

Diamond Williams

100007-EI

From: Butler, John [John.Butler@fpl.com]
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Electronic Filing

a. Person responsible for this electronic filing:

John T. Butler, Esq.
700 Universe Boulevard
Juno Beach, FL 33408
561-304-5639
John.Butler@fpl.com

b. Docket No. 100007-EI

In Re: Environmental Cost Recovery Clause

c. The document is being filed on behalf of Florida Power & Light Company.

d. There are a total of 7 pages.

e. The document attached for electronic filing is Florida Power & Light Company's Preliminary List of New Projects to be Submitted for Cost Recovery

John T. Butler, Esq.
700 Universe Boulevard
Juno Beach, FL 33408
561-304-5639
John.Butler@fpl.com

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost)
Recovery Clause)

Docket No: 100007-EI
Date: July 9, 2010

**FLORIDA POWER & LIGHT COMPANY'S PRELIMINARY LIST OF NEW
PROJECTS TO BE SUBMITTED FOR COST RECOVERY**

Florida Power & Light Company hereby submits the attached Preliminary List of New
Projects to be Submitted for Cost Recovery.

Respectfully submitted this 9th day of July, 2010.

R. Wade Litchfield, Esq.
Vice President and Chief Regulatory Counsel
John T. Butler, Esq.
Managing Attorney
Scott A. Goorland, Esq.
Principal Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408
Telephone: (561) 304-5633
Facsimile: (561) 691-7135

BY: /s/ John T. Butler
John T. Butler
Fla. Bar No. 283479

CERTIFICATE OF SERVICE

Docket No. 100007-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail this 9th day of July, 2010 to the following:

Martha Brown, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

J. R Kelly, Esq.
Charles J. Rehwinkel, Esq.
Charles Beck, Esq.
Office of Public Counsel
c/o The Florida Legislature
111 W Madison St. Room 812
Tallahassee, FL 32399-1400

James D. Beasley, Esq.
Ausley & McMullen
Attorneys for Tampa Electric
P.O. Box 391
Tallahassee, Florida 32302

John T. Burnett, Esq.
Progress Energy Service Company, LLC
P.O. Box 14042
St. Petersburg, Florida 33733-4042

John W. McWhirter, Jr., Esq.
McWhirter & Davidson, P.A.
P.O. Box 3350
Tampa, Florida 33601-3350
Attorneys for FIPUG

Gary V. Perko, Esq.
Hopping Green & Sams
P.O. Box 6526
Tallahassee, FL 32314
Attorneys for Progress Energy Florida

Jeffrey A. Stone, Esq.
Russell A. Badders, Esq.
Beggs & Lane
Attorneys for Gulf Power
P.O. Box 12950
Pensacola, Florida 32576-2950

Jon C. Moyle, Esq.
Vicki Kaufman, Esq.
Co-Counsel for FIPUG
Keefe, Anchors, Gordon & Moyle, P.A.
118 N. Gadsden St.
Tallahassee, FL 32301

Shayla L. McNeill, Capt., USAF
Counsel for Federal Executive Agencies
AFLSA/JACL-ULT
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319

BY: /s/ John T. Butler
John T. Butler

Florida Power & Light Company
Environmental Cost Recovery
Docket No. 100007-EI
July 9, 2010

PRELIMINARY LIST OF NEW PROJECTS TO BE SUBMITTED FOR COST RECOVERY

Project: St. Lucie Turtle Net – Update

Law/Regulation: The Incidental Take Statement contained in the Endangered Species Act Section 7 Biological Opinion, issued to Florida Power & Light (FPL) on May 4, 2001 by the National Marine Fisheries Service (NMFS) limits the number of lethal turtle takings FPL is permitted at its St. Lucie Power Plant. The number of lethal takings permitted in a given year is calculated by taking one percent of the total number of loggerhead and green turtles captured in that year.

Also, Appendix B of the Facility Operating License for St. Lucie Unit 2, which was granted to FPL by the United States Nuclear Regulatory Commission (NRC), requires FPL to maintain a specified net system and to limit lethal takes of sea turtles to prescribed levels.

