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Sent: Tuesday, July 10, 2012 1:06 PM
To: Filings@psc.state.fl.us
Subject: Electronic Filing / Dkt 120007-EI / FPL's Preliminary List of New Projects
Attachments: 7.10.12 FPL List of New Projects.pdf; 7.10.12 FPL Preliminary List of New Projects.doc
Electronic Filing

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b. Docket No. 120007 - 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 8 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.

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7/10/2012

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**IN RE: Environmental Cost)
Recovery Clause)**

**Docket No: 120007-EI
Date: July 10, 2012**

**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 10th day of July, 2012.

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CERTIFICATE OF SERVICE

Docket No. 120007-EI

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Florida Power & Light Company
Environmental Cost Recovery
Docket No. 120007-EI
July 10, 2012

PRELIMINARY LIST OF NEW PROJECTS TO BE SUBMITTED FOR COST RECOVERY

Project: Thermal Discharge Standards

Law/Regulation:

Section 316(a) of the Federal Clean Water Act ensures that thermal effluent limitations will assure protection and propagation of balanced, indigenous population of shellfish, fish, and wildlife. See 33 USC Section 1326. This rule provides that thermal dischargers can be granted less stringent alternate thermal limits than those imposed by a state program if the discharger can demonstrate that the current effluent limitations, based on water quality standards, are more stringent than necessary to protect the aquatic organisms in the receiving water body. The National Pollutant Discharge Elimination System (NPDES) program is used to implement this rule. See 33 U.S.C. Section 1342. Pursuant to the U.S. Environmental Protection Agency's (EPA) approval, the Florida Department of Environmental Protection (FDEP) implements the NPDES permitting program in Florida. Affected facilities are required to apply for renewal of the 5-year-duration NPDES permits prior to their expiration.

Prior to 2008, 316(a) determinations were conducted using guidance from the EPA that was developed in 1977. If a variance from the state water quality standard for temperature was granted, facilities were not required to provide additional information regarding thermal discharges in their renewal application unless changes had been made to the thermal loading in the plant discharge. In 2008, the EPA issued additional guidance on this topic and, with the new guidance, EPA has taken a much more active role in granting variances resulting in requests for expanded biological and thermal modeling/monitoring studies to justify the variance.

In addition, power plants with once-through cooling systems that were built before July 1, 1972, must meet a "narrative" thermal standard found in Chapter 62-302.520(1) (a)-(c) F.A.C.

This rule is also implemented via the NPDES permitting process. During recent permit renewals, the FDEP, much like the EPA with the 316(a) variances, has taken a more stringent approach to the required demonstration that substantial damage is not occurring in the receiving water bodies.

Brief Description of Project:

316(a) Impact: The Cape Canaveral plant has been impacted by the EPA's more stringent 316(a) variance guidance. The renewed NPDES Permit for the Cape Canaveral plant site, issued February 11, 2011, contains the requirement that a Plan of Study (POS) to justify a 316(a) variance be developed. FPL anticipates, based on the new EPA guidance and conversations with EPA Region 4 and FDEP, that the scope of the POS may need to be significantly expanded; this would result in substantial increases in compliance costs. FPL submitted a proposed POS to the FDEP in August 2011 and is currently awaiting comments from the EPA and FDEP. The POS proposes baseline (pre-operational) and operational nearfield seagrass and benthic sampling,

augmented by ongoing seagrass monitoring conducted by the St. Johns River Water Management District, as well as ongoing fisheries-independent monitoring surveys conducted by the Florida Fish and Wildlife Conservation Commission. If approved by the agencies, the approach of using publicly available information will result in significantly reduced costs compared to having to generate all new information as requested in a January 2011 letter from EPA to FPL. This approach has been successfully used by utilities in other states under the jurisdiction of Region 4 EPA and resulted in substantially less onerous new sampling and analysis for many of the biological areas of interest to EPA when renewing 316(a) variances. While neither agency has yet approved FPL's proposed POS, FPL has begun baseline sampling in parallel with its continuing efforts to secure approval. Beginning the baseline sampling now is essential in order to stay on track for implementation of the proposal once approved. FPL intends to continue this baseline sampling until the Canaveral Clean Energy Center (CCEC) is operational in 2013. After CCEC is operational, FPL plans to conduct operational sampling in accordance with its proposal, in order to assess impacts of the plant's operation.

Chapter 62-302.520(1) (a)-(c) F.A.C. Impact: The most recent version of the Riviera plant site State IWW Permit Number FL0001546, issued August 28, 2010, contains language that could result in a substantially higher level of effort to demonstrate compliance with 62-302.520(1) F.A.C. This version requires a POS that may include baseline biological sampling of the modernized plant and shall address monitoring of aquatic species, as necessary, as well as incorporating relevant existing data. FPL intends to negotiate a POS with FDEP in 2012 that will take a similar approach to the POS that has been proposed for the Canaveral plant site.

