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Subject: Docket No. 070007-EI -- FPL's Supplemental CAIR/CAMR Filing
Attachments: Supplemental CAIR-CAMR Filing FINAL.doc



Supplemental
AIR-CAMR Filing .

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 070007-EI

c. Document being filed on behalf of Florida Power & Light Company

d. There are 4 pages total.

e. The document attached for electronic filing is FPL's Supplemental CAIR/CAMR Filing, pursuant to and in satisfaction of stipulation approved in Order No. PSC-06-0972-FOF-EI.

(See attached file: Supplemental CAIR-CAMR Filing FINAL.doc)

DOCUMENT NUMBER-DATE

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Florida Power & Light Company
Docket No. 070007-EI
Environmental Cost Recovery
March 30, 2007
FPL Supplemental CAIR/CAMR Filing

Clean Air Interstate Rule (CAIR) and Clean Air Mercury Rule (CAMR)
Compliance Projects Update

Order No. PSC-06-0972-FOF-EI, issued on November 22, 2006 in Docket No. 060007-EI, approved a stipulation among the parties pursuant to which FPL's proposed CAMR Compliance Program was determined to be eligible for ECRC cost recovery. As part of that stipulation, FPL agreed as follows: "Given the magnitude and the scope of FPL's ongoing CAIR/CAMR Compliance Program, FPL agrees to make a supplementary filing in the ECRC docket during the first quarter of 2007 that will identify the timing and current estimates of costs for specific projects planned by the Company in order to comply with CAIR/CAMR requirements along with information regarding the relative value of the planned projects compared to other viable compliance alternatives, if any. This supplemental filing will include a description of the evaluation process used and the results of that process that lead FPL to conclude that the chosen control technology is both cost effective and that the affected generating units remain economically viable as a source of energy to FPL's retail customers with the addition of the controls." Order No. PSC-06-0972-FOF-EI, at page 7. FPL is making this supplemental filing pursuant to and in satisfaction of the stipulation.

The August 4, 2006 and October 13, 2006 prepared testimony of FPL witness R.R. LaBauve discussed the comprehensive evaluation that FPL undertook at the time to determine the most cost-effective strategies to comply with CAIR and CAMR. FPL has not performed another evaluation of comparable scope since that time, so the discussion in Mr. LaBauve's testimony still generally applies. However, FPL is continually reviewing and updating its compliance strategies using the most current information, and that process has led to certain revisions to the strategies, as well as updated compliance cost estimates. The discussion below describes the revisions to the CAIR and CAMR compliance strategies and cost estimates that FPL has identified to date. FPL's evaluation to date has not identified any FPL generating resources that have been rendered uneconomic, compared to available alternatives, by virtue of the CAIR and CAMR compliance requirements.

CAIR Compliance

Mr. LaBauve's testimony identified the following projects to comply with CAIR, certain of which have been revised as described below:

1. The installation of Selective Catalytic Reduction Systems (SCR) and Ammonia Injection Systems on St. Johns River Power Park (SJRPP) Units 1 and

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2 remains as described in Mr. LaBauve's testimony (current project capital cost estimate remains \$41.6 million).

2. The estimated capital cost for the installation of a Wet Flue Gas Desulfurization (FGD) Scrubber and SCR with Ammonia Injection Systems on Scherer Unit 4 has increased as a result of increased projected labor and materials costs for emission control installations (current capital cost estimate is \$358.4 million).

3. The 800 MW unit cycling project study to reduce emissions and fuel use is currently underway, with anticipated completion in May 2007. Mr. LaBauve discussed this project in his testimony, but neither its cost nor its impact on the cost of other CAIR compliance projects was reflected in FPL's 2007 ECRC projections. The current project capital cost estimate is \$200,000 for study costs.

4. Reburn and Low NOx Burner projects at Cape Canaveral, Port Everglades, Turkey Point, and Putnam plants are on hold for the time being. The evaluation of recent projections of future FPL generating unit operations and the estimated NOx reductions from the implementation of the 800 MW unit cycling project indicate that the purchase of NOx allowances for annual and ozone season compliance may be a preferred compliance alternative, depending on allowance availability and price, as compared to the cost of the Reburn and Low NOx Burner projects. FPL will continue to monitor the relative economics of these NOx controls versus the cost of purchasing NOx allowances. Putting the Reburn and Low NOx Burner projects on hold for now will reduce FPL's 2007 CAIR compliance capital expenditures by \$46 million. If FPL does not proceed with the Reburn and Low NOx Burner projects, total CAIR compliance capital costs will be reduced by \$139 million.

