

DISPATCH

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FMPA Develops New Generation

All-Requirements Approves Long-Term Expansion Plan

New Facility In Development, Additional Capacity Planned

FMPA IS planning to develop a 250 MW combined cycle unit in Fort Pierce, one of perhaps a dozen new generators called for in the All-Requirements Project's Integrated Resource Plan.

FMPA members collaborated with the Agency's staff to develop the Integrated Resource Plan, a long-term capacity plan. The plan, approved in May 2004, provides recommendations to guide FMPA's capacity additions for All-Requirements.

"By developing the Integrated Resource Plan, All-Requirements now has a solid blueprint for the future," said Roger Fontes, FMPA's general manager and CEO. "With the plan's clear guidance, we have a strategy for achieving highly reliable power supply at the lowest cost."

The plan indicates that All-Requirements has significant capacity needs over the next 20 years due to a combination of expiring power purchase contracts, potential unit retirements and robust load growth. The report recommends FMPA immediately construct a one-on-one combined cycle unit to begin operating by 2008.

Four years is a relatively short lead-time to develop this type of generating unit, so FMPA has moved quickly on the project. FMPA members authorized funding for the first phase of the unit's development in May. This

phase included conceptual design for the unit and a detailed study of potential sites.

The site selection process began in May 2004 when FMPA staff contacted All-Requirements members that operate generation to assess their interest in hosting the new unit in their community. Four cities volunteered sites. The locations were put through a detailed pre-screening process. All-Requirements members were involved throughout the process, developing the selection criteria and submitting data for the analysis.

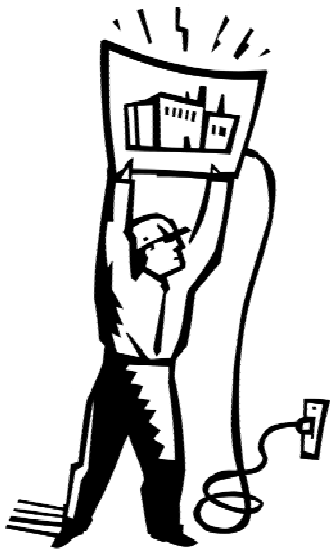
Two sites ranked highest in the pre-screening: Kissimmee Utility Authority's Cane Island site, which is home to a combustion turbine and two combined cycle units, and a greenfield site in Fort Pierce. Engineers from Black & Veatch conducted a thorough site selection study for both locations. The site selection report found both sites to be feasible and economical.

Based largely on strategic considerations, All-Requirements participants decided in July to pursue the Fort Pierce site. The site's location in southeast Florida is advantageous due to current transmission constraints and future transmission costs that might be incurred under a Regional Transmission Organization. Also, members felt it was prudent to diversify the All-Requirements Project's plant sites.

FMPA will soon purchase the site from Fort Pierce Utilities Authority (FPUA). The All-Requirements Project will own the unit and contract with FPUA to operate the plant, under the terms of a memorandum of understanding (MOU), which was approved in July. The MOU specifies terms for the

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General Manager
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FMPA



Project Taker to Project Maker

By Roger A. Fontes
General Manager and CEO



Roger Fontes

I think anyone who attended this year's FMEA-FMPA Annual Conference would agree that it was truly an invigorating experience. At the conference, held in July at Amelia Island, we refreshed our professional knowledge in two days of seminars, renewed our personal connections with our municipal utility colleagues and, in FMPA's business meetings, took several bold steps to power the All-Requirements Project's (ARP) future.

Modernizing the ARP's fleet of power plants is FMPA's most significant and pressing challenge. I am pleased to report that 2004 has been a watershed year in this endeavor. ARP participants in May wrapped up nearly nine months of careful study and close collaboration by approving the Integrated Resource Plan (Phase I) report. The Integrated Resource Plan will be our blueprint for power project development over the next 20 years.