Brief Description of Project: The St. Lucie Turtle Net Project was originally filed for recovery through the Environmental Cost Recovery Clause (ECRC) in Docket No. 020648-EI, on June 18, 2002 and subsequently approved through Order No. PSC-02-1421-PAA-EI, issued on October 17, 2002. At that point, the project included the replacement and enhancement of an existing mesh net system that was located across the intake canal at the St. Lucie Plant to prevent several species of endangered sea turtles from being drawn into the cooling water intakes on the generating units, due to a severe deformation of the net system which could trap turtles when large influxes of seaweed and jellyfish entered the intake canal.

In 2007, the antifoulant and protective coating on the existing 5-inch net deteriorated and was permitting marine growth to adhere to the net material. At that time, the net had also experienced extensive UV damage and needed to be replaced. As a resolution to this issue, on August 3, 2007 in Docket No. 070007-EI, FPL petitioned the Commission to allow recovery of the costs associated with the purchase and installation of a new 5-inch net while the original net was being re-coated. Once the original net was recoated, it would be returned to FPL and would be used as a back up net. This modification to the project was approved through Order No. 07-0922-FOF-EI, issued on November 16, 2007.

In 2009, an unforeseen intrusion of large quantities of algae occurred that damaged the existing structure securing the net. Large float buoys were installed on the primary barrier net creating an effective temporary barrier for the turtles. FPL met with the Florida Fish and Wildlife Conservation Commission (FWC) and NMFS and discussed plans to create a more robust barrier structure in order to remain in compliance with Appendix B to the Facility Operating License for St. Lucie Unit 2. The proposed plan includes the mobilization of barges and cranes to conduct the planned work at the site, the removal of damaged piles and the installation of new piles and a support structure to effectively secure the net. The support structure also includes flow holes to address potential blockage associated with future environmental challenges, such as jelly fish, algae and sea grass events.

Engineering for the project is expected to begin during the last quarter of 2010 and construction is planned to begin during the second quarter of 2011. FPL projects to incur \$1.4 million of capital costs and currently there are no O&M costs projected for these activities.

Project: Martin Plant Barley Barber Swamp Iron Project

Law/Regulation: The Martin Plant (PMR) recently received a renewed Industrial Wastewater Facility Permit No. FL0030988 from the Florida Department of Environmental Protection (FDEP), which included Administrative Order AO-15-TL (AO). The AO was issued as a result of FPL's application for renewal of the permit variance for iron, which specified the allowable levels of iron in the discharge of the Barber Barley Swamp (BBS). The AO requests that FPL conduct an engineering evaluation of methods for meeting the water quality standard at the outfall of the BBS. The AO additionally addresses the need for PMR to comply with the Class III Fresh water quality standard for iron and establishes an interim limitation of 4.8 mg/L, which will expire on June 11, 2011, the compliance deadline for the AO. From the compliance date forward, FPL will be required to maintain the iron levels at the BBS at or below 1.0 mg/L.

Brief Description of Project: As required by the AO, FPL conducted an engineering evaluation at the BBS. The engineering evaluation determined that the BBS was currently above the allowable iron levels, per the AO. For FPL to comply with the new requirements set forth by the AO it must turn the existing flow away from the BBS and back in to PMR's Cooling Pond (CP). In order to achieve this task FPL plans to reverse the flow of three sumps that currently transport water from the CP under-drain system to the BBS. This will require engineering and installation of a new discharge piping system, in addition to the installation of a siphon going directly from the CP to the BBS to replace the flow loss resulting from reversing the flow from the existing sumps. By installing the siphon, FPL will remain in compliance with the hydrologic regime issued in the 1983 agreement with the South Florida Water Management District that dictates the water level of the BBS.

Currently, FPL plans to begin construction during the first quarter of 2011 and the project is expected to be completed by March 1, 2011, which will provide enough time to meet the compliance deadline of the AO. FPL projects it will incur \$250,000 in capital costs, which will include pipe and siphon engineering and installation and \$5,000 in O&M costs.

