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To: Filings@psc.state.fl.us
Cc: Masterton, Susan S [LTD]
Subject: Docket Nos. 060172 & 060173-EU - Post July 13, 2006 Workshop Comments of Embarq
Attachments: 060172 & 060173-EU, Post July 13, 2006 Workshop Comments of Embarq.pdf

<<060172 & 060173-EU, Post July 13, 2006 Workshop Comments of Embarq.pdf>>

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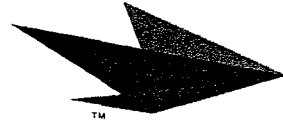
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July 28, 2006

Ms. Blanca Bayò, Director
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Florida Public Service Commission
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Tallahassee, FL 32399-0850

RE: Docket Nos.060172 & 060173-EU – Post July 13, 2006 Workshop
Comments of Embarq

Dear Ms. Bayò:

On behalf of Embarq Florida, Inc. (“Embarq”) this letter sets forth the post July 13, 2006 workshop comments of Embarq. These comments are filed in addition to the request for a hearing and proposal for lower cost regulatory alternatives filed by Embarq on this same date in accordance with the Notice of Rulemaking issued June 28, 2006.

The staff workshop held on July 13, 2006 was noticed as being for the purpose of allowing third party attachers to present data on the cost impact, if any, of proposed Rules 25-6.0341 and 25-6.0342, F.A.C., on their companies. While Embarq did not have cost data available to present at the workshop, the company has attempted to provide such data in these post workshop comments.

Rule 25-6.0341 Location of the Utility’s Electric Distribution Facilities.

Requirement for electric facilities to be placed adjacent to a public road, normally in front of the customer’s premises

Up to this point, the proposed rulemaking lacks a sufficiently defined scope necessary to accurately estimate the potential cost impacts to third party attachers by requiring electric distribution facilities to be placed adjacent to a public road, normally in front of the customer’s premises, to the extent practical, feasible and cost-effective. The electric utilities’ filings have been vague as to the scope and volume of their planned re-construction of existing aerial plant and have instead simply made vague references to a ten year plan. A request for estimated cost, against this vague backdrop is ill-fated at the outset. The ultimate cost of reconstructing existing aerial plant will be a site- and route-specific result with

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considerable variability. It is entirely predictable however that the costs of moving existing aerial plant from the rear of residential lots to the front will generate an extreme and costly construction environment. Reconstructing cables in existing neighborhoods will require significant disruption to customers, due to the tearing up of yards, trees, landscaping, fences, sidewalks, driveways, and streets. The cost of working in this environment is extremely high compared to doing work ahead of time as neighborhoods are initially constructed. (Embarq is supportive of higher standards in initial construction situations.) While there are certainly benefits to underground plant and or having stronger overhead plant, it should be kept in mind that even this new plant will experience some failure during extreme hurricanes, and therefore the cost/benefit of re-constructing aerial plant is suspect and unquantified at this point.

Requirement for electric facilities to use easements and road rights-of-way for all new and replacement electric overhead distribution facilities

If the electric utility reconstructs overhead facilities, moving aerial cable from back-lot to front is not a simple matter of moving an existing cable. It requires all new facilities at the front, and scrapping the existing facilities at the back. Putting the cost of the cable work aside, the new investment in taller heavier poles placed along the road will bring a cost increase as well through higher attachment fees. Because of joint use agreements, new poles carry the threat that the attacher will be asked to pay for them through make-ready costs. Any costs passed to the attacher in reconstructing the overhead facility should acknowledge that the electric utility already has the ability to recover these costs through rates and has stated its intent to do so.

In the electric overhead-to-overhead replacement situation, if Embarq also remains overhead, the construction cost to rebuild its aerial line on new electric utility poles is estimated to fall in a range of \$110k to \$170k per mile, depending on whether the electric utility attempts to charge the attacher for the cost of the new pole. Again, given the current complete lack of scope, Embarq can only report at this time that if every mile of its shared overhead routes were rebuilt, the resulting cost estimates would range from \$360 million to \$560 million which is an extreme result which obviously calls for a more granular definition and cost benefit analysis before being allowed to proceed.

Requirement for electric facilities to use front-lot easements provided by the applicant for all new and replacement electric underground distributions facilities.

