



**Florida Municipal Power Agency  
ARP Business Model Working Group  
January 5, 2012  
10:00 AM**

**Committee Members**

Larry Mattern, Kissimmee - Chairman

Vince Ruano, Bushnell

Fred Hilliard, Fort Meade

Thomas Richards, Fort Pierce

Gregg Griffin, Green Cove Springs

George Forbes, Jacksonville Beach

Lynne Tejada, Key West

Rebecca Mattey, Lake Worth

Paul Kalv, Leesburg

Bill Conrad, Newberry

Matt Brower, Ocala

Ricky Thompson, Starke

**Thursday, January 5, 2012  
10:00am  
at Florida Municipal Power Agency  
8553 Commodity Circle  
Orlando, FL 32819  
407-355-7767**



Florida Municipal Power Agency

Nicholas P. Guarriello  
General Manager and CEO

**TO:** FMPA Executive Committee  
**FROM:** Nicholas P. Guarriello  
**DATE:** December 23, 2011  
**RE:** ARP Business Model Working Group Meeting  
Thursday, January 5, 2012 at 10:00 AM  
**PLACE:** Florida Municipal Power Agency,  
8553 Commodity Circle, Orlando, FL  
Board Room, Orlando, Florida

**DIAL-IN INFORMATION: 866-411-8247, Access Code 13244#**  
**(If you have trouble connecting via phone, please call 321-239-1132)**

**ARP Business Model Working Group Chairman Larry Mattern, Presiding**

## **AGENDA**

- 1. Call to Order and Roll Call**
- 2. Set Agenda (by vote)**
- 3. Consent Agenda – Approval of Minutes – Meeting Held November 17, 2011**
- 4. Comments from the Chairman**
- 5. Comments from the General Manager**
- 6. Moody’s ARP Rating Presentation from November 17<sup>th</sup> Meeting - Review and Discussion**
- 7. BMWG Activities Status Report**
- 8. Set Next Meeting Date**
- 9. Member Comments**
- 10. Adjournment**

One or more participants in the above referenced public meeting may participate by telephone. At the above location there will be a speaker telephone so that any interested person can attend this public meeting and be fully informed of the discussions taking place either in person or by telephone communication. If anyone chooses to appeal any decision that may be made at this public meeting, such person will need a record of the proceedings and should accordingly ensure that a verbatim record of the proceedings is made, which includes the oral statements and evidence upon which such appeal is based. This public meeting may be continued to a date and time certain, which will be announced at the meeting. Any person requiring a special accommodation to participate in this public meeting because of a disability, should contact FMPA at (407) 355-7767 or 1-(888)-774-7606, at least two (2) business days in advance to make appropriate arrangements.

**AGENDA ITEM 1 – Call To Order, Roll Call**

**ARP Business Model Working Group**

**January 5, 2012**

**AGENDA ITEM 2 – Set Agenda (By Vote)**

**ARP Business Model Working Group**

**January 5, 2012**

**AGENDA ITEM 3 – Consent Agenda – Approval of  
Minutes – Meeting Held November 17, 2011**

**ARP Business Model Working Group**

**January 5, 2012**

AGENDA PACKAGES SENT TO MEMBERS..... November 11, 2011  
NOTICE TO CLERKS SENT..... November 9, 2011

**MINUTES  
ALL-REQUIREMENTS PROJECT  
BUSINESS MODEL WORKING GROUP MEETING  
NOVEMBER 17, 2011  
FLORIDA MUNICIPAL POWER AGENCY  
8553 COMMODITY CIRCLE  
ORLANDO, FL 32819**

**BMW GROUP MEMBERS PRESENT**

Fort Meade	-	Fred Hilliard
Fort Pierce	-	Thomas Richards
Green Cove Springs	-	Gregg Griffin
Jacksonville Beach	-	Roy Trotter
Key West	-	Lynne Tejeda
Kissimmee	-	Larry Mattern
Leesburg	-	Paul Kalv
Ocala	-	Matt Brower

