

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (P. Kelley, Hampson) *JGH*
Office of the General Counsel (Dose) *JSC*

RE: Docket No. 20230042-EI – Petition for approval of revised underground residential distribution tariff, by Tampa Electric Company.

AGENDA: 07/11/23 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 11/30/2023 – (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On March 31, 2023, Tampa Electric Company (TECO or utility) filed a petition for approval of revisions to its Underground Residential Distribution (URD) tariffs and associated charges. These tariffs represent the additional costs, if any, TECO incurs to provide underground service in place of overhead service in new residential subdivisions. TECO's current URD charges were approved in Order No. PSC-2021-0462-TRF-EI.¹ The proposed URD tariffs are contained in the recommendation as Attachment A.

The Commission suspended the proposed tariffs by Order No. PSC-2023-0160-PCO-EI, issued May, 16, 2023 to allow staff sufficient time to analyze the utility's filing, pursuant to Section 366.06(3), Florida Statutes (F.S.). Staff issued one data request to the utility on May 5, 2023, for

¹ Order No. PSC-2021-0462-TRF-EI, issued December 16, 2021, in Docket No. 20210064-EI, *In re: Petition Company for approval of revised underground residential distribution tariff, by Tamp Electric Company.*

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which response was provided on May 19, 2023. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1: Should the Commission approve TECO’s proposed underground residential distribution tariffs and associated charges?

Recommendation: Yes, the Commission should approve TECO’s proposed underground residential distribution tariffs and associated charges, effective on the date of the Commission vote. The proposed URD charges are cost-based and staff recommends approval of the tariffs shown in Attachment A. (P. Kelley, Hampson)

Staff Analysis: Rule 25-6.078, Florida Administrative Code (F.A.C.), defines investor-owned utilities’ (IOU) responsibilities for filing updated URD tariffs. TECO has filed the instant petition pursuant to subsection (3) of the rule, which requires IOUs to file supporting data and analyses for updated URD tariffs if the cost differential, using current labor and material costs, varies from the Commission-approved differential by more than 10 percent. On October 14, 2022, pursuant to Rule 25-6.078, F.A.C., TECO informed the Commission that its differential for the low density subdivision would change by more than 10 percent from the differential approved URD charges, requiring TECO to file the instant petition.

The URD tariffs provide standard charges for underground service in new residential subdivisions and represent the additional costs, if any, the utility incurs to provide underground service in place of overhead service. The cost of standard overhead construction is recovered through base rates from all ratepayers. In lieu of overhead construction, customers have the option of requesting underground facilities. Typically, the developer of a new residential subdivision would be the utility customer utilizing the URD tariffs.

In its petition, the utility updated its cost calculations and supporting documentation for its low-density and high-density per lot service lateral cost differentials. The currently approved high-density cost differential is \$0.00 and the currently approved low-density cost differential is \$370.29. The utility’s calculations determined the per lot undergrounding differential for high-density and low-density subdivisions should be \$0.00. While labor and material costs have increased since the 2021 filing, the main reason for the decrease in the low-density differential is a change in the operations cost of overhead versus underground facilities, as discussed further below. A lower, or zero, URD differential charge is typically the result of the avoided storm restoration costs associated with underground facilities, offsetting any higher labor and material costs associated with underground construction.

Table 1-1
Comparison of URD Differential per Lot

	Current Differential	Proposed Differential
Low-density	\$370.29	\$0.00
High-density	\$0.00	\$0.00

Source: DN 03161-2021 (Docket No. 20210034-EI) and DN 02456-2023 (Docket No. 20230035-EI).

Two primary factors impacted the calculation of TECO’s proposed URD charges which are discussed in greater detail below: (1) updated labor and material costs and (2) updated operational costs.

Updated Labor and Material Costs

The installation costs of both underground and overhead facilities include the labor and material costs to provide primary, secondary, and service distribution lines as well as transformers. The costs of poles are specific to overhead service while the costs of trenching and backfilling are specific to underground service. Table 1-2 compares the currently approved 2021 costs and 2023 costs for underground and overhead labor and material for the two subdivision models.

