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July 30, 2014

VIA E-MAIL AND U.S. MAIL

Mr. Michael Tamarro, Esq.
Florida Power & Light
4200 West Flagler St.
Miami, FL 33134

Re: Request for Information by the City of Coral Gables to Further Examine Cost Reduction Strategies Associated with Undergrounding Electrical Utilities that Include a New 230 kV Transmission Line, and Conversion of an Existing Distribution and Transmission Line Underground

Dear Mr. Tamarro:

This City is in receipt of Florida Power & Light's (FPL) non-binding cost estimate for undergrounding electrical facilities in the City of Coral Gables ("City"). Please accept this letter as a Request for Information (RFI) by the City to illicit further information necessary to properly inform the City of its option(s). The City, in its RFI, respectfully requests further information in order to explore a range of scenarios to reduce costs associated with undergrounding existing overhead facilities that also benefit FPL's general body of ratepayers. The City's RFI is focused on undergrounding approximately 2.5 miles of a 230 kV transmission line (hereinafter, collectively "electrical facilities") associated with FPL's new nuclear generating units at Turkey Point (i.e., Turkey Point 6 and 7). Collectively, these electrical facilities will provide the necessary transport and delivery of reliable electricity to demand centers throughout FPL's service territory, including but not limited to, the City and surrounding critical infrastructure. Lastly, it should be noted that the City's primary objective in this RFI is to gather necessary information in order to enable the City staff to provide an informed recommendation to its Commissioners for a decision on the matter.

SUMMARY

In summary, the City is seeking information necessary to maximize our Commission's discretion, and to properly evaluate the cost/benefit of undergrounding electrical facilities in Coral Gables. In particular, FPL's July 11, 2014, non-binding cost estimate is characterized by FPL as a "worst case scenario" (page 17, third full paragraph), and the City

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would like to explore a “best case scenario” and/or a “likely scenario,” if possible. Separate and apart from the “worst case scenario” is the fact that FPL’s cost estimate does not address any potential savings or benefits from undergrounding. As a result and in summary, the City respectfully seeks information on the following:

- Results, if any, of all relevant comprehensive study(ies) related to the cost/benefit of undergrounding transmission in FPL’s service territory;
- Costs incurred by FPL’s general body of rate payers for historical costs related to restoration of transmission from named storms;
- Costs incurred by FPL’s general body of rate payers for historical costs to harden FPL’s transmission using extreme wind load standards, pole replacement, and new pole additions;
- Anticipated costs to be incurred by FPL’s general body of rate payers for forward-looking costs related to hardening FPL’s transmission system to meet extreme wind load standards, pole replacement and new pole additions; and
- Any and all savings related to the Net Present Value (NPV) of FPL’s operational costs associated with an underground 230kV line in downtown Miami, FL;
- Costs incurred by FPL’s general body of ratepayers for historical storm restoration costs associated with above-ground transmission lines (i.e., for comparable facilities over the expected life of the facilities).

Further, the City’s RFI seeks information on FPL’s willingness to use FPL’s existing billing system to collect conversion charge(s) in accordance with FPL’s prior PSC-approved Governmental Recovery of Underground Fees (GRUF) tariff for undergrounding distribution projects. Although GRUF was designed for distribution projects, the City seeks to better understand the pros and cons using this tool for transmission projects. In addition, to properly evaluate and use the information requested, the City also seeks information and guidance on using a “special contract” or a “pilot tariff” as the legal vehicle as the filing for approval before the Florida Public Service Commission (“FPSC or Commission”). Lastly, we seek information on whether the Commission has jurisdiction over the subject matter pursuant to, but not limited to, Sections 366.04 and 366.05(1), Florida Statutes.

1. REQUEST FOR INFORMATION

The City respectfully requests information on whether FPL will file a “special contract,” or alternatively, a “pilot tariff” with the Commission to underground the electrical facilities located in Coral Gables. The City requests information from FPL that reflects any, and all, long-term utility cost savings. The long-term benefits can be stated in quantitative and qualitative terms associated with undergrounding electrical facilities. Specifically, the City seeks information on whether a cost of 25% credit accurately reflects the long-term savings associated with undergrounding (otherwise stated, whether 25% credit reflects storm costs recovered by FPL from the general body of ratepayers following hurricanes

during Hurricane Andrew, the series of Hurricanes from 2004-2005 time-frame and tropical storms in the last two decades). If 25% credit does not adequately reflect long-term savings, then the City respectfully requests information on what the proper percentage to be credited. If adequate information is not obtainable, the City seeks information on whether a "pilot tariff" would be useful initiative to obtain data related to cost benefits, if any, and reliability benefits over the life the of the investment.