**BMW GROUP MEMBERS ABSENT**

Bushnell	-	Vince Ruano
Lake Worth	-	Rebecca Matthey
Newberry	-	Bill Conrad
Starke	-	Ricky Thompson

**OTHERS PRESENT**

David Anderson, Ocala  
Larry Novak, Ocala  
Karl Pfeil, Wells Fargo  
Joe Hostetler, Kissimmee  
Jerry Boop, Leesburg  
Mike Perri, Fort Pierce  
Bill Thiess, Fort Pierce

**STAFF PRESENT:**

Nick Guarriello, General Manager & CEO  
Mark Larson, Assistant General Manager and CFO  
Mark McCain, Assistant General Manager, Member Services, Human Resources, and Public Relations  
Tom Reedy, Assistant General Manager, Power Resources  
Michelle Pisarri, Power Resources Secretary II  
Fred Bryant, General Counsel  
Jody Finklea, Assistant General Counsel & Manager of Legal Affairs

Jim Arntz, Senior Financial Analyst  
Bud Boudreaux, Executive Consultant  
Janet Davis, Treasury Manager  
Edwin Nunez, Assistant Treasurer, Debt

**Item 1 - Call To Order, Roll Call, and Declaration of Quorum**

BMWG Chairman Larry Mattern, Kissimmee, called the All-Requirements Project Business Model Working Group meeting to order at 10:00 a.m. on Thursday, November 17, 2011, in the Board Room at Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with 8 members present out of a possible 12.

**Item 2 – Set Agenda (By Vote)**

**MOTION:** Mr. Griffin, Green Cove Springs, moved to set the agenda as proposed. Mr. Kalv, Leesburg, seconded the motion. Motion carried 8-0.

**Item 3 – Consent Agenda – Approval of Minutes – Meeting Held April 1, 2011**

**MOTION:** Mr. Kalv, Leesburg, moved to approve the consent agenda as presented. Mr. Brower, Ocala, seconded the motion. Motion carried 8-0.

**Item 4 – Comments from the ARP BMWG Chairman**

Chairman Mattern, Kissimmee, complimented the staff and members for their commitment and leadership to the group and for the work the group is doing.

**Item 5 – Comments from the General Manager**

Mr. Guarriello thanked the Chairman for his complimentary remarks and briefly discussed the original objective of the group.

**Item 6– Review and Discussion of Moody’s ARP**

Mr. Larson reviewed the August 9 Moody’s Investors Service downgrade report and led a question and answer session with the group.

**Item 7– ARP Credit Rating Remarks**

Mr. Karl Pfeil of Wells Fargo, formerly of Fitch Ratings, reviewed a presentation on the ARP credit rating.

The meeting recessed at 12:45pm.  
The meeting reconvened at 1:08pm.

Mr. Pfeil continued his presented and led a question and answer session on his presentation.

**Item 8– BMWG Activities Status Report**

Chairman Mattern stated that this item would be discussed if requested. No discussion was requested.

**Item 9 – Set Meeting Date**

The date and subject for the next meeting will be scheduled on Thursday, January 5, 2012 at 10 a.m.

**Item 9 – Member Comments**

Chairman Mattern mentioned a new approach to hedging that was recommended to him by Dr. Gant, one of KUA's board members.

There being no further business, the meeting was adjourned at 2:26 p.m.

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Approved



# VERBAL REPORT

**AGENDA ITEM 4 – Comments From The Chairman**

**ARP Business Model Working Group**

**January 5, 2012**

# VERBAL REPORT

**AGENDA ITEM 5 – Comments From The General  
Manager**

**ARP Business Model Working Group**

**January 5, 2012**

**AGENDA ITEM 6 –Moody’s ARP Rating  
Presentation from November 17<sup>th</sup> Meeting – Review  
and Discussion**

**ARP Business Model Working Group**

**January 5, 2012**



**AGENDA PACKAGE MEMORANDUM**

TO: Business Model Working Group  
FROM: Mark Larson  
DATE: December 23, 2011  
ITEM: 6 – Moody’s ARP Rating Presentation from November 17<sup>th</sup> Meeting - Review and Discussion

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Strategic Relevance **FMPA’s Relevant Strategic Goals**

1. Be the lowest cost wholesale electricity provider in Florida

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Introduction

At the November 17, 2011 Business Model Working Group (BMWG) meeting, the Committee had the staff walk through Moody’s August 9, 2011 ARP bond rating update report, highlighting key points. Also present at the meeting was Karl Pfeil, Senior Vice President and national Loan Team Manager for Public Power with Wells Fargo/Wachovia bank. Mr. Pfeil covered the credit landscape in general, public power and FMPA/ARP specifically. He reviewed his bank’s credit approach and opinion relative to the ARP power project.