Project: 800 MW Unit ESP Project

Law/Regulation: The Environmental Protection Agency (EPA) regulates Hazardous Air Pollutants (HAPs) under Section 112 of the Clean Air Act (CAA). EPA promulgates emission standards for HAPs under 40 CFR Part 63 for stationary source categories. In 2000, EPA added coal and oil-fired electric utility steam generating units (EGUs) as a source category under Section 112 (c) requiring implementation of Maximum Achievable Control Technology (MACT) to control emissions of HAPs. At that time, EPA identified Electrostatic Precipitators (ESPs) as MACT for oil-fired EGUs. In 2005, in conjunction with its Clean Air Mercury Rule (CAMR), EPA issued a "Delisting Rule" that removed coal and oil-fired EGUs from its source category list under section 112 (c). However, in 2008 the U.S. Court of Appeals for the District of Columbia Circuit vacated the Delisting Rule, thus restoring the requirement that EPA regulate HAP emissions from coal and oil-fired EGUs. The Court also approved a consent decree requiring EPA to issue a proposed MACT rule by March, 2011 and the final rule by November 2011. Based on the deadline for the final MACT Rule, Section 112 will require that pollution control equipment such as ESPs be installed by November 2014. Should EPA not promulgate a final MACT Rule by the November 2011 deadline, a case-by-case MACT determination would have to be made for each coal and oil-fired EGU, which likely would lead to the same requirement to install ESPs at those facilities. EPA is currently gathering data from electric utilities under an Information Collection Request (ICR) and will use the data to establish the coal and oil-fired MACT limits. This Commission has previously approved recovery of FPL's ICR costs under the NESHAP project (Order PSC-09-0759-FOF-EI).

Brief Description of Project: FPL owns and operates four 800 MW conventional steam EGUs: Martin Units 1 and 2; and Manatee Units 1 and 2 (the "800 MW EGUs"). The 800 MW EGUs can burn 100% #6 fuel oil, co-fire oil and natural gas, or burn 100% natural gas. Based on EPA's MACT analysis in 2000, and FPL's own investigation of viable alternatives for controlling HAP emissions at oil-fired EGUs, FPL believes that the MACT Rule will require ESPs at the 800 MW EGUs if FPL wants to retain the option of 100% oil-firing. The proposed 800 MW Unit ESP Project consists of installing ESPs at each of the four 800 MW EGUs.

Project Benefits: There are several benefits to FPL's customers of retaining the option to burn 100% oil at the 800 MW EGUs. Most importantly, the heat input to the 800 MW EGUs is limited when burning natural gas, which reduces their generating output by approximately 30%. Thus, without the ability to burn 100% oil in the 800 MW EGUs, FPL would lose almost 1000 MW of available generating capacity to serve customer load in peak periods, which would require FPL to add a comparable amount of expensive, incremental capacity to its system. In addition, retaining the option to burn 100% oil in the 800 MW EGUs would help:

- Maintain fuel diversity and hedges against natural gas supply and cost;
- provide greater reliability for FPL's electric generating system; and
- reduce fuel costs to customers;

Beyond compliance with EPA's MACT requirements, the installation of ESPs at the 800 MW EGUs will have the following operational benefits for FPL and its customers:

- Allow the 800 MW EGUs to operate in compliance while burning 100% # 6 fuel oil under all loads and conditions;
- Help ensure compliance with opacity (smoke) limits at startup, low loads, ramping and shutdowns;
- Reduce emissions that contribute to visibility concerns;
- Allow dry handling and disposal of oil ash byproducts, which reduces water use and avoids the need for temporary storage of wet ash in on-site holding ponds.

Implementation Schedule: ESPs can be installed most cost-effectively on the 800 MW EGUs if they are placed in line with the existing exhaust pathway between the boiler and the stack. However, the in-line

configuration requires that the unit be taken out of service during installation, which takes approximately 8-12 months. In-line installation of ESPs at the 800 MW EGUs would proceed most efficiently and with the least disruption and reliability risk if the units were removed from service for the ESP installation work one at a time, on a staggered outage schedule. In order to facilitate the staggered schedule and have ESPs installed at all four 800 MW EGUs by the anticipated November 2014 deadline of the MACT Rule, FPL would need to begin permitting for the first ESP (at Martin Unit 1) in early 2011. Assuming that the proposed MACT Rule requires the installation of ESPs at oil-fired EGUs as anticipated, FPL proposes to begin incurring engineering costs once the proposed rule is published in March 2011, with procurement and construction costs for the Martin Unit 1 ESP commencing later in 2011. If the proposed MACT Rule did not require ESPs at oil-fired EGUs, FPL would not proceed with the project unless and until an appropriate scope modification had been filed and approved by the Commission. FPL proposes to meet with Staff and interested parties in Second Quarter 2011 to provide an update on the project based on FPL's evaluation of the proposed MACT Rule and other information available at that time.