**Table 1-2
 Labor and Material Costs per Lot**

	2021 Costs	2023 Costs	Difference
Low-density			
Underground labor/material costs	\$2,441	\$4,108	\$1,667
Overhead labor/material costs	\$1,429	\$1,797	\$369
Per lot differential	\$1,013	\$2,310	\$1,298
High-density			
Underground labor/material costs	\$1,881	\$3,052	\$1,170
Overhead labor/material costs.	\$1,122	\$1,413	\$291
Per lot differential	\$760	\$1,639	\$879

Source: DN 03161-2021 (Docket No. 20210034-EI) and DN 02456-2023 (Docket No. 20230035-EI).

While both overhead and underground labor and material costs increased, underground costs increased at a higher rate, resulting in an increase in the differential. The utility states that the reason for the increase in labor and material costs are due to manufacturers experiencing extraordinary levels of inflation and supply chain shortages that is being passed onto their customers through increased prices, also paired with wages and salaries increasing. The utility further explained that several factors caused material and labor costs for underground construction to escalate at a faster rate than overhead construction. These factors included a higher demand for underground facilities versus that of overhead facilities.

Updated Operational Costs

Rule 25-6.078(4), F.A.C., provides that the differences in net present value (NPV) of operational costs between overhead and underground systems, including average historical storm restoration costs over the life of the facilities, be included in the URD charge. Operational costs include operations and maintenance (O&M) costs and capital costs. The inclusion of the operational costs is intended to capture longer term costs and benefits of undergrounding.

In the current URD petition, TECO used actual costs from storms that impacted TECO’s service area between 2020 and 2022. This resulted in the average annual storm costs being \$40,991,120 over the 3-year period. TECO stated that based on impacts and data from Hurricanes Irma and

Ian, the utility updated the allocation factors to attribute 99 percent of the storm costs to overhead and 1 percent to underground. Therefore, \$40,581,209 (99 percent of the total \$40,991,120 storm costs) represents the avoided overhead storm restoration costs when facilities are placed underground.

**Table 1-3
 NPV of Operational Costs Differential per Lot**

	2021 Calculation	2023 Calculation	Difference
Low-density			
Underground NPV- Operational Costs	\$1,254	\$2,571	\$1,316
Overhead NPV- Operational Costs	\$1,897	\$4,928	\$3,032
Per lot Differential	\$(642)	\$(2,358)	\$(1,715)
High-density			
Underground NPV- Operational Costs	\$584	\$1,208	\$624
Overhead NPV- Operational Costs	\$1,408	\$3,656	\$2,248
Per lot Differential	\$(825)	\$(2,449)	\$(1,624)

Source: DN 03161-2021 (Docket No. 20210034-EI) and DN 02456-2023 (Docket No. 20230035-EI).

As shown above, the overhead operational costs are greater than underground, resulting in operational savings from undergrounding. The NPV differential of operational costs, including avoided storm restoration costs, increased in both low-density and high-density subdivision models, resulting in an increase in the NPV operational cost credit.

To illustrate the calculation for the low-density subdivision URD charge, the 2023 labor and material costs differential is \$2,310 (Table 1-2). Subtracting the NPV of operational costs differential of \$2,358 (Table 1-3), results in a negative \$47.34 URD differential. Since the tariffed URD charge cannot be a negative, it is set at \$0.

Other Proposed Tariff Changes

TECO’s proposed URD tariffs also include standard charges for the installation and trenching of underground service laterals from overhead distribution, underground service laterals converted from existing overhead service drops, and non-refundable deposits for cost estimates for the conversion of existing overhead distribution facilities to underground facilities. If a customer requests an underground service lateral, the tariff includes a credit to the customer for avoiding a pole that is otherwise required for overhead service. The charges have been updated to reflect current material and labor costs.

Conclusion

Staff has reviewed TECO’s proposed changes to its URD tariffs and associated charges, the accompanying work papers, and responses to staff’s data request. Staff believes TECO’s proposed URD tariffs and associated charges as filed in the petition are cost-based and recommends approval of the tariffs shown in Attachment A. These tariffs should become effective on the date of the Commission vote.

Issue 2: Should this docket be closed?

