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FLORIDA KEYS ELECTRIC COOPERATIVE ASSOCIATION, INC. - FKEC

91605 OVERSEAS HIGHWAY P.O. BOX 377, TAVERNIER, FL 33070-0377 PHONE (305) 852-2431 FAX (305) 852-4794

January 13, 2003

DELIVERED VIA FEDERAL EXPRESS

Blanca S. Bayo, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket Number: 020829-EC

Dear Ms. Bayo:

Please pardon my tardiness in supplying you this information as with the Holiday Season, FKEC's emergency plans in the North Key Largo area took precedence.

Enclosed please find my Status Report as requested by the Commission in Docket Number 020829-EC.

I have enclosed a self addressed stamped envelope in which I am requesting the Clerk to stamp a copy of this letter with the date and time the original was received and return it to me in the provided envelope.

Should you have any questions or require additional information, please feel free to contact me.

Very truly yours,

Handwritten signature of Timothy E. Planer
Timothy E. Planer
Chief Executive Officer
and General Manager

Enclosure(s)

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# FLORIDA KEYS ELECTRIC COOPERATIVE ASSOCIATION, INC. – FKEC

ORIGINAL

91605 OVERSEAS HIGHWAY P.O. BOX 377 TAVERNIER, FL 33070-0377 PHONE (305) 852-2431 FAX (305) 852-4794

January 10, 2003

Lila Jaber, Chairman  
Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket Number 020829-EC

Dear Ms. Jaber:

On July 29, 2002, Florida Keys Electric Cooperative Association, Inc. (FKEC) petitioned the Commission for a declaratory statement that would require FKEC to construct a new electrical substation in North Key Largo area. This petition was submitted in effort to prevent imminent power failures from occurring, during winter peak conditions. FKEC'S electrical distribution system needs the addition of a new substation to provide sufficient capacity in the area.

In 1990 when consulting engineers first identified the problem in North Key Largo, FKEC has worked diligently since to develop this substation project.

In July of 2001 the Monroe County Planning Commission granted FKEC a minor conditional use permit to construct the electrical substation on an abandoned road right of way acquired from Florida Division of Transportation in a land swap.

Since the Planning Commission decision approving the permit, the project has been held up in the legal system with appeals filed by the Florida Keys Chapter of the Izaak Walton League of America and the Upper Keys Citizens Association. The opposition contends the project is in conflict with the Monroe County Comprehensive Plan and the North Key Largo area of critical concern, "that no new development would be allowed in this area". FKEC contends no other sites are available that meet the electrical criteria for site location and that minimize impact to the environment. Building an electrical substation on this site cannot promote growth and development within the area of special concern, as feared by the opposition. Nearly all the surrounding land is owned either by the State of Florida or the Federal government, and is not available for development. The fact that the transmission and distribution supply-lines pass through this area of critical concern encumbers the normal site selection process options. Generally the surrounding area would provide several potential sites that would be suitable

electrically, and with only minimum environmental impact. In this case, finding an available parcel of land where construction and operation of an unmanned substation will have the least environmental impact is the best available.

The Ocean Reef Club located on the North end of the island of Key Largo, is not regulated under the same rate of growth ordinance as the remainder of Monroe County, and the controlling ordinance allows greater development to occur in the Ocean Reef Community than over the rest of Monroe County.

The North Key Largo area designation of special concern promotes the growth of state and federal parks through continued land acquisitions. These properties generally cannot be sold or used for purposes other than conservation. With this limitation no other suitable sites remain, that are electrically suitable, simply selecting another site is not a viable option. The choices come down to working through the legal process on the current site, and research any other electrically workable solution.

Unfortunately the block of additional capacity needed to meet today's power demands in North Key Largo as well as any future needs in the area, rules out most of the normal capacity improvement options. Options like stringing larger conductors, or the addition of a second distribution circuit into the area, no longer meet planning criteria for voltage drop and line losses. The only viable solution is to construct a distribution substation near the load center to serve the 20-megawatt peak load of this area. The opposition offers the construction of a new overhead or underground transmission lines and locating the substation within the Ocean Reef Club. This will not only will impact the environment at a rate five times greater than the preferred site, but would increase construction costs as much as 4 and ½ times the proposed project.