Preliminary Cost Estimate: FPL's preliminary projection is that it would incur approximately \$24 million in permitting, engineering and construction costs for the ESPs in 2011 and that the total project cost for all four units would be approximately \$303 million. FPL is seeking bids to perform the ESP installations and will have a more precise cost estimate following receipt of vendor bids in late July or August 2010.

Project: CAIR and CAMR Compliance – Update

Law/Regulation: In 2005-2006, this Commission approved FPL's CAIR Compliance and CAMR Compliance projects for recovery of costs incurred in order to comply with the United States Environmental Protection Agency's (EPA) Clean Air Interstate Rule and Clean Air Mercury Rule, as well as (with respect to Scherer Unit 4) the Georgia Environmental Protection Division's (EPD) Multi-Pollutant Rules. FPL has previously advised the Commission of its expenditures for the engineering, construction and installation of, among other components, a Baghouse, Scrubber and Selective Catalytic Reduction equipment (SCR) at Scherer Unit 4 as part of its CAIR and CAMR compliance strategies for that unit.

Brief Description of Project Update: The Baghouse, Scrubber and SCR collectively impose approximately 35 MW of additional parasitic loads on Scherer Unit 4, thus reducing the net electric output from the unit that can serve customer load. FPL, in cooperation with Georgia Power Company (GPC), has identified an opportunity to upgrade the Scherer Unit 4 turbine-generator by installing a new high pressure rotor that is projected to allow the unit to generate approximately 35 MW of additional electric output. The upgrade will thus substantially offset the additional parasitic loads imposed by the Baghouse, Scrubber and SCR.

Because of Scherer Unit 4's low fuel cost, this ability to offset the additional parasitic load will result in substantial fuel savings to FPL's customers compared to operating the unit without the turbine upgrade. FPL's preliminary economic analysis indicates that the turbine upgrade will result in fuel savings to FPL's customers of approximately \$30-35 million on an NPV basis, compared to a cost to FPL for the upgrade of about \$5-7 million (this reflects FPL's 76.36% ownership interest; JEA will receive the remainder of the fuel savings and pay for the remainder of the upgrade costs).

The Commission has previously approved Progress Energy Florida's (PEF) modular cooling tower project for ECRC recovery. See Order No. PSC-07-0722-FOF-EI, Docket No. 060162-EI, issued September 5, 2007. That project entailed improvements to a power plant cooling system that allowed it to meet thermal-discharge requirements without suffering output reductions that would impose additional fuel costs on customers. The Scherer Unit 4 turbine upgrade is directly analogous to the PEF project, and accordingly should be approved for ECRC recovery. FPL believes that the costs of the turbine upgrade also would qualify for recovery through the fuel cost recovery (FCR) clause as "fossil fuel-related costs normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine base rates and which, if expended, will result in fuel savings to customers." See Order No. 14546, Docket No. 850001-EI-B, issued July 8, 1985; Order No. PSC-96-1172-FOF-EI, Docket No. 960001-EI, issued September 19, 1996 (approval to recover costs of thermal uprate at FPL's Turkey Point Units 3 and 4 through the FCR clause).

In February 2010, the EPD issued a permit allowing the implementation of the turbine upgrade without triggering New Source Review under the Clean Air Act, because the emission controls that are being installed at Scherer Unit 4 will offset emission increases that otherwise would result from the increased output. Initially, FPL intended to perform the turbine upgrade in conjunction with the 2012 outage in which those emission controls will be installed. However, the EPA's new greenhouse gas tailoring rule, issued on May 13, 2010, would appear to require New Source Review of Scherer Unit 4 for greenhouse gas emissions unless construction begins on the turbine upgrade prior to July 1, 2011. See 75 Fed. Reg. 31513 *et seq.* Accordingly, FPL is presently planning to arrange for delivery of the new high pressure rotor in June 2011, with installation to commence shortly thereafter.

As noted above, FPL projects to incur approximately \$5-7 million of capital costs for the turbine upgrade. Currently, FPL does not anticipate O&M costs for the upgrade that would be part of this project.