GRIFFIN: That's correct.

8 MS. DANIEL: I got it.

9 MS. KUMMER: I hate to throw a monkey wrench
10 in this, but I think this is -- that sounds to me
11 exactly what you criticized us for last time, which is
12 losing the cost of the extension. All you're paying is
13 the differential for the extension. You're not
14 capturing the cost of the extension.

15 MR. BUTLER: No, but what's happening there
16 is, if the -- sort of if the cost of the overhead
17 extension is more than covered by the four times
18 revenue, then --

19 MS. KUMMER: Okay. All right. I just got the
20 picture. Sorry.

21 MS. DANIEL: Let me repeat it one more time.
22 And this won't be precisely, but basically, "For
23 underground, if the four years of revenue exceeds the
24 overhead estimated work order job cost, then the CIAC
25 for underground will be the differential between the

1 underground and the overhead."

2 MR. GRIFFIN: That's correct, total job costs
3 of both.

4 MR. BRYANT: I think that -- this is Howard
5 Bryant with Tampa Electric. I think that works, as long
6 as the revenue does exceed the overhead cost component.
7 But if it does not exceed it, then I'm not sure that it
8 works.

9 MS. DANIEL: Well, that if/then statement is
10 only if the four years of revenue exceeds the total
11 overhead job cost.

12 MR. BRYANT: Okay. Then if I look at your
13 formula and make the assumption that the -- well, if I
14 look at this formula, it appears as if the revenue is
15 being applied to both the overhead and the underground
16 cost, when historically the revenue has only been
17 applied to the overhead cost.

18 MS. DANIEL: It's only intended to be applied
19 once.

20 MR. BRYANT: Okay. But I'm not convinced that
21 we get there by looking at the formula and then going to
22 paragraph (c), the top of page 9, line 1, (c). I think
23 -- well, let me ask you, what is your intention with
24 item (c) there?

25 MR. WRIGHT: Patti, this is Schef. May I?

1 MS. DANIEL: Sure.

2 MR. WRIGHT: I just can't resist. Trapp and I
3 did the rule and the EIS for this years ago. May I make
4 a suggestion?

5 MS. DANIEL: Uh-huh.

6 MR. WRIGHT: Here's my suggestion. Have it
7 say, "For underground line extensions, the maximum
8 credit shall be the cost of the equivalent overhead
9 installation, including the cost of a standard overhead
10 service drop." That seems to get where they want to
11 get, while preserving the extension piece.

12 MR. TRAPP: As a co-party to that past effort,
13 I like two formulas now.

14 MR. WRIGHT: I'm taking no position on the two
15 formula issues, and this is just Schef Wright sharing.

16 MR. BRYANT: We would like to propose that Bob
17 has seen the light, and we want to go with what Bob is
18 now saying. We think that's a beautiful idea.

19 MR. STONE: This is Jeff Stone on behalf of
20 Gulf Power Company. It appears to me, given the stated
21 intention as simply simplification and not to change the
22 result of the formula, that perhaps our attentions would
23 be better spent on finishing the hardening aspects of
24 this docket and reserving for a future date whether any
25 modifications to the CIAC rule are needed in order to

1 accommodate whatever comes out of the hardening aspect.
2 Perhaps we're trying to do too much at one time.

3 MS. DANIEL: We've certainly talked about that
4 notion.

5 Let me get back to the point about part (c),
6 whether the four years of revenue was intended to come
7 out once or twice. It was intended to come out once.

8 MR. BRYANT: Yes.

9 CHAIRMAN EDGAR: Anytime you calculate CIAC
10 for a customer, you're only going to remove the four
11 years of revenue once.

12 MR. BRYANT: Right.

13 MS. DANIEL: And you're looking at (c), and
14 you have a question about whether that's reflected
15 there.

16 MR. BRYANT: Well, if I go back to the formula
17 on the previous page, the first item there is the cost
18 of installing the facilities. Now, I'm making an
19 assumption. That would be the overhead cost minus --
20 I'm sorry, the underground cost minus the overhead cost.
21 That is incorrect. Help us understand that, or me.

22 MS. DANIEL: Part (a) says, "The cost of all
23 new underground and -- overhead and underground line
24 extensions shall be the total estimated work order job
25 cost."

1 MR. BRYANT: Yes.

2 CHAIRMAN EDGAR: What we were trying to do is
3 describe that what is in the box that says, "Cost of
4 installing the facilities," would be the total cost. If
5 it's underground, it will be the total cost of the
6 underground. If it's overhead, it will be the total
7 cost of the overhead, not a difference.

8 MR. BRYANT: Okay. Is there any interaction
9 between what you have just said and item (c)?

10 MS. DANIEL: That's for the service. The
11 total cost of installing new underground service -- and
12 perhaps I was not as articulate as I should be. I'm
13 talking about a lateral -- underground, a drop, service
14 drop shall be reduced by the cost of a standard overhead
15 service lateral, that first 75 feet. That's the --

16 MR. BREMAN: Howard, I don't know if this is
17 going to help you, but that (c) is one sentence that
18 replaces essentially two pages of the URD. It's just
19 the service.

20 MR. BRYANT: Okay. I'll keep thinking.

21 MR. BUTLER: Beyond the basic formula, we've
22 got a couple of other comments on section (2). And
23 again, I will reiterate that we're making these -- if
24 you stay with this approach, these are things we have
25 concerns with. Our strong preference would be to go

1 back to the -- just leave the rule as it is for now
2 rather than trying to --

3 MS. DANIEL: Well, I would like to hear other
4 examples of where this rule --

5 MR. BUTLER: Okay. Let me tell you --

6 MS. DANIEL: Just for my learning, help me
7 understand where this rule takes you astray from what
8 your current practice is.

9 MR. BUTLER: Fair enough. The next thing we
10 have a concern over is, in the formula, you have used
11 the terminology "nonfuel energy charge" as opposed to
12 "base energy charge." We have a concern about that,
13 because at least a fair interpretation of that would
14 mean that you would not include the fuel adjustment
15 charge in there, but that other adjustments such as
16 environmental, conservation, perhaps even the capacity
17 charge, storm surcharges, things of that sort would be
18 included in the energy charge. And if that were
19 intended, I think it would be an inappropriate
20 application, because certainly none of those monies
21 would go to defray the sorts of distribution facility
22 costs that we're talking about here. So I think the
23 term "nonfuel energy charge" is probably not the right
24 one to use for that purpose.

25 MS. DANIEL: Is that what's in the current

1 rule?

2 MS. KUMMER: Yes.

3 MS. DANIEL: So you would like a change to the
4 current rule in that regard?

5 MR. BUTLER: Yes. We would like it to be base
6 energy charge.

7 MS. KUMMER: I don't have a problem with that.
8 I think that's what we were trying to capture.

9 MS. DANIEL: Instead of nonfuel, you want
10 base? Is that it?

11 MR. BUTLER: Now, in subsection (b), this
12 seems to be, at least as I've been able to track this, a
13 change that you are now stipulating that there's not a
14 charge for the overhead transformer.

15 MS. DANIEL: E as in egg?

16 MR. BUTLER: No, B as in boy.

17 MS. DANIEL: B as in boy. I'm sorry.

18 Correct.

19 MS. KUMMER: And that was taken as -- we were
20 attempting to paraphrase on the next page the old
21 formula that talks about excluding transformer service
22 drops and meters. How is that different than the rule
23 today?

24 MR. BUTLER: I'm sorry. It's not different
25 from today. I'm just -- why is it included? What is

1 the logic of including the overhead transformer as part
2 of the cost that would be recovered through the -- I'm
3 sorry, that would not be recovered through the CIAC,
4 kind of the basic service to the customer's house?

5 MS. KUMMER: You'll have to talk to Mr. Trapp.
6 He wrote the original rule. We were just trying not to
7 change too much the concepts of the original rule.

8 MR. TRAPP: I think Schef wrote the original
9 rule.

10 MS. KUMMER: It always seemed a little strange
11 to me too, but that's what was in the rule, and I
12 assumed you all had agreed to it. Does anybody else
13 have an opinion on that?

14 MS. HOLDSTEIN: I'm Nancy Holdstein from
15 Progress Energy, H-o-l-d-s-t-e-i-n.

16 Our understanding of why we exclude the
17 transformer and the service drop and the meter is
18 because those costs are already compensated for
19 elsewhere in rates. The service drop and the meter are
20 in the customer charge, and the transformers are
21 generally precapitalized and otherwise captured in
22 rates.

23 MS. KUMMER: Okay. Anything else?

24 MR. WRIGHT: I think Tom Raines wrote that
25 part of the rule.

1 MS. DANIEL: You know what this does? It puts
2 something in the rule that we thought you were all
3 already doing. And as I talked to staff to educate
4 myself, it was interesting to see as I went from person
5 to person how they varied in their understanding of what
6 you do. So if nothing else, we've put together
7 something that makes us come closer to making sure that
8 we have consistent application among the utilities.

9 MR. THOMPSON: May I?

10 MS. DANIEL: Yes.

11 MR. THOMPSON: Jim Thompson with Gulf Power.

12 MS. DANIEL: Yes, sir.

13 MR. THOMPSON: Two other just quick little
14 comments about -- if we're still in that section (2) of
15 .064.

16 MS. DANIEL: I'm leaving when we get past
17 section (2).

18 MR. THOMPSON: Oh. Then I know we're still in
19 that section. In (a), just as a suggestion, the costs
20 of all the overhead and underground, perhaps the word
21 "facilities" would be better there instead of "line
22 extensions." It seems --

23 MS. DANIEL: I agree.

24 MR. THOMPSON: In (b), aside from and apart
25 from Mr. Butler's comments, since we're talking there as

1 clarified above at line 20 about the definitions of
2 costs, perhaps (b) could read "cost for transformer,
3 service drops, et cetera, shall be excluded." And
4 again, that's separate from, and I don't mean to
5 contradict, Mr. Butler's suggestion there.

6 MS. DANIEL: The cost for overhead --

7 MR. THOMPSON: Cost for transformer, service
8 drop and meter for new standard overhead installations
9 shall be excluded, to continue the theme of costs in
10 those sections.

11 MS. DANIEL: I understand.

12 MR. THOMPSON: Thank you.

13 MS. HOLDSTEIN: This is Nancy Holdstein again.
14 We would also like to add in subparagraph (a) the cost
15 of all new or upgraded overhead and underground
16 facilities.

17 MS. DANIEL: Do you see (d) on the next page?
18 Does that take care of it?

19 MS. KUMMER: We broke that out because of the
20 salvage component.

21 MS. HOLDSTEIN: Yes.

22 MS. DANIEL: You're good? Okay.

23 MS. HOLDSTEIN: If I might offer some other
24 clarifying comments on some of the issues, both what
25 Mr. Wright said, what FP&L said, and what TECO has said.

1 The way we are interpreting the math, I think
2 if we clarified, as consistent with your drawing, that
3 the standard overhead service installation equivalent to
4 your standard service lateral equals the transformer,
5 the approximate 75 feet service drop, and the meter, if
6 that were defined perhaps in section (b), to be defined,
7 and then also we're okay with it being excluded, then
8 when you get to section (c), the only thing you're
9 pulling out is what has previously been defined as those
10 three items. And we believe the math works correctly in
11 a combined formula with the exception of adjusting for
12 the revenue -- the overhead CIAC not going negative.

13 MS. DANIEL: Can I just add the word "75 feet"
14 in front of service drop and that will take care of it
15 on (b)?

16 MS. HOLDSTEIN: I would like to see standard
17 overhead service installation defined, because it's then
18 used in (c). And if the standard overhead service drop
19 is previously defined as just the transformer, the
20 75-foot service drop, and the meter, then you're only
21 talking about that small amount and not including the
22 whole line extension coming out when you do the
23 underground calculation. Then we believe the math
24 works.

25 MS. DANIEL: Okay. Can you give me some

1 language to that effect in your comments?

2 MS. HOLDSTEIN: Yes. We plan to provide you
3 some mathematical calculations, a supporting schedule
4 with some examples showing that it does work.

5 MS. DANIEL: Okay.

6 MR. TRAPP: There may be a concern with that,
7 and I just raise it for your information as you develop
8 your post-workshop comments. But it occurs to me, there
9 is another rule on the books, and the number escapes me
10 right now, that the 75-foot is derived from. My
11 recollection is that it's a loose derivation. It's not
12 -- in other words, the Commission I don't believe in its
13 rules has precisely defined what a standard service is.

