



John T. Butler
Senior Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
(561) 304-5639
(561) 691-7135 (Facsimile)
E-mail: john_butler@fpl.com

April 30, 2008

080244

COMMISSION
CLERK

08 APR 30 PM 1:16

RECEIVED-FPSC

-VIA HAND DELIVERY -

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Implementation of Rule 25-6.115 (11)(a), F.A.C. (operational cost differential for underground conversions); Docket No. _____

Dear Ms. Cole:

I am enclosing for filing in the above docket the original and fifteen (15) copies of the Petition for Approval of Revisions to Florida Power & Light Company's Third Revised Tariff Sheet 6.300, Third Revised Tariff Sheet 9.720, Original Tariff Sheet 9.721 and Original Tariff Sheet 9.722, together with a diskette containing the electronic version of same. The enclosed diskette is HD density, the operating system is Windows XP, and the word processing software in which the document appears is Word 2003.

CMP _____ If there are any questions regarding this transmittal, please contact me at 561-304-5639.
ODS _____

OTB _____

FOR disk forwarded

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Enclosures

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Sincerely,

John T. Butler

DOCUMENT NUMBER-DATE

03482 APR 30 08

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Underground Conversion Tariff Revisions.) Docket No. 080244
)
) Filed: April 30, 2008

**PETITION FOR APPROVAL OF
FLORIDA POWER & LIGHT COMPANY'S
THIRD REVISED TARIFF SHEET 6.300,
THIRD REVISED TARIFF SHEET 9.720,
ORIGINAL TARIFF SHEET 9.721
AND ORIGINAL TARIFF SHEET 9.722
(OPERATIONAL COST DIFFERENTIALS
FOR UNDERGROUND CONVERSION)**

Florida Power & Light Company ("FPL"), by and through its undersigned counsel, and pursuant to Rule 25-6.115 and 25-6.033, Florida Administrative Code ("F.A.C."), hereby requests approval of Third Revised Tariff Sheet 6.300, Third Revised Tariff Sheet 9.720, Original Tariff Sheet 9.721 and Original Tariff Sheet 9.722, in order to implement the requirement of Rule 25-6.115(11)(a) that FPL "include the Net Present Value of operational costs including the average historical storm restoration costs for comparable facilities over the expected life of the facilities" in determining the Contribution in Aid of Construction ("CIAC") to be paid by applicants for conversion from overhead to underground distribution facilities. In support of this Petition, FPL states as follows:

1. All pleadings, correspondence, staff recommendations, orders, or other documents filed, served or issued in this docket should be served on the following individuals on behalf of FPL:

DOCUMENT NUMBER-DATE

03482 APR 30 8

FPSC-COMMISSION CLERK

Mr. Jeffrey S. Bartel
Vice President, Regulatory Affairs
jeff_bartel@fpl.com
Florida Power & Light Company
215 South Monroe Street, Suite 801
Tallahassee, FL 32301
(850) 521- 3900 (Office)
(850) 521-3939 (Telecopier)

John T. Butler
Senior Attorney
john_butler@fpl.com
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408
(561) 304-5639 (Office)
(561) 691-7135 (Telecopier)

2. Rule 25-6.115 was amended in February 2007 to require, *inter alia*, that the calculation of CIAC to be paid by applicants for underground conversions reflects the requirements of Rule 25-6.0342, F.A.C., Electric Infrastructure Storm Hardening, and the difference in the net present value of operational costs, including average historical storm restoration costs over the life of the facilities, between underground and overhead systems. FPL now has the information available to include the cost impacts of the Storm Hardening rule and the operational cost differential in its calculation of CIAC for underground conversion.

3. No revisions to the underground conversion tariff are required in order to accommodate inclusion of the cost impact of the Storm Hardening rule in the CIAC calculation for underground conversions. FPL has begun to include the cost impact of the Storm Hardening rule in its CIAC calculations. However, the current underground conversion tariff does not accommodate taking the operational cost differential into account in the CIAC calculation. By this petition, FPL is seeking approval of tariff revisions that will provide an appropriate basis for incorporating the operational cost differential in its underground conversion tariff. Those revisions are reflected in FPL's Third Revised Tariff Sheet 6.300, Third Revised Tariff Sheet 9.720, Original Tariff Sheet 9.721 and Original Tariff Sheet 9.722, which are all contained in final format in

Appendix 1 to this petition. Third Revised Tariff Sheet 6.300 and Third Revised Tariff Sheet 9.720 also appear in Appendix 1 in legislative format.