Let me emphasize what I mean when I use the words "project development." For me, project development is conceptualizing, planning, licensing, designing, constructing,

owning and operating FMPA's new generating facilities. Project development – in other words, being a generation "project maker" not just a "project taker" – is a big change from FMPA's traditional power supply strategy, but it is key to the ARP's future.

FMPA's past strategy of being a "project taker," a non-operating owner in other utilities' projects, served us well in our early years. Today, the ARP is a 1,500 MW on-peak system with an operating budget of \$414 million. The project has complex needs and is forecasted to experience significant load growth. FMPA is now well-positioned to optimize its resources by developing its own generation to suit its customers' needs. That effort is now underway.

FMPA's members authorized the development of two new generation projects at the Annual Conference. The first, a nominal 50 MW simple cycle combustion turbine, will be installed at Keys Energy Services' (KEYS) Stock Island generation facility. Scheduled to begin operation in 2006, the new unit will provide efficient, economical new capacity

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operation of the plant and FMPA's use of the site, as well as establishing terms for the retirement of the city's H.L. King Power Plant.

FMPA has considered closing the King Plant for several years. The new generator will make it feasible to do so and potentially redevelop the King site, which is located in the city's downtown area.

"Establishing a prudent and mutually advantageous retirement plan for the King Plant is a significant element of the MOU," said Fontes. "As the All-Requirements Project's fleet of generators ages, we will need to carefully plan unit retirements and additions for the best interests of both the project and the local community. Developing memorandums of understanding with our generating members will allow us to do this in an organized and equitable fashion."

In fact, FMPA is developing similar MOUs with other All-Requirements members that operate generation for potential future use of

their facilities. With a need for several new units in the coming decade, FMPA is eager to partner with its members wherever possible to create economical new generation.

FMPA also is willing to consider power supply alternatives that may be more economical than building a new unit. In that regard, FMPA will issue a power supply request for proposals. If another supplier can provide the needed capacity at a lower cost than FMPA's self-build option, FMPA will buy the power rather than building new capacity.

If the combined cycle is determined to be the lowest cost option, the next step in the development process is permitting. Florida's Power Plant Siting Act prescribes a multistep process directing a number of state and local government agencies to participate in reviewing power plant certification applications. The process is expected to take up to two years.

After licensing and permitting is complete, detailed engineering and equipment procurement takes place, followed by construction and testing. The unit is intended to begin commercial operation in 2008. ♦

Combustion Turbine Planned At the Stock Island Plant Site

New Quick-Start Generator Provides Reliability, Efficiency

FMPA's All-Requirements Project will develop a new power plant, a nominal 50 MW simple cycle combustion turbine, in Key West to provide efficient generation and ensure reliability for both local customers and utilities statewide.

FMPA members authorized \$27.1 million in July to design and construct the oil-fired unit at Keys Energy Services' (KEYS) Stock Island generating site in Key West. This unit, which is part of the All-Requirements Project's recently approved long-term capacity plan, will provide several benefits.

"For the All-Requirements Project, Stock Island Combustion Turbine 4 will be an efficient new source of generation — perhaps, as much as 20% more efficient than some of the project's existing units," said FMPA General Manager and CEO Roger Fontes.

"For not only All-Requirements, but all Florida's electric customers, this new quick-start peaking unit will enhance the reliability of the statewide transmission grid," said Fontes.

"When generation is urgently needed to support the grid, this modern combustion turbine can be quickly dispatched to keep the power flowing."

"For the citizens in the lower Keys, the new unit is part of FMPA's special pledge to maintain reliability in their community," said Fontes. When KEYS joined All-Requirements in 1998, FMPA agreed to maintain on-island generation equivalent to 60% of KEYS' load. Under this agreement, if the 120-mile transmission line between Key West and the mainland goes down, KEYS can continue to meet the basic electrical needs of its local customers. The new unit is expected to fulfill this agreement through 2020.

FMPA's previous capacity additions under the agreement were two turnkey 19 MW combustion turbines at Stock Island. The two

Frame 5 model units were installed in 1998, about a year after KEYS' Board voted to join All-Requirements.