14 I think what we've said in the rule I'm
15 thinking about is that each utility shall specify a
16 point of delivery. It will be on a close end of the
17 house, more or less 75 feet within the property line, is
18 the way I remember the rule, and that's about the
19 specificity that's there. If we get real specific about
20 what a standard service drop is, I don't think you have
21 any latitude anymore. So I just caution you on that.

22 MS. DANIEL: Other questions or comments?

23 MR. BRYANT: One other question. On line 3,
24 this would be (d) on page 9, is there a need to address
25 remaining book value?

1 MS. DANIEL: Net book value?

2 MR. BRYANT: Uh-huh.

3 MS. DANIEL: I thought about that. Certainly
4 when you get to the conversion rule, we talk about net
5 book value.

6 MR. BRYANT: If it's over there, yes, that
7 might do it.

8 MS. DANIEL: What do you do now?

9 MR. BRYANT: The more I think about it, that
10 might do it.

11 MS. DANIEL: The conversion?

12 MR. BRYANT: It is the case when you convert.
13 This is strictly --

14 MS. DANIEL: Right. This is an upgrade.

15 MR. BRYANT: This is strictly extension.

16 MS. DANIEL: Correct.

17 MR. BRYANT: I'm with you.

18 MS. DANIEL: That is an upgrade.

19 MR. BRYANT: Right. But an extension can be
20 an upgrade.

21 MS. DANIEL: Yes.

22 MR. BRYANT: Right.

23 MS. DANIEL: Okay. So you're good with this?

24 MR. BRYANT: I think so.

25 MS. DANIEL: Okay.

1 MR. BUTLER: I have another question for you,
2 going back to this question of what you're including and
3 excluding from the calculation.

4 MS. DANIEL: Yes, sir.

5 MR. BUTLER: If you look at the underground
6 formula that has been deleted, the comparison there is
7 sort of all-in for underground versus all-in for
8 overhead, all the way to the customer's house,
9 basically, and you're comparing the cost of all of those
10 pieces to get your differential.

11 And it would seem like that the way we've been
12 working toward the definition of what facilities we're
13 talking about in this generic formula, that you're
14 excluding the transformer, service drop, and meter from
15 the costs that are being considered, and I'm not sure
16 how one captures this all-in to all-in comparison that
17 is contemplated in the CIAC underground formula in the
18 current rule consistent with that idea of excluding
19 transformer, service drop, and meter from the
20 calculation when you're looking at the generic CIAC
21 formula.

22 MS. KUMMER: The underground formula, the old
23 underground formula is not all-inclusive to
24 all-inclusive. It's all-inclusive underground, but the
25 CIAC overhead goes back to the preceding formula, which

1 excludes --

2 MR. BUTLER: That's the CIAC overhead. That's
3 if you had an excess of sort of the standard overhead
4 service over the four times revenue as an adder to it.
5 I'm talking about the first box in the formula. The
6 first box in the formula, it's a lot of words there, so
7 I won't read them all, but I think if you do, you'll see
8 it's an all-in versus all-in, and that's what I'm
9 talking about.

10 As you're working toward this formula, the
11 single formula, which is frankly sort of driven by how
12 the old overhead formula was set up, it seems like that
13 the definition of terms, what you're considering for the
14 actual or estimated job cost part is something that's
15 going to be excluding transformer, service, and meter
16 costs. And if there is a differential in those costs,
17 underground costs more for those components compared to
18 the overhead equivalent for them, it looks like that's
19 getting lost from what the utility would collect.

20 MS. DANIEL: I would have to think about that,
21 but I've given this a lot of thought, and my brain could
22 not handle all of those variables running around at
23 once, so I put it into a matrix like this, and I thought
24 about what the existing rules said with regard to line
25 extensions very carefully, all of them. And what I got

1 was, you're winding up with, for purposes of line
2 extensions, the cost of the underground minus the cost
3 of the overhead plus the cost of the overhead for line
4 extensions. That's all I'm referring to. And what that
5 means is, you're getting the cost of the underground for
6 line extensions.

7 And then I looked at the portions of the rule
8 that address the transformers, the service drops, and
9 the meters, and I got the cost of the underground drop
10 minus the cost of the overhead drop, which is the
11 differential. And that's what --

12 MR. BUTLER: Where is that reflected here?

13 MS. KUMMER: Item (c).

14 MS. DANIEL: (c), the total cost of installing
15 a new underground service drop shall be reduced by the
16 cost of a standard overhead service lateral, if you
17 will, installation.

18 MR. BUTLER: But what ends up happening -- and
19 maybe it's a matter of just clarification, but if you
20 look back to (b), which just said that standard
21 installations are excluding the transformer, service
22 drop, and meter, it would --

23 MS. DANIEL: That's for overhead; correct.
24 For overhead, there's no charge for the transformer,
25 service drop, and meter.

1 MR. BUTLER: Well, if you end up taking the
2 total cost for the underground, including those
3 components, that would actually be collecting more than
4 what we are currently collecting. And we're not asking
5 to collect the entire cost of the transformers, the
6 service drop, and the meter. We're just saying if there
7 is an increment, if the transformer, service drop, and
8 meter for underground costs more than the transformer,
9 service drop, and meter for overhead, that differential
10 ought to be part of the equation.

11 And combining (b) and (c), I would read it
12 that either one -- you're looking at both of them
13 excluding the transformer, service drop, and meter, or
14 else it's in there for the underground cost and not in
15 there for the overhead, which would sort of overstate
16 how much the differential would be.

17 MS. DANIEL: Let me back you up a little bit.
18 And maybe I need to reword this still a little bit.
19 Part (a) only goes to line extensions. Part (a) has
20 nothing to do with transformers, services, or meters.
21 Part (a) only goes to line extensions. If you have an
22 overhead service, then you need to look at part (b) to
23 get your transformer, service drop, and meter. If you
24 have an underground service, you need to look at part
25 (c) to get your transformer, service, and meter. If

1 you're underground, it's the difference, and if it's
2 overhead, it's zero, if we're talking 75 feet or less.

3 MR. BUTLER: That certainly -- I mean, I
4 understand mathematically you could do it that way. I
5 don't think that's what (b) and (c) say right now, at
6 least to me.

7 I mean, (b) seems to -- it ends with "standard
8 overhead installation," and then (c) talks about
9 standard overhead installation. And it seems like that
10 a logical thing to do would be to assume that (c) is
11 talking about what you just described in (b), and (b)
12 excludes the transformer, service drop, and meter.
13 You're saying that the total cost of the underground
14 service would be used, which would be fine, but then
15 you're excluding from it or you're subtracting from it
16 to get the differential this, quote, unquote, standard
17 overhead service, which seems to be excluding the
18 transformer, service, and meter. And it's not --

19 MS. KUMMER: I see the problem you're having.
20 I think we can work on the wording. I don't think you
21 disagree with what we're trying to say. You're reading
22 this as cumulative, and we're not. That's our basic
23 problem, and that's a wording issue, I think, more than
24 anything else.

25 MR. BUTLER: I mean, it's possible to handle

1 it that way. This just seems like it is developing the
2 sort of Ptolemaic model of the solar system. You know,
3 you could end up having it work a lot easier if things
4 rotated around the sun, if you kept the two separate
5 formulas instead of kind of trying to force corrections
6 to it so it all works within one formula. But if you do
7 it the one formula way, then certainly we would like to
8 see clarification on that.

9 MS. KUMMER: The other thing that we're trying
10 to fix here, John, is that this rule only dealt with
11 line extensions, nothing but line extensions. There was
12 no CIAC formula for upgrades, and that was the question.
13 The wall that we were running into was about the CIAC
14 for upgrades, and we had no rule for upgrades, so that
15 was one of the things we were trying to do in this rule,
16 is move it beyond just simple line extensions to cover
17 other situations.

18 MS. HOLDSTEIN: I think I can offer a solution
19 that will address the issues. If you put -- it you took
20 out the word "standard" in (b), and backtracking on what
21 Mr. Trapp said, don't pin down a definition as I
22 requested earlier, take out the word "standard" in (b),
23 and then in (c) just take out the cost of -- again
24 strike is the word "standard" and say the cost of an
25 overhead transformer, a standard service lateral, and a

1 meter, and the math is still going to work right. So
2 then you've got the differential. That would provide
3 for the differential between a pad-mount transformer and
4 an overhead transformer, and the cost of an underground
5 service lateral versus an overhead service lateral, and
6 the meter is a wash.

7 MS. DANIEL: When in (b) you take out the word
8 "standard," then you're saying if that service drop is
9 200 feet, you're good to go with no charge; correct? Do
10 you want to think about that one?

11 MS. HOLDSTEIN: Well, you could take out the
12 standard service drop.

13 MR. GRIFFIN: This is Jesse Griffin. There
14 never will be an overhead service drop 200 feet long.
15 It physically won't support itself and will sag. We
16 would have supporting poles in it. And the last section
17 of wire that we would consider service would be about 75
18 feet to 80 feet, somewhere in that range.

19 MS. DANIEL: So there's nothing but a
20 standard? Is that what you're telling me? You never,
21 ever do anything other than 75 feet or less?

22 MR. GRIFFIN: It might be 80 or 85 feet.

23 MS. DANIEL: But you would still consider
24 it --

25 MR. GRIFFIN: That would be -- if we have no

1 supporting poles between the transformer and the meter,
2 that's our standard service drop.

3 MS. KUMMER: And anything beyond that would
4 fall under the line extension?

5 MR. GRIFFIN: That's correct.

6 MS. DANIEL: Then we can take out the word
7 "standard." Then there is no (b)(2) then.

8 MR. GRIFFIN: That's right. (b)(2) would only
9 be a few feet and really not --

10 MS. DANIEL: It's in my imagination. Okay.
11 Good.

12 As someone commented earlier, this probably is
13 not the most important thing you want to spend your
14 afternoon doing. If anybody else has any questions they
15 wanted to give us or any radical changes to the rule
16 other than what we've already heard, I would love to
17 hear it. I think we can cover the rest of it in
18 comments. Is that right?

19 MS. KUMMER: As far as section (2). There are
20 some other --

21 MS. DANIEL: As far as section (2).

22 MR. BUTLER: I would like to make the
23 suggestion that if you decide that you do want to
24 continue pursuing this approach of the combined formula,
25 somehow or another we ought to have some opportunity for

1 dialogue on whatever you come up with as a way to fix
2 the concerns we've been addressing and get that
3 information back to you.

4 MS. DANIEL: Yes, sir.

5 MR. BUTLER: Simply so it doesn't end up
6 getting carried forward as a further area of concern,
7 because it's not central, but obviously, by the same
8 token, it's very important to the utilities and how they
9 calculate their CIAC. And the way things are currently
10 structured to work, we wouldn't really have another
11 formal opportunity to comment on your proposed fix. So
12 I just throw that out for --

13 MR. TRAPP: John, we are going to agenda June
14 20th. The staff recommendation will be submitted June
15 8th. You can take it up at agenda. You've got to fix
16 it today. If it's not fixed today, your next
17 opportunity is agenda.

18 I think it's important that the Commission
19 understand their CIAC rule. If the staff doesn't
20 understand the CIAC rule and the utilities don't
21 understand the CIAC rule, then we've got a problem. But
22 we are going the agenda June 20th.

23 MR. BUTLER: That's fine. I just think it
24 would be kind of a shame to have this discussion again
25 in front of the Commissioners for the agenda. That's

1 what I was hoping we could avoid.

2 MS. DANIEL: My understanding of the
3 rulemaking process is that as staff writes up the
4 recommendation, it's incumbent on us to really spell out
5 for the Commissioners what all of this means, and
6 hopefully we'll get it right when we write that
7 recommendation, and I look forward to seeing your
8 comments on this part. We'll try to be as true to your
9 comments as we can.

10 Thank you.

11 MR. HARRIS: That was section (2). There is a
12 section (1). Let's backtrack a little bit. Are there
13 any comments on section (1), application and scope?

14 Not hearing much, let's jump on to section
15 (3). If somebody notices something in (2), we can come
16 back to it. Section (3).

