

DISPATCH

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Cane Island Goes Commercial

250 MW Combined Cycle Unit
Begins Serving FMPA and KUA

Clean, Efficient Unit Becomes
FMPA's Largest Single Resource

A NEW HIGH efficiency generating unit began commercial operation Jan. 25 at the Cane Island Power Park, becoming FMPA's largest owned generating resource and supplying power to 13 cities in the All-Requirements Project.

This state-of-the-art 250 MW natural gas-fired unit is known as the Joseph M. Tardugno Unit 3. The unit is among the most modern, most efficient and most environmentally responsible power plants in the United States.



Cane Island Unit 3 is a 250 MW combined cycle generating unit, which began commercial operation Jan. 25. The unit is owned equally by FMPA and the Kissimmee Utility Authority.

A joint development of FMPA and Kissimmee Utility Authority, the \$138.6 million plant will add 125 MW of generation to FMPA's All-Requirements Project.

"Power provided by Unit 3 is at the heart of FMPA's plans to meet the growing energy demands of the 21st century," said Roger Fontes, FMPA's general manager and CEO. "This unit will

provide clean, economical power to Florida's consumers for many years to come."

Unit 3 is named in memory of Joseph M. Tardugno, former director of Leesburg's electric utility and FMPA Board member. Tardugno was killed in an automobile accident on Thanksgiving weekend in 1999—two weeks before the Unit 3 groundbreaking.

Unit 3 is a combined cycle unit, consisting of a 150 MW F-class combustion turbine in combination with a heat recovery steam generator and a 100 MW steam turbine. Combined cycle technology minimizes emissions and generates electricity 30% more efficiently than earlier technology.

The unit is equipped with evaporative inlet cooling and duct firing to increase output during the summer and is outfitted with equipment to enable operation in simple cycle mode.

The plant is fueled by natural gas with No. 2 oil as backup fuel. Both fuels are low in sulfur and ash to minimize emissions.

The Florida Public Service Commission unanimously approved the project's certification of need on Sept. 17, 1999. Construction began in December 1999 and the unit was completed in December 2001, six months later than originally planned.

Unit 3 was constructed on 1,027 acres at the Cane Island Power Park in Intercession City, nine miles southwest of Kissimmee in Osceola County. KUA was project manager for licensing and construction and now operates the plant.

Two other generation units are also located at Cane Island: Unit 1 is a 40 MW combustion turbine, and Unit 2 is a 120 MW combined cycle unit. Both units are owned jointly by FMPA and KUA. ♦

Deregulation — “Going Public”

BY ROGER A. FONTES
General Manager and CEO



Roger Fontes

Is electric deregulation dead and buried—or merely postponed?

At the state level, it appears that Florida lawmakers will not pass deregulation legislation during this session. In contrast, at the national level, the House passed and the Senate is right now considering an industry deregulation bill.

Meanwhile, consumers nationwide remain outraged over the California and Enron debacles and view with ever-increasing skepticism the lawmakers' idea of deregulation as a panacea.

In fact, a recent study conducted by RKS Research shows that even big businesses, which historically have been vocal advocates for deregulation, are growing disillusioned by deregulation.

A survey of the nation's largest commercial energy users reveals that business no longer welcomes deregulation. The results released Feb. 28 show a third of companies sampled believe deregulation should be

postponed indefinitely, while another 17% want states offering retail choice to return to regulated markets. Only 35% feel that deregulation efforts should continue.

How then can federal lawmakers continue to push forward with deregulation legislation? The answer, I believe, is simple; consumers have not yet rallied against deregulation. Can anything be done to stop the federal deregulation juggernaut? I believe it can, but only if we “go public!”

The evidence that deregulation is harmful to consumers is abundant and clear. I think it is time to make this information available to the public. As consumer advocates, municipal utilities should take the lead to spread the word about the dangers of deregulation now.

Please join me and other municipal utility leaders nationwide in expressing your opinions. Contact me or FMPA's Public Relations/Public Affairs Manager, Mark McCain, for any assistance, advice or support you need in delivering this important message to the public. ♦

QUICKLY



Rate Reduction. FMPA's members approved a two-step rate decrease that will reduce the fuel portion of All-Requirements Project bills. The energy rate was reduced from \$38.50 per Megawatt-hour (MWh) to \$36.50 effective Feb. 1, 2002. For the average city that purchases 45,000 MWh per month, the total price of wholesale power for a typical month will decrease by approximately \$100,000. A second rate decrease effective June 1, 2002, will reduce the energy rate further from \$36.50 per MWh to \$34.50, resulting in another \$100,000 reduction. The decreases are possible due to declining prices for natural gas fuel.

