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STATE OF FLORIDA



DIVISION OF ECONOMICS  
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# Public Service Commission

April 7, 2020

## STATEMENT OF ESTIMATED REGULATORY COSTS

Staff's First Data Request

Via e-mail

Dianne Triplett, Esq.  
Duke Energy Florida, LLC  
299 1st Avenue North, FL 151  
St. Petersburg, FL 33701  
dianne.triplett@duke-energy.com  
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**Re: Docket No. 20200091-EU: Proposed amendment of Rule 25-6.064, F.A.C., Contribution-in-Aid-of-Construction for Installation of New or Upgraded Facilities; Rule 25-6.078, F.A.C., Schedule of Charges; Rule 25-6.115, F.A.C., Facility Charges for Conversion of Existing Overhead Investor-owned Distribution Facilities; and Rule 25-6.0343, F.A.C., Municipal Electric Utility and Rural Electric Cooperative Reporting Requirements.**

Dear Ms. Triplett and Mr. Bernier:

By this letter, the Commission staff is requesting your input on impacts, if any, that might result from potential revisions to Commission Rule 25-6.064, F.A.C., Contribution-in-Aid-of-Construction for Installation of New or Upgraded Facilities; Rule 25-6.078, F.A.C., Schedule of Charges; and Rule 25-6.115, F.A.C., Facility Charges for Conversion of Existing Overhead Investor-owned Distribution Facilities. Pursuant to Section 120.54(3)(b)1, F.S., agencies are encouraged to prepare a statement of estimated regulatory costs (SERC) before the adoption, amendment, or repeal of any rule. In order to prepare the SERC, staff includes the questions below which pertain to staff's draft rule changes shown in Attachment A.

1. Recommended revision to Section (5) of Rule 25-6.064, F.A.C., states that new or upgraded overhead and underground facility costs applied to the formula in subsections (2) and (3) of Rule 25-6.064, F.A.C., should be based on the requirements of Rule 25-6.030, F.A.C., Storm Protection Plan, Rule 25-6.034, F.A.C., Standard of Construction, Rule 25-6.0341, F.A.C., Location of the Utility's Electric Distribution Facilities, and Rule 25-6.0345, FAC., Safety Standards for Construction of New Transmission and Distribution Facilities. Would the above requirements:
  - a) Increase Duke Energy Florida, LLC's (DEF) regulatory costs in excess of \$200,000 in the aggregate within one year after implementation of the rule?

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- b) Reduce DEF's regulatory costs?
  - c) Increase DEF's transactional costs (such as filing fees, license fees, cost of equipment required to be installed/used, procedures required to comply with rule requirements, additional operating costs, monitoring and/or reporting costs, and any other costs necessary to comply with the rule) in excess of \$200,000 in the aggregate within one year after implementation of the rule?
  - d) Please describe typical types of transactional costs that would be incurred by DEF to implement the proposed revision to Section (5) of Rule 25-6.064, F.A.C.
  - e) Please provide an explanation for the estimated transactional costs and methodology used.
  - f) Would the proposed revision to Section (5) of Rule 25-6.064, F.A.C., have any adverse or positive impacts on small businesses, small cities, or small counties defined in Chapter 120.541(2)(e), F.S.?
2. Recommended revision to Section (2) of Rule 25-6.078, F.A.C., states that for the purpose of calculating the Estimated Average Cost Differential, cost estimates should reflect the requirements of Rule 25-6.030, F.A.C., Storm Protection Plan, Rule 25-6.034, F.A.C., Standard of Construction, Rule 25-6.0341, F.A.C., Location of the Utility's Electric Distribution Facilities, and Rule 25-6.0345, F.A.C., Safety Standards for Construction of New Transmission and Distribution Facilities. Would the above requirements:
  - a) Increase DEF's regulatory costs in excess of \$200,000 in the aggregate within one year after implementation of the rule?
  - b) Increase DEF's transactional costs (such as filing fees, license fees, cost of equipment required to be installed/used, procedures required to comply with rule requirements, additional operating costs, monitoring and/or reporting costs, and any other costs necessary to comply with the rule) in excess of \$200,000 in the aggregate within one year after implementation of the rule?
  - c) Please provide typical types of transactional costs that would be incurred by DEF to implement the proposed revision to Section (2) of Rule 25-6.078, F.A.C.
  - d) Please provide an explanation for the estimated transactional costs and methodology used.
  - e) Would the proposed revision to Section (2) of Rule 25-6.078, F.A.C., have any adverse or positive impacts on small businesses, small cities, or small counties defined in Chapter 120.541(2)(e), F.S.?
3. Recommended revisions to Section (8)(a) of Rule 25-6.115, F.A.C., states that, the charge for the proposed underground facilities shall include: The estimated cost of construction of the underground distribution facilities based on the requirements of Rule 25-6.030 Storm Protection Plan, F.A.C., Rule 25-6.034, F.A.C., Standard of

