

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: August 15, 2013

TO: Office of Commission Clerk (Cole)

FROM: Division of Economics (Rome, Draper) *COE*
Office of the General Counsel (Young) *J.W.D.*

RE: Docket No. 130196-EI – Petition for approval to discontinue mechanism for governmental recovery of undergrounding fees, by Florida Power & Light Company.

AGENDA: 08/27/13 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 09/22/13 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECO\WP\130196.RCM.DOC

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COMMISSION
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Case Background

On July 24, 2013, Florida Power & Light Company (FPL, or the company) filed a petition seeking approval to discontinue its Mechanism for Governmental Recovery of Undergrounding Fees (MGRUF). The MGRUF tariff provides local governments with an optional mechanism for the recovery of the costs of converting overhead electric service to underground service through a fee on FPL's electric bill. FPL indicates that it has received few inquiries since the inception of the MGRUF in 2003 and has not executed any MGRUF agreements with local governments. FPL does not believe there will be any realistic prospects for widespread participation in the MGRUF. The Commission has jurisdiction over this matter pursuant to Sections 366.04 and 366.05(1), Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should FPL's petition to discontinue the MGRUF be approved?

Recommendation: Yes. (Rome, Draper)

Staff Analysis: The Commission approved FPL's MGRUF in 2003 as a mechanism for local governments to recover costs they incur in association with the conversion of overhead to underground electric service within their boundaries.¹ The MGRUF provides local governments with an optional procedure to recover their underground conversion costs from customers on whose behalf the conversion was made through a fee on the FPL electric bill. In addition to underground conversion costs, the fee charged to customers under the MGRUF would include FPL's computer programming costs. The programming costs include start-up costs such as the modification of the billing system to add a line item to the electric bill and the cost of identifying each account for customers who would be charged the fee. The programming costs eligible for recovery from a participating municipality are capped at the lesser of 10 percent of the conversion costs or \$50,000.²

When FPL petitioned for approval of the MGRUF in 2003, the company anticipated there would be 20-25 municipalities participating in the program and estimated that the start-up programming costs would be between \$1 million and \$1.5 million. Based on the assumption that FPL would collect \$50,000 per participating municipality for reimbursement of the programming costs, the company expected generally that enough revenues would have been collected to cover the estimated programming costs.

FPL states that to date, no municipality has elected to utilize the MGRUF and to FPL's knowledge, there have been no such agreements executed by any other investor-owned electric utility (IOU) in Florida. Furthermore, the company's current estimate of the necessary initial programming cost is \$2 million. This high cost has led FPL to conclude that the mechanism is not economically viable for a small number of program participants. FPL states that its experience to date suggests there is little or no chance that a significant number of municipalities will elect to use the MGRUF. Thus, a recovery of \$50,000 from one or a few municipalities that might execute a MGRUF agreement would recover only a portion of the programming costs.

To avoid burdening the general body of ratepayers, FPL indicates that it would need to amend the MGRUF tariff to charge the first participating municipality the full programming costs incurred to implement the MGRUF, perhaps with a provision for a portion of that charge to be returned if other municipalities subsequently chose to participate. FPL does not believe that any municipality could justify charging its residents \$2 million in programming costs in addition to the cost of the planned underground conversion work.

FPL sees no viable path forward that would make the MGRUF financially attractive for the very limited number of municipalities that might be interested in participating, while at the

¹ See Order No. PSC-03-1002-TRF-EI, issued September 5, 2003, in Docket No. 030571-EI, In re: Petition for approval of mechanism for governmental recovery of undergrounding fees, by Florida Power & Light Company.

² Id.

same time protecting the general body of ratepayers from subsidizing the participating municipalities. Accordingly, FPL believes that it would be in the best interest of its customers to discontinue the MGRUF and cancel Original Tariff Sheets 6.600, 6.601, and 6.602 on which the MGRUF appears.

Based on FPL's representations that there has been no participation in the MGRUF program and few serious inquiries about it since the program inception, as well as the absence of any similar agreements executed by other IOUs in Florida, staff recommends that the company's petition to discontinue the MGRUF and to cancel Original Tariff Sheets 6.600, 6.601, and 6.602 be approved. Cancellation of the MGRUF tariff will protect the general body of ratepayers from potentially subsidizing customers in one or a few municipalities, in the event that any municipalities would ever elect to use the MGRUF.

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Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the tariffs should be cancelled effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Young)

Staff Analysis: If Issue 1 is approved, the tariffs should be cancelled effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.