The current legal process schedule may extend well into 2003 with the potential of additional appeals adding to the current 18-month delay. Settlement discussions referred to in the Commission ruling of October 3, 2002, were not productive as the alternate site proposed by the opposition was found to be FKEC'S initially preferred site that the State of Florida rejected in 1994 for environmental reasons. In this case the Administrative Law Judge placing the proceedings in abeyance, and allowing time for doomed settlement discussions to play out only strengthens the position of the appellants. Time is clearly not on the side of FKEC, and with past delays and the current load growth in the North

Key Largo area, the oppositions manufactured delays places FKEC in a precarious position to meet its service obligations.

Since the October response from the Commission, FKEC has developed an emergency plan for the North Key Largo area. The plan includes a sequence of energy management measures designed to reduce power demand. The progressive plan begins with energy conservation pleas as step one, (advertised Over community closed circuit television, radio announcements and a programmable message board in the affected area). The benefit of voluntary conservation measures is estimated between 2% and 4% of the peak load.

Step two of the emergency plan involves activation of FKEC'S load management system. FKEC has recently inspected and verified that all 450 load management switches controlling consumer loads are available for service and has installed an additional 25 switches in recent weeks. The effective management level of this system is currently about 2% of the peak.

The third step in the emergency plan is auto voltage control. This step allows about a 4% reduction in load by lowering the voltage at the substation to minimum acceptable level at the point of use. To insure usable voltage levels are maintained, a smart meter installed near the end of the line reports voltage levels over the phone line.

If these three steps do not effectively control the demand for power, step four, initiates the start up of one of the two temporary generators. Each generator will automatically connect to the distribution line and reduce the line demand by 2 megawatts each.

If conditions are severe and the load reduction in the first four steps of the plan are not sufficient to control the demand for power FKEC is prepared to initiate a load shedding plan rotating eight residential areas for 30 minute intervals. FKEC believes this multi stage plan will meet the requirements of an extended, and moderate winter weather event, and preserve service continuity to as many customers as possible in the community. Load shedding is an extreme step but not foreign to electric utilities when faced with abnormal weather conditions.

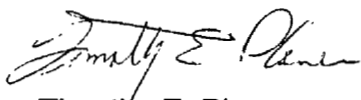
Long-term options to correct the North Key Largo service problem are more difficult and challenge conventional planner thinking. Alternative power supply options that exist, such as micro turbines, diesel, solar, or wind generators and even fuel cells may some day begin to offset central station generation capacity. The solution must reliably supply the accumulative load growth of the past ten years. FKEC plans for normal grid feeder loads to not generally exceed 10 megawatts. Previously loads have reached 18 megawatts on the North Key Largo feeder and can be expected to exceed the range of 20 megawatts, under

Abnormal conditions. A 10- megawatt block of peak power cannot currently be supplied by alternative sources of generation, even if every home in Ocean Reef and Anglers Club had solar hot water heaters installed. A reduction of only 1.5 megawatts maximum could be expected. Central station power is the only immediate solution to meet the areas current energy needs.

FKEC believes that our continued efforts in the legal system will eventually prevail and the North Key Largo substation will be constructed according to plan. The current schedule requires briefs filing date of December 23<sup>rd</sup> 2002. The Administrative Law Judge has set a hearing date for oral argument on February 7, 2003. A ruling is expected in another 20 days, which could be appealed to a higher court within 30 days of the ruling. FKEC is concerned about the amount of time required to exhaust the number of pending and future legal actions that may be in store for this process.

In summary should the legal process continues to delay construction into the unforeseeable future, FKEC will be forced to select another less desirable option in order to meet electric service obligations in the North Key Largo area. This choice will not be the most cost effective or environmentally friendly solution for the rate-payers of FKEC.

Very truly yours,



Timothy E. Planer  
Chief Executive Officer  
and General Manager