

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: March 19, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Cibula) *S.M.C.*
Division of Economics (McNulty, Smith II) *JLS JMH*

RE: Docket No. 20200011-EI – Petition for approval of waiver of CIAC Rule No. 25-6.064, F.A.C. for new line extensions serving electric vehicle fast charging stations, by Tampa Electric Company.

AGENDA: 03/31/20 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: 05/06/20 (The Commission must vote to grant or deny the petition by this date.)

SPECIAL INSTRUCTIONS: None

Case Background

On January 6, 2020, Tampa Electric Company (TECO) filed a petition for approval of a temporary (5-year) waiver of certain requirements in Rule 25-6.064, Contribution-in-Aid-of-Construction for Installation of New or Upgraded Facilities, Florida Administrative Code (F.A.C.), for the installation of primary voltage power lines to the location of electric vehicle (EV) fast charging stations. TECO also asks in its petition that the Commission approve a revised tariff sheet to reflect the requested temporary rule waiver.

Rule 25-6.064, F.A.C.

A copy of Rule 25-6.064, F.A.C., is appended as Attachment A. The purpose of Rule 25-6.064, F.A.C., is to establish a uniform procedure by which investor-owned electric utilities calculate

amounts due as CIAC from customers who request new facilities or upgraded facilities in order to receive electric service. The intent of the rule is to quantify the costs for certain new or upgraded facilities' construction in order to accurately determine the appropriate amount of CIAC to be collected. The rule reflects the Commission's long-standing policy that, where practical, the person who causes the costs to be incurred should bear the burden of those costs.¹

Subsection (2) of Rule 25-6.064, F.A.C., is the required formula for calculating CIAC for new or upgraded overhead facilities, and states:

$$\text{CIAC} = \frac{\text{Total estimated work order job costs of installing facilities}}{- \frac{4 \text{ years expected incremental base energy revenue}}{- \frac{4 \text{ years expected incremental base demand revenues, if applicable}}{}}}$$

Paragraph (2)(c) of Rule 25-6.064, F.A.C, the subject of TECO's petition, states:

The expected annual base energy and demand charge revenues shall be estimated for a period ending not more than 5 years after the new or upgraded facilities are placed in service.

Subsection (6) of the rule requires each investor-owned utility to "use its best judgement in estimating the total amount of annual revenues which the new or upgraded facilities are expected to produce."

Subsection (7) of the rule allows an investor-owned utility to waive all or a portion of CIAC for customers, but requires the utility to reduce plant in service as if CIAC had been collected, unless the Commission determines that there is a quantifiable benefit to the general body of ratepayers.

TECO's Petition

TECO states that the purpose for the temporary rule waiver is to create a pilot program to help encourage the growth of EVs in Florida. TECO states that EVs present many benefits to Florida in general and to TECO's customer base, including lowering reliance on petroleum-based fuels and a new and potentially beneficial electric load over which to spread fixed costs. TECO asserts that "[o]ne of the known barriers to growth of the EV market is the lack of public- and place-of-employment based fast charging stations." And that one of the major barriers to the more widespread development of fast charging stations is "the initial cost to extend primary voltage power lines to the location where the fast charger would be most convenient to attract current and potential EV owners."

¹In re: Initiation of formal proceedings of Complaint No. 1115382E of Brian J. Ricca against Florida Power & Light, for failing to provide reasonable service, Order No. PSC-14-0101-FOF-EI, issued April 23, 2014, Docket No. 130290-EI.

TECO states that the intent of the requested temporary rule waiver is to eliminate a barrier to the construction of new EV fast charging stations.² TECO states that annual revenues for fast charging stations are “likely very low when the charger is first installed, partly as it takes considerable time to make its market presence known to attract customers, but also partly because there are not many EVs on the road to take advantage of fast charges.” TECO asserts that the low initial revenue equates to a minimal CIAC credit against what is often a substantial line extension cost to hook up a EV fast charging station. TECO states that this is an imposing barrier to the installation of EV fast charging stations.