4. Third Revised Tariff Sheet 6.300 reflects the operational cost differential in the definition of CIAC that appears in Section 12.1. The operational cost differential consists of two components: the Avoided Storm Restoration Cost (“ASRC”) and a differential in non-storm operational costs.

a. The ASRC component is expressed in Item 7 of the CIAC definition on Third Revised Tariff Sheet 6.300, as percentage reductions of the otherwise applicable CIAC (*i.e.*, the CIAC calculated using Items 1-6 of the definition). The percentage reductions are based on the 25% reduction that the Commission approved in Docket No. 060150-EI for the Governmental Adjustment Factor (“GAF”) Waiver. Attached hereto as Appendix 2 and incorporated by reference is a copy of Attachment B to Order No. PSC-07-0442-TRF-EI, Docket No. 060150-EI, dated May 22, 2007, which is the order approving the GAF Tariff. Attachment B shows FPL’s quantification of the benefits of the GAF Waiver. The GAF Waiver applies only to large, contiguous conversion government-sponsored projects meeting certain eligibility criteria that are intended to ensure that the full 25% reduction is warranted.¹ In contrast, the CIAC calculation set forth in Third Revised Tariff Sheet 6.300 is intended to apply to *all* underground conversions, regardless of their size, configuration or other circumstances. Therefore, Third Revised Tariff Sheet 6.300 has three tiers of ASRC -- 5%, 10% and 25% -- which apply in different circumstances. Tier 1 (25%) applies only where all of

the eligibility criteria for the GAF Waiver are met (with the exception of government sponsorship). Tier 2 (10%) applies to slightly smaller conversion projects (*i.e.*, 1 – 3 pole line miles), where all of the remaining GAF Waiver eligibility requirements are met. Finally, Tier 3 applies an ASRC reduction of 5% to all conversion projects that do not qualify for either Tiers 1 or 2.

b. The non-storm component is expressed in Item 6 of the CIAC definition on Third Revised Tariff Sheet 6.300, as an additional charge of \$10,400 per pole-line mile of overhead facilities that are converted to underground. As further explained in Appendix 3 to this petition, the non-storm operational cost differential reflects a 5-year average of FPL’s actual, historical operating, maintenance and repair costs for its overhead and underground distribution facilities.

5. As noted above, the ASRC is based upon the 25% GAF Waiver that the Commission has previously approved. The GAF Waiver is available only to governmental applicants for underground conversions, “because [FPL] believes that local governments are in the best position to guarantee a 100 percent customer conversion participation and to fulfill the GAF requirements, such as undergrounding generally contiguous facilities.” Order No. PSC-07-0442-TRF-EI, at page 11. In contrast, the ASRC specified in Third Revised Tariff Sheet 6.300 is not limited to local government applicants. Because the Tier 1 and 2 ASRCs assume that the applicant will generally meet the GAF eligibility criteria, however, it is important to FPL and its general body of customers that there be a mechanism in place to help ensure that non-governmental

¹ See Order No. PSC-07-0442-TRF-EI, at page 11: “The proposed GAF tariff is limited to large, contiguous areas because the storm restoration cost savings are likely to be less

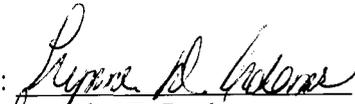
applicants can meet those criteria. Accordingly, FPL is proposing to replace the existing Underground Facilities Conversion Agreement, Second Revised Tariff Sheet 9.720, with an updated agreement reflecting that mechanism. The updated agreement appears as Third Revised Tariff Sheet 9.720 and Original Tariff Sheets 9.721 and 9.722, which are part of Appendix 1. The updated agreement, entitled “Underground Facilities Conversion Agreement (Non-GAF),” requires an applicant that seeks to qualify for the Tier 1 or 2 ASRC to confirm that it has enforcement authority sufficient to comply with the eligibility criteria (for example, to compel conversion within the project area) and to provide financial security for repayment of the ASRC reductions in the event that the project is ultimately determined not to meet the eligibility criteria. These provisions are intended to place FPL on the same footing with respect to non-governmental applicants as it is for governmental applicants under the GAF Tariff.

WHEREFORE, FPL requests the Commission to grant this petition and to approve Third Revised Tariff Sheet 6.300, Third Revised Tariff Sheet 9.720, Original Tariff Sheet 9.721 and Original Tariff Sheet 9.722, as set forth in Appendix 1, effective thirty (30) days after the date of the Commission vote approving said revised tariff sheets.

than 25 percent for small-scale isolated conversions.”