17 MS. KUMMER: Section (3) starts at the bottom
18 of line 10 after all the strikeouts.

19 MR. HARRIS: Page 10, line 25.

20 MS. KUMMER: And I would just clarify, this
21 was in response to a question we had last time about
22 transmission primary and transmission voltage. This was
23 our comment that it applies to any voltage level.

24 MR. HARRIS: Not hearing anything, section
25 (4). Not hearing anything --

1 MR. THOMPSON: I have some stuff on (4).

2 Let's see. On -- oh, just above (4). I'm sorry.

3 You're on line 3 of page 11?

4 MR. HARRIS: Yes.

5 MR. THOMPSON: Just above that, why would we
6 change to the word "requesting" here instead of
7 "requiring," especially in light of back on page 8, line
8 8?

9 MS. KUMMER: I caught it one place and didn't
10 the other. That's the only thing I can think of. The
11 idea of upgrades are usually requested. They're not
12 necessarily required. It's not something the company
13 would go in and say, "You have to do this." A customer
14 can request an upgrade. But I agree they ought to be
15 the same. They ought to be consistent.

16 MR. BREMAN: Generally a utility when it does
17 its own upgrades does it for its own reasons. Those are
18 required upgrades. We're trying to distinguish that
19 between a solicitation from a customer or an applicant.

20 MR. THOMPSON: I was just curious about the
21 difference between the two, if there was any difference
22 intended there.

23 MS. KUMMER: No. Would "requested" work in
24 both places? Or "request," I guess, on page 8. Again,
25 as Jim said, if you're going in and doing it on your

1 behalf, presumably you wouldn't require a CIAC from the
2 customer if you're doing it for your own purposes.

3 Okay. Did we get through (4)? This just says
4 that however you estimate your costs, you'll construct
5 here the same way you're required to in .034.

6 MR. THOMPSON: I do have one small comment on
7 (4). At page 11 at line -- well, starting at line 10,
8 it may be that we could just put a period, or I would
9 suggest we consider putting a period after the word
10 "produce" on line 12 and stopping right there. The next
11 phrase refers to a four-year time frame. That gets a
12 little awkward at times. We're not really dealing with
13 a four-year time frame. As is described on one of the
14 previous pages, we're dealing with a one-year or an
15 annual or one-year revenue projection which is then
16 multiplied by four.

17 The other reason I suggest stopping that whole
18 paragraph there with the word "produce" is the
19 awkwardness perhaps on line 13 of the phrase "estimated
20 credit to the CIAC." I'm not certain what the credit to
21 the CIAC is.

22 MS. KUMMER: There was a lot of discussion
23 about this last time, and my thinking is that the costs
24 are the costs. I mean, the customer can't really
25 dispute the costs. You've got invoices. You've got

1 materials costs that you can point to. The costs are
2 pretty much defined. They're objective. What is
3 subjective in the CIAC calculation is the estimate of
4 the revenues, and that's what I was thinking might
5 possibly be disputed. You say there's only going to be
6 five houses, it turns out there's ten houses, and the
7 first guy -- that was where I was going with this.

8 MR. THOMPSON: Sure. Thank you, Connie. That
9 refers to the revenue estimate.

10 MS. KUMMER: Right.

11 MR. THOMPSON: Then my final question about
12 that paragraph would be -- and I'm told that perhaps
13 this was discussed for the last workshop. If so, I
14 apologize for revisiting it. Line 14, at the customer's
15 request, is that to say that the utility could not in
16 the future readdress whether or not the revenues had
17 materialized?

18 MS. KUMMER: That's an interesting question.
19 I think this did come up last time, and I don't think
20 that we ever really hashed out an answer one way or the
21 other.

22 Does anybody else have any thoughts? Bob?
23 I'm not getting much support up here.

24 MR. THOMPSON: I was really thinking, Connie,
25 that perhaps on -- and I know this jumps ahead, but I

1 think they're related. On page 12 at line 14, unable to
2 agree, that doesn't seem to terminate when they pay it
3 up front. That opportunity there could suffice for
4 either party two or three years later.

5 MS. KUMMER: I hadn't looked at it that way,
6 but I suppose it could be read that way. That was -- I
7 was reading that as being an initial, you hand them a
8 bill, they come to us and say, "That's too much."

9 MR. BREMAN: What would you suggest? Within
10 18 days of completing the work order, or what?

11 MR. THOMPSON: No. Honestly, what I was
12 thinking was back in my earlier offer to consider just
13 putting a period after the word "produce" and let
14 everything else after that be covered by the
15 opportunities available on page 12 at line 14, just the
16 way it's written or proposed.

17 MR. BUTLER: FPL would support that. One of
18 the things, Connie, that would be good about that
19 addresses something that we were just conferring about
20 over here that's -- one of our concerns about the way
21 that subsection (6) now reads is that it seems like a
22 customer could raise the dispute at sort of any point,
23 including, say, at the very beginning, just say, "Tell
24 you what, Utility. I want you to look at my actual
25 consumption at the end of this time period, you know,

1 the best year in those five, whatever, and then
2 recalculate the CIAC credit based on what it turns out
3 to be," which would really be an administrative
4 nightmare, because you would have to be tracking that
5 amount and where the customer ends up and all those
6 sorts of things; whereas, in subsection (10), you know,
7 it's pretty much something where a customer will bring a
8 dispute.

9 And once that happens, then the utility knows
10 it needs to go back and look at the records and see what
11 the actual credit amount would be. And if they're
12 disputing interesting the estimate versus the actual, I
13 suppose you would look at that too. But you have
14 something that's initiated by a customer at the point
15 when the dispute arises, bringing it to the utility's
16 attention, and you start looking into it.

17 If you don't go that route, we would ask you
18 to please clarify in (6) that this is something
19 triggered by a dispute raised by a customer or a request
20 made by a customer, you know, at the time that they seek
21 to have this calculation made, not as something they
22 could do up front, and then the utility has to keep
23 track of it for the next five years or four years.

24 MS. KUMMER: You don't think the language on
25 line 14, collecting actual revenues at the end of the

1 four-year period over which the CIAC was estimated,
2 captures that?

3 MR. BUTLER: I don't, because it's certainly
4 talking about at the end of the four-year period, but it
5 seems like that the request could be made at any point.
6 It's not specifically saying that the customer has to
7 wait to the end of that period to make the request.

8 MR. TRAPP: Well, what's wrong with that? If
9 the customer insists on using actual data, what's wrong
10 with using actual data? That's my question.

11 MR. BUTLER: Well, it's keeping track of the
12 fact that you need to be waiting until four years from
13 now, you know, make the calculation at that point,
14 remember to make the calculation at that point, and if
15 the customer has moved, try to track them down and find
16 them to do the true-up with them.

17 MS. KUMMER: No, it says at the customer's
18 request. If the customer doesn't come back and ask for
19 the true-up, there would be no requirement for the
20 utility to do a true-up.

21 MR. BUTLER: I understand. But what we're
22 reading this as having the potential is that just at the
23 time that the customer pays the CIAC, they make the
24 request then.

25 MR. TRAPP: For a true-up, for the opportunity

1 of a true-up based on actual data, is the way I read it.

2 MR. BUTLER: And we've got to keep track of
3 that request and then keep track of where any true-up
4 amount would get paid until the end of the four-year
5 period.

6 MR. TRAPP: What's wrong with that?

7 MR. BUTLER: It just -- it's an unnecessary
8 administrative burden. What's wrong with the other
9 alternative of having the customer --

10 MR. TRAPP: So you would rather overcharge the
11 customer on the front end. That makes no sense.

12 MR. BUTLER: Well, what's wrong with having
13 the customer say, "Look, if you're concerned about this
14 at the end of the time, just come back and" -- what's
15 wrong with having the customer, you know, just have the
16 right, as they do under section (10), to come back at
17 the end and say, "Okay. My four years have gone by. I
18 think I used a lot more power than you estimated, so I
19 want you to make this recalculation"?

20 I mean, that would work fine. There's nothing
21 that would be inconsistent with (10), the customer doing
22 that. And it's the customer's concern, so it seems fair
23 for the customer to raise it once they've got the actual
24 consumption to base it on.

25 MS. KUMMER: Okay. So you don't object to the

1 concept of the true-up as long as the request comes at
2 the end of the four-year period.

3 MR. BUTLER: Yes, at the end, at whatever
4 point. If the customer decided, I guess, after two
5 years they kind of like what they've seen and they would
6 like to have the true-up made at that point, they could
7 do it there. But it's triggered by the customer coming
8 in and saying, "Okay. Based on what's now historical
9 data, do my true-up calculation."

10 MS. KUMMER: Okay. I'll take a look at that.
11 I understand your concerns and the idea of the fact that
12 -- or the concept that (10) really covers everything
13 anyway. Let me look at that a little bit more, because,
14 frankly, this one I had trouble with. Like Bob said,
15 it's the concept of the customer getting the pot right.
16 And how you do that I realize is going to be somewhat
17 difficult from the administrative end of it, and we
18 struggled with how to word this.

19 But by the same token, fairness to the
20 customer, you've got this free rider -- we talk about in
21 the conservation programs the free rider on the process.
22 He pays the \$25,000 to get the line, and next week three
23 more houses come in.

24 Okay. I hear what you're saying, and we'll
25 take look at that. I think I understand where you're

1 coming from.

2 Okay. Paragraph (7), that's truly intended
3 again to be just a restatement of the situation, not a
4 change in the treatment.

5 MR. BRYANT: Connie, Howard Bryant. Very
6 minor, very minor. The numbering probably got a little
7 out of focus.

8 MS. KUMMER: It did. It did.

9 MR. BRYANT: So, you know, when we get the
10 thing ultimately -- when you all get it ultimately
11 cleaned up, you can just kind of fix it a little bit.

12 MR. BREMAN: The heading is wrong too. I
13 don't know if you noticed it, but it's May, not March.

14 MS. KUMMER: We were doing this a little
15 quickly the last couple of weeks, so minor niceties in
16 these things kind of fell by the wayside, but we will
17 fix them eventually. I'm surely our lawyers will catch
18 us, if nothing else, next time around.

19 Okay. Now, paragraph (8). This is the
20 proration. And I have had suggestions, just for your
21 information, from our accounting staff, which may ease
22 some of your concerns. On line 4, rather than calling
23 it an advance, call it a payment, require a payment
24 equal to the full amount. And if you go down to line 7,
25 strike that next phrase, "In the event projected

1 growth," all the way down through "period," and say,
2 "the proration and collection for new customers shall
3 cease at the end of the three-year period." That was
4 the accountants correcting some of my terminology.

5 Any comments on this one? And I will give
6 credit or blame, as it may be, to TECO. They suggested
7 -- started us down this road.

8 MR. BUTLER: The one thing we have as kind of
9 an administrative detail, somewhat similar to what we
10 were just talking about, is this issue of tracking
11 customers.

12 MS. KUMMER: That's why I shortened it from
13 five to three. I thought three years, the people were
14 more likely to be there, especially in terms again of a
15 subdevelopment where you've got the first guy with the
16 first house pays the whole cost. Three years would not
17 be an unreasonable period to expect somebody to stay in
18 a location.

19 MR. BUTLER: I think you're right that
20 normally that would be the case. What would you expect
21 to happen in the event that the customer has moved and
22 is no longer contactable at the end of the three years?

23 MR. TRAPP: Well, I noticed that the co-ops
24 track capital credits for many, many, many years and
25 manage to get that money back to the customer. That's

1 my observation.

2 MS. KUMMER: And one would think there would
3 have to be some kind of an agreement up front, and this
4 is what comes in the last line that says, "shall file a
5 tariff outlining its policies." There would have to be
6 some agreement on what the amount was and what the
7 proration would be, and the customer would sign up
8 front. And if he wasn't there to give the money back
9 to, apparently he wasn't real concerned about collecting
10 it. I'm not sure how much of an effort --

11 MR. BUTLER: Would it be fair to say that the
12 customer would have a responsibility to notify the
13 utility if he or she moved and expected to get the
14 proration credit back?

15 MS. KUMMER: I think would be reasonable. If
16 somebody owes you money, it behooves you to let them
17 know where you are. That's something that you could
18 look at in your tariff or your contracts in setting up
19 your procedure, but I think that would be reasonable.

20 MR. BUTLER: Okay.

21 MS. KUMMER: Anything else in this paragraph?
22 Except for the fact most of you really don't like the
23 rule at all, are we done with this one?

