

State of Florida



Public Service Commission  
CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850  
COMMISSION CLERK

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

**DATE:** August 11, 2011

**TO:** Office of Commission Clerk (Cole)

**FROM:** Office of the General Counsel (Murphy) *CMH RT*  
Division of Regulatory Analysis (Ballinger) *TJB*

**RE:** Docket No. 110228-EI – Petition for exemption under Rule 25-22.082(18), F.A.C., from issuing request for proposals (RFPs) for modernization of the Port Everglades Plant, by Florida Power & Light Company.

**AGENDA:** 08/23/11 – Regular Agenda – Proposed Agency Action – Interested Persons may Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\GCL\WP\110228.RCM.DOC

**Case Background**

The scope and intent of Rule 25-22.082, Florida Administrative Code, (F.A.C.), also commonly referred to as the “Bid Rule” is,

to provide the Commission information to evaluate a public utility’s decision regarding the addition of generating capacity pursuant to Section 403.519, Florida Statutes. The use of a Request for Proposals . . . process is an

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appropriate means to ensure that a public utility's selection of a proposed generation addition is the most cost effective alternative available.<sup>1</sup>

As defined in Rule 25-22.082(2)(c), F.A.C., a Request for Proposal ("RFP") is "a document in which a public utility publishes the price and non-price attributes of its next planned generating unit in order to solicit and screen, for potential subsequent contract negotiations, competitive proposals for supply-side alternatives to the public utility's next planned generating unit."

At subsection (18), the Bid Rule provides for an exemption from the RFP process based on certain findings by the Florida Public Service Commission ("Commission"). Pursuant to this subsection, on July 18, 2011, Florida Power & Light Company ("FPL" or "Company") filed its Petition to Request Exemption under Rule 25-22.082(18), F.A.C., from Issuing Requests for Proposal for the Modernization of the Port Everglades Plant ("Petition"). As of the date of this staff recommendation, no interested person had filed a response to the Petition or asked to intervene in this docket.

The Commission has jurisdiction in this matter pursuant to Rule 25-22.082, F.A.C., Chapter 366, Florida Statutes, and Section 403.519, Florida Statutes.

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<sup>1</sup> *Id.* (Section 403.519, Florida Statutes, governs the Florida Public Service Commission's determinations of need for electrical power plants subject to the Florida Electrical Power Plant Siting Act.).

**Discussion of Issues**

**Issue 1:** Should the Commission grant FPL's petition for exemption from the RFP requirement of Rule 25-22.082, F.A.C., for the modernization of its Port Everglades plant?

**Recommendation:** Yes. Granting the exemption will not relieve the Company of any requirements during a future need determination process, including a demonstration that the project is the most cost-effective source of power or whether conservation or renewable generation can mitigate the need for the modernization of the Port Everglades facility. **(Murphy)**

**Staff Analysis:** Pursuant to Rule 25-22.082(18), F.A.C., in order for FPL to be granted the requested exemption from the Bid Rule, the Company must show and the Commission must find, *one* of the following with respect to FPL's proposal for the modernization of the Port Everglades plant ("Project"):

- A. it "will likely result in a lower cost supply of electricity to the utility's general body of ratepayers;"
- B. it will "increase the reliable supply of electricity to the utility's general body of ratepayers;" *or*
- C. it "otherwise will serve the public welfare." *Id.*

The proposed Project will remove four 1960s-era oil and natural gas-fueled steam electric generating units that are located in eastern Broward County and total 1,200 MW of generating capacity, and replace them with a highly efficient, state-of-the-art combined-cycle power plant with up to 1,280 MW of generation. The Project will be centrally located to serve the most concentrated area of FPL's customer base. The Commission previously has granted exemptions from the Bid Rule for the modernization of FPL's power plants at Cape Canaveral and Riviera Beach; these ongoing projects are very similar to the Proposal.

