

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: November 23, 2021

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Forrest, Coston) *JGH*
Office of the General Counsel (Stiller) *JSC*

RE: Docket No. 20210064-EI – Petition for approval of revised underground residential distribution tariffs, by Tampa Electric Company.

AGENDA: 12/07/21 –Tariff Filing – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 04/01/22 (12-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On April 1, 2021, Tampa Electric Company (TECO or utility) filed a petition (original petition) for approval of tariff modifications of its underground residential distribution (URD) tariff. TECO's current URD tariffs were approved in Order No. PSC-2018-0319-TRF-EI.¹

In TECO's original petition, the utility provided updated cost calculations and supporting documentation for its low-density and high-density service lateral differential cost, per Rule 25-6.078, Florida Administrative Code (F.A.C.). These calculations take into account current labor and material costs and an updated net present value (NPV) analysis, which includes the average historical storm restoration costs, as allowed in subsection 4 of the rule. The utility's calculation determined that the per lot undergrounding differential for high-density subdivisions is \$0.00 and the per lot undergrounding differential for low-density subdivisions is \$370.29. In its original

¹ Order No. PSC-2018-0319-TRF-EI, issued June 25, 2018, in Docket No. 20180086-EI, *In re: Petition for approval of revised underground residential distribution tariffs, by Tampa Electric Company.*

petition, TECO proposed to waive the \$370.29 per lot low-density subdivision charge, pursuant to Rule 25-6.078(10), F.A.C., and continue to set the charge at \$0.00.

Staff issued three data requests on the original petition, for which responses were provided on May 19, July 14, and August 2, 2021. In addition, on August 4, 2021, TECO filed a revised response to question 3a in staff's third data request. Staff held a conference call with the utility on August 31, 2021. As a result of that call, on September 15, 2021, the utility provided a supplement to its response to staff's first data request, question one. On September 30, 2021, TECO filed a response to staff's first supplemental data request.

On November 10, 2021, staff held a subsequent conference call with the utility. In response to this call, the utility filed an amended petition on November 12, 2021, modifying the utility's requested low-density per lot differential. In the amended petition, the utility removed its requested waiver of the \$370.29 per lot charge, pursuant to Rule 25-6-078(10), F.A.C., and proposed a low-density per lot differential of \$370.29, as supported by the calculations. The proposed tariffs and charges associated with the amended petition are shown in legislative format in Attachment A of the recommendation.

The Commission suspended the proposed tariffs on May 4, 2021, pursuant to Section 366.06(3), Florida Statutes (F.S.). On September 28, 2021, TECO waived the eight-month requirement of Section 366.06(3), F.S. 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 underground residential distribution tariffs and associated charges?

Recommendation: Yes, the Commission should approve TECO’s underground residential distribution tariffs and associated charges as filed in the amended petition, effective thirty days after the Commission vote. (Forrest)

Staff Analysis: Rule 25-6.078, F.A.C., (URD rule) defines electric investor-owned utilities’ (IOU) responsibilities for filing updated URD tariffs. All electric IOUs are required to file supporting data and analyses for URD tariffs at least once every three years. 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 URD customer is the developer of the subdivision.

In its amended petition, the utility resubmitted its cost calculations and supporting documentation for its low-density and high-density per lot service lateral cost differentials as filed in the original petition. The utility’s calculation determined that the per lot undergrounding differential for high-density subdivisions is \$0.00 and the per lot undergrounding differential for low-density subdivisions is \$370.29. The currently approved high- and low-density cost differentials are \$0.00. While labor and material costs have fluctuated since the 2018 filing, the main reason for the increase in the calculated low-density differential is the decrease in the NPV operational cost analysis credit. A lower URD differential charge is typically the result of the avoided storm restoration costs, offsetting any higher labor and material costs associated with underground construction.

Table 1-1 presents a comparison between the currently approved and proposed URD differentials for the low-density and high-density subdivision models. The differentials are shown as a per lot charge.

Table 1-1
Comparison of URD Differential per Lot

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

Source: TECO’s amended Petition Filed on November 12, 2021.

As shown in Table 1-1 above, the differential has increased for low-density subdivisions and has remained \$0.00 for the high-density subdivisions. Two primary factors impacted the calculation of TECO’s proposed URD charges are discussed in greater detail below: (1) updated labor and material costs and (2) calculation of 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 per lot 2018 costs and the 2021 costs for underground and overhead labor and material for the two subdivision models.

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

	2018 Costs	2021 Costs	Difference
Low-density			
Underground labor/material costs	\$2,082	\$2,441	\$359
Overhead labor/material costs	\$1,289	\$1,429	\$140
Per lot differential	\$793	\$1,013	\$220
High-density			
Underground labor/material costs	\$1,597	\$1,881	\$284
Overhead labor/material costs.	\$1,001	\$1,122	\$121
Per lot differential	\$595	\$760	\$165

Source: TECO's amended petition filed on November 12, 2021.