24 MS. CROSS: This is Lori Cross from Progress
25 Energy. It's L-o-r-i, C-r-o-s-s. And I just had one

1 more comment to make about this rule.

2 In our written comments from the last workshop
3 that we provided, we proposed language to gross up and
4 collect from the contributor the federal and state
5 income taxes on the CIAC, and I'm just wondering if
6 staff gave any consideration to that proposal.

7 MS. KUMMER: I will refer you to Mr. Bill Lowe
8 sitting at the far table.

9 MR. LOWE: I got drug into this thing
10 yesterday afternoon, so you all bear with me if I'm not
11 really up on all of this.

12 My name is Bill Lowe, L-o-w-e, and I have a
13 little bit of experience in gross-up of CIAC. We went
14 -- the Commission went through this in the water
15 industry, actually, all industries. It was a generic
16 docket when 18(b) and (c) were repealed by Congress. It
17 was very material in the water and wastewater industry.

18 To the extent we did gross up contributions in
19 aid of construction in the water and wastewater
20 industry, it was a nightmare. It's an accounting
21 nightmare. You need to look at what the Commission did
22 in those cases and see whether you really want to go
23 through that process, because it was a nightmare for the
24 small water companies.

25 There were -- in Order No. 23541, Docket No.

1 860184-PU --

2 MS. CROSS: I'm sorry. Can you read that
3 again?

4 MR. LOWE: Let me do it backwards then.

5 MS. CROSS: Okay.

6 MR. LOWE: Docket No. 860184-PU, Order No.
7 23541, issued October 1, 1990. And specifically within
8 that order, pages 11 through 14 is a -- are some
9 provisions called determination of need. And it goes
10 through some stuff like demonstration of actual tax
11 liability, cash flow statement, statement of interest
12 coverage. I think that's probably the one that would
13 affect the electric utilities the most. There was a two
14 times -- let me get the language right. "The utility
15 shall also provide a statement of its times interest
16 earned, TIE ratio. The utility should demonstrate its
17 TIE ratio is no more than 2 percent." I don't think
18 that's going to affect y'all. And if the Commission
19 were to continue with the precedent that was set in
20 this, I don't think that they would allow you to do
21 gross-up of CIAC.

22 Now, the rest of this thing goes into -- all
23 of this stuff was held subject to refund, and it was
24 reviewed annually. Staff didn't like any of this when
25 it was proposed, and we were so happy when we were

1 successful in getting 118(b) put back into the Internal
2 Revenue Code, or I think it's 118(c) now, for the water
3 and wastewater industries.

4 But I thought you all should be aware that the
5 Commission has been through this. At least one
6 Commissioner is going to be very familiar with it,
7 because he sat -- he was through all of this. So you're
8 going to -- that would be an uphill battle to me. It
9 doesn't matter to me, because as Ms. Daniel said
10 earlier, I won't be here when you all do this. Okay?
11 But I needed to let you all know where the Commission
12 had been on this issue.

13 MS. CROSS: Okay. Well, we'll take a look at
14 that and review it. I guess the reason that we proposed
15 the change, and I guess you guys are familiar with
16 the -- what happens here is that when CIAC is taxable,
17 the burden of the carrying costs on those income taxes
18 is shifted to the general body of ratepayers, and we
19 think that the CIAC contributor should be the one that
20 is accountable for the carrying costs on those income
21 taxes and pays the cost of those income taxes, and that
22 was why we proposed it. We'll take a look at the
23 history here and --

24 MR. LOWE: In fact, in the order I gave you,
25 the method that y'all proposed doing is discussed.

1 Okay?

2 MS. CROSS: Okay.

3 MR. LOWE: And the present value method where
4 you're pulling the depreciation stream backwards was
5 looked upon as not providing that to the general body of
6 ratepayers. Okay?

7 MS. CROSS: Okay.

8 MR. LOWE: So you might want to look at --

9 MS. CROSS: We'll review that.

10 MR. LOWE: -- that particular order as to what
11 was said there. And in fact, that order also goes that
12 you refund the CIAC back to the person who did it, who
13 you got it from, to keep that from happening also if you
14 totally grossed it up. Okay?

15 There's also an issue in there of tax on tax,
16 because when you --

17 MS. CROSS: Right.

18 MR. LOWE: -- increase the tax for the CIAC,
19 now you've just created another level of tax on there.
20 So there's a number of problems with it that are all
21 addressed in this issue -- in this order.

22 MS. CROSS: Okay. Thank you. We'll take a
23 look at it.

24 MR. HARRIS: Anything else?

25 Okay. Let's go ahead and roll on then to

1 25-6.078. We'll wrap the last one up and move on to a
2 whole new area. I know that there is some
3 interrelationship between .078 and .115. Again, we're
4 going to try to keep them separate and go section by
5 section through each of them, but if you have to refer
6 from one to the other, you can do it, but try not to, if
7 you can.

8 I guess we're going to take a short break for
9 the court reporter, just a couple of moments.

10 (Off the record briefly.)

11 MR. HARRIS: All right. We're ready to get
12 going again. 25-6.078, Schedule of Charges, section by
13 section, section (1).

14 Section (2). This is a new section, I see,
15 underlined.

16 Subsection (3)?

17 Subsection (4)?

18 MR. SPOOR: This is Mike Spoor with FPL. We
19 do have some comments, but John had to step out for one
20 moment. I don't know if somebody else has some
21 comments, but maybe we can start that way and work this
22 way. Thanks.

23 MS. CROSS: Lori Cross, Progress Energy. On
24 subsection (4), where you start out and say,
25 "Differences in operating and maintenance costs," when

1 you go on -- I know it's the next rule, but when you go
2 on the next rule, 6.115, where you talk about
3 differences in operating and maintenance costs there,
4 you say the net present value, differences in the net
5 present value of operating and maintenance costs. And
6 we felt like that was a better, a more correct way to
7 say it, and that it should be consistent. The language
8 between the two rules should be consistent, so we would
9 suggest that change.

10 MR. TRAPP: Where would you put the change?

11 MS. CROSS: It is section (4), first sentence.
12 It starts out and says, "Differences in operating and
13 maintenance costs, including average historical storm
14 restoration costs." We are just suggesting that it
15 should say, "Differences in the net present value of
16 operating and maintenance costs." And I believe that
17 language is consistent with the way you discuss it.

18 MR. TRAPP: So it would read, "Differences in
19 net present value of operating" --

20 MS. CROSS: In the net present value of
21 operating and maintenance costs, yes.

22 MR. TRAPP: That term, net present value,
23 implies a time frame; right?

24 MS. CROSS: Yes.

25 MR. TRAPP: Okay. I've got a historical

1 period over which I'm calculating restoration costs, and
2 you're present valuing that period to apply to the O&M
3 differential.

4 MS. CROSS: (Nodding head affirmatively.)

5 MR. TRAPP: Okay. I think I understand.

6 MR. HARRIS: Anything else from TECO on that?
7 No. I'm sorry. She's Progress. My mistake.

8 All right.

9 MR. GROSS: Larry, Michael Gross from FCTA.
10 I'm going to inject something that's probably going to
11 be controversial here, but --

12 MR. HARRIS: Yea.

13 MR. GROSS: Since this Commission is asserting
14 jurisdiction that's impacting third-party attachers both
15 in -- well, in this section, I guess we're talking about
16 new installation of underground facilities in new
17 subdivisions.

18 There are provisions for cost recovery to the
19 utility, but there's no provision for any cost recovery
20 to the third-party attachers, who are also going to
21 incur an increased expense. And we're proposing that
22 there be some language added, and we'll try to draft up
23 some language, that would require the applicant to also
24 reimburse the third-party attachers for the increased
25 cost of undergrounding their plant.

1 MR. TRAPP: I'm not sure I'm following that.
2 This rule, as I understand it, has to do with brand new
3 undeveloped subdivisions where totally new facilities
4 are going in. What cost impact is there to third
5 parties of the developer requesting underground service?

6 MR. GROSS: Well, to the third-party
7 attachers, there may be an increased cost in going
8 underground as opposed to overhead in a new community.

9 MR. TRAPP: But that's a developer's choice,
10 not a utility's choice.

11 MS. KUMMER: That would be between the cable
12 folks and the developer. It wouldn't involve the PSC at
13 all.

14 MR. TRAPP: And furthermore, I don't
15 understand what jurisdiction you think that we're
16 asserting with respect to cost recovery clauses for the
17 cable industry.

18 MR. GROSS: Well, you're taking actions that
19 impact third-party attachers and increase their costs,
20 but there's no provision for cost recovery.

21 MS. KUMMER: Again, it would go -- if a
22 developer comes to you and says, "I want underground
23 service," you would quote him a price, and he would pay
24 it. We wouldn't be in the middle of it. It would be
25 your contract with the developer for providing service

1 to his subdivision. Your cost recovery is from the
2 developer.

3 MR. BREMAN: Just a small point of
4 clarification. We're making very minor changes to an
5 existing rule, so this is not really any new policy.

6 MR. GROSS: All right.

7 MR. HARRIS: Michael, we welcome these
8 comments. Propose your language, and we'll take a look
9 at it.

10 MR. GROSS: Well, I'll revisit this with my
11 people. I just got some comments from them on very
12 short notice.

13 MR. HARRIS: Right, right. And we appreciate
14 you bringing it up.

15 MR. GROSS: I'll get back with them and see
16 what the practical situation is in a new subdivision and
17 what their actual experience is.

18 MR. HARRIS: But we appreciate you bringing it
19 up, and we encourage you to get with your clients and
20 propose what you want to propose. And we will look at
21 it. You know, that's the purpose of this workshop.

22 MR. GROSS: I mean, it may be that what
23 they're talking about applies more to the next section,
24 which is the conversion from overhead to underground,
25 because their plant is going to have to be moved.

1 Anyway, thank you.

2 MR. HARRIS: Subsection --

3 MR. BUTLER: Larry?

4 MR. HARRIS: Yes, John.

5 MR. BUTLER: I'm sorry. Are we on subsection
6 (4)?

7 MR. HARRIS: We're on -- I see that you're
8 back, and we're on whatever subsection you need us to be
9 on, up to and including (4).

10 MR. BUTLER: (4) is where I had the comments.
11 Thanks.

12 A couple of things here on it. We are
13 concerned about a mandatory provision for including the
14 operating and maintenance cost differential in
15 determining the CIAC, both here and in Rule .115, so I
16 just raise it here since we've gotten there first.

17 Our concern is that we don't see any
18 meaningful way to put the comparison on equal footing
19 without doing it over sort of a life cycle cost basis.
20 There are differences in timing. There are some
21 accounting differences. There are costs that are pretty
22 similar in nature that end up being capitalized with
23 respect to underground that are expensed with respect to
24 the overhead facilities. You know, to get all of that
25 to come out in the wash, the only way we can see that

1 that properly would be done is over a sort of total life
2 cycle approach.

3 But even if one can do that, what we see there
4 as a real concern is over the need to project what those
5 costs, or particularly the cost differential is going to
6 be. And one good example of what we're talking about is
7 that the company embarked some number of years ago on a
8 program of direct burial of underground cable, and it
9 has proven to have more O&M expenses from the accounting
10 perspective, but operating and maintenance costs
11 associated with them than FPL had anticipated would be
12 the case, and I don't think FPL is unique in that
13 situation.

14 If we had looked at that at the time this was
15 first starting to occur, it would have looked like there
16 was quite a substantial offset, because the -- there was
17 no expectation for there to be extra maintenance. The
18 cost of installing the underground with the direct
19 burial technique was pretty low, and it would have made
20 it look like that the life cycle cost for underground
21 facilities was closer to what it would be for overhead
22 facilities than has turned out to be the case. That's
23 use one example of what we're talking about here.

24 But at least over a period of time, without
25 collecting data specifically for this purpose, we're

1 pretty concerned that we won't get the pot right on what
2 the overhead versus underground operating and
3 maintenance cost differential will be, since it kind of
4 has to be on a projected out through the life cycle
5 basis to put them on equal footing.

6 In contrast, we do support -- we recognize
7 there are some uncertainties, but we all have to deal
8 with that going forward -- that the historical storm
9 restoration costs is something that it makes sense to
10 take into consideration. In fact, that's basically what
11 justifies the 25 percent adjustment factor that FPL has
12 proposed as part of the storm security, and it's part of
13 our .115 proposal, because you can look at some
14 historical information usefully and gather some sense of
15 what the appropriate differential should be for those
16 storm restoration costs. So that's kind of one of the
17 two main comments.