New Executive Committee Members. The Executive Committee elected Robert Padron of Key West and Michael Kurtz of Gainesville to the Committee to fill vacant positions resulting from the retirement of Raymond Rodriguez of Key West and Jim Swartz of Homestead. These elections are effective until the annual meeting this July.

FMPA GM Featured in *Florida Trend*.

Florida Trend, Florida's premier statewide business magazine, mentioned Roger Fontes, FMPA's general manager and CEO, in an industry overview for the January 2002 issue. The article stated: “Well-positioned: Prior to becoming the chief executive officer of Florida Municipal Power Agency in Orlando, Roger Fontes worked in the utility industry in Northern California. When Florida resumes its debate on deregulation, he's got a good perspective on how Florida can avoid California's mistakes.” This is Fontes' second appearance in *Florida Trend*. When he joined FMPA, his appointment was mentioned in the March 2001 issue.

Visit to Washington. More than 30 Floridians, representing 11 of the state's municipal utilities traveled to Washington, D.C., in late January for the American Public Power Association's Legislative Workshop & Rally. While there, the group met with at least 10 Representatives, a number of

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FPL Submits License Renewal Application for St. Lucie Plant Longer Operating Life Would Decrease Project's Power Costs

FLORIDA POWER & Light (FPL) submitted an application to the Nuclear Regulatory Commission (NRC) seeking to extend the operating licenses for the St. Lucie nuclear plant, Units 1 and 2.

The application was filed Nov. 30, 2001, seven months ahead of schedule. The NRC's review and decision is expected to take approximately two years to complete.

License extension would be a benefit to FMPA's St. Lucie Project, which owns an 8.8% ownership interest in St. Lucie Unit 2.

Lengthening the plant's operating life could enable FMPA to refinance the project's debt into smaller payments over a longer period of time, thereby decreasing the monthly cost of power from this 838 MW nuclear unit.

Unit 2 began commercial operation in 1983, and its operating license runs until 2023. The St. Lucie Project's ownership pertains exclusively to Unit 2, but the Agency has a Reliability Exchange Agreement with FPL to exchange 50% of its share of the output from Unit 2 for a like amount from Unit 1. ♦

Risk Management Becomes High Priority for FMPA Staff Financial Hedging Techniques Planned to Stabilize Fuel Costs

VOLATILE FUEL prices have made the development of risk management policies a strategic priority for many electric utilities, including FMPA.

Fuel costs are FMPA's largest operating expense. To maintain stable power costs, FMPA is implementing new financial hedging techniques and developing long-range risk management strategies.

FMPA began purchasing call options for winter's natural gas purchases in November 2001. Call options were selected over other

hedging tools because they provide FMPA with the ability to fully participate in lower prices with no risk.

FMPA is not trying to make money on gas speculation. The sole purpose is to control volatility and keep fuel costs below the All-Requirements Project's energy rate.

All-Requirements members were briefed on hedging activities in November and expressed support for progress being made.

At the members' request, FMPA plans to purchase call options for natural gas during spring and summer 2002 and is researching the benefits of hedging other commodities.

A formal risk management policy is under development and should be completed sometime later this year.

An additional briefing on natural gas issues was presented to All-Requirements members on March 21 at FMPA. ♦

Generation Specialist Hired To Enhance Communication With Generating Members

FMPPA HAS RETAINED the services of Bob Wicina, a senior consultant with Black & Veatch engineers, to serve as liaison between FMPA and All-Requirements Project members that own and operate power plants.

FMPA's members that operate generation supply nearly 27% of All-Requirements' total power resources. Therefore, it is essential that FMPA keep abreast of operations at these facilities. Likewise, there are operational matters from the cities' perspective that need to be communicated to FMPA's management.

Wicina is well known in Florida's public power community. He will work on a part-time basis for FMPA, serving approximately one week per month. ♦

**The Dispatch
Via E-Mail**
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congressional staff members and committee staff. The visit was a timely opportunity to explain our positions on several legislative issues pending in Congress and to foster open lines of communication with our Washington representatives.

Lineworker Competition. Electric utility lineworkers from more than a dozen public utilities took part March 2 in the Second Annual Florida Lineman's Competition. More than 100 lineworkers competed for trophies and \$3,000 in prizes donated by FMPA. The event was organized by the Florida Municipal Electric Association. More than 500 spectators came to watch events that tested the lineworkers' skill, speed and safety. JEA took first place in the team competition and Jamie Boswell of Kissimmee Utility Authority won first place in the apprentice division. The winning team received \$2,500 from FMPA to pay for travel expenses to the international lineworker rodeo in Kansas City. The first place apprentice won \$500 to attend the international competition.



The FMPA Dispatch is published by the Florida Municipal Power Agency. FMPA is a nonprofit, joint action agency formed by 29 municipal electric utilities in Florida.

FMPA is a public agency whose primary purpose is to develop competitive power supply projects and related services. 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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