The BMWG ended its meeting with the intent to discuss this material further at its January 5, 2012 meeting and decide what the next steps would be, including the need for additional discussion/meetings of the BMWG, additional analysis to be prepared by staff and what action, if any, it would recommend to the Executive Committee.

The purpose of this memo, therefore, is to reintroduce this topic and information which may assist the Committee members in its intended discussions.

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Discussion

The agenda materials for the November 17, 2011 BMWG agenda are still available via the FMPA website/Member portal and not reattached or repeated here.

The BMWG has studied many ARP-related topics as part of its mission. The history of topics covered and a brief summary of those discussions is included in the January 5, 2012 meeting agenda packet at item 7 “BMWG Activities Status Report.” What follows below is a linkage between Moody’s rating factors (liquidity, hedging, rate competitiveness, member credit strength, etc.) and those

prior discussions. The quotations from the Moody’s credit report repeated below are just a sample of statements made on the ARP credit. The entire report should be reviewed in order to get all of the comments that will have a bearing on the issues noted below.

### **ARP Member Credit Rating**

Moody’s says:

- “The rating downgrade reflects increased concerns about the weighted average credit quality of the project participants,…”
- “The rating could be raised by an improved credit quality of the project participants,…”
- “What Could Change the Rating – Down ...Any degradation in credit quality of the ARP participants…”

The BMWG has never discussed this topic in any fashion, and especially not as a driver of the ARP bond rating.

### **Liquidity/Working Capital**

Moody’s says:

- “The rating downgrade reflects...less than optimal liquidity…”
- “What Could Change the Rating – Down ... unexpected weakening of liquidity…”
- “What Could Change the Rating – Up ... improvement in overall liquidity…”

The BMWG has discussed liquidity and working capital in several ways over multiple meetings beginning in September 2009. Liquidity/working capital has been one of the consideration points in discussions on fuel hedging, rate stabilization, equity additions, working capital additions either at FMPA or Member, rate structure and rate setting methodology. Recommendations on fixed cost billing approaches have been presented as well as recommendations on increases in member equity and ways to raise these funds, either immediately or over time. The BMWG has not made a recommendation to the Executive Committee for any changes.

### **Power Cost**

Moody’s says:

- “Variability in fuel (natural gas and coal) prices, ... add to competitive pricing pressure…”
- “From a historical perspective FMPA’s ARP participants have not fared very well in competitive comparisons to its peers in Florida, ...”
- “What Could Change the Rating – Down ...cost pressures…”

- “What Could Change the Rating – Up ...sustained moderation of cost of power...”
- “Many FMPA member electric utilities have sizable transfers...which can sometimes contribute to above average retail rates for some members.”

The BMWG has discussed the factors impacting the ARP’s all-in cost of power through its discussions of the Florida Municipal Power Pool, fuel hedging, Cane Island 4, the Integrated Resource Plan, Joint Action Agency project configurations and power supply commitments, demand management and its related impact on power resource needs, the Electricity Conservation Advisory Program, generation fuels, Florida Gas Utility, and Public Gas Partners. The BMWG recommended and the EC adopted a new natural gas hedging cost program – FST and subsequently FST Plus – as well as the continuation of the construction of Cane Island 4 when demand dropped due to statewide economic slowdown.

### **Carbon Legislation Impact**

Moody’s says:

- “The rating also considers our concerns about the potential future cost pressures that could result from environmental regulations imposed on carbon emitting generation plants...”
- “Challenges...Uncertainty about timing and costs related to future carbon related regulations.”

