



Power Delivery: Cost of Removal Analysis

Business Services
1-6-2015

Proprietary & Confidential Information <if needed, Arial 10 no bold Rules for Board of Directors Presentations>

Agenda

- **FPL OH Labor Rates**
- **Average Operational Inventory Units Cost**
- **Increase in Pole Cutting Activities**
- **Large Pole Removals Labor Cost Increase**
- **Current Costs by Pole Type**

The increase in cost for pole installation and removal is a result of multiple business changes to include Labor Rates...

FPL OH Labor Rates

- With minor influx there is a stable increase in wage averaging ~\$5 a year
 - FPL OH Labor Rate increased ~\$81 from 2001 - 2015
 - Contractor OH Labor Rate increased ~\$54 from 2001 - 2015

Historical Labor Rates FPL & Contractor

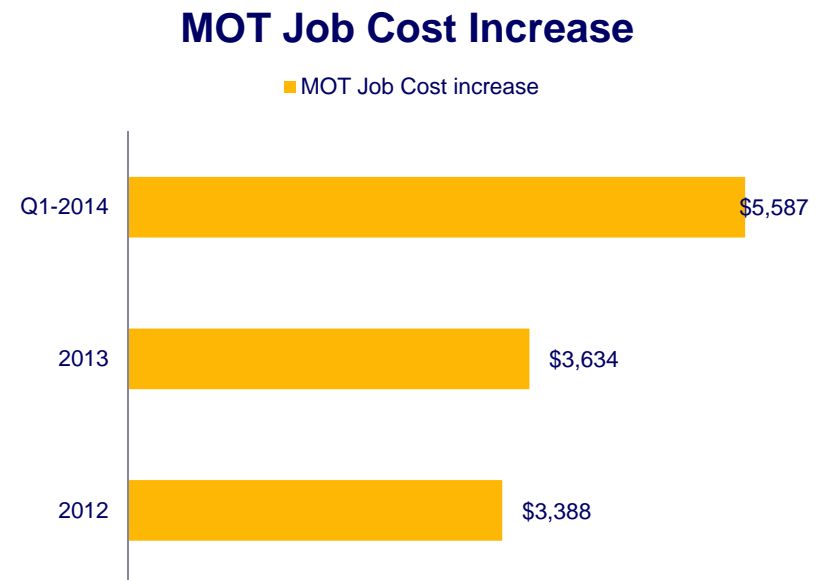


A change in inventory practices increasing MOT Job Cost...

MOT Job Cost Increase

- Due to a change of inventory practices in 2015 we now align with the action of the asset being installed
 - Before the change 2 units installed (one for install one for scrap)
 - Now after the change 1 unit install and 1 unit scrap

Average Operational Inventory Units Cost

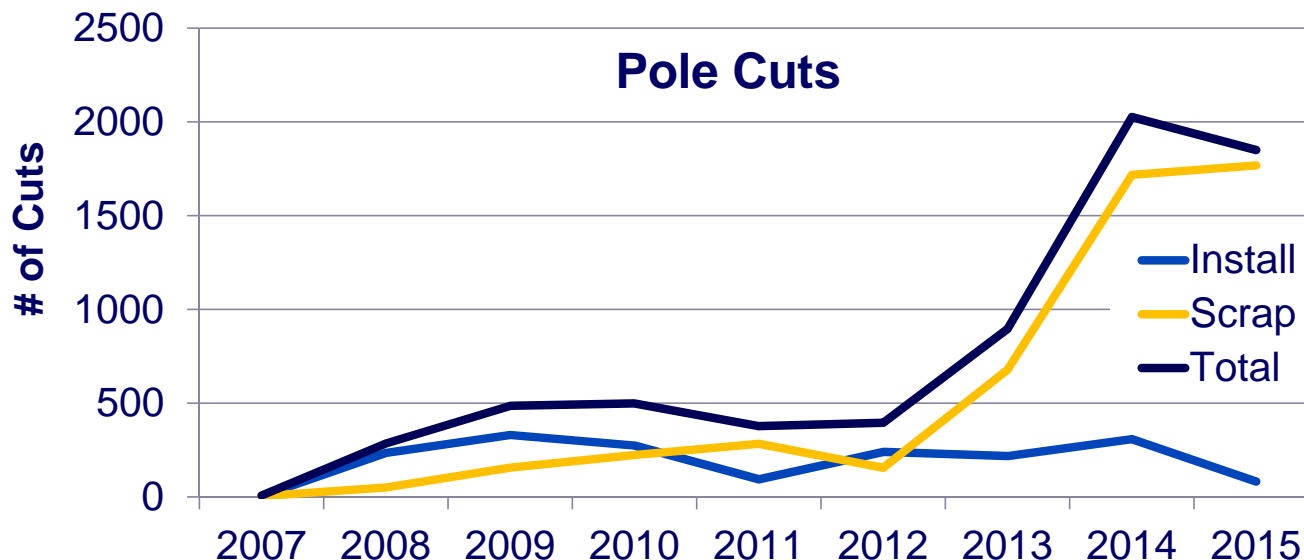


In the past we inventoried all MOT as install decreasing the cost per job



An increase pole cutting activities...

Increase In Pole Cutting Activities



		<u>FPL Rate</u>	<u>Contractor Rate</u>
Wood	.19 Hrs./cut	\$ 28.46	\$ 23.36
Concrete	2 Hrs./cut	\$ 299.62	\$ 245.90

We are removing more concrete poles now than in the past. The time required for cutting concrete poles is 10x longer.



An increase in Labor unit cost for large pole removal...

Large Pole Removals Labor Cost Increase

		CMH-Old	CMH-New	Old	New	% Increase
Install cold	FPL	1.42	3.02	\$213	\$452	213%
	Contractor			\$175	\$371	
Install hot	FPL	1.66	4.84	\$249	\$725	292%
	Contractor			\$204	\$595	
Scrap cold	FPL	1.16	2.51	\$174	\$376	216%
	Contractor			\$143	\$309	
Scrap hot	FPL	1.40	4.02	\$210	\$602	287%
	Contractor			\$172	\$494	

The labor cost has more than doubled



Bringing us to our current installation and removal costs.

Current Costs by Pole Type

	Wood Poles	Concrete Poles
Installation	~\$1242	~\$4005
Removal	~\$552	~\$1730
Replacement	~\$2583	~\$6523
Replacement cost includes install and scrap PLUS all transferring of conductors (primary, secondary and service) . These transfers are not included on install or remove.		