Construction, Rule 25-6.0341, F.A.C., Location of the Utility's Electric Distribution Facilities, and Rule 25-6.0345, F.A.C., Safety Standards for Construction of New Transmission and Distribution Facilities, including the construction cost of the underground service lateral(s) to the meter(s) of the customer(s); Would the above requirements:

- a) Increase DEF's regulatory costs in excess of \$200,000 in the aggregate within one year after implementation of the rule?
  - b) Reduce DEF's regulatory costs pursuant to the proposed revisions as opposed to the existing requirements? Please explain.
  - c) Increase DEF's transactional costs (such as filing fees, license fees, cost of equipment required to be installed/used, procedures required to comply with rule requirements, additional operating costs, monitoring and/or reporting costs, and any other costs necessary to comply with the rule) in excess of \$200,000 in the aggregate within one year after implementation of the rule?
  - d) Please describe typical types of transactional costs that would be incurred by DEF to implement the proposed revision to Section (8)(a) of Rule 25-6.115, F.A.C.
  - e) Please provide an explanation for the estimated transactional costs and methodology used.
  - f) Would the proposed revision to Section (8)(a) of Rule 25-6.115, F.A.C., have any adverse or positive impacts on small businesses, small cities, or small counties defined in Chapter 120.541(2)(e), F.S.?
4. Recommended revisions to Section (9) of Rule 25-6.115, F.A.C., states that, the charge for overhead facilities shall be the estimated construction cost to build new overhead facilities, including the service drop(s) to the meter(s) of the customer(s). Estimated construction costs shall be based on the requirements of Rule 25-6.030 Storm Protection Plan, F.A.C., Rule 25-6.034, F.A.C., Standard of Construction, Rule 25-6.0341, F.A.C., Location of the Utility's Electric Distribution Facilities, and Rule 25-6.0345, F.A.C., Safety Standards for Construction of New Transmission and Distribution Facilities. Would the above requirements:
- a) Increase DEF's regulatory costs in excess of \$200,000 in the aggregate within one year after implementation of the rule?
  - b) Reduce DEF's regulatory costs pursuant to the proposed revisions as opposed to the existing requirements? Please explain.
  - c) Increase DEF's transactional costs (such as filing fees, license fees, cost of equipment required to be installed/used, procedures required to comply with rule requirements, additional operating costs, monitoring and/or reporting costs, and any other costs necessary to comply with the rule) in excess of \$200,000 in the aggregate within one year after implementation of the rule?
  - d) Please describe typical types of transactional costs that would be incurred by DEF to implement the proposed revision to Section (9) of Rule 25-6.115, F.A.C.

Ms. Triplett and Mr. Bernier

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- e) Please provide an explanation for the estimated transactional costs and methodology used.
- f) Would the proposed revision to Section (9) of Rule 25-6.115, F.A.C., have any adverse or positive impacts on small businesses, small cities, or small counties defined in Chapter 120.541(2)(e), F.S.?

Please file all responses electronically no later than April 21, 2020, via the Commission's website at [www.floridapsc.com](http://www.floridapsc.com) by selecting the Clerk's Office tab and Electronic filing Web Form. Please contact me at [sguffey@psc.state.fl.us](mailto:sguffey@psc.state.fl.us) or at 850.413.6204 if you have any questions.

Thank you.

*/s/Sevini Guffey*

Sevini Guffey

Public Utility Analyst II

cc: Office of the Commission Clerk

## **Attachment A**

Proposed amendments of:

- Rule 25-6.064, F.A.C., Contribution-in-Aid-of-Construction for Installation of New or Upgraded Facilities
- Rule 25-6.078, F.A.C., Schedule of Charges
- Rule 25-6.115, F.A.C., Facility Charges for Conversion of Existing Overhead Investor-owned Distribution Facilities

1 **25-6.064 Contribution-in-Aid-of-Construction for Installation of New or Upgraded**  
 2 **Facilities.**

3 (1) Application and scope. The purpose of this rule is to establish a uniform procedure by  
 4 which investor-owned electric utilities calculate amounts due as contributions-in-aid-of-  
 5 construction (CIAC) from customers who request new facilities or upgraded facilities in order  
 6 to receive electric service, except as provided in Rule 25-6.078, F.A.C.

