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Sent: Friday, August 11, 2006 4:53 PM
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Subject: Electronic Filing * Dockets 060172-EU and 060173-EU
Attachments: 060172.PBandJI.UG Rule Comments.Aug11.doc



060172.PBandJI.U
G Rule Comment...

a. Person responsible for this electronic filing:

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b. Docket Nos. 060172-EU and 060173-EU

In re: Proposed Rules Governing Placement of New Electric Distribution Facilities Underground, and Conversion of Existing Overhead Distribution Facilities to Underground Faciliites, to Address Effects of Extreme Weather Events and In re: Proposed Amendments to Rules Regarding Overhead Electric Facilities to Allow More Stringent Construction Standards Than Required by National Electric Safety Code.

c. Document being filed on behalf of the Towns of Palm Beach and Jupiter Island.

d. There are a total of 10 pages.

e. The document attached for electronic filing is the Post-Wrokshop Comments of the Town of Palm Beach and the Town of Jupiter Island, Florida.

(see attached file: 060172.PBandJI.UG Rule Comments.Aug11.doc)

Thank you for your attention and assistance in this matter.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed Rules Governing)
Placement of New Electric)
Distribution Facilities Underground,) DOCKET NO. 060172-EU
and Conversion of Existing Overhead)
Distribution Facilities to)
Underground Facilities, to Address)
Effects of Extreme Weather Events.)

In re: Proposed Amendments to Rules)
Regarding Overhead Electric) DOCKET NO. 060173-EU
Facilities to Allow More Stringent)
Construction Standards Than Required) FILED: AUGUST 11, 2006
by National Electric Safety Code.)
_____)

POST-WORKSHOP COMMENTS OF THE TOWN OF PALM BEACH, FLORIDA AND THE TOWN OF JUPITER ISLAND, FLORIDA

The Town of Palm Beach, Florida, and the Town of Jupiter Island, Florida, collectively referred to herein as "the Towns," pursuant to Commission Order No. PSC-06-0646-PCO-EU, the Second Order Establishing Procedures in the above-styled rulemaking dockets, hereby submit these Post-Workshop Comments. In summary, the Towns support the Commission's proposed rules and offer these comments in support of specific proposed rule provisions and to provide commentary regarding certain implementation aspects of the rules.

BACKGROUND AND GENERAL COMMENTS

The Towns have been active participants in these proceedings since before they were docketed. Both Palm Beach and Jupiter Island participated in the Commission's undocketed workshop in January, and have submitted written comments and participated actively at the

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workshops and agenda conferences in these proceedings. The Towns are also participating in a substantial study of the life-cycle cost-effectiveness of underground ("UG") vs. overhead ("OH") distribution facilities, through a group of approximately 30 Florida municipalities that have come together to form, and to fund this cost-effectiveness study, through the Municipal Underground Utilities Consortium.

First, as an overall comment, the Towns commend the Commission and the Commission Staff for their efforts and for the substance of the proposed rules, which can be expected to provide significant and meaningful improvements in electric service reliability, with concomitant increases in total economic value to Floridians, as well as corresponding reductions in electric utility operating and maintenance costs, including vegetation management and storm restoration costs.

COMMENTS ON SPECIFIC PROPOSED RULES

The Towns support the following specific provisions of the proposed rules.

1. The Towns support the provisions in proposed Rule 25-6.034, F.A.C., that require utilities to establish construction standards "guided by" the "extreme wind criteria" of the National Electrical Safety Code ("NESC").

2. The Towns support the provisions in proposed Rules 25-6.064(5), 25-7.078(2), and 25-6.115(9), F.A.C., that require that the cost of "hardened" OH facilities, i.e., facilities built to the new standards adopted pursuant to amended Rule 25-6.034, F.A.C., be used in computing any Contributions in Aid of Construction ("CIACs")

for OH-to-UG conversions and for new UG installations. These provisions will provide for fairer CIACs, and should be expected to produce more UG conversions and new installations, with their attendant reliability and cost-savings benefits that accrue to all customers.

3. The Towns support the provisions in proposed Rule 25-6.0341(3), F.A.C., that require utilities to locate distribution facilities in rights of way ("ROWs") where local government applicants satisfy the utilities' legal, financial, and operational requirements. This provision can be expected to significantly reduce both the complexity and the cost of OH-to-UG conversions, thereby promoting more UG conversions and new installations with their attendant reliability and cost-savings benefits.

4. The Towns support the provisions in proposed Rule 25-6.115(11)(a), F.A.C., and also in proposed Rule 25-6.078(4), F.A.C., that require the value of O&M cost savings and storm restoration cost savings to be included in computing any CIACs for OH-to-UG conversions. These provisions will provide substantial value to all utility customers in that they can be expected to produce additional UG conversions, with the attendant cost savings. This is because general O&M costs (including, significantly, vegetation management costs) and storm restoration costs are borne by all customers, either through base rates or through storm restoration surcharges.