The topic has come up on occasion as part of discussions on fuel mix and power costs especially relating to the Stanton Energy Center power projects Stanton, Stanton II and Tri-City.

### **ARP Contract Commitment**

Moody’s says:

- “The rating continues to reflect the sound legal security...of the project.”
- “What Could Change the Rating – Down ... Any...failure by any of the participants to meet the contractual obligation would likely change the rating down.”
- “Strengths: Strong all requirements power purchase contracts with project participants.”

The BMWG started its discussion meetings on this topic, with a review of the ARP contract. Later, it considered and discussed other Joint Action Agency arrangements. No recommendations were proposed to change the legal structure of the ARP; interest in nuclear project participation by some FMPA members renewed recognition of FMPA’s power project roots.

**Rate Management**

Moody’s says:

- “The rating also considers ...the need to carefully manage interest and fuel cost variability under FMPA’s hedging program.”
- “Importantly, FMPA enjoys full rate setting autonomy...Similarly, municipal electric utilities are governed by their local city councils and rates are locally established and not regulated by the FPSC...”
- “FMPA’s board has demonstrated a willingness to periodically exercise its autonomy to raise participant rates...”
- “What Could Change the Rating – Down ...cost pressures that make management reluctant to exercise it rate raising powers...”

This issue of competitive rates might be considered the seed issue that prompted the call for the BMWG. It has been remarked on several occasions the importance of both the wholesale rate established at FMPA for the ARP project and the retail rate which the ultimate consumer/customer sees. Every topic considered by the BMWG, to the extent there were dollars involved in the activity, is part of this issue/rating factor.

**Summary:** The BMWG has discussed many topics that have a relationship to the ARP bond rating and have made decisions that affect the rating, even if seen only as a secondary consequence. During discussions at the January 5, 2012 meeting, the BMWG will possibly reconsider consider these issues with the resultant credit rating effect its goal.

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Recommended  
Action

This agenda item has been a preface to the BMWG’s discussion of the Moody’s rating action and its decision as to what the next steps should be, inclusive of the need for additional discussion/meetings of the BMWG, additional analysis to be prepared by staff and/or action recommendation(s), if any, it would make to the Executive Committee.

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# Moody's ARP Rating

1

## REVIEW AND DISCUSSION



# Review of Prior Meeting

2

- **Moody's report walkthrough**
- **Karl Pfeil's remarks**
  - Bottom-up credit review: Member review
  - Top-down credit review: Agency review
  - External factors influencing rating
  - Rating Agency developments
  - Wachovia/Wells view of ARP credit position
  - Moody's new metrics
  - Equity/"Hidden Equity"
  - Member Rate Competitiveness

# Relating Moody's Rating Factors to prior BMWG discussions ...

# Rating Factor: ARP Member Credit Rating

4

- **No prior BMWG meeting on this topic**

# Rating Factor: Liquidity/Working Capital

5

- Increase in Member Equity
- Addition to Rate Stabilization Dollars
  - At FMPA
  - At Member
- Line of Credit level needed
- Fuel cost hedging
- ARP Rate structure and impact on liquidity

# Rating Factor: Power Cost

6

- Fuel hedging review
- Resource mix review
- FMPP review
- Florida Gas Utility services review
- Public Gas Partners review

# Rating Factor: Carbon Legislation Impact

7

- **Resource mix review – see “Power Cost” slide**

# Rating Factor: ARP Contract Commitment

8

- **ARP business model and contracts review**
- **Review of other JPA arrangements**
- **Florida Legislative initiatives**

# Rating Factor: Rate Management

9

- **At the wholesale (ARP) level**
  - Rate stability for fixed cost portion
  - Alternative demand rate structures
  - Funding working capital
  - Economic development rate discussion desired
  - Time-of-use rates
  - Conservation programs
  - Strategic Goal
- **At the retail (Member) level**



# Now for Your Discussion

10

- What do WE want to do? (for ARP)
- What do YOU want to do? (at your system)
- How will any action we/you take improve the ARP credit rating?