7 (2) Contributions-in-aid-of-construction for new or upgraded overhead facilities (CIACOH)  
 8 shall be calculated as follows:

9	CIAC <sub>OH</sub>	=	Total estimated work order	-	Four years	-	Four years expected incremental
10			job cost of installing the		expected		base demand revenue, if
11			facilities		incremental		applicable
					base energy		
					revenue		

12 (a) The cost of the service drop and meter shall be excluded from the total estimated  
 13 work order job cost for new overhead facilities.

14 (b) The net book value and cost of removal, net of the salvage value, for existing  
 15 facilities shall be included in the total estimated work order job cost for upgrades to  
 16 those existing facilities.

17 (c) The expected annual base energy and demand charge revenues shall be estimated  
 18 for a period ending not more than 5 years after the new or upgraded facilities are  
 19 placed in service.

20 (d) In no instance shall the CIACOH be less than zero.

21 (3) Contributions-in-aid-of-construction for new or upgraded underground facilities  
 22 (CIACUG) shall be calculated as follows:

23	CIACUG	=	CIAC <sub>OH</sub>	+	Estimated difference between cost of providing the service underground and
24					overhead

25 (4) Each utility shall apply the formula in subsections (2) and (3) of this rule uniformly to  
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 from existing law.

1 residential, commercial and industrial customers requesting new or upgraded facilities at any  
2 voltage level.

3 (5) The costs applied to the formula in subsections (2) and (3) shall be based on the  
4 requirements of Rule 25-6.030, F.A.C., Storm Protection Plan, Rule 25-6.034, F.A.C.,  
5 Standard of Construction, Rule 25-6.0341, F.A.C., Location of the Utility's Electric  
6 Distribution Facilities, and Rule 25-6.0345, Safety Standards for Construction of New  
7 Transmission and Distribution Facilities ~~Rule 25-6.0342, F.A.C., Electric Infrastructure~~  
8 ~~Storm.~~

9 (6) All CIAC calculations under this rule shall be based on estimated work order job costs. In  
10 addition, each utility shall use its best judgment in estimating the total amount of annual  
11 revenues which the new or upgraded facilities are expected to produce.

12 (a) A customer may request a review of any CIAC charge within 12 months following  
13 the in-service date of the new or upgraded facilities. Upon request, the utility shall  
14 true-up the CIAC to reflect the actual costs of construction and actual base revenues  
15 received at the time the request is made.

16 (b) In cases where more customers than the initial applicant are expected to be served  
17 by the new or upgraded facilities, the utility shall prorate the total CIAC over the  
18 number of end-use customers expected to be served by the new or upgraded facilities  
19 within a period not to exceed 3 years, commencing with the in-service date of the new  
20 or upgraded facilities. The utility may require a payment equal to the full amount of  
21 the CIAC from the initial customer. For the 3-year period following the in-service date,  
22 the utility shall collect from those customers a prorated share of the original CIAC  
23 amount, and credit that to the initial customer who paid the CIAC. The utility shall file  
24 a tariff outlining its policy for the proration of CIAC.

25 (7) The utility may elect to waive all or any portion of the CIAC for customers, even when a

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1 CIAC is found to be applicable. If however, the utility waives a CIAC, the utility shall reduce  
2 net plant in service as though the CIAC had been collected, unless the Commission determines  
3 that there is a quantifiable benefit to the general body of ratepayers commensurate with the  
4 waived CIAC. Each utility shall maintain records of amounts waived and any subsequent  
5 changes that served to offset the CIAC.

6 (8) A detailed statement of its standard facilities extension and upgrade policies shall be filed  
7 by each utility as part of its tariffs. The tariffs shall have uniform application and shall be  
8 nondiscriminatory.

9 (9) If a utility and applicant are unable to agree on the CIAC amount, either party may appeal  
10 to the Commission for a review.

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1 **25-6.078 Schedule of Charges.**

2 (1) Each utility shall file with the Commission a written policy that shall become a part of the  
3 utility's tariff rules and regulations on the installation of underground facilities in new  
4 subdivisions. Such policy shall be subject to review and approval of the Commission and shall  
5 include an Estimated Average Cost Differential, if any, and shall state the basis upon which  
6 the utility will provide underground service and its method for recovering the difference in  
7 cost of an underground system and an equivalent overhead system from the applicant at the  
8 time service is extended. The charges to the applicant shall not be more than the estimated  
9 difference in cost of an underground system and an equivalent overhead system.

