

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Proposed Rule 25-6.0115,	)	ORDER NO. 25704
F.A.C., Underground Electric	)	
Facility Costs, and Revision of	)	DOCKET NO. 910615-EU
Rule 25-6.078, F.A.C., Schedule	)	
of Charges.	)	ISSUED: 2-10-92
_____)		

NOTICE OF RULEMAKING

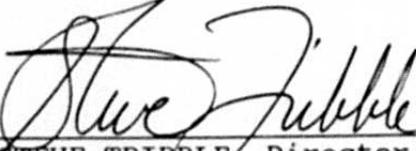
NOTICE is hereby given that the Commission, pursuant to section 120.54, Florida Statutes, has initiated rulemaking to adopt Rule 25-6.0115, F.A.C., relating to underground electric facility costs and amend Rule 25-6.078, F.A.C., relating to schedule of charges.

The attached Notice of Rulemaking will appear in the February 14, 1992, edition of the Florida Administrative Weekly. If requested, a hearing will be held at the following time and place:

9:30 a.m., April 8, 9, 10, 1992  
 Room 106, Fletcher Building  
 101 East Gaines Street  
 Tallahassee, Florida

Written requests for hearing and written comments or suggestions on the rules must be received by the Director, Division of Records and Reporting, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, FL 32399, no later than March 6, 1992.

By Direction of the Florida Public Service Commission, this  
10th day of February, 1992.

  
 STEVE TRIBBLE, Director  
 Division of Records & Reporting

( S E A L )

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DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 910615-EU

RULE TITLE:	RULE NO.:
Underground Electric Facility Charges	25-6.0115
Schedule of Charges	25-6.078

PURPOSE AND EFFECT: The purpose is to establish in a rulemaking process the Commission's policies and framework for addressing the cost effectiveness of underground versus overhead facilities.

SUMMARY: Rule 25-6.0115, F.A.C., on Underground Electric Facility Charges states that electric utilities are not required to install underground lines unless underground facilities are found on a case-by-case basis to be cost effective to the general body of ratepayers. It sets forth the factors to be calculated in determining when underground is cost effective. These are: (a) The initial construction cost differential; (b) the number of pole miles for overhead or the number of primary trench miles for underground times the net present value of annual revenue requirements per mile associated with operation and maintenance costs; and (c) the number of miles for each times the net present value of the annual costs per mile associated with vehicle and contact type accidents. These per mile costs are set at \$108 for overhead facilities and \$3 for underground facilities. In addition, other costs external to the utility that a petitioner demonstrates are reasonably quantifiable and affect the general

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body of ratepayers shall be added.

For existing distribution systems, the construction cost for the proposed underground facilities is the estimated cost of the underground facilities plus the remaining net book value of existing overhead facilities less any net salvage. The construction cost for overhead is the estimated cost to build the new facilities, including the service drops to the customer meter. The estimated operation and maintenance costs for overhead and underground facilities will be consistent with the utility's current practices and not the embedded operation and maintenance costs reflecting a variety of prior construction practices.

The discount rate to be used for net present value calculations is the 30-year U. S. Treasury Bond rate for the first working day of each calendar year.

Provisions in Section (7) require investor-owned utilities to provide a construction cost estimate. The applicant for the estimate must pay a deposit.

The rule proposal also requires that the applicant must provide all necessary easements, and require or arrange for all affected customers to have underground facilities. In the case of conversion, the applicant must be responsible for the cost and coordination of any sod replacement, any driveway repair, and must arrange for other pole users to concurrently relocate their facilities underground.

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The revision to Rule 25-6.078 would ensure conformance with the concepts in the new Rule 25-6.0115, F.A.C., by referring to the provision for the Estimated Average cost Differential.

RULEMAKING AUTHORITY: 366.04(7), 366.04(5), 366.05(1), F.S.

LAW IMPLEMENTED: 366.04(7), 366.04(5), 366.03, F.S.

SUMMARY OF THE ESTIMATE OF ECONOMIC IMPACT OF THESE RULES: The proposed rule 25-6.0115, could increase costs to the Commission depending on the number of petitions received that attempt to add other external costs to the equation to determine cost-effectiveness for undergrounding and the number of petitions to establish a different deposit amount. The total additional annual costs to the Commission are unknown at this time.

The entities directly affected by the rule proposal are the investor-owned utilities, the municipal electrics, the rural electric cooperatives, and their ratepayers. The investor-owned utilities estimated some costs for preparing the estimates for cost of undergrounding. Also, the utilities estimated some costs for the development of procedures and computerized models.

