

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** July 2, 2007  
**TO:** Timolyn Henry, Commission Deputy Clerk I, Office of Commission Clerk  
**FROM:** John W. Baxter, Regulatory Analyst II, Division of Economic Regulation  
**RE:** 070231-EI 1st Data Request to FPL and Responses

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Ms. Henry,

Please place the attached data request and response in the file for Docket 070231-EI.

DOCUMENT NUMBER-DATE

05290 JUL-26

FPSC-COMMISSION CLERK

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STATE OF FLORIDA



TIMOTHY DEVLIN, DIRECTOR  
DIVISION OF ECONOMIC REGULATION  
(850) 413-6900

## Public Service Commission

June 4, 2007

Mr. Bob Valdez  
Florida Power & Light  
9250 W. Flagler Street  
Miami, FL 33174-3414

**Re: Docket No. 070231-EI – Staff Data Requests**

Dear Mr. Valdez:

By this letter, the Commission staff requests that Florida Power and Light Company ("FPL") provide written responses to the following data requests:

1. FPL's URD proposal for 2007 includes a proposed decrease in the applicant contribution for residential dwellings in high density subdivision from \$236.29 to \$86.70. The change in costs appears driven in part by a shift in the costs for overhead construction, with the overhead construction design for the sample 176 lot high density subdivision having the placements of laterals shift from front and rear lot line construction to front lot line construction. Please explain in detail why FPL made this design change.
2. Please explain why FPL was not able to change the overhead design and construction practices for low density subdivisions to achieve the cost savings present in the new design for high density subdivisions.
3. Please detail why the company proposes to eliminate the applicant contribution of \$41.31 per mobile home dwelling unit for providing underground service, the credit of \$80.39 per mobile home dwelling unit where the applicant has provided all trenching and backfilling, and the credit of \$27.97 per mobile home dwelling unit where the applicant has installed all company provided conduit (excluding feeder) per company instructions.
4. On the Second Revised Sheet No. 9.420, please explain the significance of a transformer being considered "utilized" for purposes of the performance guaranty agreement. What would happen under such an agreement if a transformer was not considered "utilized"?
5. On the Second Revised Sheet No. 9.420, explain and detail why the company is changing the threshold for considering a transformer to be "utilized" from the first connection of service to the second connection of service.

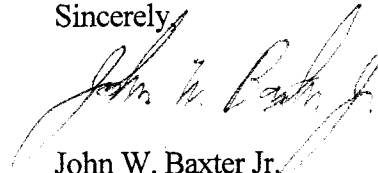
Mr. Bob Valdez  
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6. On the Second Revised Sheet No. 9.420, explain why FPL is proposing to specifically exclude street lights as a qualifying service connection.

7. On the Fifth Revised Sheet No. 6.520, the proposed applicant contribution for installation of a three phase loop (300 kva) primary lateral from an existing underground termination point nearly quintupled to \$2,775.09 from the current \$585.97. The increase in the contribution seems primarily driven by a rise in the material costs for an underground transformer bank from \$9,503.72 in 2005 to \$13,115.38 in 2007. Why have the material costs increased by nearly \$4,000 in just two years? Has the company studied any options at reducing the costs for underground transformers?

Please provide responses to the above data requests by June 15, 2007. If you have any questions, please do not hesitate to contact me at (850) 413-6646.

Sincerely



John W. Baxter Jr.  
Regulatory Analyst II  
Bureau of Certification, Economics & Tariffs

JWB:kb



June 15, 2007

Mr. John Baxter  
Florida Public Service Commission  
2540 Shumard Old Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 070231-EI Petition for Approval of 2007 Revision to Underground  
Residential and Commercial Distribution Tariff, by Florida Power & Light  
  
FPL Response to Staff's Data Request

Dear Mr. Baxter:

Enclosed please find FPL's response to your data request of June 4, 2007 in the above referenced docket.

If you have any questions, please don't hesitate to call me at 521-3904.

Sincerely,

A handwritten signature in cursive script that reads "Lynne Adams".

