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110007-EJ

From: Butler, John [John.Butler@fpl.com]
Sent: Tuesday, January 04, 2011 11:30 AM
To: Filings@psc.state.fl.us
Subject: Electronic Filing / Docket 110007-EI / FPL's Notice of Additional Activities Required for Manatee Temporary Heating System

Attachments: 1.4.11 FPL Notice of Additional Activities for Manatee Heating System.pdf

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 110007-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 6 pages.

e. The document attached for electronic filing is Florida Power & Light Company's Notice of Additional Activities Required for Manatee Temporary Heating System - Cape Canaveral Plant Project

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modifications to the discharge pipes of the primary heating system and installed booms to direct and control the flow of warm water in the manatee embayment area, in order to maximize the effectiveness of the heating system. Computer modeling showed that these modifications would allow the electric heating system to achieve the required water temperature in the manatee embayment area when the ambient water temperature was moderate (*i.e.*, at or above 55 degrees Fahrenheit), but that the electric heating system would not have enough thermal capacity at lower ambient water temperatures during periods of extreme cold.

In response to this concern, FPL researched available heating systems that could be quickly implemented to supplement the heating capacity of the installed electric heating system. FPL determined that a light-oil fired water heater with associated equipment was the best solution to provide the incremental heating capacity needed in the immediate timeframe required. FPL arranged to lease an 800-horsepower light-oil fired heating system (the "Supplemental Heating System"), which will be kept at the Cape Canaveral Plant Site throughout the 2010-2011 heating season and can be used to provide warm water in the event that the thermal capacity of the electric heating system is exceeded. The Supplemental Heating System provides an additional, reliability benefit because it would be available to operate in the unlikely event of a temporary disruption in the electric supply to the primary heating system. Due to the approximate two-week anticipated delivery time for the Supplemental Heating System, FPL also entered into a short-term lease for a smaller, 200-horsepower light-oil fired heater to be used at the Cape Canaveral Plant Site during the extreme cold snap that Florida

experienced in early December 2010. Once the reliability and effectiveness of the Supplemental Heating System is proven, FPL will terminate the lease and return the smaller heater.¹

The new, highly efficient combined cycle unit that is being built pursuant to the Cape Canaveral Energy Center modernization project is presently scheduled to go into service in mid-2013. Thus, FPL will need to continue providing warm water to the manatee embayment area by alternate means for at least two additional heating seasons (*i.e.*, 2011-2012 and 2012-2013). Following the 2010-2011 heating season, FPL will evaluate whether the Supplemental Heating System remains the most effective and efficient solution for supplemental heating in those subsequent heating seasons.

FPL is incurring the following estimated costs associated with the additional Canaveral Manatee Project activities described above:

- FPL incurred costs of approximately \$78,400 to modify the discharge pipes of the primary heating system and install booms to direct and control the flow of warm water in the manatee embayment area.
- FPL incurred mobilization, installation, and operation costs of approximately \$92,000 as well as a monthly lease payment of \$19,712 for the short-term lease of the 200-horsepower light-oil water heater that was used in December 2010 before the Supplemental Heating System could be delivered. FPL also incurred a cost of approximately \$45,000 for light oil used in the smaller heater while it was in service

¹ The Commission also approved a Manatee Temporary Heating System Project in conjunction with the Riviera Beach Clean Energy Center modernization project at the Riviera Plant Site. See Order No. PSC-09-0759-FOF-EI. At this time, FPL does not anticipate that supplemental heating will be required to maintain the required water temperature in the manatee embayment area at the Riviera Plant Site.

in December.² FPL will incur a cost of approximately \$9,000 to dismantle the 200-horsepower system.

- FPL incurred mobilization, installation, and operation costs of approximately \$172,000 and, commencing on December 1, 2010, FPL began incurring a lease payment of \$58,483 per month for the Supplemental Heating System. FPL expects that it will continue incurring that monthly lease payment through the end of the 2010-2011 heating season in March 2011. When the Supplemental Heating System is removed from the site, FPL will also incur dismantlement and demobilization costs.
- FPL will incur costs for light oil whenever the Supplemental Heating System is operated during the remainder of the 2010-2011 heating season, but it is not possible to predict how frequently operation of that system will be required.

FPL did not include any projected costs for the foregoing additional Canaveral Manatee Project activities in its 2010 estimated/actual true-up or 2011 projection filings, because it was not aware of the need for the activities at the time those filings were made. FPL will reflect costs incurred for the additional activities in the 2010-2011 heating season as part of the 2010 and 2011 ECRC true-up filings. As noted above, FPL will be evaluating during 2011 the most cost-effective way to continue providing supplemental heating in subsequent heating seasons. FPL will include projected costs for whatever option is chosen, as part of its subsequent ECRC filings. Accordingly, FPL is not seeking to revise its 2011 ECRC factors or any other Commission action at this time, but rather is providing this notice to ensure that the Commission, Staff and other parties are fully apprised of the current status of the Canaveral Manatee Project.

² FPL recovers the cost of fuel used to generate the electricity that powers the electric heating system through the fuel and purchased power adjustment clause. However, because light oil is burned directly in the light-oil fired heaters rather than used to generate electricity, FPL believes that the cost of that oil is recovered more appropriately through the ECRC.

Respectfully submitted,

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CERTIFICATE OF SERVICE

Docket No. 110007-EI

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