To remove this barrier, TECO is asking that a 10-year revenue estimation period be substituted for the 5-year revenue estimation period in Rule 25-6.064(2)(c), F.A.C. TECO states that if this rule waiver is granted, it will “use its best estimates to calculate the highest base rate revenues expected to be received from each station during the 10-year period,” under subsection (6) of the rule. TECO states that use of a 10-year estimation period would result in lower CIAC for those third party customers installing EV fast charging stations and, as a result, encourage more development of EV fast charging stations.

Consistent with its stated intent to create a pilot program, TECO is requesting that the temporary rule waiver be limited to a period of 5 years. TECO states that 5 years will be sufficient to determine whether use of a 10-year estimating period has a beneficial impact on the EV market. It further states that 5 years would give time for the EV charging infrastructure market “to develop and grow to such a point that this waiver can be removed – either because it is no longer necessary to spur development of fast EV charging infrastructure or because the technology no longer needs such support to enable the chargers to be placed into service.”

TECO also asks the Commission to approve a new tariff sheet, Fourth Revised Sheet No. 5.105, to reflect the temporary rule waiver. A copy of the revised tariff sheet is appended as Attachment B.³

Procedural Matters

Notice of the petition was published in the Florida Administrative Register (F.A.R.) on January 9, 2020, pursuant to Section 120.542(6), Florida Statutes (F.S.). The F.A.R. notice stated, in accordance with Rule 28-104.003, F.A.C., that interested persons may submit written comments on the petition within 14 days of the notice. No written comments were received on the petition.

Pursuant to Section 120.542(7), F.S., by letter dated January 24, 2020, staff requested TECO provide additional information on the petition. TECO responded to staff’s letter on February 6, 2020.

Staff held a noticed, informal meeting on February 25, 2020, to allow the company and other interested persons further opportunity to discuss the petition. Representatives from TECO, the

²TECO defines EV fast charging stations as direct current fast chargers operating at 50KW or greater and requiring three-phase service at 120/280V or 277/480V.

³The tariff sheet that is attached was filed by TECO on March 12, 2020, and replaces the revised tariff sheet attached to TECO’s petition.

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Office of Public Counsel (OPC), and the Southeast Energy Efficiency Alliance participated at the meeting.

Section 120.542(7), F.S., requires the Commission to grant or deny a petition for rule waiver within 90 days after receipt of the original petition, the last item of timely requested additional material, or the petitioner's written request to finish processing the petition. Thus, the Commission must grant or deny the petition no later than May 6, 2020, which is 90 days from February 6, 2020, the date of TECO's response to staff's request for additional information. A petition not granted or denied within 90 days after receipt of a completed petition is deemed approved.

The Commission has jurisdiction pursuant to Sections 120.542, 366.03, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1: Should the Commission grant TECO's petition for a temporary waiver of or variance from Rule 25-6.064(2)(c), F.A.C., and approve TECO's Fourth Revised Tariff Sheet No. 5.105?

Recommendation: Yes, the petition for temporary rule waiver/variance should be granted subject to the condition that TECO file annual reports during the 5-year rule waiver/variance period, with the first report due on March 1, 2021. Each annual report should include the following information for the preceding calendar year:

- For each EV fast charger line extension installed during the reporting period, the number of EV fast chargers served, the total line extension cost, the CIAC collected, the total annual revenue collected (demand and energy), the line extension usage metrics (demand and energy), and the balance of any related cross subsidy (total cost less CIAC collected less total energy/demand revenue collected to date);
- System-wide Totals (summed for all years since the time the temporary rule waiver/variance was granted) for each of the following: EV fast charger line extensions installed, the number of EV fast chargers served, EV fast charger line extension costs, CIAC collected, total annual revenue collected (demand and energy), line extension usage metrics (demand and energy), and the balance of any related cross subsidy (total cost less CIAC collected less total energy/demand revenue collected to date); and
- Projected annual growth for the next five years in TECO's service territory of EVs, EV fast chargers, and EV fast charger line extensions.