Lynne Adams  
Regulatory Affairs

## June 15, 2007 FPL Responses – Staff URD Data Requests

1. FPL's URD proposal for 2007 includes a proposed decrease in the applicant contribution for residential dwellings in high density subdivision from \$236.29 to \$86.70. The change in costs appears driven in part by a shift in the costs for overhead construction, with the overhead construction design for the sample 176 lot high density subdivision having the placements of laterals shift from front and rear lot line construction. Please explain in detail why FPL made this design change.

FPL changed the design of the high density subdivision from rear lot distribution to front lot distribution in compliance with FAC 25-6.0341, which became effective in February 2007.

2. Please explain why FPL was not able to change the overhead design and construction practices for low density subdivisions to achieve the cost savings present in the new design for high density subdivisions.

The low density sample subdivision was already designed as a front lot distribution system in previous filings due to the layout of the subdivision. The sample subdivision does not have any back-to-back lots and does not lend itself to rear distribution layout, therefore front lot distribution has always been used.

3. Please detail why the company proposes to eliminate the applicant contribution of \$41.31 per mobile home dwelling unit for providing underground service, the credit of \$80.39 per mobile home dwelling unit where the applicant has provided all trenching and backfilling, and the credit of \$27.97 per mobile home dwelling unit where the applicant has installed all company provided conduit (excluding feeder) per company instructions.

The meter pedestal (mobile home) sample subdivision was also re-designed from rear lot distribution to front lot distribution for the same reasons detailed in response to question #1 above. This re-design resulted in a larger increase in costs for the overhead system, which eliminated the applicant contribution as well as the credits

4. On the Second Revised Sheet No. 9.420, please explain the significance of a transformer being considered "utilized" for purposes of the performance guaranty agreement. What would happen under such an agreement if the transformer was not considered "utilized"?

If an applicant requires facilities to be installed that are not sufficiently "utilized", the asset becomes "stranded". Therefore, if the facilities are not "utilized" as described under the terms of the performance guaranty agreement, then the applicant does not receive a refund of his performance deposit associated with those facilities. This protects FPL's general body of customers from subsidizing the installation of these underused facilities.

5. On the Second Revised Sheet No. 9.420, explain and detail why the company is changing the threshold for considering a transformer to be "utilized" from the first connection of service to the second connection of service.

## June 15, 2007 FPL Responses – Staff URD Data Requests

The equivalent overhead facilities can no longer be revenue justified based on connection of only one home to the transformer. Now, at least two homes need to be connected to provide sufficient justification for the equivalent overhead facilities.

6. On the Second Revised Sheet No. 9.420, explain why FPL is proposing to specifically exclude street lights as a qualifying service connection.

Street lights are regulated under FPL Tariff SL-1 (8.715). Under this Tariff, the revenues generated from the street lighting charges are already used to cover the costs associated with providing street lighting service itself. Therefore, applying any, or all, of these revenues to also justify the cost of the subdivision underground backbone system would amount to effectively double-counting the revenue.

7. On the Fifth Revised Sheet No. 6.520, the proposed applicant contribution for installation of a three phase loop (300 kva) primary lateral from an existing underground termination point nearly quintupled to \$2,775.09 from the current \$585.97. The increase in the contribution seems primarily driven by a rise in the material costs for an underground transformer bank from \$9,503.72 in 2005 \$13,115.38 in 2007. Why have the material costs increased by \$4,000 in just two years? Has the company studied any options at reducing the costs for underground transformers?

Material costs for transformers and other equipment have been impacted by substantial price increases in the raw material commodities used in their manufacture, such as steel, aluminum, copper, and oil. These items' price changes have been driven by a boost in worldwide demand and industry-wide shortages.

FPL continuously searches for ways to minimize the costs of all materials, including transformers, through a combination of purchasing volume, strategic sourcing initiatives and product standardization. To obtain competitive transformer pricing, FPL has always utilized a bidding process where multiple suppliers compete. In a further effort to combat price increases FPL has over the past couple years doubled the number of manufacturers that can bid on transformer orders.