Recommendation: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Dose)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order



~~ELEVENTH-TWELFTH~~ REVISED SHEET NO. 5.510
 CANCELS ~~TENTH-ELEVENTH~~ REVISED SHEET NO.
 5.510

Continued from Sheet No. 5.500

3.6.5.1 Single Meter Commercial Service

Mobile Home Parks will be supplied single-meter commercial service only where park owner or operator supplies (furnishes) electrical service as a part of his rental and/or general service charge to tenants. Resale of electric energy through park owned meters will not be permitted (See 2.2.1)

3.6.5.2 Individual Company Metered Service

Mobile Home Parks will be supplied through company installed individual meters for individual tenants and other types of service required in park under the provisions required on 3.4.3 and 3.4.4 and the subparts appertaining thereto.

3.6.6 Miscellaneous Types of Electric Service

Certain other types of electric service are available from the company. Information on such services not specifically covered in this Tariff may be obtained at the nearest company office. Such special cases will be given individual consideration.

3.7 SCHEDULE OF STANDARD CHARGES AND NON-REFUNDABLE DEPOSITS FOR COST ESTIMATES FOR UNDERGROUND ELECTRIC DISTRIBUTION SYSTEMS

3.7.1 Standard Charges

The Standard Charges listed here are Contributions In Aid of Construction (CIAC) which are referenced by other sections of these rules and regulations.

3.7.1.1 Residential Subdivision

Low Density Subdivisions per service lateral or dwelling unit...	\$370,290.00
High Density Subdivisions per service lateral or dwelling unit...	\$0.00

3.7.1.2 New Single-phase UG Service Laterals from Overhead Distribution Systems

Fixed Charge for 2/0 service lateral	\$48,4636.61
Fixed Charge for 4/0 service lateral	\$82,64189.11
Per trench foot charge for 2/0 service lateral	\$11,6218.44
Per trench foot charge for 4/0 service lateral	\$12,1819.49
Credit for service pole if otherwise required for overhead service	\$804,26963.79

Continued to Sheet No. 5.515

ISSUED BY: A. D. Collins, President

DATE EFFECTIVE: ~~January 6, 2022~~



~~SEVENTEENTH-EIGHTEENTH~~ REVISED SHEET NO. 5.515
CANCELS ~~SIXTEENTH-SEVENTEENTH~~ REVISED SHEET NO. 5.515

Continued from Sheet No. 5.510

3.7.1.3 Single-phase UG Service Laterals Converted from Existing Overhead Service Drops

Removal charge for overhead service with no service pole	\$206.08 <u>233.57</u>
Removal charge for overhead service with a service pole	\$886.04 <u>997.13</u>
Fixed Charge for 2/0 service lateral	\$ 48.46 <u>36.61</u>
Fixed Charge for 4/0 service lateral	\$ 02.64 <u>189.11</u>
Per trench foot charge for 2/0 service lateral	\$ 11.62 <u>18.44</u>
Per trench foot charge for 4/0 service lateral	\$ 12.18 <u>19.49</u>
Credit for service pole if otherwise required for overhead service	\$804.36 <u>963.79</u>

Continued to Sheet No. 5.516

ISSUED BY: A. D. Collins, President

DATE EFFECTIVE: ~~January 6, 2022~~



~~ELEVENTH-TWELFTH~~ REVISED SHEET NO. 5.516
CANCELS ~~TENTH-ELEVENTH~~ REVISED SHEET NO.
5.516

Continued from Sheet No. 5.515

3.7.2 Non-refundable Deposits for Estimates of CIAC for Conversion of Existing Overhead Distribution Facilities to Underground Facilities

Qualified applicants can request, upon payment of a non-refundable deposit as listed below, the conversion of overhead distribution facilities to underground in accordance with these Rules and Regulations for conversion areas of not less than one (1) city block in length along both sides of the main distribution system, or in the absence of city blocks, not less than five (5) contiguous building lots along both sides of the main distribution system, or in the absence of both, not the less than 600 pole-feet of the main distribution system, including all customers served along both sides of the main distribution system, and so as to result in a decrease in the number of non-lighting poles in the system.

Requests for conversions, except for individual residential service covered under Section 3.4.3.3, will be accompanied by a non-refundable amount as follows:

Density Class	Deposit Amount
Urban Commercial or Residential	\$ 40,394 <u>11,742</u> per mile*
Rural Commercial or Residential	\$ 5,940 <u>6,712</u> per mile*
High or Low Density Subdivision	\$ 49 <u>55</u> per lot

* As measured along the existing overhead primary and secondary distribution system.

ISSUED BY: A. D. Collins, President

DATE EFFECTIVE: ~~January 6, 2022~~