

SCANNED

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May 2, 2006

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, Florida 32399-0870

Re: Docket No.: 060038-EI

Dear Ms. Bayo:

On behalf of the Florida Industrial Power Users Group (FIPUG), I have attached a revised page 6 of The Florida Industrial Power Users Group's Posthearing Brief and Statement of Issues and Positions originally filed April 28, 2006. The page has been revised to correct a scrivener's error in the brief — the figure "\$200 million" appearing in paragraph 2 is corrected to read "\$150 million." Attached to this letter you will find a clean version of the revised page 6, and a version in legislative format showing the change.

In addition to this original letter to be kept on file with the Commission, I have enclosed 15 copies of this letter for distribution.

Please acknowledge receipt of the above on the extra copy and return the stamped copy to me. Thank you for your assistance.

Sincerely,


Timothy J. Perry

TJP
Attachments
cc: All parties of record

MCWHIRTER REEVES & DAVIDSON, P.A.

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FPSC-COMMISSION CLERK

To understand the calculations in this brief it is first necessary to understand the inconsistency in FPL's calculations. FPL seeks \$1.049 billion to compensate for the storm loss and \$650 million to fully fund a storm reserve for future storm protection. It claims the same total amount of \$1.7 billion for each method. Under the securitization approach however it gives customers an upfront benefit for the tax deduction FPL may have already taken.¹⁹ It plans to collect \$2.085 billion from customers under the securitization approach in this proceeding to repay the bonds.

When FPL calculates the alternative method it doesn't deduct the taxes up front even though it may have already taken the deduction. In order to make a fair comparison in this brief, FIPUG calculates the savings by reducing the storm cost by the tax deduction at the outset in the same manner FPL does for its securitization approach. FIPUG also reduces the storm reserve to \$150 million for reasons that are explained below. Conforming FPL's alternative approach to its securitization approach and then reducing the storm reserve results in significant savings. The savings will be even greater when the OPC revenue deductions are factored in.

Mr. Dewhurst's exhibit MPD-1 (E 6) uses an estimated bond interest rate of 5.06%, and anticipated that total interest costs charged customers would amount to \$373 million over the term of the bonds. At the final hearing, Mr. Dewhurst testified that the interest rates are trending upwards and have increased 40 basis points since the time FPL filed its Petition.²⁰ FIPUG has used the conservative numbers presented by FPL of 5.06% for long-term bonds and 4.125% for

¹⁹ T 481, Mr. Davis:

"And in Line 12, what we are specifically asking for is \$1,690,160,000 of costs to be securitized. However, the amount that will actually be issued in bonds will only be one billion fifty, which is the 1-38 billion shown on Line 22, plus the issuance costs of about \$11 million. So what is happening there is that we are providing the benefit to the customer of having deducted the storm losses and received a current cash benefit for those losses."

T 484, Mr. Davis:

Q. All right. Now do I understand from what you before that you really don't need \$1.7 billion to pay for your out of pocket storm damages because your income tax savings paid for part of that, so you really need less than \$1.7 [b]illion? A. I believe that that is a fair characterization of what you see on Lines 5 through 9.

²⁰ T 90, L 9-19.

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