Additional Comments. As noted above, the Towns are participating, through the Municipal Underground Utilities Consortium, in a substantial study of the life-cycle cost-

effectiveness of UG as compared to OH distribution facilities. Preliminary information obtained from Brunswick Electric Membership Corporation ("Brunswick" or "Brunswick EMC") in the course of this study is relevant here. Brunswick EMC recently converted approximately 88 miles of its OH distribution facilities on barrier islands within its southeastern North Carolina service area to UG facilities, completing the project in 2004. While this area has not experienced a major hurricane strike since 2004, it has been exposed to many less-severe storms that are similar to those that frequently occur in Florida. Preliminary results indicate that, in qualitative terms, the new UG facilities have produced the following results:

- a. reduced the number and duration of outages due to lightning, animal contacts, and other contacts with distribution facilities;
- b. eliminated problems associated with salt spray;
- c. significantly reduced restoration times and costs on the barrier islands;
- d. improved restoration times following storms experienced elsewhere on Brunswick's system, because the utility has been able to reallocate resources to inland overhead-served areas since it does not need as many restoration resources in its barrier island service areas;
- e. nearly eliminated right-of-way trimming and clearing costs; and
- f. eliminated all clearance and maintenance problems that had been associated with OH rear-lot-line construction.

In summary, it thus appears that Brunswick EMC is realizing additional savings that were not even accounted for in its original projects that justified the OH-to-UG conversion in this barrier island environment.

It follows, obviously and directly, from these observations that, as an implementation issue, savings in the form of avoided storm restoration costs will also include such cost-savings benefits realized in storms that are not named tropical storms, e.g., the thunderstorms and severe thunderstorms that frequently strike Florida, especially in the summer months, and also microbursts and tornadoes that are not associated with named tropical storms.

5. The Towns support the proposed treatment of "corporate overhead" costs per proposed Rule 25-6.115(11)(b), F.A.C. These provisions are important to prevent the utility from charging for "corporate accounting overheads" on work that the utility does not do. These "corporate overheads" can be significant, on the order of 20 percent of total project cost, and the Towns agree that, if the utility does the work, then they are appropriately included in the CIAC computations. However, where the utility does not perform the underground installation work, the applicants - such as the Towns here - should receive full credit for all costs that the utility would otherwise charge. The proposed rules accomplish this, and the Commission and Staff are wise to incorporate these provisions into the rules. Otherwise, utilities could impose baseless charges that will dis-incentivize undergrounding projects.

6. The Towns support the proposed provisions in Rules 25-6.064(7), 25-6.078(10), and 25-6.115(12), F.A.C., allowing for

consideration and inclusion in CIAC calculations of additional benefits provided by UG facilities beyond just those that can be directly captured in utility accounting.

In the implementation stages of this long-term process, the Towns believe that all parties need to focus more on how to accomplish underground installations and conversions more cost-effectively and to achieve optimum reliability. This should include evaluations comparing OH facilities at different degrees of "hardening" with UG facilities, also at different degrees of hardening. For example, submersible, effectively "waterproof" UG switchgear and fuse-gear are available that can operate even if the UG facilities are inundated; this equipment should be evaluated against other facilities configurations in a range of conditions.

This is also particularly important in light of what appears to be the widely accepted fact that it is probably not possible to construct even hardened OH facilities to withstand the impacts of stronger windstorms, e.g., Category 4 or 5 storms, because of the damage done to OH facilities by wind-blown debris. By comparison, except for the most extreme flooding or storm surge conditions, UG facilities will withstand Category 4 and 5 conditions where even super-hardened OH facilities will not.

The decisions facing the Commission, Florida's utilities, Florida's local government officials, and other potential applicants for underground electric service are critical and of great importance. It is important for all involved to recognize that there are two distinct types of mistakes or errors that can be made

in these decision processes. One mistake would be to spend money for UG installations and conversions (and indeed for hardening OH infrastructure facilities, the same analysis applies) when in fact, Florida doesn't experience another significant storm event for the next 50 years. Correspondingly, it would also be a mistake to not spend money for UG conversions and new installations (or for hardening OH facilities) and it turns out that Florida experiences numerous severe storm events over the next 10-20 years.¹ This necessarily involves informed judgments by all involved. The Towns believe that, at a minimum, it is generally wiser and better public policy to err on the side of more protection of the public, which the Towns believe will lead to decisions to harden OH facilities, to install new OH facilities, and to convert existing OH facilities to UG facilities.

Additionally, these decisions need to be informed by consideration of all benefits provided by the enhanced reliability provided by UG (and hardened OH) facilities. As previously described in the Towns' comments in these rulemaking proceedings, it is well known that customers actually value electricity - i.e., not being interrupted or blacked out - at values much greater than the retail price of electricity. Values attached by residential customers to not being blacked out range from \$1 to \$10 per kWh not interrupted to as much as \$30 per kWh not interrupted for commercial

¹ These two types of errors can be analogized to concepts of statistics, in which two types of errors are recognized: Type I errors, in which a hypothesis is accepted as true when that hypothesis is, in fact, false, and Type II errors, in which a hypothesis is rejected as false when it is, in fact, true.

and industrial customers. Other sources support this range. While there may be some argument about the magnitude of the overall economic benefits of increased reliability and reduced electric service interruptions, there can be no doubt that the total value to Florida and Floridians of avoiding blackouts, or of reducing their scope, duration, and severity is tremendous.

And thus, consistent with these considerations, the Towns support the Rules' inclusion in proposed Rules 25-6.064(7), 25-6.078(10), and 25-6.115(12), F.A.C., of the opportunity to demonstrate additional benefits in the public interest beyond just those that can be directly captured in utility accounting.

The Town of Palm Beach and the Town of Jupiter Island sincerely appreciate the opportunity to submit these comments and the Commission's consideration of them, and the Towns look forward to continuing active participation in these important rulemaking proceedings.

Respectfully submitted this 11th day of August, 2006.

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CERTIFICATE OF SERVICE
DOCKET NOS. 060172-EU & 060173-EU

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