**AGENDA ITEM 7 – BMWG Activities Status Report**

**ARP Business Model Working Group**

**January 5, 2012**



Florida Municipal Power Agency

**Mark McCain**  
Assistant General Manager,  
Member Services, Human Resources and Public Relations

### **AGENDA PACKAGE MEMORANDUM**

**TO:** ARP Business Model Working Group  
**FROM:** Mark McCain  
**DATE:** December 23, 2011  
**ITEM:** 7 – BMWG Activities Status Report

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**Introduction**                      The ARP Business Model Working Group (BMWG) requested that staff prepare a report summarizing the BMWG’s activities to date and that the report be included in each BMWG agenda package. Attached is the requested report.

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**Recommended Action**        For information only. No action requested.

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/mm  
Attachment



SUMMARY REPORT

**All-Requirements Project’s Business Model Working Group**

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**What** The Florida Municipal Power Agency’s (FMPA) All-Requirements Project participants formed an advisory group known as the Business Model Working Group (BMWG).

The BMWG is charged with learning and fully understanding the current All-Requirements Project (ARP) business model and how the ARP conducts its business and then, to the extent in that process they believe there are opportunities for achieving greater efficiency, to make suggestions for improvement, which are to be presented to the Executive Committee.

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**Who** Twelve out of 14 cities that purchase wholesale electricity from the All-Requirements Project (ARP) volunteered to participate on the BMWG. The participating cities include:

1. Bushnell	5. Jacksonville Beach	9. Leesburg
2. Fort Meade	6. Key West	10. Newberry
3. Fort Pierce	7. Kissimmee	11. Ocala
4. Green Cove Springs	8. Lake Worth	12. Starke

All members of ARP are invited to participate. The current Chair of the BMWG is Larry Mattern from Kissimmee Utility Authority.

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**Why**

- FMPA’s Strategic Plan calls for FMPA to “continually evaluate the overall ARP business model and industry trends.” This strategy supports the Agency’s top goal of being the lowest cost wholesale electricity provider in Florida.
- Fort Meade, one of the ARP members, suggested conducting such a review in April 2009, and the ARP Executive Committee wished to be responsive to this suggestion.

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<b>When</b>	May 21, 2009	Executive Committee votes to form the BMWG
	June 25, 2009	BMWG hosts its first organizational meeting and elects a chair
	July 2009 to present	BMWG conducts its review of ARP business model

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**How** The BMWG is conducting an in-depth review of topics of its choosing. A summary of the meetings and progress to date is presented in the pages that follow. The information is presented in two formats: 1) BMWG results summarized by topic, and 2) BMWG meeting topics listed by date.

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## BMWG Meetings by Topic

Topic	Discussed	Comment/Status
1. All-Requirements contracts	07/31/09	Since ARP has some new members, one of the BMWG's first activities was to review key project contracts. The BMWG discussed the business points embodied in these contracts.
2. Florida Municipal Power Pool (FMPP)	09/01/09 09/23/09	<p><b>Introduction:</b> The Florida Municipal Power Pool (FMPP) affects a major part of ARP's costs, so the BMWG decided to learn more about the details of how FMPP operates. The BMWG toured OUC's dispatch center where FMPP operations are housed.</p> <p><b>Result:</b> The BMWG approved three recommendations: 1) open discussion with OUC on the contract for dispatch services in the near future, 2) continue to evaluate and, if appropriate, pursue structuring FMPP as a capacity pool, and 3) continue participation in FMPP and continuously evaluate the benefits of that participation.</p>
3. Fuel hedging	09/23/09 10/09/09 10/22/09	<p><b>Introduction:</b> The price of natural gas is one of ARP's largest expenses; therefore, this risk needs to be understood and managed responsibly.</p> <p><b>Action:</b> After a thorough review of alternatives, the BMWG decided to recommend approval of a new hedging policy, known as FMPA Short-Term (FST), to the Audit and Risk Oversight Committee (AROC) and the Executive Committee. The BMWG recommended implementing the strategy on paper to assess its operation and performance while FST underwent review by other FMPA committees. The AROC reviewed FST and recommended it for approval to the Executive Committee. The Executive Committee considered the new hedging policy and tabled a decision until August 2010 in order to continue assessing FST's operation and performance. The Executive Committee voted in August 2010 to approve FST and make it part of a revised Natural Gas and Fuel Oil Policy for approval in September 2010. The updated strategy is not designed to remove price volatility but to provide some protection from sudden natural gas price spikes for a portion of ARP's fuel supply, while allowing ARP to more fully participate in a decline price market.</p>
4. Cane Island Unit 4	11/05/09	<p><b>Introduction:</b> The BMWG requested a discussion on Cane Island Unit 4, specifically the questions about whether to delay or cancel further construction of the unit, or in the alternative, market surplus generating capacity.</p> <p><b>Action:</b> The BMWG decided to recommend neither a delay nor cancellation of Unit 4 and to report this recommendation with updated delay/cancellation cost estimates to the Executive Committee. The BMWG toured the Cane Island site in May 2010.</p>
5. Integrated Resource Plan	11/05/09	<p><b>Introduction:</b> FMPA's Integrated Resource Plan (IRP) is an important process that helps define the ARP's strategy for meeting future electricity demands with the optimal mix of supply-side and demand-side resources that minimizes electricity costs while meeting reliability and other objectives.</p> <p><b>Result:</b> The FMPA staff presented its methods, tools and timelines</p>

