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Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: May 8, 2008

TO: Office of Commission Clerk (Cole) *EJD*

FROM: Division of Economic Regulation (Draper, Garl) *MB*
Office of the General Counsel (Brown) *MB*

RE: Docket No. 080186-EI – Petition for approval of revised underground residential distribution tariffs, by Progress Energy Florida, Inc.

AGENDA: 05/20/08 – Regular Agenda – Tariff Filing - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Unassigned

CRITICAL DATES: 05/31/08 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080186.RCM.DOC

Case Background

Rule 25-6.078, Florida Administrative Code (F.A.C.), defines investor-owned utilities' (IOU) responsibilities for filing updated underground residential distribution (URD) tariffs. This rule requires IOUs to file updated URD charges for Commission approval at least every three years, or sooner if a utility's underground cost differential for the standard low-density subdivision varies from the last approved charge by 10 percent or more. The rule requires IOUs to file on or before October 15 of each year a schedule showing the increase or decrease in the differential for the standard low-density subdivision.

On October 12, 2007, Progress Energy Florida (PEF) notified the Commission, pursuant to Rule 25-6.078, F.A.C., that its underground cost differential for the standard low-density subdivision varied from the last approved differential by 42 percent.

DOCUMENT NUMBER-DATE

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To comply with the 10 percent filing requirement of Rule 25-6.078, F.A.C., PEF filed a petition for approval of revised underground residential distribution tariffs on April 1, 2008. PEF calculated the proposed URD charges pursuant to recently revised Rule 25-6.078, F.A.C, which requires the differences in operational and storm restoration costs between underground and overhead systems to be included in the URD calculation.¹ PEF's current URD tariffs were approved in 2006.²

The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes.

¹ See Order No. PSC-07-0043-FOF-EU, issued January 16, 2007, Docket No. 060172-EU, in Re: Proposed rules governing placement of new electric distribution facilities underground, and conversion of existing overhead distribution facilities to underground facilities, to address effects of extreme weather.

² See Order No. PSC-06-0479-TRF-EI, issued June 5, 2006, Docket No. 060017-EI, in Re: Petition for approval of revised underground residential distribution tariffs, by Progress Energy Florida, Inc.

Discussion of Issues

Issue 1: Should the Commission suspend PEF's revised Underground Residential Distribution tariffs?

Recommendation: Yes. (Draper)

Staff Analysis: On April 1, 2008, PEF filed a petition for Commission approval of revisions to its Underground Residential Distribution (URD) tariffs and their associated charges. Staff is recommending that the tariff be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission an informed recommendation on the tariff proposal.

Pursuant to Section 366.06(3), Florida Statutes, the Commission may withhold consent to the operation of all or any portion of a new rate schedule, delivering to the utility requesting such increase a reason or written statement of good cause for doing so within 60 days. Staff believes that the reason stated above is good cause consistent with the requirement of Section 366.06(3), Florida Statutes.

Issue 2: Should this docket be closed?

Recommendation: No. (Draper, Brown)

Staff Analysis: This docket should remain open pending the Commission vote on the proposed tariff revision.