The City also seeks information from FPL on the underlying logic that lead to a PSC-approved 25% credit for undergrounding distribution, and why that same logic should not apply to undergrounding more critical infrastructure like the electrical facilities in the case at hand. In addition, the City respectfully requests that FPL provide information on its willingness to use existing billing system to recover the conversion charge similar to FPL's past PSC-approved GRUF tariff for distribution. The City seeks information on whether \$50,000 programming fee for changes to FPL's billing software. If FPL does not embrace this approach, please explain why.

2. UNDERLYING REASONS FOR THE CITY'S RFI

It is our understanding that there is a long-standing effort to underground transmission lines and minimize damage to overhead electrical systems dating back to 1927.¹ It is also the City's understanding that the PSC generally accepts the notion that undergrounding reduces lost revenues by the utility, maximizes long-term savings from reduced operating and maintenance costs, increases safety, reduces pole replacements and outages from automobile impacts to poles, and reduces overhead facilities' exposure from extreme weather events. It is also our understanding that the technology matured quickly from early last century, and in the 1960s, 354 kV lines were being constructed underground.² We read where the most movement occurred in the early 1990s, and continues today as the technology is mature enough to be characterized as "off-the-shelf." Lastly, it is our opinion that hurricanes, and other named storms such as "Super Storm Sandy," are occurring more frequently - at least once a decade - and are more intense with stronger winds and storm surge profiles. Thus, the City respectfully seeks information on long-term cost savings with the presumption using 40 years as the useful life of the investment, and including a major storm impacting South Florida once every 10 years.

3. RFI REGARDING FPL'S NON-BINDING UNDERGROUND ESTIMATE

The City received FPL's non-binding estimate for undergrounding existing and proposed above-ground electric facilities. The City agrees that a conference call would be beneficial to all those involved and welcomes an overview of the study. The City agrees with FPL's characterization of the study as a "worst case" scenario (page 17 of the study), and would

¹ Public Service Commission of Wisconsin, Underground Electric Transmission lines, May 2011, page 1

² Id.

like more information on a “best case” scenario, as well as, a “most likely” scenario, if possible. In the interim, the City seeks information on whether FPL believes it is prohibited from using a “special contract” or “pilot tariff” as a viable vehicle under Commission’s authority. Information on these scenarios will enable the City’s staff to properly inform its principles and maximize the City Commission’s discretion as to whether the Commission is authorized to underground electrical facilities in in this matter.

4. FLORIDA HISTORICAL STORM COSTS AND RECOVERY

In Docket No. 130132-EI, FPL informed the PSC in its petition for approval of storm hardening plan that the high level of storm activity in recent years is a powerful reminder of the importance of moving FPL’s storm hardening efforts toward completion, and that implementation of the plan will benefit FPL customers – especially for critical functions such as hospitals, government services, groceries, etc.

In light anticipated increased storm activity and increasingly stronger storms impacting FPL’s territory, the City seeks measured data on FPL’s cumulative cost of restoration and replacement of transmission lines impacted by major hurricanes and named storms in the last 25 years. For example, it is the City’s understanding that Hurricane Andrew included the loss of approximately 7 miles of FPL transmission line that, to our knowledge, was never found or located. In addition, the City seeks information on whether the general body of ratepayers paid in part, or in whole, for the expense of restoration and replacement of that transmission line. Post 1992 Hurricane Andrew, the City also seeks the same information similar situations related to named storms and hurricanes.

Specifically, the City seeks information existing measured data and costs related to transmission lines from the hurricanes of 2004 and 2005. For example, the City also seeks costs related loss of revenue to FPL, cost of replacement, cost of repair, and whether those costs were paid for by the general body of ratepayers.

It is our understanding that *the damage included “more than ten thousand distribution poles and nearly one hundred transmission structures. In all, Wilma resulted in more than three million customer accounts losing electrical service”*³ It is also our understanding that these costs included rebuilding 30 towers on FPL’s Conservation-Corbett 500 kV line. In addition, please confirm or correct that Hurricanes Charley, Frances, and Jeanne in 2004, resulted in FPL storm-related total costs of approximately \$890 million to overhead electrical facilities, and whether transmission outages affected down-voltage feeders, laterals, and distribution performance. For example, it’s our understanding that FPL experienced “outages on 241 substations during [Hurricane] Wilma, most were due to the outage of transmission lines serving these stations; only 8 required equipment repair before being reenergized. With some minor exceptions, there was no discernible pattern of

³ See, Direct testimony of Dr. Richard Brown in Docket No. 060038-EI, page 4; lines 19-20.

equipment failure that indicates a design or maintenance concern.⁴ The City reads this to mean that transmission is the backbone of the electrical grid and plays a much more critical role than distribution seeing that down-current distribution lines are reliant on working transmission. Please let us know if you agree or disagree, and why.