In addition, the Commission should approve TECO's Fourth Revised Tariff Sheet No. 5.105, which reflects the temporary rule waiver/variance. The effective date of the revised tariff sheet should be the date of the consummating order. Before the expiration of the 5-year rule waiver/variance period, TECO should be required to file a revised tariff sheet reflecting the removal of the temporary rule waiver/variance, which staff should be given administrative authority to approve. (Cibula, McNulty, Smith II)

Staff Analysis: TECO is asking that a 10-year revenue estimation period be substituted for the 5-year revenue estimation period in Rule 25-6.064(2)(c), F.A.C. TECO is requesting that the rule waiver be limited to a period of 5 years and apply only to the installation of primary voltage powers lines to the location of EV fast charging stations.

Legal Standard for Rule Waivers or Variances

Rule waivers and variances⁴ are governed by Section 120.542, F.S. Section 120.542(1), F.S., provides:

⁴In its petition, TECO requested a temporary rule waiver. In its request for additional information, staff questioned whether TECO was in fact requesting a temporary rule variance. In its response, TECO stated that it believed that either characterization is accurate and would not object to the Commission treating its petition as a request for

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Strict application of uniformly applicable rule requirements can lead to unreasonable, unfair, and unintended results in particular instances. The Legislature finds that it is appropriate in such cases to adopt a procedure for agencies to provide relief to persons subject to regulation.

Section 120.542(2), F.S., states that the agency must grant a rule variance or waiver if the petitioner demonstrates: (1) the purpose of the underlying statutes will be or has been achieved by other means; and (2) that application of the rule would create a substantial hardship or would violate the principles of fairness. A substantial hardship is a “demonstrated economic, technological, legal, or other type of hardship to the person requesting the variance or waiver.” Principles of fairness are violated when “the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly situated persons who are subject to the rule.”

Section 120.542(1), F.S., further states that an agency may limit the duration of any grant for a variance or waiver and impose conditions on the grant “only to the extent necessary for the purpose of the underlying statute to be achieved.”

The Purpose of the Underlying Statutes

Rule 25-6.064, F.A.C., cites as its law implemented Sections 366.03, 366.05(1), and 366.06(1), F.S. Sections 366.05 and 366.06, F.S., authorize the Commission to prescribe just, fair, reasonable, and compensatory rates. Section 366.03, F.S., requires investor-owned utilities to furnish to each person applying for service reasonably sufficient, adequate, and efficient service upon terms required by the Commission and prohibits an investor-owned utility from giving any undue or unreasonable preference to any persons or locality. TECO states that the purpose of these underlying statutes will be achieved by other means if the temporary rule waiver is granted.

TECO states that Sections 366.03, 366.05(1), 366.06(1), F.S., grant the Commission broad discretion in setting utility rates. It argues that substituting a different estimation period for calculating the revenues used to calculate CIAC due from EV fast charger installers will not result in an undue or unreasonable preference to any person and will not impair the ability of the Commission to prescribe fair, just, and reasonable rates. TECO states that as the EV market develops, high-voltage chargers will be a new source of load over which to spread TECO’s system costs, which will benefit all the company’s customers.

In response to staff’s request for additional information, TECO states that:

In the context of [TECO’s] petition, the company is not asking to do away with the revenue credit or to even reduce the number of years over which expected revenues are to be counted; rather, the company is seeking to expand the period of time over which the four years of expected incremental base energy revenue can be counted. Therefore, while the company does expect a higher revenue credit to be realized, the concept behind the requested waiver or variance is not materially different than the current policy.

variance. Staff notes that the same legal standard applies whether the petition is treated as a temporary rule waiver or a variance.

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TECO states in its petition that CIAC payments are intended to reduce potential cross-subsidy between the load associated with the new or upgraded facilities and existing customers taking service from existing facilities and acknowledges that cross-subsidization will occur if the petition is granted. TECO further states, however, that it anticipates a de minimis impact on the general body of ratepayers because the company does not expect the revised tariff to result in an amount of line extensions for high-voltage EV chargers that would cause a material impact on the amount of CIAC collected relative to TECO's overall invested capital. In this regard, TECO states:

Thus, despite any initial cross-subsidization that may occur, the result will be providing a reasonable preference for fast charging infrastructure in these early market development years of EVs and be beneficial for Tampa Electric's ratepayers now and into the future. The selection of a further advanced period to calculate the expected base revenues simply defers the period such a subsidy is in place for the period before the four years of base revenues actually occurs. At that point, the subsidy ends and the purposes of the rule are implemented.