Respectfully submitted,

John T. Butler, Esq.
Senior Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408
Telephone: (561) 304-5639
Facsimile: (561) 691-7135

By: 
for John T. Butler
Fla. Bar No. 283479

APPENDIX 1

DOCUMENT NUMBER-DATE

03482 APR 30 88

FPSC-COMMISSION CI FRK

INSTALLATION OF UNDERGROUND ELECTRIC DISTRIBUTION FACILITIES
 FOR THE CONVERSION OF OVERHEAD ELECTRIC DISTRIBUTION FACILITIES

SECTION 12.1 DEFINITIONS

APPLICANT - Any person, corporation, or entity capable of complying with the requirements of this tariff that has made a written request for underground electric distribution facilities in accordance with this tariff.

CONVERSION - Any installation of underground electric distribution facilities where the underground facilities will be substituted for existing overhead electric distribution facilities, including relocations.

CONTRIBUTION-IN-AID-OF-CONSTRUCTION (CIAC) - The CIAC to be paid by an Applicant under this tariff section shall be the result of the following formula:

CIAC =

- 1) The estimated cost to install the requested underground facilities;
- + 2) The estimated cost to remove the existing overhead facilities;
- + 3) The net book value of the existing overhead facilities;
- + ~~The net present value of the estimated operational costs of underground facilities over 30 years;~~
- + ~~The net present value of the estimated average storm restoration costs of underground facilities over 30 years;~~
- 4) The estimated cost that would be incurred to install new overhead facilities, in lieu of underground, to replace the existing overhead facilities (the "Hypothetical Overhead Facilities");
- 5) The estimated salvage value of the existing overhead facilities to be removed;
- ± 6) ~~The \$10,400 per pole-line mile of the existing overhead facilities - the 30-year net present value of the estimated underground v. overhead operational costs of the overhead facilities over 30 years differential;~~
- 7) ~~The 30-year net present value of the estimated average storm restoration costs of overhead facilities over 30 years.~~ Avoided Storm Restoration Costs ("ASRC") calculated as a percentage of the sum of lines 1) through 6). Simplified eligibility criteria for each ASRC Tier are summarized below. Applicants must enter into an Underground Facilities Conversion Agreement with the Company which provides full details on terms, conditions and compliance requirements.

Tier	Percentage	Pole-Line Miles	Customer Conversions	Completion
1 *	25%	3 or more	100%	3 phases
2	10%	1 to <3	100%	3 phases
3	5%	< 1	n/a	n/a

* The GAF Waiver will apply in lieu of Tier 1 ASRC for eligible conversions by Local Government Applicants.

GAF Waiver

For Applicants entering into an Underground Facilities Conversion Agreement - Governmental Adjustment Factor Waiver with the Company, the otherwise applicable CIAC amount, as calculated above, shall be reduced by the GAF Waiver. ~~If the Applicant elects to construct and install all or part of the underground facilities, then for purposes of calculating the GAF Waiver amount only, the otherwise applicable CIAC shall be adjusted to add FPL's estimated cost for the Applicant performed work.~~ The amount of the GAF Waiver shall be calculated as follows:

GAF Waiver =

- 25% x the otherwise applicable CIAC;
- + 75% x ~~(the net present value of the estimated average storm restoration costs of underground facilities over 30 years less the net present value of the estimated average storm restoration costs of overhead facilities over 30 years).~~
- Note: The final term the ASRC (avoids double-counting the estimated average storm restoration costs ASRC embedded in the otherwise applicable CIAC.)

If the Applicant elects to construct and install all or part of the underground facilities, then for purposes of calculating the ASRC or the GAF Waiver amount only, the otherwise applicable CIAC shall be adjusted to add FPL's estimated cost for the Applicant-performed work.

DISTRIBUTION SYSTEM - Electric service facilities consisting of primary and secondary conductors, service drops, service laterals, conduits, transformers and necessary accessories and appurtenances for the furnishing of electric power at utilization voltage.

FLORIDA POWER & LIGHT COMPANY

Second~~Third~~ Revised Sheet No. 6.300
Cancels ~~First~~**Second** Revised Sheet No. 6.300

SERVICE FACILITIES - The entire length of conductors between the distribution source, including any conduit and or risers at a pole or other structure or from transformers, from which only one point of service will result, and the first point of connection to the service entrance conductors at a weatherhead, in a terminal, or meter box outside the building wall; the terminal or meter box; and the meter.