18 The other one that we have deals with the
19 provision for record keeping and accounting measures,
20 and particularly the record keeping portion of this.
21 It's a good idea, and obviously, as I was saying, one of
22 the things that needs to happen is gathering additional
23 information to be able to confirm what the differentials
24 are.

25 But we have a concern that record keeping not

1 be defined in a way that it is looking for kind of 100
2 percent sample, forensic type information on system
3 restoration, because of the fact that, one, it can end
4 up interfering with the sort of central and primary
5 purpose of the restoration efforts, which is to get the
6 lights back on; and number two, if you're doing it on
7 that broad a basis, you're necessarily having basically
8 the crews that do the restoration work themselves
9 collect the data. A lot of those are foreign crews, and
10 even within FPL, what you have is a huge number of
11 people with different senses of what they are seeing
12 recording the data.

13 Now, we think that a well-defined sampling
14 program that will be conducted by people who are
15 specifically tasked with and trained to be forensics
16 personnel collecting data for the purpose of comparing
17 the systems is not only going to be cheaper, it's going
18 to be better, because it's going to give you more
19 consistently comparable data.

20 So I think those are really the two main
21 things that we wanted to comment on about subsection
22 (4).

23 MR. TRAPP: Do you feel the wording of
24 subsection (4) precludes you from defining sufficient
25 record keeping, or at least defending that before the

1 Commission?

2 MR. BUTLER: No. I think that if you
3 understand that that's what we think may be the best way
4 of doing it and we can defend that as making sense to
5 the Commission, then you're right. It certainly doesn't
6 preclude us in the existing wording from doing that.

7 MR. TRAPP: So do you have any specific word
8 changes to the new language that we've added, or is it
9 just a matter of getting a good grasp on the
10 interpretation we're putting on it?

11 MR. BUTLER: On that point, on the record
12 keeping, I think we can probably live with just a common
13 understanding of what the words you've got mean. We do
14 have an objection to having the mandatory requirement
15 for taking differences in operating and maintenance
16 costs into account, which actually would be a wording
17 issue, because there I don't think we -- I'm not sure
18 how we could work around what the words say, given the
19 concern that we have.

20 MR. TRAPP: And that's again the difference
21 between the "may" and the "shall"?

22 MR. BREMAN: Just to reiterate a comment that
23 I think was said at the last workshop, I don't think
24 staff would expect you to keep a greater detail than the
25 number of management regions. If you have more detail

1 than by management region, I would be surprised. But I
2 don't think we're looking for any greater granularity
3 than by management region. And in some cases, I don't
4 know that you would have it by management region. I
5 don't know if that helps you or not.

6 MR. BUTLER: Okay.

7 MS. KUMMER: I would like to go back to
8 something you talked about earlier in the first
9 sentence. I understood you to say that you have, or you
10 feel fairly comfortable using historical storm data to
11 estimate storm restoration costs. Are you saying you
12 don't have any overhead and underground O&M expenses
13 separated that you could do on a historical basis? I
14 know you've been installing underground for a very long
15 time.

16 MR. BUTLER: I don't think that we have
17 something that we would consider appropriate. I mean,
18 this is something, if you're looking at it, what you
19 ought to be looking at is what would a new -- how would
20 a new overhead system perform versus how would a new
21 underground system perform, and what's the O&M or the
22 operating and maintenance cost differential between
23 those two.

24 Yes, I think that's something where we would
25 have to say we don't because of the fact that it needs

1 to be on the life cycle basis, which means you're
2 necessarily projecting, which means you're needing to
3 make some assumptions, some pretty heroic assumptions
4 about how the two new systems are going to perform over
5 their life cycles.

6 MS. KUMMER: And you aren't comfortable using
7 historical data to do that?

8 MR. BUTLER: I mean, if we have to do it,
9 that's what we'll have to do. But because the purpose
10 of this is comparing sort of the new systems, we've got
11 some concerns that that historical information isn't
12 going to be very representative for its purposes.

13 MR. SPOOR: This is Mike Spoor with FPL.
14 Again, I guess the bottom line there, Connie, is that
15 with the storm cost, it is historical. And as we read
16 this, kind of the cost that would be applied in terms of
17 how much we would have to spend to maintain either an
18 overhead or underground system moving forward, there's
19 certainly a lot of uncertainty there. But from a
20 historical perspective, that's certainly, if doing it
21 today, where we would have to start.

22 MR. HARRIS: Are we ready to move on to
23 section (5)?

24 MR. WRIGHT: Larry?

25 MR. HARRIS: Schef.

1 MR. WRIGHT: Just on (4), one, my clients,
2 Palm Beach and Jupiter Island, agree that a life cycle
3 cost is the appropriate way to look at these things.

4 Two, regarding the average historical storm
5 restoration costs, it would be my thought that it would
6 be -- using historical storm restoration costs to
7 project future storm restoration costs with escalation
8 and then present valued back, I mean, I wonder if that's
9 consistent with what FPL and anybody else who has
10 thought about this is considering.

11 I would just say, with regard -- naturally, as
12 you know, we support the inclusion of consideration of
13 storm restoration costs in calculating the CIAC for many
14 of the same reasons you do. When it says including
15 average historical storm restoration costs, I would just
16 offer that it would be my thought that you would use
17 average historical costs to estimate future costs with
18 escalation and then present value them back in the
19 computation of the CIAC. And I just posed the question,
20 is that consistent with what others are thinking or not.
21 You know, if you're going to factor in the possibility
22 of a storm four years from now, using something that
23 happened in 1992 is not going to be a -- if you just use
24 the number, it's not going to be a good number. That's
25 what I'm getting at.

1 MR. BUTLER: We were talking over here, and
2 I'm not sure that this addresses your question directly
3 or not, but I think the notion of storm restoration
4 costs based on the historical data that we have is
5 something that probably needs to be kept somewhat
6 flexible so that you can take into account what your
7 expectations about future storm experience, what your
8 expectations about costs of restoration in future
9 periods, those sorts of things into account.

10 And the wording here may be a little bit
11 narrower than it ought to be if it is intended to be
12 sort of a rigid, take a certain number of years of
13 history, total up the storm costs incurred in those
14 years, and divide it by the number of years type of
15 thing. We were thinking of this as more based upon
16 historical storm experience rather than being just a
17 mathematical exercise.

18 MR. WRIGHT: Larry, if I could just talk to
19 John. When you say that, you mean consider historical
20 experience to make some projection of costs and then
21 work that back into the calculation, conceptually
22 anyway?

23 MR. BUTLER: Yes.

24 MR. WRIGHT: Okay. We're pretty close, in any
25 event, maybe even closer than that. Thanks.

1 MR. HARRIS: Anything else on section (4)?

2 Anyone else on section (5) then?

3 MR. WRIGHT: Larry, I apologize. I have one
4 brief comment on (5) that was actually addressed by my
5 clients in a proposed new rule section. It says record
6 keeping and accounting measures to identify O&M costs.
7 And maybe this isn't the right place for this, but I'll
8 mention it here anyway, and then I won't mention it
9 again, and that is, we think that there ought to be
10 record keeping to allow for comparison of reliability of
11 overhead and underground. And I think we had addressed
12 that in our proposed 25-6.117 or something like that,
13 and maybe here, maybe not. We'll address it in our
14 post-workshop next round of comments as well as we did
15 this time.

16 MS. KUMMER: Schef, I remember your comments,
17 and I was thinking that might fit better in the
18 reliability rules.

19 MR. WRIGHT: .034?

20 MS. KUMMER: If that's the number. I don't
21 know, but --

22 MR. WRIGHT: Standard of construction, that
23 one, or --

24 MS. KUMMER: Where they did the reliability
25 reports.

1 MS. MOORE: .044.

2 MS. KUMMER: They maintain records so they can
3 track reliability by type of --

4 MR. WRIGHT: Thanks. I'll --

5 MS. KUMMER: That's where I thought it might
6 fit better.

7 MR. WRIGHT: Thanks for the suggestion. We'll
8 look at it closely.

9 MR. TRAPP: Well, not to get your hopes up or
10 anything, but I'm not sure where we are with that
11 particular rule. Maybe Chris can enlighten us about --
12 we've had workshops and stuff like that on that already,
13 and I just wondered how --

14 MS. MOORE: A recommendation is due to be
15 filed next week, and it's going to be on the June 6th
16 agenda, I think.

17 MR. TRAPP: So it's a little bit late to be
18 introducing new concepts to that particular rulemaking.

19 MR. WRIGHT: Well, arguably, it may with
20 regard to that rule section, but we certainly have put
21 that matter at issue in our previous comments.

22 MR. TRAPP: I understand. That's why I'm
23 saying rather than divorce it out of here --

24 MR. WRIGHT: Okay.

25 MR. TRAPP: I think Connie was offering that

1 as an alternative to including it here, but I think if
2 you do that, we're getting in another time crunch, so it
3 might be best to keep the subject matter in these
4 dockets and --

5 MS. KUMMER: But it doesn't fit very well.

6 MR. TRAPP: I'm sorry, Connie?

7 MS. KUMMER: It doesn't fit very well.

8 MR. TRAPP: Well, I know it doesn't fit very
9 well, but --

10 MS. KUMMER: Okay. We'll look at it.

11 MR. WRIGHT: Well, you know where we're coming
12 from. You'll see what you see next Thursday in our
13 comments. I'll look at .044 and maybe couch it in the
14 alternative or something like that.

15 MR. TRAPP: Fine. But let me just see if I
16 understand what you're saying. In addition to just the
17 straight rate operation and maintenance costs associated
18 with storm-related activities, you're asking -- this
19 goes to the reliability performance measurement type of
20 concept --

21 MR. WRIGHT: Yes, that's right.

22 MR. TRAPP: -- in the rule, and then it's also
23 a topic, I think, of discussion by the Commission in
24 another docket which has to do with the utilities' plans
25 on an ongoing basis, if I recall.

1 MR. WRIGHT: That's essentially correct, Bob.
2 And I don't care where it gets into the rules.
3 Naturally, I would like to see it in the rules in the
4 best possible place for everybody's sake, and I don't
5 care if it's in 25-6.117 or .044 or somewhere else.
6 I'll try to find the best place for it and offer that in
7 our comments next Thursday.

8 MR. TRAPP: Okay. But again, in a rule
9 context, you're introducing it as rule language here as
10 opposed to the potential for order language in the
11 approval of the utilities' plans coming on June 1st.
12 You have a weight -- you know, either you feel as
13 comfortable with order language as you do with
14 rulemaking language, or how do we juggle the two
15 dockets?

16 MR. WRIGHT: I will give that close
17 consideration as well.

18 MR. TRAPP: Thank you.

19 MR. WRIGHT: Thank you.

20 MR. BUTLER: Larry, excuse me.

21 MR. HARRIS: John.

22 MR. BUTLER: I have -- I probably should have
23 raised it at the beginning of .078, but this is really
24 kind of a question to staff about the change to section
25 (4).

1 Whatever you end up doing, if you do something
2 either or both of these pieces about, you know,
3 requiring differences in operating and maintenance and
4 storm restoration costs to be included, the impact of
5 that over time is going to be that utilities collect
6 less CIAC, and rate base will end up being larger than
7 it otherwise would be, because you've got some sort of
8 offset to the -- a larger offset than you would now have
9 to the CIAC, and therefore not as much that's credited
10 against what otherwise would go into rate base. So
11 ultimately, you've got the general body of customers who
12 are going to have this somewhat larger rate base than
13 they would have without this sort of mandatory
14 provision.

15 And in the case of the conversions, the next
16 rule we're going to be talking about, what I think I
17 understand is that kind of staff's motivation there is
18 really wanting to provide some sort of mechanism to help
19 encourage, or facilitate, or whatever you want to call
20 it, conversions to move the system toward underground
21 from its current overhead status.

22 This rule is directed at customers who are
23 almost certainly going to end up being served by
24 underground anyway. It's new subdivisions. I think
25 it's almost unheard of in Florida at this point for the

1 new subdivisions to be built with overhead service in
2 them. And so from the standpoint of kind of bang for
3 the buck, you know, are you getting extra underground
4 system that you wouldn't otherwise be having in the
5 utility's service area, this probably doesn't do very
6 much.

