

Eric Fryson

From: Butler, John [John.Butler@fpl.com]
Sent: Thursday, January 19, 2012 10:27 AM
To: Filings@psc.state.fl.us
Subject: Electronic Filing / Dkt 120007-EI / FPL's Transmittal Letter to Martha Brown re: FPL's ESP Project
Attachments: 1.19.12 letter to Martha Brown re FPL ESP Project.pdf
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. 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 2 pages

e. The document attached for electronic filing is a copy of Florida Power & Light Company's letter to Martha Brown, Esq. updating Staff and parties on the status of FPL's 800 MW Units Electro Static Precipitators Project (the "ESP Project")

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

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John T. Butler
Managing Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
(561) 304-5639
(561) 691-7135 (Facsimile)
E-mail: john.butler@fpl.com

January 19, 2012

Martha C. Brown, Esq.
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 120007-EI

Dear Martha:

I am writing to update Staff and the parties to this docket of the status of FPL's 800 MW Units Electro Static Precipitators Project (the "ESP Project").

As you will recall, the Commission approved a stipulation in Order No. 11-0083-FOF-EI that authorized FPL to proceed with implementation of the ESP Project once the U.S. EPA issued a proposed maximum achievable control technology ("MACT") rule that had the effect of requiring ESPs for the 800 MW oil-fired units at FPL's Martin and Manatee plants. Under the stipulation, FPL was directed to record the cost of the ESP work in non-ECRC construction accounts and accrue a return at the then-current authorized AFUDC rate on the amounts recorded in those accounts, until the EPA issued a final MACT rule. The stipulation then provided for FPL to move the cost of the ESP work, together with accumulated AFUDC, to ECRC-recoverable accounts if the final MACT rule had the effect of requiring ESPs for the 800 MW oil-fired units. The US EPA issued a proposed MACT rule on March 16, 2011. As proposed, the MACT rule would have the effect of requiring ESPs for FPL's 800 MW oil-fired units. Consistent with the stipulation, FPL began work on the first ESP, for Manatee Unit 2, in Spring 2011 and has recorded the costs for that work in non-ECRC construction accounts. The costs have been incurred for equipment purchases, engineering, site preparation, and construction.

On December 21, 2011, EPA issued the final MACT rule, which has the effect of requiring ESPs for the 800 MW oil-fired units. Specifically, the final MACT rule established numerical emission limits for particulate material (PM) as a surrogate for all toxic metals, along with emission limits for acid gasses (hydrochloric and hydrofluoric acids). The numerical particulate emission limits require that FPL install particulate emission control devices on its Martin and Manatee 800 MW oil-fired units in order to retain its flexibility regarding the

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Martha C. Brown, Esq.
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operation of those units on oil. ESPs are the most cost-effective form of particulate emission control for the 800 MW oil-fired units. As to the final MACT rule's limits on acid gasses, FPL has the compliance option of limiting the moisture content of the oil it burns in those units.

Consistent with the stipulation in Order No. 11-0083-FOF-EI, FPL will transfer the construction costs for the Manatee Unit 2 ESP that have been incurred to date, together with accumulated AFUDC, to ECRC-recoverable accounts as part of its January 2012 accounting entries. FPL will thereafter record construction costs, and when applicable O&M expenses, for the ESPs at its four 800 MW oil-fired units in ECRC-recoverable accounts.

In Order No. PSC-11-0553-FOF-EI, the Commission approved 2012 ECRC factors that did not reflect recovery for any ESP Project costs, because the final MACT had not been issued at the time of that order. Order No. PSC-11-0553-FOF-EI approved the following stipulation to address how FPL should treat ESP Project costs for 2012: "FPL will be allowed to recover reasonable and prudent ESP project costs via the ECRC true-up mechanism in the 2012 ECRC proceeding in the event that the final MACT rule requires ESPs and is adopted before or during 2012." Consistent with that stipulation, FPL will reflect 2012 ESP Project costs in the estimated/actual and final true-ups for 2012.

If there are any questions regarding this update, please feel free to contact me at 561-304-5639.

Sincerely,

/s/ John T. Butler

John T. Butler

Copy to: Commission Clerk
All parties of record

CERTIFICATE OF SERVICE

Docket No. 120007-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on January 19, 2012 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
Patricia Christensen, Esq.
Charles Rehwinkel, Esq.
Office of Public Counsel
c/o The Florida Legislature
111 W Madison St. Room 812
Tallahassee, FL 32399-1400

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

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

Jeffrey A. Stone, Esq.
Russell A. Badders, Esq.
Beggs & Lane
Attorneys for Gulf Power
501 Commendancia Street
Pensacola, Florida 32502

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

Samuel Miller, Capt., USAF
USAF/AFLOA/JACL/ULFSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319
Attorney for the Federal Executive Agencies

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

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