

State of Florida



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

DATE: October 30, 2008
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Erik Saylor, Senior Attorney, Office of General Counsel
RE: Docket No. 070231-EI - Petition for approval of 2007 revisions to underground residential and commercial distribution tariff, by Florida Power & Light Company.

Docket No. 080244-EI - In Re Petition for approval of underground conversion tariff revisions, by Florida Power & Light Company

Pursuant to the attached email correspondence with John Butler, on Wednesday, October 29, 2008, Florida Power & Light agreed to use the after tax discount rate for determining the operational cost differentials for both Docket Nos. 070231-EI, In Re Petition for approval of 2007 revisions to underground residential and commercial distribution tariff, by Florida Power & Light Company, and 080244-EI, In Re Petition for approval of underground conversion tariff revisions, by Florida Power & Light Company, specifically, the revised operation cost differentials, as stated in FPL's response to Staff's data requests which was filed on Friday, October 24, 2008, a copy of which is attached.

Please place the attached documents in the above-referenced docket file. Thank you.

ELS/tfw

cc: Mary Bane
Michael Cooke
Tim Devlin
Mary Anne Helton
Connie Kummer
Parties to Docket Nos 070231-EI and 080244-EI

DOCUMENT NUMBER-DATE

10220 OCT 30 08

FPSC-COMMISSION CLERK

Erik Saylor

From: Butler, John [John.Butler@fpl.com]
Sent: Wednesday, October 29, 2008 1:20 PM
To: Ralph Jaeger; Elisabeth Draper; Erik Saylor
Subject: RE: 080244 - REC
Attachments: 20081024140202534.pdf

Ralph, my apologies. I responded to Erik by e-mail early Tuesday morning, but realize that it may not have been explicit enough and that you weren't copied. I confirm that FPL agrees to use the after tax discount rate for determining the operational cost differentials for both Docket Nos. 070231 (URD) and 080244 (underground conversions). Specifically, the revised operation cost differentials would be as stated in FPL's response to Staff's data requests that was filed last Friday, a copy of which I've attached for your convenient reference. Please let me know if you need anything else from me on this. Best regards, John Butler

From: Ralph Jaeger [mailto:RJaeger@PSC.STATE.FL.US]
Sent: Wednesday, October 29, 2008 1:06 PM
To: Elisabeth Draper; Erik Saylor; Butler, John
Subject: RE: 080244 - REC

Mr. Butler, please see below -- I have not received any e-mail or written filing concerning the below. So we need both the confirmation that you have agreed to use the after tax discount rate and the revised tariffs. We need this immediately so that we may go forward with filing our recommendation.

From: Elisabeth Draper
Sent: Wednesday, October 29, 2008 10:09 AM
To: Erik Saylor
Cc: Ralph Jaeger
Subject: RE: 080244 - REC

attached.

Did we get anything yet from FPL saying they will use the after tax discount rate. They will need to file revised tariffs to implement that, since it changes the numbers in this and the 07 docket.

From: Erik Saylor
Sent: Wednesday, October 29, 2008 10:05 AM
To: Elisabeth Draper
Cc: Ralph Jaeger
Subject: 080244 - REC

*Hi there,
When you get a chance, would you please email Ralph and I the most recent copy of the 080244 REC, or after Jennifer's changes are incorporated. (I think Connie took you Jennifer's changes yesterday.)*

*Thanks.
Erik --)*

10/29/2008

DOCUMENT NUMBER-DATE
10220 OCT 30 8
FPSC-COMMISSION CLERK

Erik Sayler

From: Butler, John [John.Butler@fpl.com]
Sent: Tuesday, October 28, 2008 8:51 AM
To: Erik Sayler
Subject: Re: Change to Post-Tax in 070231-EI, & 080244-EI

You're correct. John

From: Erik Sayler
To: Butler, John
Sent: Tue Oct 28 08:50:16 2008
Subject: Change to Post-Tax in 070231-EI, & 080244-EI

John,
I know Ralph spoke with you yesterday about 070231-EI. I'm assuming you'll do that for 080244-EI as well.
Ralph might ask that verbally at the start of today's depo.
Thanks,

Erik L. Sayler
Attorney
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
850-413-6199 - mainline
850-413-6084 - direct
850-413-6085 - fax

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**RESPONSE TO 3RD DATA REQUEST (DOCKET NO. 080244-EI)/
4TH DATA REQUEST (DOCKET NO. 070231-EI)**

As requested, FPL has re-run the Operational Cost NPV analyses for the URD and Underground Conversion tariffs using the after-tax discount rate. The results of these revised analyses are shown on the following pages.

URD (070231-EI): The URD results are summarized in the table on the following page. The results show relatively small changes in the NPV. For example, the Low Density change is \$8-\$16 per lot (depending on the Tier) which translates to 2% of the proposed Tariff charges.

URD Tariff per Lot Charges - Impact of Operational Costs NPV with After-Tax Discount Rate

	Low Density (per Lot)				High Density (per Lot)				Meter Pedestal (per Lot)			
	Proposed	After-Tax Discount Rate	Change	% Change	Proposed	After-Tax Discount Rate	Change	% Change	Proposed	After-Tax Discount Rate	Change	% Change
1 Pre-Operational Costs	563.23	563.23			140.19	140.19			(43.85)	(43.85)		
2 Operational Costs												
3 Tier 1:												
4 Non-Storm	223	245	22	10%	197	217	20	10%	197	217	20	10%
5 Storm	(354)	(384)	(30)	8%	(354)	(384)	(30)	8%	(354)	(384)	(30)	8%
6 Total	(131)	(139)	(8)	6%	(157)	(167)	(10)	6%	(157)	(167)	(10)	6%
7 Tier 2:												
8 Non-Storm	223	245	22	10%	197	217	20	10%	197	217	20	10%
9 Storm	(142)	(154)	(12)	8%	(142)	(154)	(12)	8%	(142)	(154)	(12)	8%
10 Total	81	91	10	12%	55	63	8	15%	55	63	8	15%
11 Tier 3:												
12 Non-Storm	223	245	22	10%	197	217	20	10%	197	217	20	10%
13 Storm	(71)	(77)	(6)	8%	(71)	(77)	(6)	8%	(71)	(77)	(6)	8%
14 Total	152	168	16	11%	126	140	14	11%	126	140	14	11%
15 Tariff Charges												
16 Tier 1:	432.23	424.23	(8.00)	-2%	0.00	0.00	0.00	0%	0.00	0.00	0.00	0%
17 Tier 2:	644.23	654.23	10.00	2%	195.19	203.19	8.00	4%	11.15	19.15	8.00	72%
18 Tier 3:	715.23	731.23	16.00	2%	266.19	280.19	14.00	5%	82.15	96.15	14.00	17%

Notes:

- Tariff Charges (lines 16-18) = Pre-Operational Costs (Line 1) + respective Operational Costs (lines 6, 10 or 14).

Overhead to Underground Conversions (080244-EI): As shown below, the change for conversions is \$900 per pole-line mile. Similar to the URD, this amount represents a very small impact relative to overall cost for converting facilities.

Current Proposed	\$10,400
After-Tax Discount Rate	<u>\$11,300</u>
Change	\$900