In its Petition, FPL contends that the Project meets *all three* criteria outlined in Rule 25-22.082(18), F.A.C. In support of this assertion, FPL contends that the Project will provide reliable base load capacity to a region on the FPL system where demand is the highest, improve the fuel efficiency of generation at the Port Everglades plant by approximately 35%, improve the environmental profile of this facility, reduce system emissions, reduce the need for new transmission investment, and provide needed jobs for Florida's economy. FPL also contends that an RFP will add unnecessary time to the project development process and will not identify any alternative that will offer the economic and strategic benefits associated with the Project. FPL will competitively bid the construction and procurement of major equipment for the new facility so that FPL's customers are ensured of lowest cost construction.

As noted above, the proposed Project would replace 1,200 MW of older, inefficient generating capacity with a highly efficient, state-of-the-art combined-cycle power plant with up to 1,280 MW of generation. Recently, Turkey Point Unit 1 has been operating at very low capacity factors due to the high price of fuel oil and the low fuel efficiency of the unit. FPL estimates that customer costs will be reduced by more than \$65 million Cumulative Present Value Revenue Requirements (CPVRR) if Turkey Point Unit 1 is removed from service and used only as a synchronous condenser to support the transmission system. FPL also contends

that the Project would result in more than \$400 million CPVRR savings compared to bringing back units from inactive reserve status. According to FPL, the savings would be derived from greater fuel efficiency of the new unit, reduced emission costs, reduced operating and maintenance expenses, and enhanced unit availability. As such, the benefits of the Project appear to be primarily fuel savings rather than satisfying a reliability need.

The Port Everglades plant site in Broward County is strategically located to serve FPL's customers in the most concentrated area of FPL's system. Locating generation sources as close to the load as possible reduces the reliance upon the transmission system and also reduces overall costs of service. Port Everglades has multiple advantages including (1) adequate land size and zoning, (2) access to fuel transportation infrastructure (gas pipeline), (3) transmission facilities, and (4) water supply and transportation. It is unlikely that a responder to an RFP could match these desirable attributes and resources. Since the existing Port Everglades units are older and less efficient, they are not used very often and the system relies on imported power via the transmission system. The proposed Project would add the ability to have base load generation close to the load and thus, should reduce the need for new transmission investment. Thus, the modernization of the Port Everglades site should result in significant customer savings when compared to other viable greenfield sites upon which FPL, or a third party, might propose to construct a power plant.

FPL estimates that the proposed Project will create an estimated 650 direct jobs at its peak, provide more than \$20 million in new tax revenue to local governments and school districts, and result in significant environmental benefits compared to the existing plant. In addition, use of the existing site, facilities, and committed resources such as water, should not result in additional land use impacts, such as impact on wetlands associated with locating new gas pipelines or transmission facilities. Thus, it appears the proposed Project will provide benefits beyond the provision of electric service.

Staff observes that the Commission previously has granted the Bid Rule exemption for FPL plant modernization projects at Cape Canaveral and Riviera Beach that are similar to the proposed Project. Staff believes that by its Petition, the Company has demonstrated that:

- the Project will likely result in a lower cost supply of electricity to the utility's ratepayers by improving the fuel efficiency of FPL's generating resources;
- the Project will likely increase the reliable supply of electricity to the utility's ratepayers by providing base load generation to the area of most concentrated use on FPL's system; and,
- the Project will otherwise serve the public welfare by providing benefits beyond the provision of electric service.

Staff believes it is unlikely that a respondent to an RFP could provide similar benefits. However, the modernization of the Port Everglades Units was not included in FPL's 2011 Ten-Year Site Plan. As such, potential renewable generators have not been provided an opportunity to accept a standard offer contract based on this unit. Granting the exemption will not relieve the Company of any requirements during a future need determination process, including a demonstration that the project is the most cost-effective source of power or whether conservation

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or renewable generation can mitigate the need for the modernization of the Port Everglades facility.

Based on the foregoing, Staff recommends that the Commission should grant FPL's petition for exemption from the RFP requirement of Rule 25-22.082, F.A.C., for the modernization of its Port Everglades plant.

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**Issue 2:** Should this docket be closed?

**Recommendation:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. **(Murphy)**

**Staff Analysis:** At the conclusion of the protest period, if no protest is filed this docket should be closed upon the issuance of a consummating order.