(Continued on Sheet No. 6.301)

Issued by: S. E. Romig, Director, Rates and Tariffs

Effective: ~~April 4, 2006~~

**INSTALLATION OF UNDERGROUND ELECTRIC DISTRIBUTION FACILITIES
 FOR THE CONVERSION OF OVERHEAD ELECTRIC DISTRIBUTION FACILITIES**

SECTION 12.1 DEFINITIONS

APPLICANT - Any person, corporation, or entity capable of complying with the requirements of this tariff that has made a written request for underground electric distribution facilities in accordance with this tariff.

CONVERSION - Any installation of underground electric distribution facilities where the underground facilities will be substituted for existing overhead electric distribution facilities, including relocations.

CONTRIBUTION-IN-AID-OF-CONSTRUCTION (CIAC) – The CIAC to be paid by an Applicant under this tariff section shall be the result of the following formula:

- CIAC =
- 1) The estimated cost to install the requested underground facilities;
 - + 2) The estimated cost to remove the existing overhead facilities;
 - + 3) The net book value of the existing overhead facilities;
 - 4) The estimated cost that would be incurred to install new overhead facilities, in lieu of underground, to replace the existing overhead facilities (the "Hypothetical Overhead Facilities");
 - 5) The estimated salvage value of the existing overhead facilities to be removed;
 - + 6) \$10,400 per pole-line mile of the existing overhead facilities - the 30-year net present value of the estimated underground v. overhead operational costs differential;
 - 7) The 30-year net present value of the estimated average Avoided Storm Restoration Costs ("ASRC") calculated as a percentage of the sum of lines 1) through 6). Simplified eligibility criteria for each ASRC Tier are summarized below. Applicants must enter into an Underground Facilities Conversion Agreement with the Company which provides full details on terms, conditions and compliance requirements.

<u>Tier</u>	<u>Percentage</u>	<u>Pole-Line Miles</u>	<u>Customer Conversions</u>	<u>Completion</u>
1 *	25%	3 or more	100%	3 phases
2	10%	1 to <3	100%	3 phases
3	5%	< 1	n/a	n/a

* The GAF Waiver will apply in lieu of Tier 1 ASRC for eligible conversions by Local Government Applicants.

GAF Waiver

For Applicants entering into an Underground Facilities Conversion Agreement – Governmental Adjustment Factor Waiver with the Company, the otherwise applicable CIAC amount, as calculated above, shall be reduced by the GAF Waiver. The amount of the GAF Waiver shall be calculated as follows:

GAF Waiver =

- 25% x the otherwise applicable CIAC;
- + 75% x the ASRC (avoids double-counting the ASRC embedded in the otherwise applicable CIAC.)

If the Applicant elects to construct and install all or part of the underground facilities, then for purposes of calculating the ASRC or the GAF Waiver amount only, the otherwise applicable CIAC shall be adjusted to add FPL's estimated cost for the Applicant-performed work.

DISTRIBUTION SYSTEM - Electric service facilities consisting of primary and secondary conductors, service drops, service laterals, conduits, transformers and necessary accessories and appurtenances for the furnishing of electric power at utilization voltage.

SERVICE FACILITIES - The entire length of conductors between the distribution source, including any conduit and or risers at a pole or other structure or from transformers, from which only one point of service will result, and the first point of connection to the service entrance conductors at a weatherhead, in a terminal, or meter box outside the building wall; the terminal or meter box; and the meter.

(Continued on Sheet No. 6.301)

UNDERGROUND FACILITIES CONVERSION AGREEMENT (NON-GAF)

This Agreement, is made and entered into this ____ day of _____ of _____, 20____, by and between _____ (hereinafter called the "Applicant"), with an address of _____ and FLORIDA POWER & LIGHT COMPANY ("FPL"), a Florida corporation organized under the laws of the State of Florida (hereinafter called FPL) is for the provision of underground electric distribution facilities by FPL in place of existing overhead electric distribution facilities pursuant to the Applicant's request for such facilities. In with an address of P.O. Box 14000, 700 Universe Boulevard, Juno Beach, FL 33408-0429.

WHEREAS, the Applicant has requested that FPL convert certain overhead electric distribution facilities located within the following boundaries (the "Conversion");

(collectively, the "Existing Overhead Facilities") to underground facilities, including transformers, switch cabinets and other appurtenant facilities installed above ground as set forth in Attachment A hereof (collectively, the "Underground Facilities").