7 And I would just be interested to know what
8 staff's views are as to why it is appropriate to be, in
9 essence, diminishing the contributions from the
10 developers of these subdivisions and therefore
11 increasing the rate base that the rest of customers will
12 end up paying for over time, in view of the fact that
13 probably the great majority of these people would end up
14 with underground service anyway.

15 MR. TRAPP: John, I would like to respond to
16 that first by saying I don't agree with any of your
17 premise.

18 MR. BUTLER: Okay.

19 MR. TRAPP: I think we start off with the
20 standard of construction rule that puts the
21 responsibility on the utility to determine what areas
22 should be hardened within their system. We've asked you
23 to look at flooding issues with respect to
24 undergrounding, which I assume will increase underground
25 costs. We've asked you to look at hardening of wind

1 speed, which primarily affects overhead, which is
2 probably going to increase some overhead costs. What
3 the net effect of that is on underground/overhead
4 differentials, I don't know.

5 With respect to the underground rules
6 themselves, they're based on the principle that the
7 customer should pay the cost difference between overhead
8 and underground. It's an inherent overhead standard
9 rule. I don't think we've changed that. I think we've
10 told you to do -- asked you to do what's prudent with
11 respect to hardening in both underground and overhead,
12 but I don't think we've changed any of the basic premise
13 of overhead standard, pay for underground differential.

14 So all the underground rules do is try to
15 capture the true cost differential experienced by
16 ratepayers, and that includes capital costs and O&M
17 costs. And we're saying now that in addition to your
18 O&M costs, we want you to factor in the effects of the
19 standards of construction impacts on hardening to those
20 costs that are borne by ratepayers. I don't know if
21 they're going up. I don't know if they're going down.
22 It's a matter of equity.

23 So again, I don't agree with your premise.
24 That was the intent from our perspective, was to capture
25 all the direct costs, all the costs that are borne by

1 ratepayers in the cost differentials for both new
2 facilities and extension facilities.

3 MR. BUTLER: It sounds like we're talking
4 about different sections. What I took most of your
5 comments to be going to is subsection (2), where you
6 would be looking at this estimated average cost
7 differential and the impact on that of the requirements
8 from .034. And I agree. It could end up going up or
9 down, depending on the area and what the impacts on the
10 cost of construction for overhead and underground. My
11 comment was really directed at subsection (4), where
12 you've changed it from permissive, you know, may include
13 the cost differentials for O&M to shall include those,
14 and --

15 MR. TRAPP: My comments addressed (4).

16 MR. BUTLER: I'm sorry?

17 MR. TRAPP: My comments addressed (2) and (4).
18 I believe both sections impact the cost differential
19 between overhead and underground, given the new regime
20 of a little more attention to hardening of both the
21 underground and overhead facilities.

22 You know, I believe staff is saying by using
23 the word "shall" in section (4) that there are
24 differences in cost that are affecting O&M costs, and
25 storm restoration cost impacts on overhead and

1 underground facilities, and we want the utilities to
2 capture those cost differentials. That's not a new
3 message. That is a message we've been trying to state
4 for years. The utilities have not been able to come up
5 with any cost differential data. I'm not aware of what
6 level of attempt there has been.

7 My interest in the word "shall" is that it
8 puts a little more fire under the pot to ensure that
9 these cost differentials are appropriately studied by
10 the industry. My personal opinion is there has been not
11 enough attention to it by the industry. It's easy
12 enough to collect a CIAC cost differential without doing
13 the extra homework to understand what the impact is on
14 the State of Florida of overhead and undergrounding.
15 And we're charged in this docket to determine whether
16 it's preferential in some instances or all instances to
17 install facilities underground. I challenge you to come
18 up with the data, and I use the word "shall." That's my
19 position.

20 MR. BREMAN: Mr. Butler, too, you mentioned
21 that the staff was setting up a program that would cause
22 a general increase in rate base over time. It gives the
23 impression that FPL already has the analysis and knows
24 the results, but I haven't seen them filed in this
25 docket. That's point number one. And point number two,

1 I think FPL's 25 percent investment program does
2 definitely increase base rates, or rate base at a
3 minimum.

4 MR. BUTLER: Well, you're right, Jim. It
5 would have that effect. And that's a pretty good point
6 of comparison, because that's frankly why we were
7 bringing it up with respect to here. See, our view is
8 that conversion is where there is the opportunity to
9 have the impact, and it's where we wanted to target the
10 program. What we see is different here. This isn't
11 about conversions. This is about new subdivisions.

12 And our view is -- and obviously, from what
13 Bob is saying, it's not staff's, but our view is that
14 this is -- at least part of what motivates these changes
15 should be a question of providing incentives, you know,
16 facilitating an increase in the percentage of
17 underground service in a utility's service territory.
18 We see giving incentives, creating opportunities in .115
19 as having a lot of opportunity to do that. We don't see
20 there being much impact through .078, just because it
21 really is kind of directed at the stuff that -- you
22 know, where the undergrounding is going to happen
23 anyway.

24 MR. TRAPP: Show me the numbers.

25 MR. BUTLER: Okay.

1 MR. HARRIS: That was section (5)?

2 MR. TRAPP: That was (4).

3 MR. HARRIS: I was being a little hopeful. Do
4 we have anything else on (4) then?

5 Then if we're done with (4), anything for (5)?

6 (6)?

7 MS. CROSS: This is Lori Cross, Progress
8 Energy. We have a question on (6). We know that the
9 language here didn't change, but we just don't
10 understand why there's no CIAC charge for undergrounding
11 for multiple occupancy buildings. Could you -- could
12 someone help us understand that?

13 MR. TRAPP: Probably not, but -- this one
14 dates back to the '70s, '78 maybe, at the latest. And
15 my recollection, having to admit to being around then,
16 is that the economies were such that the density -- I
17 mean, there was no cost differential at that time.
18 Maybe that needs to be revisited if cost relationships
19 have changed.

20 So again, if you have evidence to the
21 contrary, show it to us, and we may need to modify the
22 rule. But we didn't change it because we were not aware
23 of any change in circumstances with respect to the
24 densities associated with the -- excuse me, the
25 economies associated with the densities of high, multi-

1 type stuff.

2 MS. CROSS: Okay. We'll take a --

3 MR. TRAPP: That's my recollection, at least,
4 now. Probably --

5 MS. CROSS: We'll take a look at it. Thank
6 you.

7 MR. TRAPP: Probably call Joe Jenkins.

8 MS. CROSS: I'm sorry. What?

9 MR. TRAPP: Call Joe Jenkins. He remembers
10 probably better than I do.

11 MS. CROSS: Okay. Thank you.

12 MR. BREMAN: You've got about two and a half
13 weeks. He's leaving.

14 MR. HARRIS: (7), section (7)?

15 Section (8)?

16 Section (9)?

17 And section (10). There is one addition. I
18 think there are two additions in section (10).

19 All right. Are there any comments for
20 25-6.078 then before we move on to .115?

21 All right. We've move on to the next rule,
22 25-6.115. We'll start with section (1).

23 Section (2)?

24 Section (3).

25 MR. WRIGHT: Larry, this is Schef. I just

1 have a question as to your thoughts about question (3).
2 It seems -- section (3), not question (3). Sorry.
3 Particularly with regard to (c), it seems that it has to
4 contemplate a life cycle cost type of consideration of
5 all differences in all costs as they will ultimately be
6 borne by ratepayers.

7 My sense is that that is consistent with what
8 Bob was saying a few minutes ago. I would just ask if
9 that's the case.

10 MR. TRAPP: Section (3)?

11 MR. WRIGHT: (3)(c), Bob.

12 MR. TRAPP: "Such agreement is not expected to
13 cause the general body of ratepayers to incur costs in
14 excess of the costs the utility would incur for the
15 installation." Your question was, that's calculated
16 over a life cycle basis? And I guess my response is I
17 don't know. It may be.

18 MS. KUMMER: That change was my attempt to
19 address -- someone pointed to the word "greater." The
20 current rule says to incur greater costs. Somebody
21 said, "What do you mean by greater?" And I was trying
22 to clarify that. I'm not -- quite honestly, the idea of
23 life cycle or nonlife cycle didn't enter into my through
24 process at the time. I'm not saying it shouldn't, but
25 I --

1 MR. WRIGHT: Okay. I'm mixing concepts.

2 MR. TRAPP: Whatever it means now it means
3 after the change; is that right?

4 MR. BREMAN: Schef, this is Jim Breman. This
5 paragraph is talking about the agreement between the
6 utility and the customer, and it's not intended to bind
7 these two to a particular methodology or tool. It says
8 whatever you all agreed to is fine and dandy as long as
9 you all can show or the utility can show that it doesn't
10 cause excess costs to be incurred by the general body of
11 ratepayers. So it allows you guys to negotiate it. It
12 allows the applicant to negotiate with the utility.
13 It's not prescriptive.

14 MR. WRIGHT: I understand that. But it seems
15 to me that it implicates whatever credit we are going to
16 get back, which would have to be, I think, calculated
17 consistent with the CIAC provisions. If we do the work,
18 we're still supposed to get a credit based on the cost
19 of the overhead facilities.

20 MR. TRAPP: I don't know what degree, though,
21 that you're trying to introduce the concept of
22 externalities to this, because --

23 MR. WRIGHT: At this point, Bob, I am not.

24 MR. TRAPP: Okay.

25 MR. WRIGHT: That's a separate issue that I

1 will address elsewhere, but not here.

2 MR. TRAPP: But therein to me lies the real
3 complication. I mean --

4 MS. KUMMER: Schef, I remember your comments,
5 and I was a little puzzled, because there's -- in my
6 mind, and the utilities can correct me if I'm wrong, the
7 credits that a customer is allowed for doing their own
8 work is credit against the total bill. It is not a
9 payment in money to the customer, and that's what the
10 language seemed to imply.

11 MR. WRIGHT: Oh, well, if we do the work, it
12 is a payment to us. We pay the contractor, and FPL
13 gives us -- in the case of my two clients, both of whom
14 are served by FPL, if we hire Mastech or Asplundh or
15 somebody else, Pike, to do the work, we pay them.

16 MR. TRAPP: But you take a credit associated
17 with --

18 MR. WRIGHT: And then we a credit back from
19 FPL based on the cost of overhead.

20 MR. TRAPP: Based on their cost, though, is my
21 understanding of how that works.

22 MR. WRIGHT: That's correct.

23 MR. TRAPP: And if that's correct, I really
24 don't think I have a problem with this concept. It's
25 only if we're trying to introduce externality economics

1 into this equation that I think the section becomes more
2 complicated.

3 MR. WRIGHT: In this section, in this
4 calculation, I am not trying to introduce that. I just
5 want to make sure we get full credit for the same O&M
6 costs that would -- the same O&M differential costs and
7 storm restoration costs that would otherwise be factored
8 in.

9 MR. TRAPP: Based on the costs that the
10 company would experience and normally pass on to
11 their --

12 MR. WRIGHT: Exactly.

13 MR. TRAPP: Well, actually, they wouldn't pass
14 them on to their ratepayers, because they're collected
15 through a CIAC from you.

16 MR. WRIGHT: Well, what I'm saying is we
17 should get a credit that incorporates future avoided O&M
18 costs and future avoided storm restoration costs, and I
19 just want to make sure that we're on board with that.

20 MS. KUMMER: I don't think that's what this
21 section --

22 MR. TRAPP: I'm not sure I'm there. I've got
23 to see the math of that. There again lies, I believe,
24 the entry point into the discussion about externalities
25 as it pertains to what I thought was a simple equation.

1 You can either have the company do the undergrounding,
2 or you can have the applicant do the undergrounding, in
3 which case the company wouldn't basically charge the
4 applicant for the undergrounding because they've paid
5 for it anyway.

6 MS. KUMMER: That was my thought, that that's
7 the way it would work.

8 MR. TRAPP: And that's just straight cost --

9 MR. WRIGHT: That's all true, but I believe
10 we're still supposed to get a credit based on the cost
11 the utility avoids. They don't build the overhead. We
12 get a credit for the otherwise applicable equivalent
13 overhead. And what I'm saying is I think we should also
14 get a credit for O&M costs if we believe -- and at least
15 FPL and we appear to agree that storm restoration costs
16 are likely to be significantly less.