FPL's preliminary estimate of O&M costs for this project is \$175,000 for 2012 and \$175,000 for 2013, which reflects activities needed to implement the POS approach that FPL is proposing for the Canaveral and Riviera plants. The actual compliance costs incurred will depend on the scope of the final POS that is approved for the Cape Canaveral and Riviera plants. O&M activities are related to baseline biological studies, other data collection and modeling for both facilities and are expected to begin after August 1, 2012. At this time, FPL does not plan to incur capital costs. However, if studies determine that substantial environmental impacts are occurring, particularly at Cape Canaveral Plant, substantial capital expenditures could be required.

Project: Power Plant Gopher Tortoise Relocations

Law/Regulation: 68A-27.003 Designation of Endangered Species; Prohibitions

Brief Description of Project:

The Gopher tortoise (*Gopherus polyphemus*) is a state-designated threatened species, per Rule 68A-27.003(1)(d)3, Designation of Endangered Species; Prohibitions, which states: "No person shall take, attempt to take, pursue, hunt, harass, capture, possess, sell or transport any gopher tortoise or parts thereof or their eggs, or molest, damage, or destroy gopher tortoise burrows, except as authorized by Commission permit or when complying with Commission approved guidelines for specific actions which may impact gopher tortoises and their burrows." Gopher tortoises have been creating burrows in the cooling pond embankments at FPL's Martin (PMR), Manatee (PMT) and Sanford (PSN) power plants over time as well as in the oil tank farm embankments at PMR and PMT. In order to ensure the integrity of the embankments, gopher tortoise burrows must be filled and affected gopher tortoises must be relocated. In 2008, the Florida Fish and Wildlife Conservation Commission provided new gopher tortoise guidelines that have changed the permitting process for relocations (i.e., a gopher tortoise agent is now required and all tortoises now must be sent to a recipient site). The PMT, PMR and PSN plant site embankments were surveyed from 2008-2011 and no burrows were found that appeared to be compromising the integrity of the embankments. In March 2012, however, surveys were conducted that found gopher tortoise burrows at PMT that could compromise the embankment integrity. In order to fill the burrows at PMT, the gopher tortoises need to be relocated by an authorized gopher tortoise agent in order to comply with Rule 68A-27.003. As part of normal plant maintenance, FPL will conduct periodic surveys at all three sites to ensure that the integrity of the embankments is maintained, but this project is limited to recovery of costs associated with relocations that are required as a result of those surveys.

FPL's preliminary 2012 O&M estimate for this project is \$37,500 for an estimated 15 tortoise relocations, which can include confirmation surveying, permitting, bucket trapping, relocation, and recipient site costs. FPL cannot predict at this time the costs that it will incur for this project beyond 2012, because the level of activity depends on how many, if any, gopher tortoises require relocation in the future. To the extent that the periodic surveys, which are part of normal plant maintenance activities, identify additional tortoises requiring relocation in the future, then FPL would incur additional relocation-related site costs at that time.

Project: Steam Electric Effluent Guidelines Revised Rules

Law/Regulation: Title 40 Code of Federal Regulations Part 423

This regulation, which was promulgated under the authority of the Federal Clean Water Act, limits the discharge of pollutants into navigable waters and into publicly owned treatment works by existing and new sources of steam electric power plants. The current version of the rule was published in the Federal Register on November 19, 1982. On September 15, 2009, the EPA announced that they would undertake rulemaking to revise the rule because, "current regulations, which were issued in 1982, have not kept pace with changes that have occurred in the electric power industry over the last three decades." In early April 2012, EPA announced that a draft rule will be signed by November 20, 2012, with a final rule expected by April 28, 2014.

Brief Description of Project:

EPA has initiated revisions to Title 40 CFR 423 - Steam Electric Effluent Guidelines, which set minimum standards for treatment of wastewater from steam electric power plants. These revisions are directed primarily at waste streams such as ash sluice water and scrubber wastewater from coal-burning facilities, but there could be impacts to nuclear, oil and gas-burning facilities as well.

EPA visited FPL's Sanford Plant on October 7, 2009 and Manatee Plant on November 16, 2011 to gain a better understanding as to how oil ash is generated and how it is currently handled at oil fired facilities. FPL plants explained that due to the nature of the oil ash and how it differs from coal ash, dry-handling of economizer and air-preheater oil ash is not practical. Nevertheless, based on recent information obtained from the EPA, it appears that the EPA has decided that oil ash contact water will likely be impacted by the revisions to the guidelines and may require either dry handling of all ash, or require oil ash contact water to be segregated from other waste streams and not discharged to waters of the State. FPL is currently studying the impact that this decision would have on its oil burning facilities; particularly at the Martin and Manatee plants, although also ensuring Turkey Point (these will be the three remaining conventional boiler/oil burning plants in the FPL fleet by the time the rule is final) is considered in these oil ash handling scenarios. Results of these analyses will drive FPL's level of effort for addressing this issue in the future.