Lastly, it is the City's understanding that on February 27, 2006, the PSC initiated a rulemaking to change policies applicable to customer Contribution-in-Aid-of-Construction (CIAC) and policies on construction standards to include storm hardening. In particular, Docket Nos. 060172-EU and 060173-EU were established, and ultimately a 25% credit was established for municipalities wishing to convert existing overhead facilities to underground. It is our understanding that this credit is funded by the utility's general body of ratepayers, because the Commission found that the general body of ratepayers benefitted from undergrounding electrical facilities (i.e., distribution lines). Although this 25% credit applies to a distribution tariff, the City respectfully requests information from FPL as to why the same logic should not be applied to transmission seeing that FPL's own testimony illustrates that transmission plays a more critical role to the general body of ratepayers than distribution. If FPL agrees, then the City seeks information on the pros and cons of using a "special contract," or a "pilot tariff," containing the same or similar credit associated with undergrounding distribution lines and applying it to undergrounding transmission lines.

5. RIF REGARDING POTENTIAL COLLECTION OF CONVERSION CHARGE FROM FPL CUSTOMERS

The City seeks information on whether FPL is willing to provide the City with an optional mechanism for the recovery of costs associated with converting overhead electric service to underground service. Specifically, the City seeks information on using a fee on FPL's electric bill similar to the prior PSC-approved tariff for Progress Energy Florida (now Duke Energy Florida (DEF)) in Order No. PSC-02- 1629-TRF-EU, issued November 25, 2002, and *previously approved this mechanism for Florida Power & Light in order number PSC-03-1002-TRF-E1 issued September 5, 2003*. DEF's tariff is still available and found in the company's Tariff Sheet 4.124. In light of these pre-approved mechanisms for distribution, the City seeks information on whether FPL is willing to pursue similar process for transmission. If so, the City will be responsible for establishing an Underground Assessment Area (UAA).⁵

⁴ Supra, Direct testimony of Dr. Richard Brown in Docket No. 060038-EI, page 7; lines 10-15

⁵ Under the proposed special contract or pilot tariff, the City is responsible for establishing an UAA. Consistent with Commission precedent, the UAA is a geographic area that is used to identify customers who will benefit from the underground conversion, and only customers in the UAA will be responsible for the conversion costs. In addition to the conversion costs, customers in the UAA will be responsible for the computer programming costs FPL expects to incur, and financing charges. The programming costs include start-up costs such as the modification of the billing system to add a line item to the electric bill and the cost of identifying each account located in the UAA. However, consistent with Commission precedent, these programming costs will be capped at the lesser of 10 percent of conversion costs or \$50,000.

6. EXAMPLES OF UNDERGROUNDING TRANSMISSION CONSISTENT WITH THIS RFI

According to the latest Florida Public Service Commission report on undergrounding transmission, the State of California provides that ***general body of ratepayers contribute 20% of the undergrounding costs*** of transmission as there is a system wide benefit to undergrounding. In addition, the Commonwealth of Australia's Undergrounding Working Group Report 1998 found that there is a 10% quantifiable benefit from undergrounding transmission and that the general body of ratepayers financially benefit from undergrounding. The City seeks information as to whether this is still correct information and if FPL has examined any measurable data from these two programs.

CONCLUSION

In conclusion, the City respectfully submits this RFI to properly examine the upfront cost of underground existing overhead facilities and a new 2.5 mile 230 kV line associated with FPL's new nuclear generating units: Turkey Point 6 and 7. As outlined above, the City is seeking information to determine if FPL sees value in a 25% credit for undergrounding transmission that serves critical infrastructure in South Florida. In addition, the City seeks information as to whether FPL will use its existing billing system to collect the financing charge incurred by the City to pay for the contracted conversion, the conversion cost itself and the programing costs. The City seeks information on whether the same financing mechanics used in PSC-approved Docket Number 030571-EI (PSC Order No. PSC-03-1002-TRF-EI.FPL) can be made available to the City for undergrounding transmission in addition to distribution. If so, the City seeks information on whether a \$50,000 charge to FPL will cover programing costs and modifications to FPL's billing system. If not, the City seeks information on the appropriate costs. Lastly, the City seeks guidance from FPL on whether the Florida Public Service Commission has jurisdiction over this subject matter pursuant to, but not limited to, Sections 366.04 and 366.05(1), Florida Statutes.

Sincerely,
Berger Singerman LLP



Jeremy Lawton Susac

JLS/bw

cc:

Craig Leen, Esq., City Attorney
Carmen Olazabal, City Manager