10 (2) For the purpose of calculating the Estimated Average Cost Differential, cost estimates  
11 shall reflect the requirements of Rule 25-6.030, F.A.C., Storm Protection Plan, Rule 25-6.034,  
12 F.A.C., Standard of Construction, Rule 25-6.0341, F.A.C., Location of the Utility's Electric  
13 Distribution Facilities, and Rule 25-6.0345, Safety Standards for Construction of New  
14 Transmission and Distribution Facilities ~~Rule 25-6.0342, F.A.C., Electric Infrastructure Storm~~  
15 ~~Hardening.~~

16 (3) On or before October 15 of each year, each utility shall file with the Commission Clerk  
17 Form PSC/ECO 13-E, Schedule 1, using current material and labor costs. If the cost  
18 differential as calculated in Schedule 1 varies from the Commission-approved differential by  
19 plus or minus 10 percent or more, the utility shall file a written policy and supporting data and  
20 analyses as prescribed in subsections (1), (4) and (5) of this rule on or before April 1 of the  
21 following year; however, each utility shall file a written policy and supporting data and  
22 analyses at least once every 3 years.

23 (4) Differences in Net Present Value of operational costs, including average historical storm  
24 restoration costs over the life of the facilities, between underground and overhead systems, if  
25 any, shall be taken into consideration in determining the overall Estimated Average Cost

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1 Differential. Each utility shall establish sufficient record keeping and accounting measures to  
2 separately identify operational costs for underground and overhead facilities, including storm  
3 related costs.

4 (5) Detailed supporting data and analyses used to determine the Estimated Average Cost  
5 Differential for underground and overhead distribution systems shall be concurrently filed by  
6 the utility with the Commission and shall be updated using cost data developed from the most  
7 recent 12-month period. The utility shall record these data and analyses on Form PSC/ECO  
8 13-E (10/97). Form PSC/ECO 13-E, entitled “Overhead/Underground Residential Differential  
9 Cost Data” is incorporated by reference into this rule and may be obtained from the Division  
10 of Economics, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, (850) 413-  
11 6410.

12 (6) Service for a new multiple-occupancy building shall be constructed underground within  
13 the property to be served to the point of delivery at or near the building by the utility at no  
14 charge to the applicant, provided the utility is free to construct its service extension or  
15 extensions in the most economical manner.

16 (7) The recovery of the cost differential as filed by the utility and approved by the  
17 Commission may not be waived or refunded unless it is mutually agreed by the applicant and  
18 the utility that the applicant will perform certain work as defined in the utility’s tariff, in which  
19 case the applicant shall receive a credit. Provision for the credit shall be set forth in the  
20 utility’s tariff rules and regulations, and shall be no more in amount than the total charges  
21 applicable.

22 (8) The difference in cost as determined by the utility in accordance with its tariff shall be  
23 based on full use of the subdivision for building lots or multiple-occupancy buildings. If any  
24 given subdivision is designed to include large open areas, the utility or the applicant may refer  
25 the matter to the Commission for a special ruling as provided under Rule 25-6.083, F.A.C.

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1 (9) The utility shall not be obligated to install any facilities within a subdivision until  
2 satisfactory arrangements for the construction of facilities and payment of applicable charges,  
3 if any, have been completed between the applicant and the utility by written agreement. A  
4 standard agreement form shall be filed with the company's tariff.

5 (10) Nothing in this rule shall be construed to prevent any utility from waiving all or any  
6 portion of a cost differential for providing underground facilities. If, however, the utility  
7 waives the differential, the utility shall reduce net plant in service as though the differential  
8 had been collected unless the Commission determines that there is a quantifiable benefit to the  
9 general body of ratepayers commensurate with the waived differential.

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1 **25-6.115 Facility Charges for Conversion of Existing Overhead Investor-owned**  
2 **Distribution Facilities.**

3 (1) Each investor-owned utility shall file a tariff showing the non-refundable deposit amounts  
4 for standard applications addressing the conversion of existing overhead electric distribution  
5 facilities to underground facilities. The tariff shall include the general provisions and terms  
6 under which the public utility and applicant may enter into a contract for the purpose of  
7 converting existing overhead facilities to underground facilities. The non-refundable deposit  
8 amounts shall be calculated in the same manner as the engineering costs for underground  
9 facilities serving each of the following scenarios: urban commercial, urban residential, rural  
10 residential, existing low-density single family home subdivision and existing high-density  
11 single family home subdivision service areas.