17 MR. TRAPP: I don't think that plays in here.

18 MS. KUMMER: Can some of you folks out there
19 help us on how it works? You give a customer an
20 estimate for an underground facility, and he says,
21 "Well, okay. You want a million dollars to do this. I
22 can hire somebody else to do it for 500,000." You
23 credit -- how do you handle that? You pay him a credit
24 for --

25 MR. WRIGHT: Yes, and the overhead in your

1 example costs 200,000, Connie.

2 MS. KUMMER: But the overhead has already been
3 calculated, and it's already in the formula. It has
4 already been taken out, is my understanding. Once you
5 get a net -- am I making sense to anybody? You're all
6 looking at me very blankly.

7 MR. BREMAN: I don't know. Maybe the
8 discussion on paragraph (c) should be suspended until we
9 get to page 18, where we start talking about the actual
10 costs to be included in the charges, and then we can
11 come back and do a wrap-up on what the agreement is to
12 include, because I think your discussion, Schef, is more
13 pointed on what's to be included in the calculations,
14 and paragraph (c) says after all these things are
15 considered, whatever agreement the applicant and the
16 utility strike is not going to harm the rest of the
17 ratepayers.

18 MS. KUMMER: My question was much simpler, and
19 maybe you can throw it into your comments if you have
20 time. If, again, you give the customer an estimate for
21 some portion of the work, and they say, "No, we're going
22 to do it ourselves," how is that handled? What does
23 that do to the estimate? What does that do to what you
24 charge them? How does the math work on that?

25 MR. WRIGHT: Connie, there are two things.

1 There's the cost of the underground job, the cost of the
2 overhead job, and the CIAC.

3 MS. KUMMER: Which is the difference between
4 the two.

5 MR. WRIGHT: Yes. FPL will tell us the cost
6 of the underground job and the cost of the overhead job,
7 and we can obviously calculate the CIAC from that.

8 MS. KUMMER: Right.

9 MR. WRIGHT: Okay. But the question is, back
10 to your example, is the million dollars the CIAC or is
11 the million dollars the cost of the underground job?

12 MS. KUMMER: That would be the CIAC.

13 MR. WRIGHT: Okay. Well, see, I was viewing
14 it as the cost of the underground job, but the same
15 analysis applies ultimately. But we'll talk about it
16 when we get to subsection (11).

17 MS. KUMMER: I'll take Jim's suggestion and
18 shut up and let you go to the other parts.

19 MR. HARRIS: We were talking about paragraph
20 (3). With the understanding we're going to move on in
21 this discussion, anything else in paragraph (3)?

22 Paragraph (4)?

23 Paragraph (5)?

24 (6)?

25 (7)?

1 (8)?

2 On to page 18, subsection (9).

3 Subsection (10)?

4 Subsection (11).

5 MR. BUTLER: On (11)(a), let me just start
6 with that. And I'll not talk at length about this,
7 because it's really something we talked about with
8 respect to the Boca Winds development at the beginning
9 of the morning.

10 We have -- FPL has a concern about making the
11 differentials that are described in here, operating and
12 maintenance costs, average historical storm restoration
13 costs, available generally to conversions because of
14 what we see as a very large differential in the impact
15 on the operating and maintenance costs and on the storm
16 restoration costs, depending on whether you're talking
17 about a sort of individual or small number of customers
18 who are converting in an area that remains substantially
19 served by overhead or talking about some sort of large
20 contiguous area where you no longer are having to go in
21 there and do overhead restoration work after a storm, or
22 for that matter, overhead maintenance work prior to the
23 storm.

24 And we think it's very important that this
25 differential, if we're going to be using one at least,

1 or a differential, that it be calculated based on the
2 assumption of a large contiguous area so that it will be
3 substantial, and then that it be available only to those
4 sorts of areas so that (1) you're getting a differential
5 that's big enough to make a difference in the customer's
6 CIAC costs, and then (2), on the other hand, that you
7 don't have customers who really don't deserve that
8 differential because they're one-off conversions that
9 don't generate the savings benefiting from that
10 calculated differential.

11 So the approach we had taken, which we
12 continue to recommend, is this idea of limiting whatever
13 credit, however it is calculated, to the
14 government-sponsored projects that would be fitting into
15 this pattern of being the substantial contiguous area
16 and not making this available, as is essentially
17 implicit in (11)(a), to all customers who convert, no
18 matter what their circumstances are.

19 MR. TRAPP: I have the -- I guess I could make
20 the same argument for your 25 percent reduction plan.
21 It seems to me to be discriminatory, maybe not unduly
22 discriminatory, because you've tied it to financing
23 concerns, as I understand it. You've got to have a
24 governmental entity to deal with, because you're surely
25 going to pay for the project. But I don't see any

1 science behind the 25 percent. I do see some glimmer of
2 the opportunity for science between these differentials.

3 I do share with you, though, the scale
4 problem. Do you get the same reliability and storm
5 avoidance -- cost avoidance benefit from, you know,
6 converting two blocks to underground as opposed to
7 converting a whole neighborhood, county, region? I
8 think staff is struggling with that also.

9 Personally, I would defer more to the science
10 of calculating the differentials, because we've worked
11 with it longer and have more experience with it, and
12 it's just an arbitrary 25 percent reduction to certain
13 amounts of customers that's going to come back and be
14 paid for by everybody in their rates anyway.

15 MR. BUTLER: Of course, keep in mind, in our
16 current proposal, we don't have the 25 percent.

17 MR. TRAPP: That's correct.

18 MR. BUTLER: The current proposal is to have a
19 provision that would have utilities file tariffs that
20 define both the applicability terms for the local
21 governments as well as what the percentage factor would
22 be.

23 MR. TRAPP: I thought you had a tariff filed
24 with us now that was under suspension that had a 25
25 percent reduction in it.

1 MR. BUTLER: Well, we think that that is about
2 right, and it is based on an evaluation of the storm
3 restoration cost differential in those sorts of areas.
4 You know, that's likely what we would ask you to
5 consider as the tariffed amount. We would expect you to
6 ask us to provide justification. If there was a
7 different percentage that seemed appropriate, we might
8 end up settling on something different.

9 But I don't disagree with you, Bob, about the
10 fact that it ought to be tied to some sort of measured
11 differential.

12 MR. TRAPP: But your argument started with a
13 concern about scale, and I don't have see any difference
14 in concerns about scale with respect to a 25 percent
15 reduction to governments where governments can be
16 defined by, you know, 10-customer pilot projects versus
17 600 versus 6,000, communities. I don't see any
18 difference with respect to the arguments involving
19 scale.

20 What I really need to know from the industry
21 is what are the targeted areas where such incentives
22 should be put in place. Are they coastal areas subject
23 to flooding? Are they interior areas subject to wind
24 damage, none of the above, all of the above? And that's
25 pretty much the impetus for our movement in the

1 construction standard rule to putting the responsibility
2 on the utility to identify those areas.

3 MR. BUTLER: In our proposal as it currently
4 stands, you know, one of the things that we would be
5 bringing into the tariff evaluation is the issue of
6 applicability. I mean, it's got to be a government.

7 The reason for the government -- you're right,
8 the government-sponsored doesn't necessarily imply a
9 particular scale. In fact, I think you would find that
10 the great majority of the projects would be for
11 neighborhood size, contiguous areas that would at least
12 meet the minimum threshold for the scale. But if they
13 didn't, that might be something in an applicability
14 requirement that would disqualify something that's
15 otherwise government-sponsored from qualifying for the
16 government assistance or adjustment factor.

17 But the real reason for the government goes
18 back to the issue of being in a position -- it's sort of
19 an enforcement issue here. They can assemble the
20 coalition kind of by fiat that will be the area which
21 will be undergrounded in a way that generally a
22 neighborhood without the resources of the government and
23 the enforcement powers of the government can't do. We
24 don't rule that out.

25 What we wanted to do was to get started with

1 the government-sponsored projects, because that is the
2 most obvious mechanism of making it happen. But, you
3 know, if Boca Winds or whoever has something that will
4 truly work that is an enforceable mechanism to be sure
5 everybody is doing it and everybody is paying for it,
6 then, you know, I think that's something that this could
7 move to in time.

8 But really, the key two elements are scale,
9 and then a way to implement effectively and sort of
10 uniformly the undergrounding within that contiguous area
11 that has been identified, and that's where the
12 government comes in.

13 MR. TRAPP: And by doing that, by adopting
14 that policy, you will answer the question of do we
15 really get any benefit from this? I mean, the arguments
16 that you made with respect to, "Why make us change out
17 every pole to the high wind standards? It's not going
18 to accomplish anything, just increase costs," it seems
19 to me the same arguments would apply with respect to
20 undergrounding. Where have you shown us that
21 undergrounding is a preferred means of construction?

22 MR. BUTLER: That would be the justification
23 for the adjustment factor that would be approved in the
24 tariff. We would expect you to require us, and we would
25 expect to provide a differential, a cost differential

1 basis to justify what's going to end up being done.

2 And rather than -- we started in our first
3 proposal at 25 percent. We sort of realize that that's
4 something that there's probably enough variation among
5 different utilities as to that, and perhaps as to how
6 they would want to define applicability in their areas,
7 that it made more sense to be something that was
8 tariffed rather than trying to specify one size fits all
9 in the rule, and that's why our proposal reads the way
10 that it does now.

11 The big concern on the other side is that we
12 think that your rule as it currently is proposed has
13 sort of one size fits all in the other direction. It's
14 everybody qualifies. You give the same thing to the
15 individual conversion to accommodate a swimming pool in
16 somebody's back yard as you do to a community that's
17 going en masse from overhead to underground, and that
18 doesn't seem like it's a good use of resources.

19 MS. KUMMER: I've got two points that I would
20 like to make on what you just said. The calculation
21 supporting the 25 percent you said would include a
22 number of things. Would that also include the
23 rationale, the justification or identification,
24 quantification of the benefits to the general body of
25 ratepayers for that 25 percent that you're passing on to

1 them?

2 MR. BUTLER: Yes.

3 MS. KUMMER: Okay. And in terms of the scale,
4 I guess is what you're tossing back and forth, the guy
5 with the swimming pool versus the entire community,
6 isn't that implicitly taken into account in (a), because
7 if there's no operational or maintenance benefits, those
8 numbers are zero?

9 MR. BUTLER: But what -- I mean, that is a way
10 you could interpret your rule, but the problem is that
11 then it becomes this infinitely sliding scale of, I
12 think, a real administrative burden. And our sense is
13 that, first of all, when you really get down to the
14 individual or very small number of conversions, the
15 savings are pretty close to nothing.

16 MR. BREMAN: Right.

17 MR. BUTLER: So at that level, you're just not
18 talking about having anything that applies. And then if
19 you have to -- each time you look at a customer and
20 calculate their CIAC, you have to separately figure out
21 where that customer falls, or that group of customers,
22 within a sort of pattern of how much savings is going to
23 be generated, I think there's a real administrative
24 burden and kind of an opportunity for disputes and just
25 a slowdown of the process.

1 What we were trying to do was to focus on what
2 clearly does give benefits or most clearly gives
3 benefits, and to do that first, and to our minds, that's
4 the large contiguous areas. I mean, you could do it the
5 way you're talking about, but I think that if you did
6 that, it would be something that would require a whole
7 additional layer of decision-making on developing that
8 scale.

9 MR. TRAPP: How do you know that that single
10 pole that that single customer converted to an
11 underground installation is not the pole that takes out
12 the community?

13 MR. BUTLER: You can't know that. That's not
14 what I'm trying to say, Bob. Obviously, you can't know
15 about a particular pole. But what you really get is the
16 situation that if the community of which that one
17 customer is a part still has a lot of overhead
18 facilities in it, then that area has to be maintained,
19 and then after a storm, restored essentially as an
20 overhead served area. And below a certain threshold,
21 you don't really reduce the amount of -- you know, the
22 number of trips by trucks and the amount of work that
23 ends up being done for overhead restoration in those
24 areas.

25 MR. BREMAN: What is -- excuse me. This is

1 Jim Breman. What is that threshold? Is it 1,000 feet,
2 99 feet, 55 feet? I would like each utility to answer
3 that question. What is the minimum threshold that you
4 have to have in order to have any kind of cost
5 differential between overhead and underground O&M and
6 storm restoration costs? I would like to move this
7 discussion off the theoretical and start putting some
8 analysis on it. Is that possible?

