

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for exemption under Rule 25-22.082(18), F.A.C., from issuing a request for proposals (RFPs) for modernization of the Lauderdale Plant, by Florida Power & Light Company.

DOCKET NO. 20170122-EI
ORDER NO. PSC-2017-0287-PAA-EI
ISSUED: July 24, 2017

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
ART GRAHAM
RONALD A. BRISÉ
DONALD J. POLMANN

NOTICE OF PROPOSED AGENCY ACTION ORDER
GRANTING
FLORIDA POWER & LIGHT COMPANY'S
PETITION FOR EXEMPTION

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

BACKGROUND

This Commission is the exclusive forum for the determination of need and necessity for additional generating units under the Florida Electrical Power Plant Siting Act (PPSA).¹ As part of PPSA, we must take into account whether a unit is necessary given (a) the need for electric system reliability and integrity, (b) the need for adequate electricity at a reasonable cost, (c) the need for fuel diversity and supply reliability, (d) whether the proposed plant is the most cost-effective alternative available, and (e) whether renewable energy sources and technologies, as well as conservation measures, are utilized to the extent reasonably available.

Rule 25-22.082, F.A.C.,² requires investor-owned electric utilities to issue a request for proposal (RFP) for the selection of generating capacity that would be subject to the PPSA. The RFP process assists in the determination of whether a unit is the most cost-effective alternative

¹ Section 403.519, Florida Statutes (F.S.).

² Also referred to informally as the "Bid Rule."

by publishing the electric utility's requested needs and opening the process to competitive proposals. Rule 25-22.082(18), F.A.C., provides an exemption from the requirement to issue an RFP if we find that certain showings are met by an electric utility. Pursuant to Rule 25-22.082(18), F.A.C., on May 22, 2017, Florida Power & Light Company (FPL or Company) filed a petition to request exemption from the RFP requirement, for its modernization of the Lauderdale plant. The plant is to be renamed the Dania Beach Clean Energy Center (Dania Beach Project or Project).

We have jurisdiction in this matter pursuant to Sections 366.05 and 403.519, F.S.

REVIEW

Rule 25-22.082(18), F.A.C., provides the criteria for the requested exemption:

Upon a showing by a public utility and a finding by the Commission that a proposal not in compliance with this rule's provisions will likely result in a lower cost supply of electricity to the utility's general body of ratepayers, increase the reliable supply of electricity to the utility's general body of ratepayers, or otherwise will serve the public welfare, the Commission shall exempt the utility from compliance with the rule or any part of it for which such justification is found.

The Dania Beach Project would retire and remove Lauderdale Units 4 and 5 from FPL's Lauderdale plant in Broward County. These units are natural gas-fired combined cycle units in a 2x1 configuration with a combined summer peak capacity of 884 megawatts (MW). The two steam generators were built in 1957 and 1958, respectively, and were converted to combined cycle units with the addition of four combustion turbines installed in 1993. The Dania Beach Project would replace these units with a single natural gas-fired combined cycle unit in a 2x1 configuration with a peak capacity of 1,163 MW and an in-service date of June 2022.

A central component of FPL's argument for the exemption from the RFP requirement is that FPL's reuse of an existing plant site provides numerous economic and qualitative benefits that would be unmatched by any potential RFP respondent. The Lauderdale site currently features access to transmission, natural gas pipelines, and water supply facilities near a major load pocket that can be utilized by the new generating unit. We apply the exemption criteria to the project below.

Exemption Criteria

Lower Cost Supply of Electricity

FPL states that the Lauderdale Units 4 and 5 are at the bottom of FPL's combined cycle fleet dispatch order. Data provided shows that the Lauderdale units had the highest average net operating heat rates, a measure of fuel efficiency, of FPL's 16 combined cycle units, using approximately 8,000 British Thermal Units (BTU) of fuel per kilowatt-hour (kWh) of energy

produced. By comparison, the Dania Beach Project will have a heat rate of approximately 6,120 BTU/kWh, which will result in a considerable fuel savings over the life of the Dania Beach unit compared to the existing Lauderdale units. Upon review, we find that, while RFP respondents may be able to match the fuel efficiency of the proposed Dania Beach Project by using similar generating technologies, they would likely experience higher total costs to acquire a plant site and install the necessary infrastructure such as transmission, fuel transportation and storage, and water supply.

