

State of Florida



Public Service Commission

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DATE: October 3, 2011
TO: Ann Cole, Commission Clerk - PSC, Office of Commission Clerk
FROM: Lisa Ray, Administrative Assistant, Division of Economic Regulation *LR*
RE: Docket No. 110094-EI, Petition for approval of revised underground residential and commercial differential tariffs, by Florida Power & Light Company.

Attached is FPL 2011 URD Details / Explanations form for inclusion in the docket file for the above referenced docket. This sheet goes with Item #5 on the 10/4/11 agenda.

DOCUMENT NUMBER-DATE

07167 OCT-3 =

FPSC-COMMISSION CLERK

FPL 2011 URD Details / Explanations

MAJOR DRIVERS – INCREASE IN URD DIFFERENTIAL - +\$70/lot - URD Low Density and +66/lot – High Density

- The **\$70/lot Low Density** and **\$66/lot High Density** increases are more appropriately compared / discussed in context with total OH and UG costs. Comparing these increases or calculating % increases utilizing the currently approved differential and/or the currently approved post-operational tariff charges produces skewed results. This is clearly demonstrated below, especially for high density, where the % increases in total UG and OH costs are 8.6% and 4.5%, yet the differential increases 80.2%. Total OH and UG costs are from Exhibits I and V from FPL's new and current URD filings.

<u>Low Density/Lot</u>	<u>New</u>	<u>Current</u>	<u>Difference</u>	<u>%</u>
Total UG Costs	\$2491.20	\$2319.85	\$171.35	7.4%
Total OH Costs	\$2024.65	\$1923.46	\$101.19	5.3%
Difference	\$ 466.55	\$ 396.39	\$ 70.16	17.7%

<u>High Density/Lot</u>	<u>New</u>	<u>Current</u>	<u>Difference</u>	<u>%</u>
Total UG Costs	\$1684.91	\$1551.90	\$133.01	8.6%
Total OH Costs	\$1536.03	\$1469.27	\$ 66.76	4.5%
Difference	\$ 148.88	\$ 82.63	\$ 66.25	80.2%

- OH/UG Labor costs differential – + \$21/lot Low Density and \$10/lot High Density
 - Labor costs/rate includes costs associated with labor (regular and overtime costs, based on rates from FPL union contract and 3rd party contractors (primarily obtained thru RFP), vehicles (includes maintenance and gas) and other misc. costs (e.g., crane rental, sod, concrete and misc. supplies). While FPL saw decreases in contractor costs, FPL costs for regular/OT payroll, vehicle and misc. costs increased
 - Construction man-hours for **UG Low Density are 50% more than OH Low Density (1,894 vs. 1,268)** and **40% more for High Density (UG 1,093 vs. OH 781)**. Therefore, any change in the UG labor rate has a much more significant impact on the differential.
- Materials – approx. +\$30/lot Low Density and +40/lot High Density
 - Poles – Cost decreased due to diversification of pole vendors – **+\$21/lot Low Density and +\$16/lot High Density**. This is a good example of FPL managing costs – however, this decrease in OH costs increases the differential.
 - UG Conduit – Increased price for plastics (driven by increase in prices for oil and resins) – **+\$25/lot Low Density and +\$13/lot High Density**
 - UG cable and OH conductor – While increases in aluminum affected both OH conductor and UG cable, UG cable has more insulation, which was also affected by the increased prices associated with plastic, oil and resin described above – approx. **+\$30/lot Low Density and +\$17/lot High Density**
 - Other impacts – OH transformer increases/other material impacts decreased differential – approx. **-\$46/lot Low Density and -\$6/lot High Density**
- Stores Loading – approx. +\$5/lot Low Density and +\$2/lot High Density
 - Increase in stores loading rate (7.11% to 8.34%), due to higher stores expense, affects UG more since UG has a larger material inventory/cost
- EO – approx. +\$14/lot (same for Low and High Density)
 - While the EO rate slightly decreased, the base upon which it is applied, e.g., materials, caused a greater impact for UG, resulting in an increase in the differential
- In any event, FPL's continues to manage costs well and keep its rates and charges low – overall as well as URD – as FPL's URD charges compare very favorably to other Fla. IOUs