9 MR. BUTLER: We can talk to it generally. I
10 mean, we're not going to be able to give you a number,
11 but -- Tom, do you want to speak to it?

12 MR. BREMAN: If we have to do this thing on a
13 1,000-foot increment or whatever, I mean, engineers can
14 come up with numbers and methods of allocating costs. I
15 think if we really try to get this thing down, we can.
16 I really would like to see some sort of quantification.
17 And I apologize to the rest of the panel here, but I
18 sort of need to have some numbers to work from so I
19 don't spend so much time talking about theory.

20 MR. KOCH: This is Tom Koch from FPL, K-o-c-h.
21 And, yeah, I mean, we're in the process of working on
22 that right at the moment, and there's probably going to
23 be differentials. There is not going to be -- you know,
24 is there going to be a bright line for that type of
25 thing? I would say probably not. There's not going to

1 be a bright line, but there's going to be a point where
2 it's kind of clearly on one side, clearly on the other.

3 And there's no way -- we're certainly getting
4 no savings from having a couple of customers here, a
5 couple of customers there. You're still going to have
6 to roll vehicles in storm restoration mode. That's just
7 absolutely going to happen.

8 Is it going to be something where it's, you
9 know, thousands and thousands of customers? No, it's
10 not going to be that large either. And so we're working
11 on honing the information right now.

12 MR. BREMAN: And chances are the first time
13 through, we won't have it perfect.

14 MR. KOCH: That's correct.

15 MR. TRAPP: I would just like to add that one
16 of the advantages of averages is that you make -- you
17 have the potential to make less people mad, or at least
18 a little less mad. And I'm having a real struggle with
19 the selective approach to providing discounts. I mean,
20 let's face it, this is America. Everybody wants a
21 discount. You know, when I go to Wal-Mart, I look for a
22 discount.

23 So I just don't know how you're going to keep
24 the floodgates shut to, you know, the selective discount
25 approach. However, if we can define within some range

1 of error a definitive valuation technique that can be
2 applied on an individual customer basis, that to me
3 would be more ideal.

4 MR. KOCH: This is Tom Koch again. Let me
5 speak to that maybe a little more concretely, because I
6 might have been misinterpreted. You know, we're going
7 to decide what that threshold is. I think that's going
8 to be probably decided jointly. You're going to look at
9 that. You're going to look at our analysis, and you're
10 going to say, "This makes sense." Okay? So there is
11 going to be a determination of what that is. You know,
12 there's going to be part art and part science to it, is
13 what it's going to involve.

14 But I think -- let's take a practical look at
15 this thing. You know, the folks that we're dealing with
16 and who are looking to us to help them with
17 undergrounding situations are customers like Mr. Wright
18 represents. They aren't customers necessarily that are
19 one-off type of things. What we don't want is an
20 unintended consequence where we generate a bunch of
21 other activity which kind of dilutes stuff, where we can
22 clearly see a restoration, a storm restoration benefit
23 from some, that it might be questionable, shall we say,
24 and then we're left to -- it makes it very difficult for
25 the utility to manage that activity as we go forward.

1 So I think that's what basically we're going to be
2 looking at.

3 And it is true also, and one of the reasons
4 that there is the modification in what we filed back on
5 the 3rd is that, you know, there are differences --
6 recognizing there are differences between the utilities
7 in terms of what they should expect as far as storm
8 incidents, what they should expect as far as storm
9 severity, the amount of customers affected, et cetera,
10 et cetera, and what the individual companies'
11 experiences have been. And there's going to be
12 differences in assumptions that each company is going to
13 apply as well.

14 So that's the reason why we think it's the
15 preferred method to go through the tariff thing. You
16 have the rule kind of setting up the umbrella for it,
17 and then basically you file tariffs that support that
18 which are going to be basically individually company
19 based.

20 MR. TRAPP: But you seem to stand alone on
21 this, and I would like input from the other parts of the
22 industry, particularly Gulf Power, who probably had more
23 experience than most with the hurricane effect on
24 underground facilities. How do you all feel about what
25 staff is proposing? Have we missed the mark? Do you

1 have a better mark for us to shoot for? Would you
2 rather go with Power & Light's mark?

3 MS. PINKERTON: My name is Sharon Pinkerton,
4 S-h-a-r-o-n, P-i-n-k-e-r-t-o-n.

5 And Gulf Power has previously communicated to
6 you all that we believe in the customer's choice. If
7 they decide to go underground, we try to educate them on
8 the pros and cons of going underground, whether it's
9 inland or on the coast.

10 Specifically, the restoration costs along the
11 coast would be substantially more, and that has been
12 proven in Ivan, and even off our system in Katrina in
13 Mississippi.

14 So we're more along the lines of just allowing
15 the customer to choose, and if they're willing to bear
16 the differential, we work with them and go underground
17 if they so choose to pay the differential.

18 MR. TRAPP: So you see no inherent advantage
19 underground to overhead in any instance?

20 MS. PINKERTON: Well, I've seen underground
21 survive on the coast, I've seen overhead survive on the
22 coast, and I've seen both destroyed on the coast.

23 MR. TRAPP: And with respect to restoration?

24 MS. PINKERTON: Restoration depends on the
25 availability of the underground materials. And

1 predominantly, the industry is an overhead industry, so
2 the material -- gathering material such as your cable
3 and your pad-mount switch gears probably would take
4 longer, in our experience. I don't know FP&L's
5 experience, but in our experience.

6 We are currently converting Pensacola Beach to
7 underground because that was the customer's choice.
8 It's a substantial cost to them. We are taking some
9 proactive measures, such as concrete duct banks, such as
10 flush mount equipment. We don't know if that will
11 survive the next storm, and that's what we're calling
12 our pilot program.

13 MS. KUMMER: And just to be clear, once the
14 customer pays the initial CIAC for the undergrounding,
15 they pay no additional restoration costs or anything
16 else; correct?

17 MS. PINKERTON: I will need to defer that.

18 MR. STONE: I believe the arrangement we have
19 with Pensacola Beach in their underground is that if it
20 were to be destroyed, it would be the utility's option
21 to rebuild overhead.

22 MS. KUMMER: And again, if they wanted it
23 underground, they would pay another differential?

24 MR. STONE: That is -- I'm going on sketchy
25 recollection of what that agreement was, but it was an

1 individually tailored agreement.

2 MS. KUMMER: But in general, do you have a
3 feel for --

4 MR. STONE: Well, again, as Ms. Pinkerton
5 referred to, that is a pilot program, so it would be
6 hard for me to generalize beyond that pilot program at
7 this point. And as we indicated, that's one that's
8 under way as we speak.

9 MS. KUMMER: Okay. Thank you.

10 MR. HARRIS: I must admit to being a little
11 confused by this entire discussion. But I guess my
12 question is, not being an engineer, are we making
13 progress with section (11) and getting us on toward
14 section (12), or are we talking about things that sort
15 of are important, but maybe aren't getting us to where I
16 think we need to be, which is the staff receiving
17 workshop comments so that we can get a rule out, a rule
18 proposal to the Commissioners filed in a few weeks? And
19 if we are, then let's keep on talking about it. If
20 we're not, then let's try to sort of focus on subsection
21 (11) and subsection (12) so we can sort of get this
22 wrapped up and start working on the recommendation we're
23 going to bring to the Commissioners. That would be just
24 my suggestion, and I might be off base here.

25 Not hearing anybody, are there specific

1 comments on subsection (11) that you all want to make at
2 this point that we want to take time to listen to?

3 MR. WRIGHT: Larry, I have just two questions.

4 MR. HARRIS: Schef.

5 MR. WRIGHT: Am I correct to interpret (a) --
6 where it says the net present value of operating and
7 maintenance costs and the average historical storm
8 restoration costs, would that be the net present value
9 of O&M cost differentials and the net present value of
10 projected future storm restoration costs, or left to
11 further flesh out, or what? That's question number one.

12 MR. TRAPP: I'm an engineer, and I believe in
13 present value, but --

14 MR. WRIGHT: That's good enough for me, Bob.

15 MR. TRAPP: I think that's a reasonable
16 interpretation, Schef, unless we -- I mean, you know,
17 there's always an opportunity for somebody to make a
18 better argument.

19 MR. WRIGHT: Sure. And my other question is,
20 in (b), where you all say all costs, including overhead
21 assignments, was that attempting to address our
22 comments?

23 (Simultaneous affirmative responses.)

24 MR. WRIGHT: Thank you.

25 MR. HARRIS: Anything else on subsection (11)?

1 Okay. Subsection (12) then, we'll move on
2 there. Any comments on staff's proposed rule language
3 for subsection (12)?

4 Last would be subsection (13). Any comments
5 on subsection (13)?

6 Okay. Are there any final comments from
7 anybody on Rule 25-6.115, with the understanding that
8 I'm asking this question to help us develop a rule, a
9 recommendation that we can propose to the Commissioners?
10 By "us" I mean staff.

11 Okay, as Mr. Trapp mentioned a couple of
12 times, we feel like we're on a time line here, and we're
13 making our pain felt to you, and the way we're doing
14 that is -- I understand that in general, we give a fair
15 amount of time for workshop comments. Staff wants to go
16 to a June 20th agenda conference, which means we have to
17 have a recommendation filed by June 8th. In order to do
18 that, we have to get comments from you all.

19 The date we're proposing and we would like you
20 all to commit to is May 25th to get your proposed
21 workshop comments. And that does not give us a lot of
22 time to go through them and try to make whatever changes
23 and then get a recommendation written.

24 So I understand that that's not a lot of time
25 for you all, but I hope you see that it's not a lot of

1 time for us to take and digest them and try to get a
2 recommendation written on this issue that will assist
3 the Commissioners in making their decision whether to
4 propose rule amendments or not. And so unless someone
5 tells me that they can't have comments in by the 25th,
6 that's what I'm going to ask from you all.

7 MR. BUTLER: Is there any chance of doing that
8 on the 26th, Friday of next week instead of Thursday,
9 just to give us the full week?

10 MR. TRAPP: Do you have a calendar?

11 MR. HARRIS: I don't have a calendar, Bob.

12 MR. WRIGHT: Second.

13 MR. TRAPP: I thought that was a Friday.

14 MR. HARRIS: Just one day later. I mean, do
15 we have a --

16 MR. TRAPP: Is that a Friday?

17 MR. HARRIS: Yes, the 26th is a Friday.

18 MR. TRAPP: Well, you know, we won't see it.

19 MR. HARRIS: We're going to meet on the 26th,
20 so it can come in so that staff can take it home and
21 look at it over the weekend. I think we can do that
22 probably, because I know, speaking for one staff member,
23 this is going to be good reading for me over the
24 Memorial Day weekend.

25 MR. BUTLER: Okay.

1 MR. HARRIS: Perfect. We are having this
2 transcribed. The transcript will be posted as soon as
3 it can be, for those of you who will look it up. You
4 all will get the comments in the way we did last time.

5 I think there was some question about also
6 financial information. Bob, do you want to address that
7 a little bit more? We have the same date, and we can
8 move that to noon on Friday also, noon on the 26th.

9 MR. TRAPP: I hope you've had some time since
10 the submission of the last workshop comments to think
11 more about the cost impact of some of the proposals.
12 And given that we've really only talked about two basic
13 proposals, kind of a mandatory approach and then a more
14 discretionary approach, I think you all started down the
15 right path. If you could perhaps devote a little more
16 attention to the cost impacts so that we can see if
17 there truly is a difference between the two approaches,
18 that would be helpful.

19 Again, I'm sorry for the short turnaround, but
20 June 8th is the filing date for staff. That means we've
21 got internal drafts and all that kind of stuff that have
22 to be approved even before me.

23 MR. HARRIS: And the SERC is only good as the
24 data we get, and so in order to give the Commissioners
25 the fullest view of the impact of the amendments that we

1 are going to recommend yo them, we really are asking you
2 all for good data.

3 Is there anything else anyone wants to bring
4 up at this workshop before we go ahead and close it?

5 Okay. Hearing nothing, we're going to go
6 ahead and adjourn. Thank you all for your attention
7 today, and thank you all for your time. I know it went
8 longer than we had all hoped. Have a good day.

9 (Proceedings concluded at 4:02 p.m.)

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CERTIFICATE OF REPORTER


STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 119 through 224 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, or financially interested in the foregoing action.

DATED THIS 31st day of May, 2006.


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