Topic	Discussed	Comment/Status
		for the upcoming IRP and solicited feedback from the BMWG.
6. Joint action agency arrangements	11/12/09 05/07/10 06/14/10 07/26/10	<p><b>Introduction:</b> FMPA's Strategic Plan includes a strategy to continually evaluate the overall ARP business model and industry trends (1.5) and, specifically, to benchmark FMPA's performance against other wholesale power providers (1.5.3).</p> <p><b>Result:</b> The BMWG met with representatives from two joint action agencies to discuss their business models. In addition, a matrix was created comparing FMPA's business model with nine other joint action agencies on more than two dozen aspects, such as power contract terms, operations, governance and more. In addition, a statistical summary for the agencies was created, and five ratios were calculated to compare the agencies on various aspects. This information was reviewed with the BMWG, and additional information requests were finalized and presented to the BMWG in July 2010.</p>
7. Demand-side load management/ demand reduction	12/16/09 02/17/10 03/04/10 04/01/10 07/26/10	<p><b>Introduction:</b> FMPA's Strategic Plan includes several action items related to reducing peak demand (1.1.1), evaluating rate structures to incentivize demand-side programs (1.4.1), and encouraging distributed generation or other load-offsetting measures (1.4.2).</p> <p><b>Result:</b> FMPA staff is in the process of seeking input from the BMWG on demand-side management goals and opportunities (see related items "8. Wholesale power rates" and "11 ARP rate structure and demand side management").</p>
8. Wholesale power rates	01/27/10 02/17/10 03/04/10 04/01/10 05/07/10 06/14/10 09/14/10	<p><b>Introduction:</b> FMPA's Strategic Plan included an action item to examine revising the rate setting methodology to smooth out rate changes (e.g. revise working capital methodology and consider rate stabilization) (1.3.3); therefore, the BMWG is addressing the topics of demand rate volatility and capital cost structures.</p> <p><b>Action:</b> FMPA's Finance Team presented several alternatives to reduce volatility in the ARP monthly demand rate. The Team recommended a combination of drawing on a line of credit to meet cash flow needs while building a \$30 million fund of contributed equity over several years for rate levelization. After discussion, the BMWG did not reach consensus on a recommended action. The BMWG directed staff to evaluate demand side management to see how this might affect the demand rate structure (see item "11. ARP rate structure and demand side management"). At the BMWG meeting on Sept. 14, 2010, a motion was approved to report to the Executive Committee that the BMWG considered having an All-Requirements Project rate stabilization fund at FMPA, and that the BMWG decided it would not recommend it at this time. At the same meeting, a motion was approved not to increase the 60-days working capital target and to recommend this to the Executive Committee.</p>
9. Wholesale power cost comparison	01/27/10	<p><b>Introduction:</b> FMPA's number one strategic goal is to be the lowest cost wholesale electricity provider in Florida, so FMPA staff is developing a method for comparing ARP wholesale power costs to other wholesale suppliers.</p> <p><b>Result:</b> FMPA staff received input from the BMWG on a proposed cost-comparison method and is planning to come back to the BMWG with a refined comparison.</p>