On June 6 and 7, 2012, FPL personnel visited the St. Johns River Power Park (SJRPP) and Plant Scherer in an effort to determine the level of impact that revisions to the guidelines could have on those facilities. The visit revealed that there could be significant costs incurred for compliance, particularly at SJRPP. No estimates are available at this time, but the most significant costs would be associated with the conversion of the current bottom ash and economizer ash sluicing systems to dry handling and the construction of a new treatment system for scrubber wastewater.

Other requirements that might appear in the draft and/or final rule that could impact FPL facilities would involve dechlorination systems for cooling water and disposal of wastes from combustion turbine compressors.

In the latter part of 2012, FPL will be conducting extensive chemical analyses of oil ash handling effluent streams. Results from these analyses will be presented to the EPA to demonstrate the difference between these types of waste streams and waste streams from flue gas scrubbers and other coal ash related processes, which are significantly more complex and difficult to treat prior to a discharge. These analyses will also be used to develop cost estimates for segregating oil ash contact water from other effluent streams and for developing a zero liquid discharge system for those waste streams. FPL's goal is to convince the EPA that oil ash handling effluent does not need to be regulated under the same strict requirements that apply to coal ash handling effluent. If successful, establishing that distinction will save FPL and its customers hundreds of thousands or perhaps millions of dollars in compliance costs. FPL anticipates that it will engage consultants to assist in pursuing this goal. FPL expects to have very preliminary cost estimates for the impact of potential revisions to guidelines associated with oil ash handling on the Martin and Manatee plants by the Fall of 2012. Additionally, FPL plans to file comments on the draft rule in late 2012 or early 2013 which will advocate for the distinction described above, in order to minimize the impact of potential compliance costs. FPL is working with The Utility Water Activity Group (UWAG) and separately to ensure the best possible outcome regarding impacts to the utility. The rule will be implemented on a plant-by-plant basis. It is expected that after the final rule is issued in 2014, State IWW/NPDES renewal permits will contain a compliance schedule to address the new steam electric effluent guidelines requirements. Thus, many of the capital expenses may occur in the 2018-2020 timeframe.

FPL's preliminary estimate is that it will incur \$50,000 in O&M expenses during 2012 and 2013 associated with projected consultant expenses related to the preparation of comments on the draft rule. FPL anticipates that most of these expenses will be incurred in 2013, so only \$5,000 is projected for 2012.

Project: Florida Numeric Nutrient Criteria

Law/Regulation: Chapter 62-302, Florida Administrative Code, Surface Water Quality Standards (FDEP) or Title 40 Code of Federal Regulations Part 131, Water Quality Standards for the State of Florida's Lakes and Flowing Waters (EPA)

Brief Description of Project: The EPA is under a federal court order to implement numeric nutrient criteria (NNC) through NPDES permit renewals for the reduction of total nitrogen and total phosphorus discharges and load in Florida freshwaters to comply with the Federal Clean Water Act. The FDEP has drafted its own NNC rule and has strongly communicated to the EPA that it prefers to implement the state rule. The EPA supports the FDEP in that effort. The EPA has until the January 6, 2013 implementation date to review and approve the FDEP's proposed NNC rule. Either the EPA or FDEP numeric nutrient criteria rule will be implemented through NPDES Industrial Waste Water permit renewals for the reduction of total nitrogen and total phosphorus discharges and loading in Florida freshwaters.

The NPDES permit renewal date for the Martin plant is June 10, 2013 and for the Sanford plant is August 14, 2013. FPL's preliminary estimate of total project costs is \$1.6 million of O&M and \$1.2 million of capital projected for budget years 2013 through 2017. FPL does not anticipate incurring costs for the project in 2012. For 2013, FPL projects to spend \$0.442 million for O&M. Capital costs are projected to begin in 2015. O&M activities include monthly water sampling (intake and discharge structures) and reporting, biological assessments (stream condition index assessment upstream and downstream of the discharges) and reporting, and changes to water chemistry. Capital activities include replacement of facilities' water treatment systems to dilute the concentrations of nutrients prior to discharge and/or change flow processes to store, treat, and remove excess nutrients prior to discharge.

FPL plants that will be subject to the flowing streams (freshwater) numeric nutrient criteria are Martin, Manatee, Sanford, Putnam, and Ft. Myers. The EPA and FDEP are also drafting technical numeric nutrient criteria for marine and coastal waters, with a final rule anticipated in late 2013. FPL will evaluate the impact on its plants of the criteria for marine and coastal waters as that rule is being developed.