TECO states that ratepayers benefit from the addition of more EV fast charges "which can incent the faster acceptance and choice of EVs by customers." TECO states that EVs reduce emissions and utilize cleaner energy generation by TECO, including solar photovoltaic sites, and reduce reliance on petroleum-based fuels. Moreover, TECO states that EVs may someday be a valuable resource to TECO's general body of ratepayers as a new and potentially beneficial electric load over which to spread fixed costs and "as a source of energy storage and load shaping to meet future energy infrastructure and energy control mechanisms." TECO asserts that encouraging market development for EVs meets the statutory directives of Sections 366.81, 366.94, 377.601, 377.815, 403.42, 627.06535, F.S., which it states support actions to facilitate and benefit EVs and aim to reduce reliance on petroleum fuels in Florida.

TECO also asserts that the temporary rule waiver request specifically aligns with Section 366.05(1)(a), F.S., which addresses the Commission's authority to "require repairs, improvements, additions, replacements, and extensions to the plant and equipment of any public utility when reasonably necessary to promote the convenience and welfare of the public." TECO states the temporary rule waiver promotes the convenience and welfare of the public through encouraging the development of fast charging stations "during this important period where there is need for more such chargers to encourage the market for electric vehicles to grow." TECO further states the revised tariff would not be discriminatory because it will be uniformly applied to any customer seeking a line extension to serve a Level 3 EV charging station during the 5-year temporary variance period.

Staff's Analysis

As acknowledged by TECO in its petition, CIAC payments are intended to reduce potential cross subsidy between the load associated with the new or upgraded facilities and existing customers taking service from existing facilities. Staff reviewed TECO's petition with regard to (1) the potential for cross subsidies that may result over an extended period if this waiver is utilized, and (2) the lack of reliable quantifiable information regarding the projected number of line

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extensions, line extension costs, and credit amounts (offsetting revenue), which would aid in calculating the CIAC and the amount of the potential subsidy.

It is a long-standing regulatory concept that a cross subsidy occurs when the cost-causer does not fully pay for the costs incurred to provide service, resulting in those unrecovered costs then shifting to the general body of ratepayers. TECO argues that the added cross subsidy associated with this pilot program should be considered in conjunction with anticipated benefits. Primary among these benefits is the incremental load growth expected to be realized from the proposed tariff revision. TECO contends that reducing CIAC for the requested line extensions would allow the utility to serve more high-voltage chargers, and thus spread the fixed costs of its system across such consumption.

Staff reviewed potential cross subsidy in this case by considering the recovery of costs under the rule versus the proposed rule waiver. By rule, CIAC is calculated using the cost of (in this case) the line extension and subtracting from that cost the expected revenues.

$$\text{CIAC} = \frac{\text{Total estimated work order job costs of installing facilities}}{-} \frac{4 \text{ years expected incremental base energy revenue}}{-} \frac{4 \text{ years expected base demand revenues}}$$

The CIAC is the portion of the line extension costs the customer pays upfront when he or she initiates service. As shown above, the CIAC payment is based on the costs of the new facilities, reduced by 4 years of expected revenue. Per paragraph (2)(c) of the rule, the 4 years of expected revenue must be estimated within a 5-year period after the new facilities are placed in service. The 4 years of expected base energy and demand revenues represent the time-limited credit allowed to the customer for the portion of the installation costs not paid via the CIAC payment. This credit to CIAC is expected to be offset by revenues from the customer after the 4-year period concludes within the first 5 years following line extension installation. TECO's argument is that EV fast charger line extension revenues are expected to be substantially less in years 1-5 than they would be in years 5-10. TECO believes the proposal of a 10-year estimation timeframe "would lower the CIAC barrier for construction of new high-voltage EV chargers, increase the number of such chargers in the service territory and result in faster adoption of electric vehicles."⁵

The extent and duration of the subsidy in this case is dependent on cost and revenue data. TECO indicated that it has no cost-benefit study or analysis or estimate of the beneficial load growth associated with the program at this time.⁶ A cost-benefit analysis of the program would require

⁵Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, No. 2.