12 (2) For purposes of this rule, the applicant is the person or entity requesting the conversion of  
13 existing overhead electric distribution facilities to underground facilities. In the instance where  
14 a local ordinance requires developers to install underground facilities, the developer who  
15 actually requests the construction for a specific location is deemed the applicant for purposes  
16 of this rule.

17 (3) Nothing in the tariff shall prevent the applicant from constructing and installing all or a  
18 portion of the underground distribution facilities provided:

19 (a) Such work meets the investor-owned utility's construction standards;

20 (b) The investor-owned utility will own and maintain the completed distribution  
21 facilities; and

22 (c) Such agreement is not expected to cause the general body of ratepayers to incur  
23 additional costs.

24 (4) Nothing in the tariff shall prevent the applicant from requesting a non-binding cost  
25 estimate which shall be provided to the applicant free of any charge or fee.

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- 1 (5) Upon an applicant's request and payment of the deposit amount, an investor-owned utility  
2 shall provide a binding cost estimate for providing underground electric service.
- 3 (6) An applicant shall have at least 180 days from the date the estimate is received to enter  
4 into a contract with the public utility based on the binding cost estimate. The deposit amount  
5 shall be used to reduce the charge as indicated in subsection (7) only when the applicant enters  
6 into a contract with the public utility within 180 days from the date the estimate is received by  
7 the applicant, unless this period is extended by mutual agreement of the applicant and the  
8 utility.
- 9 (7) The charge paid by the applicant shall be the charge for the proposed underground  
10 facilities as indicated in subsection (8) minus the charge for overhead facilities as indicated in  
11 subsection (9) minus the non-refundable deposit amount. The applicant shall not be required  
12 to pay an additional amount which exceeds 10 percent of the binding cost estimate.
- 13 (8) For the purpose of this rule, the charge for the proposed underground facilities shall  
14 include:
- 15 (a) The estimated cost of construction of the underground distribution facilities based  
16 on the requirements of Rule 25-6.030 Storm Protection Plan, F.A.C., Rule 25-6.034,  
17 F.A.C., Standard of Construction, Rule 25-6.0341, F.A.C., Location of the Utility's  
18 Electric Distribution Facilities, and Rule 25-6.0345, Safety Standards for Construction  
19 of New Transmission and Distribution Facilities ~~Rule 25-6.0342, F.A.C. Electric~~  
20 ~~Infrastructure Storm-hardening Standards of Constructions~~, including the construction  
21 cost of the underground service lateral(s) to the meter(s) of the customer(s); and
- 22 (b) The estimated remaining net book value of the existing facilities to be removed less  
23 the estimated net salvage value of the facilities to be removed.
- 24 (9) For the purpose of this rule, the charge for overhead facilities shall be the estimated  
25 construction cost to build new overhead facilities, including the service drop(s) to the meter(s)

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1 of the customer(s). Estimated construction costs shall be based on the requirements of Rule  
2 25-6.030 Storm Protection Plan, F.A.C., Rule 25-6.034, F.A.C., Standard of Construction,  
3 Rule 25-6.0341, F.A.C., Location of the Utility's Electric Distribution Facilities, and Rule 25-  
4 6.0345, Safety Standards for Construction of New Transmission and Distribution Facilities  
5 ~~Rule 25-6.0342, F.A.C. Electric Infrastructure Storm-hardening Standards of Constructions.~~

6 (10) An applicant requesting construction of underground distribution facilities under this rule  
7 may challenge the utility's cost estimates pursuant to Rule 25-22.032, F.A.C.

8 (11) For purposes of computing the charges required in subsections (8) and (9):

9 (a) The utility shall include the Net Present Value of operational costs including the  
10 average historical storm restoration costs for comparable facilities over the expected  
11 life of the facilities.

12 (b) If the applicant chooses to construct or install all or a part of the requested  
13 facilities, all utility costs, including overhead assignments, avoided by the utility due to  
14 the applicant assuming responsibility for construction shall be excluded from the costs  
15 charged to the customer, or if the full cost has already been paid, credited to the  
16 customer. At no time will the costs to the customer be less than zero.

17 (12) Nothing in this rule shall be construed to prevent any utility from waiving all or any  
18 portion of the cost for providing underground facilities. If, however, the utility waives any  
19 charge, the utility shall reduce net plant in service as though those charges had been collected  
20 unless the Commission determines that there is quantifiable benefits to the general body of  
21 ratepayers commensurate with the waived charge.

22 (13) Nothing in this rule shall be construed to grant any investor-owned electric utility any  
23 right, title or interest in real property owned by a local government.