NOW THEREFORE, in consideration of the foregoing premises, and the covenants and agreements set forth herein, FPL and other consideration the Applicant sufficiency of which is hereby acknowledged, the parties intending to be legally bound, hereby covenant and agree as follows:

- 1. The Applicant shall pay FPL a Contribution in Aid Of Construction (CIAC) in the amount of \$ Avoided Storm Restoration Cost ("ASRC") Eligibility Criteria. The Applicant represents and warrants that it meets, and is capable and willing to enforce, the applicable eligibility criteria for the Conversion (select one of the following ASRC Tiers):
 _____ In the event the actual cost of the project contracted for herein, exceeds the CIAC identified above, the Applicant shall pay an additional contribution equal to the lesser of the difference between the actual cost of the project and the CIAC identified above, or 10% of the CIAC identified above.
- _____ 2. Pursuant to this agreement, the Applicant agrees to comply with and abide by the requirements, terms, and conditions of FPL's Electric Tariff as these requirements, terms, and conditions are set forth in said Tariff.
- _____ 3. Upon compliance with the requirements, terms, and conditions of FPL's Electric Tariff, FPL will proceed in a timely manner with the conversion of the existing overhead distribution facilities to an underground configuration in accordance with the construction drawings and specifications set forth in Attachment A hereof.
- _____ 4. In the event that the underground facilities to be installed, as specified in Attachment A, are part of, or are for the purposes of, relocation, then this Agreement shall be an addendum to the relocation agreement between FPL and the Applicant. In the event of any conflict between the relocation agreement and this Agreement or the Electric Tariff, this Agreement and the Electric Tariff shall control.
- _____ 5. Failure by the Applicant to comply with any of the requirements, terms, or conditions of this agreement or FPL's Electric Tariff shall result in termination of this agreement. The Applicant may terminate this agreement at any time prior to the start of construction and the CIAC paid by the Applicant will be refunded to the Applicant, provided however, that the refund of the CIAC shall be offset by any costs incurred by FPL in performing under the agreement up to the date of termination.
- _____ 6. This agreement is not assignable.

IN WITNESS WHEREOF, FPL and the Applicant have executed this Agreement for the provision of electric underground distribution facilities to be effective as of the date first above written.

APPLICANT

Signed _____

Name _____

Title _____

FPL

Signed _____

Name _____

Title _____

() ASRC Tier 1:

- a. In order for the Conversion to incorporate a sufficient amount of overhead facilities to provide electrical continuity, the Conversion must include a minimum of approximately 3 pole line miles or approximately 200 detached dwelling units within contiguous or closely proximate geographic areas (the "Conversion Area"). The Conversion may be completed in mutually agreed upon phases, with the project size minimums applying to the aggregate project – provided that any necessary subsequent phase begins within a 1 year period from completion of the prior phase and the minimums are met within, at most, 3 phases; and
- b. The Applicant must require all customers within the Conversion Area who currently have overhead service directly from the Existing Overhead Facilities to convert their service entrances to underground within 6 months of completion of the Underground Facilities installation or each phase thereof; and
- c. If the Applicant requests that facilities be placed in the ROW, the Applicant must be willing and able to execute a right of way ("ROW") agreement with FPL or secure a ROW agreement through the appropriate local government(s) with FPL; and
- d. For any affected laterals, the complete lateral must be converted, including all stages of any multi-stage lateral; and
- e. There are no state or federal funds available to the Applicant to cover any portion of the cost of the Conversion.

Special Circumstances. Conversions which do not meet the Tier 1 project size minimums described in section 1.a are eligible for the ASRC in the following special circumstances:

- i. An island or peninsula where 100% of the Existing Overhead Facilities are to be converted; or
- ii. When the aggregate size of the first 3 phases of a project would satisfy the minimum size criteria but, for mutually-agreed engineering or logistical reasons, those phases are non-contiguous; provided that (a) the next (4th) phase must be adjacent to one or more of the first 3 phases such that the combined contiguous area meets the minimum size criteria, and (b) this 4th phase begins within 1 year from completion of the 3rd phase.

(Continued on Sheet No. 9.721)

UNDERGROUND FACILITIES CONVERSION AGREEMENT (NON-GAF)

This Agreement, is made and entered into this _____ day of _____, 20____, by and between _____ (“Applicant”), with an address of _____ and FLORIDA POWER & LIGHT COMPANY (“FPL”), a Florida corporation with an address of P.O. Box 14000, 700 Universe Boulevard, Juno Beach, FL 33408-0429.