⁶Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, No. 36.

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data that the utility has indicated is not available, including the number of expected line extensions, total line extension costs, and credit amounts.⁷

TECO indicates it appears the subsidy, under the proposed rule waiver, could be expected to continue beyond the rule's standard 5 years, but declining over this time period.⁸ Staff has prepared an example of the potential subsidy based on a hypothetical installation, as shown in Table 1-1. In this example, staff used TECO's estimated average EV fast charger line extension cost (\$21,662 per line extension, rounded to \$21,000) and a company estimate of annual base revenue growth associated with a single EV fast charger over a 10-year period.⁹ Staff emphasizes that these revenue estimates are for illustrative purposes only because, according to TECO, each line extension project is unique and requires customers input to estimate.¹⁰

Table 1-1
Potential Subsidy Under Current Rule Versus Proposed Rule Waiver

Based on Line Extension cost of \$21,000 serving a single EV fast charger										
Year	1	2	3	4	5	6	7	8	9	Total
Revenues	500	1,000	1,250	1,250	1,500	4,000	5,000	5,000	5,000	29,500
Current Rule Credit \$5,000										
Rule Waiver Credit \$20,000										
Offsetting Revenues (\$20,000)										
CIAC (Current) = \$21,000 - \$5,000 = \$16,000						CIAC (Proposed) = \$21,000 - \$20,000 = \$1,000				

Table 1-1 illustrates how CIAC is currently calculated by Rule 25-6.064, F.A.C., versus TECO's proposed CIAC rule waiver. The current calculation reflects projected revenues of \$5,000 in Years 2 through 5 (\$1,000 + \$1,250 + \$1,250 + \$1,500). Subtracting this revenue credit from the estimated line extension cost of \$21,000 results in a \$16,000 CIAC charge. This credit would be offset in Year 5, once the \$5,000 in incremental revenues has been collected.

In contrast, TECO's proposed CIAC rule waiver results in a \$20,000 credit, reflecting projected revenues of \$20,000 in Years 7-10, which is \$15,000 higher than under the rule. This credit to CIAC would not be fully offset by the customer's revenues until Year 9, assuming the projected revenues match the amount actually collected.

Thus, for this illustrative implementation of the CIAC waiver, the subsidy would be greater (\$20,000 rather than \$5,000) and remain longer (9 years rather than 5 years) under the proposed CIAC rule waiver for EV fast charger line extensions. The period of time in which it takes for

⁷Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, No. 36.

⁸Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, Nos. 17 and 27.

⁹Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, Nos. 12 and 25.

¹⁰Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, No. 11.

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the credits to CIAC based on expected revenues to be offset by actual revenues represents the subsidization period since that is money that was spent by the utility, not the customer or cost causer.

Staff notes that TECO has installed only one line extension for EV fast chargers to date, yet it has provided EV fast charger service to 13 locations in its service territory, serving over 50 EV fast charger stations. Given the ability of TECO to provide service to a number of potential EV fast charger locations without a line extension, staff believes the total impact on net income resulting from the waiver will be smaller than it would otherwise have been.

Staff believes that TECO has adequately demonstrated that the purposes of the underlying statutes will still be achieved if the requested temporary rule waiver/variance is granted for the temporary and limited purpose of the pilot program. The Commission has broad authority pursuant to the underlying statutes to set just, fair, and reasonable rates. Moreover, the temporary rule waiver/variance will not completely do away with the revenue credit or reduce the number of years over which expected revenues are to be counted, it only expands the period of time over which the 4 years of expected incremental base energy revenue can be counted. Thus, third party installers of EV fast charging stations will still have to pay some amount of CIAC to have the electric line extended, just at a lesser amount than required by the rule.