If the electric utility places new underground facilities, they propose cost recovery of the highly-disruptive trench/bore situation be guaranteed to the electric utility through a combination local entity funding of (75%) and electric rate increases of the remaining (25%). Nowhere does the electric utility industry's proposals address how the attacher, in this case Embarq will recover its costs. As with sharing overhead facilities discussed above, the potential for the electric utility to

inappropriately allocate to attaching parties such as Embarq the shared underground trenching costs which are already 100% recovered thru their 75/25% proposal. Any costs passed to the attacher relative to joint electric utility and incumbent local exchange company (ILEC) underground construction should acknowledge that the electric utility already has included 100% recovery in their proposal.

In the electric overhead-to-underground replacement situation, if Embarq also buries facilities, the construction cost to retire aerial facilities and rebuild with buried is estimated to fall into a range of \$190k to \$260k per mile if Embarq has to pay for the trench. Again lacking necessary definition of scale and scope, Embarq is left to report that if every mile of shared overhead routes were to be buried, this would amount to \$630 million to \$860 million for Embarq. Assuming that the electric utility's proposal to recover 100% of their costs from the combination of local government and electric rate increases results in a cost-free use of the joint trench, the estimated cost range in that context is \$90K to \$120K per mile. Again extending this unit cost range to the entire potential population of existing aerial plant results in unworkable total cost estimates of \$300M to \$400M.

Requirement for electric facilities to use road rights-of-way for conversions of overhead to underground facilities requested by a local government.

Embarq's input for this scenario would be the same as for the previous aerial to underground scenario described above.

Requirement for electric facilities to seek input from and to coordinate the construction of electric distribution facilities with third-party attachers.

Opportunities for input and coordination are certainly helpful and beneficial but would be insufficient in and of themselves in fully addressing third party attachers concerns as to cost sharing issues. Unlike the federal statutes which define the rate charged to cable and CLEC attachers, ILECs such as Embarq enjoy no similar definitions or protections. Given the proposed rules requiring hardening are certain to drive cost increases, the likelihood for attachment rate disputes is a predictable risk.

Rule 25-6.0342 Third-Party Attachment Standards and Procedures.

Requirement for electric facilities to establish and maintain written safety, reliability, pole loading capacity, and engineering standards and procedures for attachments by others to the utility's electric transmission and distribution poles.

Due to a lack of necessary information the cost of following new written standards issued by the electric utility can not be quantified at this time. The

responses to the questions above attempt to provide some understanding for unit costs and potentially extremely costly outcomes were these rules to go forward.

Impact and estimated incremental cost of requiring the Attachment Standards and Procedures to meet or exceed the National Electric Safety Code and other applicable state and federal laws.

The cost of the not yet defined higher standards for new facilities cannot be quantified. However, the cost of changing standards on existing facilities is potentially prohibitive and warrants further cost/benefit analysis as explained above.

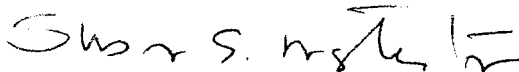
Requirement for electric facilities to seek input from and to coordinate the construction of electric distribution facilities with third-party attachers.

The proposed rule requirement that would have each electric utility seek input from third-party attachers in establishing its Attachment Standards and Procedures and have disputes resolved by the Commission does not address the concerns of Embarq. Opportunities for input and coordination are certainly helpful and beneficial but would be insufficient in and of themselves in fully addressing third party attachers concerns as to cost sharing issues. Unlike the federal statutes which define the rate charged to cable and CLEC attachers, ILECs such as Embarq enjoy no similar definitions or protections. Given the proposed rules requiring hardening are certain to drive cost increases, the likelihood for attachment rate disputes is a predictable risk.

These comments are submitted specifically to address the questions from the July 13 workshop regarding quantification of cost impacts to Embarq of the proposed rules. Embarq will file additional comments on the proposed rule on August 4, 2006 as required by the pre-hearing order.

If you have any questions or need additional information concerning the matters set forth in this letter, please contact me at (850) 599-1560.

Sincerely,



Susan S. Masterton

cc: Larry Harris, Esq., FPSC
Charles J. Rehwinkel
Interested Persons of Record

**CERTIFICATE OF SERVICE
DOCKET NO. 060172 & 060173-EU**

I hereby certify that a true and correct copy of the foregoing was furnished by U.S. Mail this 28th day of July, 2006, to the following:

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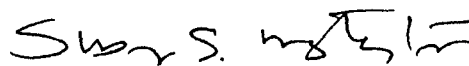
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