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: January 29, 2009

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Draper) EJD CMJ RCM 1/29
Office of the General Counsel (Williams) APW JSB

RE: Docket No. 080719-EI – Petition to modify Tariff Sheet Nos. 4.113 and 4.122 regarding conversion of and construction of underground residential facilities by Progress Energy Florida, Inc.

AGENDA: 02/10/09 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 02/17/09 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080719.RCM.DOC

Case Background

On December 19, 2008, Progress Energy Florida (PEF) filed a petition to modify Tariff Sheet Nos. 4.113 and 4.122 regarding conversion and construction of underground residential facilities.

Customers who opt to convert their overhead electric distribution system to underground facilities are required to pay PEF a Contribution in Aid of Construction (CIAC), which represents the conversion costs incurred by PEF. The proposed tariff revisions are designed to implement the requirements of Rule 25-6.115(11)(a), Florida Administrative Code (F.A.C.), that PEF include the net present value of operations costs, including the average historical storm restoration costs, for comparable facilities over the expected life of the facilities in determining

the CIAC paid by the customer. Rule 25-6.115, F.A.C., was amended in February 2007 to require that the calculation of CIAC paid by customers for underground conversions include the difference in the net present value of operational costs between underground and overhead systems.[1]

In Order No. PSC-08-0786-TRF-EI, issued on December 2, 2008, the Commission directed PEF to refile its underground residential distribution (URD) tariff to include in its differential lost pole attachment revenues.[2] Pole rental revenues are revenues paid to PEF for use of the utility's poles by third-party attachers, such as cable and telephone companies. This petition implements the Commission's order.

This recommendation is to suspend PEF's proposed tariffs. 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 17, 2007, in 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 events.
[2] See Order No. PSC-08-0786-TRF-EI, issued December 2, 2008, in Docket No. 080186-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 proposed tariff sheets Nos. 4.113 and 4.122 regarding conversion of and construction of underground residential facilities?

Recommendation: Yes. (Draper)

Staff Analysis: 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 with 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, Williams)

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