Substantial Hardship

TECO alleges that strict application of Rule 25-6.064, F.A.C., will create a substantial hardship. Specifically, TECO states that the 5-year estimating period for calculating CIAC in paragraph (2)(c) of the rule creates a substantial, imposing barrier to more widespread development of EV fast chargers, which in turn discourages the growth of EVs. TECO opines that this is because there is a substantial initial cost to extend primary voltage power lines to the location where the fast charger would be most convenient to attract current and potential EV owners. TECO states that the expected 5-year revenues for a high-voltage EV charger are likely very low when the charger is first installed, and this means there will be a minimal credit against what is often a substantial line extension cost to hook up such a fast charger. TECO asserts that “[t]his creates a significant barrier to achieving the reduced emissions, reduced reliance on petroleum-based fuels, and potential load growth in TECO’s service territory that would benefit ratepayers.”

TECO states that the Commission’s draft Review of the 2019 Ten-Year Site Plans of Florida’s Electric Utilities shows that the growth rate for EV adoption is expected to greatly accelerate over the next ten years. TECO states that for this reason, moving from a 5-year to a 10-year estimation period will result in a larger revenue credit, removing a substantial barrier to the development of new high-voltage EV chargers now, and assisting in the development of the EV market overall. TECO states that it believes that given the projected acceleration in the EV adoption rate over the next 10 years and the potential benefit the variance/waiver could provide to improving that adoption rate, moving to a 10-year estimation period would lower the CIAC barrier for construction of new high-voltage EV chargers, increase the number of such chargers in the service territory, and result in faster adoption of EVs.

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Staff's Analysis

Staff first notes that Rule 25-6.064(7), F.A.C., allows an investor-owned utility to waive all or a portion of CIAC for customers, but requires the utility to reduce plant in service as if CIAC had been collected, unless the Commission determines that there is a quantifiable benefit to the general body of ratepayers. In response to staff's letter requesting additional information, TECO stated that it could not quantify the benefit to customers at this time.¹¹ The company further stated that the purpose of this program was to determine if those benefits would materialize.¹² It opined that if no third parties avail themselves of the pilot program, then there is no harm, but no benefit. If they do, TECO stated that it will try to determine whether the benefits are sufficient to exceed what little subsidy is provided.¹³ TECO states that it intends to use the waiver period to monitor the applicability to new EV fast charger installations, which it believes will assist in future projections.

Staff believes that TECO has adequately demonstrated that complying with Rule 25-6.064, F.A.C., would be a substantial hardship within the meaning of Section 120.542, F.S., for the temporary and limited purpose of the pilot program. Staff is concerned as to the limited quantifiable information available. However, as stated above, staff sees the potential benefit of allowing TECO to explore, for a limited time period, the extent to which the current CIAC methodology presents a barrier to the installation of line extensions to serve EV fast chargers.

Reporting Requirements as a Condition on the Grant of Temporary Rule Waiver/Variance

Section 120.542(1), F.S., allows agencies to impose conditions on rule waivers/variances, as long as those conditions are necessary for the purpose of the underlying statute to be achieved. Because this petition is a pilot program with the intent to eliminate a barrier to the construction of new EV fast charging stations, and given the lack of quantifiable information, staff believes certain reporting requirements are necessary for monitoring the efficacy of the program and levels of cross subsidy. Therefore, if the petition is granted by the Commission, staff recommends that the Commission's approval be conditioned on TECO filing annual reports during the 5-year rule waiver/variance period, with the first report due on March 1, 2021. Each annual report should include the following information for the preceding calendar year:

- For each EV fast charger line extension installed during the reporting period, the number of EV fast chargers served, the total line extension cost, the CIAC collected, the total annual revenue collected (demand and energy), the line extension usage metrics (demand and energy), and the balance of any related cross subsidy (total cost less CIAC collected less total energy/demand revenue collected to date);
- System-wide Totals (summed for all years since the time the temporary rule waiver/variance was granted) for each of the following: EV fast charger line extensions installed, the number of EV fast chargers served, EV fast charger line extension costs, CIAC collected, total annual revenue collected (demand and energy), line extension

¹¹Document No. 008516-2020, TECO's Responses to Staff's Request for Additional Information, No. 18.