FPL notes that an alternative to new generation would be operating the existing Lauderdale units uneconomically to maintain system reliability. However, FPL states that its proposed Project represents a savings of \$350 million in net present value for the Dania Beach Project from fuel savings, O&M savings, and avoided capital replacement costs over this alternative. A second alternative is the construction of additional transmission facilities to import more electricity from outside of the Broward/Miami-Dade area, but the Company asserts that this is likely to be more expensive than the proposed Project. Respondents with proposed facilities outside the Broward-Miami/Dade area would also see higher costs associated with additional transmission needed to deliver the power to customers. Based on the foregoing, we find that the Dania Beach Project meets the standard in that it is likely to result in a lower cost supply of electricity to the Company's general body of ratepayers.

In a future PPSA need determination proceeding we will have an opportunity to review whether these and other options are the most cost-effective alternative, along with the need for adequate electricity at a reasonable cost.

Increase Reliability

FPL asserts that no other viable sites are available to economically provide generating capacity within its Southeastern Florida service area where the Company is projecting transmission constraints. As discussed above, the modernization of the Lauderdale site to the Dania Beach Clean Energy Center would increase the generating capacity of the facility by approximately 280 MW with minimal additional transmission facilities. This would allow FPL to defer or reduce the amount of transmission upgrades necessary to provide reliable service to the area. Therefore the Dania Beach Project meets the standard as it is likely to increase the reliable supply of electricity to the Company's general body of ratepayers.

In a future PPSA need determination proceeding we will have an opportunity to review whether there is a need for the generation based upon electrical system reliability and integrity, and whether renewable energy sources and technologies, as well as conservation measures, are utilized to the extent reasonably available to meet reliability needs.

Public Welfare

The use of an existing site with a more efficient unit has several public benefits, including reduced emissions related to energy production, temporary construction jobs, and reduction of

land impact for the facility and related infrastructure. FPL estimates that nitrogen oxides would be reduced by 95 percent and carbon dioxide reduced by 25 percent. Construction of the facility would temporarily create up to 650 jobs at its peak. Similar benefits would be available to an RFP respondent for emissions and construction jobs, but an RFP respondent is unlikely to provide the same benefits associated with reuse of an existing plant site by not requiring additional land to be disturbed for generation, transmission, fuel transportation and storage, or water supply. As a result, the Dania Beach Project meets the standard as it is likely to provide other benefits to the public.

As with the other factors, in a future PPSA need determination proceeding, we will have an opportunity to review these and any other matters we determine to be relevant.

Similar Prior Orders

We have previously granted exemptions from the Bid Rule for the modernization of FPL's plants at Cape Canaveral, Riviera Beach, and Port Everglades.³ The circumstances of each of these were similar in that they involved 1) the replacement of existing power plants with new, more efficient facilities and 2) the reuse of existing support infrastructure. A primary difference between the prior dockets and the matter before us is that the prior projects were replacing fossil steam generators, while the instant proposal is to replace older combined cycle units.

DECISION

Upon review, we find that the Dania Beach Project meets the requirements for exemption under Rule 25-22.082(18), F.A.C., by reusing the existing Lauderdale plant site and related facilities for a newer, larger, and more efficient unit. Therefore we grant FPL's petition for exemption from the RFP requirements of the Bid Rule for the modernization of the Lauderdale plant. Granting the exemption does not relieve the Company of any requirements during a future PPSA 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 Lauderdale plant.

Based on the foregoing, it is

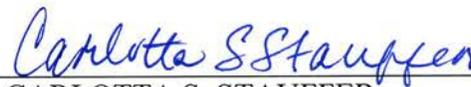
ORDERED by the Florida Public Service Commission that Florida Power & Light Company's petition for exemption from the RFP requirement of Rule 25-22.082, F.A.C., for the modernization of the Lauderdale plant, is hereby granted. It is further,

³Order No. PSC-08-0591-FOF-E1, issued on September 12, 2008, in Docket Nos. 20080203-E1, *In re: Petition to determine need for West County Energy Center Unit 3 electrical power plant, by Florida Power & Light Company*, 20080245-E1, *In re: Petition for determination of need for conversion of Riviera Plant in Palm Beach County, by Florida Power & Light Company*, and 20080246-E1, *In re: 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*.

ORDERED that granting the exemption does not relieve Florida Power & Light Company of any requirements in a future Florida Electrical Power Plant Siting Act need determination proceeding. It is further,

ORDERED that 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 shall be closed upon the issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 24th day of July, 2017.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

CWM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal

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proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 14, 2017.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.