There are four possible scenarios:

1. Underground facilities are determined to be cost-effective and the underground/overhead cost differential exceeds the cost of preparing the life-cycle cost estimates. In this scenario, there should be no net increase in costs to the utility or the general body of ratepayers.

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2. Underground facilities are determined to be cost-effective and the underground/overhead differential is less than the cost of preparing the life-cycle cost estimates. In this scenario, there would be a net increase in costs to the utility and the general body of ratepayers.

3. Underground facilities are determined not to be cost-effective but the deposit required of the applicant covers the cost of preparing the life-cycle cost estimates. In this scenario, there would not be a net increase in costs to the utility or its ratepayers.

4. Underground facilities are determined not to be cost-effective and the deposit required of the applicant does not cover the cost of preparing the life-cycle cost estimates. In this scenario, there would be a net increase in costs to the utility and its ratepayers.

Therefore, if underground facilities are determined to be cost-effective, utilities may experience a net increase in costs if the underground/overhead differential is less than the cost of preparing the life-cycle cost estimates. If underground facilities are determined not to be cost-effective, the utility will experience a net increase in costs only if the deposit required of the applicant is not sufficient to cover the costs of preparing the life-cycle cost estimates. It is not possible to predict the likelihood or estimate the magnitude of such cost increases. The

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costs will vary with the particular circumstances of the case under consideration.

Overall, however, installation of cost-effective underground facilities would benefit society in general. Included in net benefits would be the reduced external costs realized from removing overhead distribution facilities. The possible net savings to citizens for a specific case would depend on the particular circumstances and costs for that case.

There are numerous small businesses in the state that could be impacted by the proposed rule

There should be no direct effect on competition since the electric utilities serve exclusive territories and each cost-effectiveness test would be made on a case-by-case basis for constructing overhead or underground within a given territory.

While there may be some increase in Commission staff time spent on petitions and some increase in utilities expenditure of time to comply with the rule, there was no indication that additional employees would be needed.

Data requests were sent to affected investor-owned utilities to obtain their input for the impact of the proposed rule and rule changes.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE

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PROCEEDING.

A HEARING WILL BE HELD AT THE DATE AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., April 8, 9, 10, 1992

PLACE: Room 106, 101 East Gaines Street, Tallahassee, Florida.

THE PERSON TO BE CONTACTED REGARDING THESE RULES AND THE ECONOMIC IMPACT STATEMENT IS: Director of Appeals, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399.

NAME OF PERSON ORIGINATING PROPOSED RULES: Joe Jenkins, Division of Electric and Gas

THE FULL TEXT OF THE RULES ARE:

PART V

New Residential Underground Electric

Facility Standard Charge

~~Rules for Residential Electric Underground Extensions~~

25-6.078 Schedule of Charges.

(1) Each utility shall file with the Commission within 60 days of the applicability of this rule a written policy that shall become a part of the utility's tariff rules and regulations. Such policy shall be subject to review and approval of the Commission and shall include an Estimated Average Cost Differential, if any, and shall indicate the basis upon which the utility will provide underground service and its method for recovering the difference in cost of an underground system and an equivalent overhead system from the applicant at the time service is extended. The charges to

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Overall, however, installation of cost-effective underground facilities would benefit society in general. Included in net benefits would be the reduced external costs realized from removing overhead distribution facilities. The possible net savings to citizens for a specific case would depend on the particular circumstances and costs for that case.

There are numerous small businesses in the state that could be impacted by the proposed rule

There should be no direct effect on competition since the electric utilities serve exclusive territories and each cost-effectiveness test would be made on a case-by-case basis for constructing overhead or underground within a given territory.

While there may be some increase in Commission staff time spent on petitions and some increase in utilities expenditure of time to comply with the rule, there was no indication that additional employees would be needed.

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the applicant shall be not more than the estimated difference in cost of an underground system and an equivalent overhead system.

(2) The Estimated Average Cost Differential is addressed in Rule 25-6.0115(3) for overhead and underground distribution facilities. ~~Differences in operating and maintenance costs between underground and overhead systems, if any, may be taken into consideration in determining the overall Estimated Average Cost Differential.~~

(3) Detailed supporting data and study results used to determine the Estimated Average Cost Differential for underground and overhead distribution systems shall be concurrently filed by the utility with the Commission and shall be updated annually using cost data developed from the most recent 12 month period.

(4) Subject to the provisions of Rule 25-6.079(a), service for a new multiple-occupancy building shall be constructed underground within the property to be served to the point of delivery at or near the building by the utility at no charge to the applicant, provided the utility is free to construct its service extension or extensions in the most economical manner.