¹²See id.

¹³See id.

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usage metrics (demand and energy), and the balance of any related cross subsidy (total cost less CIAC collected less total energy/demand revenue collected to date); and

- Projected annual growth for the next five years in TECO's service territory of EVs, EV fast chargers, and EV fast charger line extensions.

As stated above, staff's underlying concern with this pilot program, aside from a lack of quantifiable information, relates to the potential level of cross subsidies that may result if this waiver is extensively utilized. However, staff believes that with the limited nature of the program, along with the monitoring and reporting requirements listed above, the level of the cross subsidies created by this program should be relatively small compared to TECO's net income.

Conclusion

Staff recommends that the Commission grant TECO's petition for temporary waiver of or variance from Rule 25-6.064(2)(c), F.A.C., subject to the condition that TECO make the annual reporting requirements set forth above. In addition, the Commission should approve TECO's Fourth Revised Tariff Sheet No. 5.105, which reflects the temporary rule waiver/variance. The effective date of the revised tariff sheet should be the date of the consummating order. Before the expiration of the 5-year rule waiver/variance period, TECO should be required to file a revised tariff sheet reflecting the removal of the temporary rule waiver/variance, which staff should be given administrative authority to approve.¹⁴

¹⁴Staff notes that TECO has the burden to file a new petition for rule waiver under Section 120.542, F.S., if it wishes to extend the rule waiver beyond the 5 years requested in its petition.

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. TECO's Fourth Revised Sheet No. 5.105 should become effective upon issuance of the consummating order. The docket should remain open for the annual reports. The docket should be administratively closed when TECO's revised tariff sheet reflecting the removal of the temporary rule waiver/variance is administratively approved by staff after the 5-year waiver/variance period expires. (Cibula)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. TECO's Fourth Revised Sheet No. 5.105 should become effective upon issuance of the consummating order. The docket should remain open for the annual reports. The docket should be administratively closed when TECO's revised tariff sheet reflecting the removal of the temporary rule waiver/variance is administratively approved by staff after the 5-year waiver/variance period expires.

If a protest is filed, TECO's Fourth Revised Sheet No. 5.105 should not become effective.

25-6.064 Contribution-in-Aid-of-Construction for Installation of New or Upgraded Facilities.

(1) Application and scope. The purpose of this rule is to establish a uniform procedure by which investor-owned electric utilities calculate amounts due as contributions-in-aid-of-construction (CIAC) from customers who request new facilities or upgraded facilities in order to receive electric service, except as provided in Rule 25-6.078, F.A.C.

(2) Contributions-in-aid-of-construction for new or upgraded overhead facilities ($CIAC_{OH}$) shall be calculated as follows:

$CIAC_{OH}$	=	Total estimated work order job cost of installing the facilities	-	Four years expected incremental base energy revenue	-	Four years expected incremental base demand revenue, if applicable
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(a) The cost of the service drop and meter shall be excluded from the total estimated work order job cost for new overhead facilities.

(b) The net book value and cost of removal, net of the salvage value, for existing facilities shall be included in the total estimated work order job cost for upgrades to those existing facilities.

(c) The expected annual base energy and demand charge revenues shall be estimated for a period ending not more than 5 years after the new or upgraded facilities are placed in service.

(d) In no instance shall the $CIAC_{OH}$ be less than zero.

(3) Contributions-in-aid-of-construction for new or upgraded underground facilities ($CIAC_{UG}$) shall be calculated as follows:

$CIAC_{UG}$	=	$CIAC_{OH}$	+	Estimated difference between cost of providing the service underground and overhead
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(4) Each utility shall apply the formula in subsections (2) and (3) of this rule uniformly to residential, commercial and industrial customers requesting new or upgraded facilities at any voltage level.

(5) The costs applied to the formula in subsections (2) and (3) shall be based on the requirements of Rule 25-6.0342, F.A.C., Electric Infrastructure Storm.