Like those two units, the new Stock Island Combustion Turbine 4 will be wholly owned by FMPA's All-Requirements Project and operated by KEYS' staff. As before, FMPA plans to assume responsibility for project development, including licensing and construction.

FMPA members supported the idea of FMPA as a project developer when they approved the project's management plan in July. The project's \$27.1 million budget includes funds for project management, design, major equipment, construction, commissioning, start-up and testing.

The project management plan gives FMPA staff authority to execute contracts and other instruments necessary for the successful

completion of the project. In other words, rather than opting for another turnkey project, this new plan authorizes staff to separately bid and negotiate the best prices for the project's engineering, equipment and construction services.

"FMPA is taking a new step in its evolution from project taker to project maker," said Fontes. "The FMPA staff in partnership with its members is ready to assume full-scale project development responsibilities."

FMPA began work on the project in late 2003. Engineers

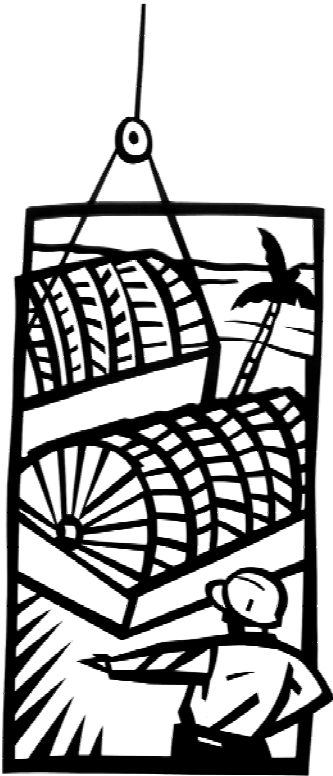
from Black & Veatch developed a conceptual design and cost estimate for the project. FMPA and Black & Veatch also completed a series of meetings with environmental permitting agencies. FMPA applied for the unit's air permit in August.

A request for proposals (RFP) was issued in late July for the plant's combustion turbine and related controls and equipment. FMPA hosted a public meeting Sept. 8 to open the bids and announce the list of bidders. The RFP also requested pricing information for the option to purchase up to six additional combustion turbines to be installed at possible sites.

FMPA plans to purchase the combustion turbine by early 2005 and begin construction in May. The unit is scheduled for commercial operation in February 2006. ♦

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Project Taker to Project Maker Project Maker *continued from page 2*

to the ARP and uphold FMPA's pledge to maintain electric reliability on KEYS' unique, geographically isolated distribution system.

The other new power plant, a 250 MW combined cycle unit, will be installed at a site in Fort Pierce. This unit was recommended by the Integrated Resource Plan to meet a significant capacity need in 2008. Project participants collaborated to select this location from among several member cities' sites that were studied by our consulting engineer and FMPA staff. I am proud of how our ARP participants worked together to select a site based on the long-term best interests of the whole project. That "all for one, one for all" spirit is FMPA's foundation.

In the next 15 years, FMPA is likely to need perhaps a dozen new power stations. This formidable challenge can only be accomplished by uniting the leadership, talents and expertise of the entire FMPA family. FMPA must never forget that, to control our individual destinies, we must work together united by our commitment to those retail electric customers we serve. ♦



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The FMPA Dispatch is published by the Florida Municipal Power Agency. FMPA is a wholesale power company owned by 29 municipal electric utilities. FMPA provides economies of scale in power generation and related services to support community-owned electric utilities.

FMPA's members include Alachua, Bartow, Bushnell, Chattahoochee, Clewiston, Fort Meade, Fort Pierce, Gainesville, Green Cove Springs, Havana, Homestead, Jacksonville Beach, Key West, Kissimmee, Lake Worth, Lakeland, Leesburg, Moore Haven, Mount Dora, New Smyrna Beach, Newberry, Ocala, Orlando, Quincy, St. Cloud, Starke, Vero Beach, Wauchula and Williston.

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