WHEREAS, the Applicant has requested that FPL convert certain overhead electric distribution facilities located within the following boundaries (the “Conversion”):

(collectively, the “Existing Overhead Facilities”) to underground facilities, including transformers, switch cabinets and other appurtenant facilities installed above ground as set forth in Attachment A hereof (collectively, the “Underground Facilities”).

NOW THEREFORE, in consideration of the foregoing premises and the covenants and agreements set forth herein, and other consideration the sufficiency of which is hereby acknowledged, the parties intending to be legally bound, hereby covenant and agree as follows:

1. Avoided Storm Restoration Cost (“ASRC”) Eligibility Criteria. The Applicant represents and warrants that it meets, and is capable and willing to enforce, the applicable eligibility criteria for the Conversion (select one of the following ASRC Tiers):

ASRC Tier 1:

- a. In order for the Conversion to incorporate a sufficient amount of overhead facilities to provide electrical continuity, the Conversion must include a minimum of approximately 3 pole line miles or approximately 200 detached dwelling units within contiguous or closely proximate geographic areas (the “Conversion Area”). The Conversion may be completed in mutually agreed upon phases, with the project size minimums applying to the aggregate project – provided that any necessary subsequent phase begins within a 1 year period from completion of the prior phase and the minimums are met within, at most, 3 phases; and
- b. The Applicant must require all customers within the Conversion Area who currently have overhead service directly from the Existing Overhead Facilities to convert their service entrances to underground within 6 months of completion of the Underground Facilities installation or each phase thereof; and
- c. If the Applicant requests that facilities be placed in the ROW, the Applicant must be willing and able to execute a right of way (“ROW”) agreement with FPL or secure a ROW agreement through the appropriate local government(s) with FPL; and
- d. For any affected laterals, the complete lateral must be converted, including all stages of any multi-stage lateral; and
- e. There are no state or federal funds available to the Applicant to cover any portion of the cost of the Conversion.

Special Circumstances. Conversions which do not meet the Tier 1 project size minimums described in section 1.a are eligible for the ASRC in the following special circumstances:

- i. An island or peninsula where 100% of the Existing Overhead Facilities are to be converted; or
- ii. When the aggregate size of the first 3 phases of a project would satisfy the minimum size criteria but, for mutually-agreed engineering or logistical reasons, those phases are non-contiguous; provided that (a) the next (4th) phase must be adjacent to one or more of the first 3 phases such that the combined contiguous area meets the minimum size criteria, and (b) this 4th phase begins within 1 year from completion of the 3rd phase.

(Continued on Sheet No. 9.721)

(Continued from Sheet No. 9.720)

- ASRC Tier 2.** All eligibility criteria remain the same as Tier 1 with the exception that the Conversion Area must only include between approximately 1 to 3 pole line miles or a minimum of approximately 85 detached dwelling units within contiguous or closely proximate geographic areas.
- ASRC Tier 3.** A Conversion Area that is less than 1 pole line mile within contiguous or closely proximate geographic areas. Additionally, Tier 1 requirements for project completion timing in paragraph 1.a., as well as, paragraphs 1.b. and 1.d. do not apply.

2. **Contribution-in-Aid-of-Construction (CIAC).** The Applicant shall pay FPL a CIAC as required by FPL's Electric Tariff and Section 25-6.115 of the Florida Administrative Code.
- i. CIAC (excluding ASRC) \$ _____
 - ii. ASRC \$ _____
 - iii. **CIAC Due** \$ _____

In the event the actual cost of the Conversion (excluding ASRC) exceeds the estimate, the CIAC (excluding ASRC) shall be adjusted by the lesser of (a) the difference between the actual cost of the Conversion and the estimate, or (b) 10% of the CIAC (excluding ASRC) identified above. The ASRC shall also be adjusted accordingly and the Applicant shall pay FPL the resulting difference in the amount of the CIAC Due.