5. Future purchases of allowances will be made as needed for compliance with the annual and ozone season NOx requirements. FPL originally estimated costs for purchasing additional allowances of \$22.5 million in 2008 and \$11.3 million per year in subsequent years. FPL has revised its estimate to reflect the reductions in emissions resulting from bringing Turkey Point Unit 5 and West County Energy Center Unit 1 into operation earlier than originally planned and from implementation of the 800 MW unit cycling project. FPL's revised estimate projects an excess of annual NOx allowances and a much smaller deficit of Ozone Season NOx Allowances. As a result, FPL now projects an annual net excess of \$2.4 million in NOx allowances. FPL presently intends to bank these excess allowances initially, in order to accumulate a pool of allowances that can be used both to meet short-term allowance requirements that will arise when new units come into service (new units are not allocated allowances in their first year of operation) and to provide a cushion against changes in actual allowance requirements compared to projections. If FPL reaches the point where sufficient allowances have been banked for these purposes, and assuming that FPL continues to project a continuing excess of annual allowances, FPL may sell

future excess allowances and credit the proceeds of the sales to customers via the ECRC. Please note that FPL's actual NOx allowance requirements depend upon a number of factors that are hard to predict, and it is possible that FPL's actual allowance requirements will differ significantly from the current projections.

6. FPL is now projecting annual CAIR compliance O&M expenses of \$1.2 million in 2008-2011 for non-allowance costs. This is down from approximately \$2.7 million per year that was projected in Mr. LaBauve's testimony, primarily as a result of putting the Reburn project on hold. The remaining expenses are for ammonia injection and incremental operating labor and maintenance for the SCR at SJRPP. Mr. LaBauve's testimony did not include any projected O&M expenses associated with the operation of emission controls at Scherer Unit 4, because there was too much uncertainty at the time as to when those controls are to become operational. FPL now expects that the Scherer Unit 4 controls will become operational in 2012, which is projected to add \$3.1 million per year to the total non-allowance O&M expenses starting in that year.

CAPITAL EXPENSES - CAIR:

October 13, 2006 Capital Cost estimate:

2007	\$66.2 million
Total	\$535.7 million

Actual Capital expenditures to date: \$9.5 million

Current Capital Cost estimate:

2007	\$20.4 million
Total	\$400.0 million

O&M EXPENSES - CAIR:

October 13, 2007 annual O&M Cost estimate (including the cost of allowance purchases):

2008	\$25.1 million
2009 +	\$14.0 million

Actual O&M expenditures to date: \$1.09 million

Current annual O&M Cost estimate:
(allowances)

(\$2.4 million)

(non-allowance costs)

2008-2011	\$1.2 million
2012 +	\$4.3 million

CAMR Compliance

FPL's projects to comply with CAMR remain as described in Mr. LaBauve's testimony. Those projects are as follows:

1. Installation of Fabric Filter Bag House and Mercury Sorbant Injection System on Scherer Unit 4.
2. Installation of mercury CEMS on Scherer Unit 4 and SJRPP Units 1 and 2.
3. FPL has revised the cost estimates for the installation of mercury controls at plant Scherer as a result of estimated increases in labor and material costs.

CAPITAL EXPENSES - CAMR:

October 13, 2006 Capital Cost estimate:

2007	\$25.7 million
Total	\$97.6 million

Actual Capital expenditures to date: \$3.6 million

Current Capital Cost estimate:

2007	\$26.0 million
Total	\$100.1 million

O&M EXPENSES - CAMR:

October 13, 2007 O&M Cost estimate:

2007	\$0
Total	\$0

Actual O&M expenditures to date: \$0

Current O&M Cost estimate:

2007	\$0
Total	\$0

CAVR Compliance

To comply with the requirements of the Clean Air Visibility Rule, FPL was required to evaluate the impacts of generating units affected by the Best Available Retrofit Technology (BART) rules to reduce regional haze. The evaluation required FPL to have detailed visibility modeling performed to determine the impacts on Federal Class 1 areas (National Parks and Wildlife Areas). Affected units which are determined to adversely impact Class 1 areas will be required to reduce emissions. FPL has completed the required visibility modeling at a cost of \$22,806. State and Federal Agencies have not yet determined whether specific reductions will be required from FPL generating units to comply with the visibility rules. To date, FPL has incurred \$22,806 in O&M costs.