(6) All CIAC calculations under this rule shall be based on estimated work order job costs. In addition, each utility shall use its best judgment in estimating the total amount of annual revenues which the new or upgraded facilities are expected to produce.

(a) A customer may request a review of any CIAC charge within 12 months following the in-service date of the new or upgraded facilities. Upon request, the utility shall true-up the CIAC to reflect the actual costs of construction and actual base revenues received at the time the request is made.

(b) In cases where more customers than the initial applicant are expected to be served by the new or upgraded facilities, the utility shall prorate the total CIAC over the number of end-use customers expected to be served by the new or upgraded facilities within a period not to exceed 3 years, commencing with the in-service date of the new or upgraded facilities. The utility may require a payment equal to the full amount of the CIAC from the initial customer. For the 3-year period following the in-service date, the utility shall collect from those customers a prorated share of the original CIAC amount, and credit that to the initial customer who paid the CIAC. The utility shall file a tariff outlining its policy for the proration of CIAC.

(7) The utility may elect to waive all or any portion of the CIAC for customers, even when a CIAC is found to be applicable. If however, the utility waives a CIAC, the utility shall reduce net plant in service as though the CIAC had been collected, unless the Commission determines that there is a quantifiable benefit to the general body of ratepayers commensurate with the waived CIAC. Each utility shall maintain records of amounts waived and any subsequent changes that served to offset the CIAC.

(8) A detailed statement of its standard facilities extension and upgrade policies shall be filed by each utility as part of its tariffs. The tariffs shall have uniform application and shall be nondiscriminatory.

(9) If a utility and applicant are unable to agree on the CIAC amount, either party may appeal to the Commission for a review.

Rulemaking Authority 366.05(1), 350.127(2) FS. Law Implemented 366.03, 366.05(1), 366.06(1) FS. History—New 7-29-69, Amended 7-2-85, Formerly 25-6.64, Amended 2-1-07.



~~FOURTH~~ ~~THIRD~~-REVISED
SHEET NO. 5.105
CANCELS ~~THIRD~~~~SECOND~~
REVISED SHEET NO. 5.105

Continued from Sheet No. 5.100

2.6.1 CONTRIBUTION IN AID OF CONSTRUCTION

The company recognizes its obligation to furnish electric service to customers throughout its entire service area, but necessarily must reserve the right to require a contribution in aid of construction (CIAC) when the additional distribution investment is not considered prudent. A CIAC will normally be required when the cost of the facilities required to serve a customer are in excess of those normally provided by the company. CIAC fees are intended to protect the general body of ratepayers from subsidizing special requests.

If the company considers the prospects of securing additional revenue from additional distribution investment to be favorable, (i.e. in public road right-of-way, other customers and/or additional load) such payment, or portion thereof, may be waived.

When a CIAC is required, the customer shall deposit with the company the specified amount prior to the company commencing construction. The company will install, own, and maintain the electrical distribution facilities up to the company designated point of delivery. Any payment by the customer under the provisions of this policy will not convey to the customer any rights of ownerships.

CIAC for the installation of new or upgraded overhead facilities (CIAC_{OH}) will be calculated as follows:

$$\text{CIAC}_{\text{OH}} = \frac{\text{Total estimated work order job cost of installing the facilities}}{\text{Four years expected incremental base energy charge revenue}} - \frac{\text{Four years expected incremental base demand charge revenue}}$$

The cost of the service drop and meter shall be excluded in the total estimated work order job cost for new overhead facilities.

The net book value and cost of removal, net of the salvage value, for existing facilities shall be included in the total estimated work order job cost for upgrades to those existing facilities.

An For projects that do not include line extensions associated with electric vehicle fast charger projects, investment allowance equal to four years expected annual base energy and demand charge revenue shall be estimated for a period not more than five (5) years after the new or upgraded facilities are placed in service. For line extensions associated with~~For electric vehicle fast charger projects including associated line extensions, the revenue estimate shall be for four (4) consecutive years everwithin a period of not more than ten (10) years after the fast chargers are placed in service.~~

In no instance shall the CIAC_{OH} be less than zero.

Continued to Sheet No. 5.106