- 3. **Applicant-Installed Facilities.** The Applicant may, upon entering into an applicant-installed facilities agreement satisfactory to FPL, construct and install all or a portion of the Underground Facilities. Such work must meet FPL's construction standards and FPL will own and maintain the completed facilities. The Applicant agrees to rectify any deficiencies, found by FPL, prior to the connection of any customers to the Underground Facilities and the removal of the Existing Overhead Facilities.
- 4. **Compliance with Tariff.** The Applicant agrees to comply with and abide by the requirements, terms, and conditions of FPL's Electric Tariff.
- 5. **Timing of Conversion.** Upon compliance by the Applicant with the requirements, terms, and conditions of FPL's Electric Tariff, this Agreement and any other applicable agreements, FPL will proceed in a timely manner with the Conversion in accordance with the construction drawings and specifications set forth in Attachment A hereof.
- 6. **Relocation.** In the event that the Underground Facilities are part of, or are for the purposes of, relocation, then this Agreement shall be an addendum to the relocation agreement between FPL and the Applicant. In the event of any conflict between the relocation agreement and this Agreement or the Electric Tariff, this Agreement and the Electric Tariff shall control.
- 7. **Term.** This Agreement shall remain in effect for as long as FPL or any successor or assign owns or operates the Underground Facilities.
- 8. **ASRC Repayment.** If the Applicant does not satisfy the relevant eligibility criteria, the Applicant shall repay the ASRC within 30 days of written notice from FPL of such failure. Additionally, if at any point within 30 years of completion of the Underground Facilities installation, the Applicant elects to have electric service within the Conversion Area supplied by a provider other than FPL, the Applicant shall repay FPL a pro-rata share of the ASRC. The pro-rata share (which shall reflect partial years) shall be determined as follows:

$$\text{ASRC} * [(30 - \text{years since the Underground Facilities completion date}) / 30]$$

Non-governmental Applicants, whose CIAC includes a Tier 1 or Tier 2 ASRC, shall provide, at the time of execution of this Agreement, either a surety bond or irrevocable bank letter of credit (the "Security Instrument") in a form acceptable to FPL evidencing ability to repay the ASRC. This Security Instrument shall remain in effect until such time as all customers within the Conversion Area are converted. The Applicant may provide either an amended or replacement Security Instrument in a form acceptable to FPL at any time to reflect the pro-rata adjustments to the ASRC amount. If, upon notice of cancellation or prior to expiration of the Security Instrument, a replacement Security Instrument in a form acceptable to FPL is not provided by the Applicant to FPL, FPL will require the third party issuing the Security Instrument to pay the full balance due in accordance with this Agreement in cash.

(Continued on Sheet No. 9.722)

(Continued from Sheet No. 9.721)

- 9. **Termination Prior to the Conversion Completion.** Failure by the Applicant to comply with any of the requirements, terms, or conditions of this Agreement or FPL's Electric Tariff shall result in termination of this Agreement. The Applicant may terminate this Agreement at any time prior to the start of the Conversion and the CIAC paid by the Applicant will be refunded to the Applicant; provided however, that the refund of the CIAC shall be offset by any costs incurred by FPL in performing under the Agreement up to the date of termination.
- 10. **Assignment.** The Applicant shall not assign this Agreement without the written consent of FPL.
- 11. **Adoption and Recording.** This Agreement shall be adopted by the Applicant and maintained in the official records of the Applicant for the duration of the term of this Agreement. This Agreement also shall be recorded in the Official Records of the County in which the Underground Facilities are located, in the place and in the manner in which deeds are typically recorded.
- 12. **Conflict between Terms of Franchise Agreement.** In the event of a conflict between the terms of this Agreement and any permit or franchise agreement entered into by Applicant and FPL, the terms of this Agreement shall control.

IN WITNESS WHEREOF, FPL and the Applicant have executed this Agreement on the date first set forth above.

APPLICANT

FPL

Signed _____

Signed _____

Name _____

Name _____

Title _____

Title _____

Signed _____

Name _____

Title _____

Approved as to Terms and Conditions (if required by Applicant)

Signed _____

Name _____

Title _____

Approved as to Form and Legal Sufficiency (if required by Applicant)

Signed _____

Name _____

Title _____

APPENDIX 2

FPL's quantification of benefits for the GAF waiver

The Commission's standard low density subdivision model of 210 homes was used as a basis for FPL's analysis to calculate the percent storm restoration savings. First, FPL calculated the average CIAC cost for converting the subdivision's overhead facilities under rule 25-6.115, F.A.C., as the rule existed prior to the Commission's revision of the rule in Docket Nos. 060172-EU and 060173-EU. Two scenarios were created by varying the age of the existing overhead facilities being replaced, 10 and 20 years.

Table 1
 CIAC pursuant to Rule 25-6.115
 Without the Storm Restoration Cost Differential Component
 Without the Operating & Maintenance Cost Differential Component

	New Underground Facilities	Existing Overhead Facilities			New Overhead Facilities	CIAC
		Net Book Value	Removal Costs	Salvage Costs		
10-Yr Old Overhead	\$537,000	+ \$113,000	+ \$104,000	- \$ 0	- \$334,000	= \$420,000
20-Yr Old Overhead	\$537,000	+ \$12,000	+ \$104,000	- \$ 0	- \$334,000	= \$319,000

As shown in the above table, the CIAC for the subdivision is \$420,000 (10-year old overhead facilities) or \$319,000 (20-year old overhead facilities).