(5) The method of recovering the cost differential as filed by the utility and approved by the Commission may not be waived or refunded unless it is mutually agreed by the applicant and the utility that the applicant will do all of the trenching and backfilling, in which case the applicant shall receive a credit per

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trench foot for each foot of trenching and backfilling provided by him in accordance with provisions set forth in the utility's tariff rules and regulations, such credit to be no more in amount than the total charges applicable.

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

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

(8) Nothing herein contained shall be construed to prevent any utility from assuming all cost differential of providing underground distribution systems, provided, however, that such assumed cost differential shall not be chargeable to the general body of rate payers, and any such policy adopted by a utility shall have uniform application throughout its service area.

Specific Authority: 366.05(1), F.S.

Law Implemented: 366.03, F.S.

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History: New 4/10/71, Amended 4/13/80, 2/12/84, \_\_\_\_\_,  
formerly 25-6.78.

PART VII - UNDERGROUND ELECTRIC FACILITY CHARGES

25-6.0115 Underground Electric Facility Charges

(1) Upon application to an electric utility for underground facilities, the following procedures shall govern the process.

(2) Electric utilities shall not be required to install electric lines underground unless underground facilities are found on a case-by-case basis to be cost-effective to the general body of ratepayers.

(3) Underground facilities shall be considered cost-effective to the general body of ratepayers when the sum of the following costs for underground electric facilities is less than for overhead electric facilities:

(a) the net present value of annual revenue requirements associated with construction costs;

(b) the number of pole miles for overhead or the number of primary trench miles for underground times the net present value of annual revenue requirements per mile associated with the estimated operation and maintenance costs; and

(c) the number of pole miles for overhead or the number of primary trench miles for underground times the net present value of the annual costs per mile associated with nonutility vehicles striking distribution facilities and nonutility members of the

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public making contact with live electric utility primary distribution lines. For purposes of this rule these per mile costs are \$108 for overhead facilities and \$3 for underground facilities.

(d) In addition to vehicle and contact type accident costs, an interested person may petition the Commission to add other costs external to the utility. Petitioner must demonstrate such costs are reasonably quantifiable and affect the general body of ratepayers.

(4) For existing distribution systems, the construction cost for the proposed underground facilities shall be the estimated cost of the underground facilities plus the remaining net book value of the existing overhead facilities less any net salvage; the construction cost for the overhead facilities shall be the estimated construction cost to build the new overhead facilities, including the service drop(s) to the customers' ('s) meter.

(5) The estimated operation and maintenance costs for overhead and underground facilities shall be consistent with the utility's current overhead and underground construction practices.

(6) The discount rate to be used for present value calculations shall be the 30-year U. S. Treasury Bond rate for the first working day of each calendar year.

(7) In addition to the above requirements, the following paragraphs apply only to investor-owned utilities:

(a) Upon an applicant's request, a utility shall provide a

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construction cost estimate for providing underground electric service to adjacently located ratepayer(s) to which a new subdivision standard tariff does not apply. The applicant shall pay the utility a deposit for the construction cost estimate. The utility shall estimate and file a tariff listing the deposit amount for generic applications. On a case-by-case basis, and upon petition, the Commission may establish a different deposit amount.

(b) When it is found that underground electric distribution facilities are cost-effective to the general body of ratepayers, the public utility shall return the deposit to the applicant, and provide underground electric service.

(c) When it is found that the cost of providing underground electric distribution facilities is not cost-effective to the general body of ratepayers, the applicant may elect to have the utility construct the underground facilities, providing the applicant pays the utility construction cost differential and the present value difference in underground and overhead operation and maintenance and external costs as defined by the definition of cost-effectiveness in (3)(b), (c) and (d) above with the underground construction cost component of this amount being the lesser of the utility's actual or estimated amount. The deposit amount shall be deducted from this amount. The utility shall retain the deposit amount if the applicant elects not to proceed with installation of underground facilities.

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(d) For underground facilities, the applicant must provide all necessary easements; require or arrange for all affected customers to have underground facilities; in the case of conversion, be responsible for the cost and coordination of any sod replacement, any driveway repair, and arrange for other pole users to concurrently relocate their facilities underground.

Specific Authority: 366.04(7), 366.04(5), F.S.

Law Implemented: 366.04(7), 366.04(5), F.S.

History: New \_\_\_\_\_.

NAME OF SUPERVISOR OR PERSON(S) WHO APPROVED THE PROPOSED RULES:  
Florida Public Service Commission.

DATE PROPOSED RULES APPROVED: February 4, 1992

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.