

Matilda Sanders

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From: Nanci_Nesmith@fpl.com
Sent: Tuesday, January 16, 2007 3:37 PM
To: Filings@psc.state.fl.us
Cc: John_Butler@fpl.com; Bob_Valdez@fpl.com; Rosanne Gervasi; swright@yvlaw.net; Tom_Koch@fpl.com; Lynne_Adams@fpl.com
Subject: Electronic Filing for Docket No. 060150-EI - FPL's Response to Portions of the MUUC's Cost-Effectiveness Study

Attachments: Transmittal to Bayo (MUUC Study Comments).doc



Transmittal
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Electronic Filing

a. Person responsible for this electronic filing:

John T. Butler, Attorney
Florida Power & Light Company
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Juno Beach, FL 33408
(561) 304-5639
Facsimile: (561) 691-7135
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b.Docket No. 060150-EI - Petition for Approval of Revisions to Contribution-in-aid-of-construction Definition in Section 12.1 of First Revised Tariff Sheet No. 6.300, by Florida Power & Light Company.

c. Document being filed on behalf of Florida Power & Light Company.

d. There are a total of 3 pages.

e. The document attached for electronic filing is FPL's Response to Portions of the Municipal Underground Utilities Consortium's (MUUC) Cost-Effectiveness Study .

(See attached file: Transmittal to Bayo (MUUC Study Comments).doc)

Thank you for your attention and cooperation to this request.

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- VIA ELECTRONIC DELIVERY -

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Re: Docket No. 060150-EI

Dear Ms. Bayó:

On November 13, 2006, the Towns of Palm Beach and Jupiter Island filed in this docket and Docket Nos. 060172-EU and 060173-EU a document entitled "Cost-Effectiveness of Undergrounding Electric Distribution Facilities in Florida (the "UG Cost-Effectiveness Study"). The costs and benefits of undergrounding are evaluated for several different parameters in the UG Cost-Effectiveness Study. One of those parameters is the cost impact of undergrounding on storm restoration costs. That portion of the UG Cost-Effectiveness Study is relevant to this docket, because the GAF Waiver that FPL has proposed here is based on the expected savings in storm restoration costs when large, contiguous areas are converted from overhead to underground service. The remainder of the UG Cost-Effectiveness Study is not directly relevant to this docket, however, because it deals with cost parameters that were not part of FPL's calculation of the GAF Waiver and generally played no role in the GAF Tariff for which FPL seeks approval.

FPL has evaluated the UG Cost-Effectiveness Study and is in the process of preparing its response. Recognizing that the schedule in this docket calls for a Staff recommendation on the GAF Tariff in the near future, however, FPL focused its efforts initially on critiquing the portion of the UG Cost-Effectiveness Study that relates to storm restoration costs. I am submitting this letter as FPL's response to that portion of the Study.

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Although the UG Cost-Effectiveness Study's estimate of storm restoration cost savings from undergrounding is derived using a considerably different approach than FPL's estimate that was submitted in support of the GAF Tariff, the actual value derived in the Study is quite consistent with FPL's. The UG Cost-Effectiveness Study estimates that storm restoration cost savings will be approximately 24% of the CIAC required for underground conversions, almost exactly the same as the 25% GAF Waiver that FPL has proposed and solidly within the range of estimated savings that FPL submitted as Exhibit 2 to its amended GAF tariff petition (*i.e.*, 20% - 41%, depending upon assumptions). I should note that the estimate in the UG Cost-Effectiveness Study of *total* cost savings as a result of undergrounding is approximately 50%. FPL does not believe that this figure is realistic and will be submitting comments in the near future addressing that estimate. However, as noted above, the GAF Waiver is intended to reflect only storm restoration cost savings, and on that specific point the value estimated in the UG Cost-Effectiveness Study is consistent with FPL's estimated value.

I also want to point out that, as explained in Exhibit 2 to the amended GAF Tariff petition, FPL's savings estimates assume that a large, contiguous area will be converted to underground service, so that overhead restoration crews could be deployed elsewhere. FPL expects that the storm restoration cost savings associated with small-scale, isolated underground conversions will be considerably less and is currently evaluating an appropriate savings estimate for such conversions. It is unclear whether the 24% savings estimate in the UG Cost-Effectiveness Study is intended to be applied only to conversions of large, contiguous areas. If it is not, then FPL would disagree that the 24% figure could appropriately be used to estimate savings for small-scale, isolated conversions. However, again that is an issue which need not be resolved with respect to this docket, because the applicability of the GAF Tariff is expressly limited to large, contiguous areas and thus the appropriate savings value for small-scale isolated conversions is not at issue here.

At this point, FPL's 25% GAF Waiver has been fully "triangulated." As FPL explained in Exhibit 2 to the amended GAF Tariff petition, FPL's discussions with local governments indicated that a 25% GAF Waiver would provide a significant incentive to encourage undergrounding and is likely therefore to spur action that can help harden FPL's electric distribution system against the impacts of future storms. FPL estimated that the storm restoration cost savings for large, contiguous projects will range from 20% to 41%, meaning that the undergrounding benefits to the general body of customers are likely to be as much or more than the additional costs customers will pay to support the GAF Waiver. And now, an independent report prepared on behalf of towns that are FPL customers corroborates FPL's conclusion about the level of savings for such projects.

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FPL believes that these three sources of data clearly justify the proposed GAF Waiver and urges Staff to recommend approval of the GAF Tariff at the February 13, 2007 agenda conference.

Please feel free to call me at 561-304-5639 if you have any questions about this matter.

Sincerely,

/s/ John T. Butler

John T. Butler

Cc: Ms. Roseanne Gervasi, Esq.
Office of General Counsel
Florida Public Service Commission

Counsel for Parties of Record