The GAF waiver is derived from avoided storm restoration cost savings to the general body of ratepayers as a result of these facilities being placed underground. FPL relied on its experiences during 2004 and 2005 to develop cost data for storm restoration costs to overhead and underground facilities. FPL assumes the 2004/2005 seasons may reoccur, on average, between three and five years over the next 30 years and used a 30-year forecast period for the avoided storm restoration cost. The 30-year cash flows are discounted to arrive at the annualized amounts of \$82,120 to \$129,269. These amounts are intended to represent the expected range in reduced annual storm damage costs due to underground systems on a per affected customer basis. Affected customers are those customers which experienced a service interruption. FPL then compared the estimated storm damage differential to a typical conversion scenario of a 20-year old overhead system and a 10-year old overhead system (as calculated in Table 1) and concludes that a 25 percent credit for certain conversion projects is appropriate.

Table 2
CIAC Compared to Estimated Storm Restoration Cost Differential Between Overhead and
Underground Distribution Facilities

	CIAC (from Table 1)	Storm Restoration Cost Differential				FPL's Estimated Credit
		3 Yr Basis		5 Yr Basis		
		Amount	Percentage of Subtotal CIAC	Amount	Percentage of Subtotal CIAC	
10-Yr Old Overhead	\$420,000	\$129,269	31 percent	\$82,120	20 percent	25
20-Yr Old Overhead	\$319,000	\$129,269	41 percent	\$82,120	26 percent	percent

The above table shows that if a storm occurs every three years, the storm restoration savings due to undergrounding range from approximately 30 to 40 percent. If a storm occurs every five years, the savings range from 20 to 26 percent. FPL states that these ranges support FPL's proposed GAF waiver of 25 percent.

APPENDIX 3

APPENDIX NO. 3

Explanation of Proposed Revisions

This Appendix summarizes proposed revisions to the Rules and Regulations included in Section 12.1 of FPL's General Rules and Regulations for Electric Service (Tariff Sheet 6.300) and the related Standard Form 9.720.

Tariff Sheet 6.300 has been revised to reflect the net present value of operational cost differentials, including average historical storm restoration, as contemplated by Rule 25-6.115(11)(a), F.A.C. FPL has calculated two separate components of the operational cost differential, covering non-storm and the Avoided Storm Restoration Costs ("ASRC").

For the non-storm operational costs differential, FPL utilized the 5-year average of its actual, historical capital and O&M expenses for operating, maintaining and repairing its overhead and underground distribution facilities. Those historical cost figures show that, on a consistent basis, the underground distribution system has been more expensive to operate, maintain and repair than the overhead distribution system. As a result, FPL is proposing to increase the CIAC required for all underground conversions by \$10,400 per pole-line mile of electric distribution facilities that would be converted.

For the ASRC, FPL's starting point was the same storm restoration cost data that it presented to the Commission in justifying the 25% GAF Waiver for eligible governmental underground conversion projects. One of the principal assumptions in calculating the storm restoration cost savings for GAF projects was that, because they covered large, contiguous areas, there would be no need for overhead restoration crews to go into the project neighborhoods and, hence, the savings would be maximized. However, because not all conversion projects will involve the benefits of government sponsorship, nor large, contiguous areas – like that of a GAF project – FPL has developed three tiers of the ASRC for the conversion tariff. Tier 1 is for large "GAF-equivalent" projects, which would meet the GAF size and uniformity requirements. The ASRC for Tier 1 projects reflects the same savings that were used to justify the GAF Waiver, and, therefore, uses the same percentage to apply against the otherwise applicable CIAC. Tier 2 is for projects that would meet the GAF eligibility criteria, but are smaller in size (1-3 pole-line miles). Tier 2 projects receive an ASRC of 10%, or 40% of the full GAF savings. Finally, Tier 3 is for small projects that do not necessarily meet any of the GAF eligibility criteria. For them, the ASRC is 5%, or 20% of the GAF savings.

FPL has also modified the associated Tariff Sheet 9.720, Underground Facilities Conversion Agreement, to incorporate and implement the ASRC changes outlined above. To do so required expanding the Agreement to two additional pages – Original Tariff Sheets 9.721 and 9.722.