As indicated in Table 1-2 above, the total labor and material cost differentials increased for both model subdivisions. The utility states that the reason for the increase is due to the Covid-19 pandemic's effect on the supply chain which caused reduced manufacturing capacity.²

Updated Operational Costs

Rule 25-6.078(4), F.A.C., provides that the differences in 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 calculating the per lot cost differential between overhead and underground, Rule 25-6.078(4), F.A.C., allows the utility to calculate the NPV of operational costs to include the average historical storm restoration costs over the life of underground and overhead systems, and take into consideration any cost differential in its calculations. In recent URD filings, TECO has used a three-year rolling historical average to calculate its NPV storm restoration costs. In response to staff's data request number two, the utility explained that it used an updated computer-generated methodology to calculate storm restoration costs. This methodology relies on long-term potential

² Document No. 03161-2021, in Docket No. 20210064, *In re: Petition of Tampa Electric Company for Approval of Revised Underground Residential Distribution Tariff*.

costs based on hurricane simulations and is based on the testimony of TECO witness Steven P. Harris in TECO’s recent rate case proceeding.³ The Commission approved the use of this methodology in calculating the utility’s storm reserve surplus in Docket No. 20210034-EI.⁴ TECO explained that the study looks at likely outcomes over a long time period based on historical storm data. The utility states that this methodology helps to reduce the volatility in estimated, avoided storm restoration costs.

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

	2018 Calculation	2021 Calculation	Difference
Low-density			
Underground NPV- Operational Costs	\$1,247	\$1,254	\$7
Overhead NPV- Operational Costs	\$2,531	\$1,897	\$(634)
Per lot Differential	\$(1,284)	\$(642)	\$642
High-density			
Underground NPV- Operational Costs	\$590	\$584	\$(6)
Overhead NPV- Operational Costs	\$1,871	\$1,408	\$(463)
Per lot Differential	\$(1,281)	\$(825)	\$456

Source: TECO’s amended petition filed on November 12, 2021.

Table 1-3 shows that the NPV of operational costs for overhead service decreased in both low-density and high-density subdivision models.

Other Proposed Tariff Changes

TECO’s proposed URD tariffs also include standard charges for the installation and trenching to install 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. 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 requests and discussions with the utility. Staff believes TECO’s proposed URD tariffs and associated charges as filed in the amended petition are reasonable and recommends approval of the tariffs shown in Attachment A. These tariffs should become effective thirty days after the Commission vote.

³ Exhibit No. SPH-1, Document No. 1, Page 13 of 19, filed on April 9, 2021 in Docket No. 20210034-EI.

⁴ Order No. PSC-2021-0423-S-EI, issued November 10, 2021, in Docket No. 20210034-EI, *In re: Petition for rate increase by Tampa Electric Company*.

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. (Stiller)

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.



~~TENTH-ELEVENTH~~ REVISED SHEET NO. 5.510
 CANCELS ~~NINTH-TENTH~~ 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...	\$9370.29-00
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	\$18,4674.36
Fixed Charge for 4/0 service lateral	\$92,54106.53
Per trench foot charge for 2/0 service lateral	\$11,6240.02
Per trench foot charge for 4/0 service lateral	\$12,189.94
Credit for service pole if otherwise required for overhead service	\$801,36592.39

ISSUED BY: ~~N. G. Tower~~ A. D. Collins,
 President

DATE EFFECTIVE: ~~June 5, 2018~~



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

Continued to Sheet No. 5.515

ISSUED BY: ~~N. G. Tower~~ A. D. Collins,
President

DATE EFFECTIVE: ~~June 5, 2018~~



~~SIXTEENTH SEVENTEENTH~~ REVISED SHEET NO. 5.515
CANCELS ~~FIFTEENTH SIXTEENTH~~ 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	\$205,084.67
Removal charge for overhead service with a service pole	\$885,917.52
Fixed Charge for 2/0 service lateral	\$18,467.36
Fixed Charge for 4/0 service lateral	\$92,541.06
Per trench foot charge for 2/0 service lateral	\$11,624.02
Per trench foot charge for 4/0 service lateral	\$12,189.94
Credit for service pole if otherwise required for overhead service	\$801,365.92

Continued to Sheet No. 5.516

ISSUED BY: ~~N. G. Tower~~ A. D. Collins,
President

DATE EFFECTIVE: ~~June 5, 2018~~



~~TENTH-ELEVENTH~~ REVISED SHEET NO. 5.516
CANCELS ~~NINTH-TENTH~~ 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.....	\$ 10,3919,896 per mile*
Rural Commercial or Residential.....	\$ 5,9405,657 per mile*
High or Low Density Subdivision.....	\$ 4947 per lot

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

ISSUED BY: ~~N. G. Tower~~ A. D. Collins,
President

DATE EFFECTIVE: ~~June 5, 2018~~