Topic	Discussed	Comment/Status
10. Electricity Conservation Advisory Program	05/07/10	<p><b>Introduction:</b> At the BMWG meeting on March 4, 2010, Matt Brower from Ocala mentioned that utilities could do a better job of communicating with their customers on peak energy use days to encourage them to voluntarily reduce energy use. As an example of what he envisioned, Mr. Brower mentioned the Homeland Security Advisory System and the Air Quality Index. He asked that FMPA keep this in mind as it investigated demand-side management options.</p> <p><b>Result:</b> Representatives from Ocala and FMPA created a project to investigate the development of such as project named the Electricity Conservation Advisory Program (ECAP). The ECAP Development Team updated BMWG participants on this activity and invited other potentially interested members to participate. The ECAP Development Team is planning to have the program ready for implementation by winter 2010-2011.</p>
11. ARP rate structure, demand side management and rate-setting methodology	07/26/10 09/14/10 09/30/10 11/09/10 01/10/11 06/01/11	<p><b>Introduction:</b> Arising out of discussions about wholesale power rates (see item 8), FMPA staff was directed by the BMWG to: 1) develop a strategy to eliminate volatility in the ARP demand rate, and 2) develop an ARP-wide demand side management (DSM) program to defer or delay generation resource acquisitions or additions.</p> <p><b>Action:</b> FMPA staff was directed to: 1) review options for increasing the working capital, 2) review options for re-allocating fixed costs to make the demand charge equitable, and 3) review DSM alternatives on an ARP-wide basis that the Integrated Resource Plan suggests are potential options. At the BMWG meeting on Sept. 14, 2010, the FMPA staff was directed to develop alternatives for allocating demand costs that is equitable to the 14 All-Requirements cities and that would provide incentives for demand side management. Completing work on the demand charge issue is necessary before considering the third directive of reviewing ARP-wide demand side alternatives. At the BMWG meeting on Sept. 30, 2010, FMPA staff presented information regarding the second directive of reviewing options for re-allocating demand costs. A motion was approved directing staff to further evaluate proposed options, as well as develop additional options, and evaluate the estimated impacts of each, including costs. At the BMWG meeting on Nov. 9, 2010, FMPA staff presented several options for allocating fixed costs in demand rates. The BMWG expressed preference for a load-ratio share allocation determined by a rolling average based on coincident monthly peaks and asked the staff to further evaluate this option using a one-year, two- and three-year average. At the Jan. 1, 2011, meeting, staff presented an analysis of the options and recommended a three-year average for the phase-in period.</p> <p>Regarding the first directive about increasing working capital, at the BMWG meeting on Sept. 14, 2010, a motion was approved to report to the Executive Committee that the BMWG considered having an All-Requirements Project rate stabilization fund at FMPA, and that the BMWG decided it would not recommend it at this time. In addition, at the same meeting, a motion was approved not to increase the 60-days working capital target and to recommend this to the Executive Committee.</p> <p>Regarding the second directive about alternative demand rate structures, at the BMWG meeting on Jan. 10, 2011, a motion was approved to recommend to the Executive Committee that Schedule</p>

Topic	Discussed	Comment/Status
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		<p>B-1 be amended effective Feb. 1, 2011, to change the methodology for billing demand-related costs to a load-ratio share allocation determined by a rolling average based on coincident monthly peaks over a three-year period, changing to a one-year average on Oct. 1, 2013. This recommended change was considered by the Executive Committee on Feb. 24, 2011, but the motion did not pass by supermajority, as requested by two members.</p> <p>At the June 1, 2011, meeting, the BMWG discussed the unresolved issue of rate volatility and the desire of some members to have more stability in wholesale rates. A motion was approved directing the BMWG Chair to ask of the ARP Executive Committee whether it wants the BMWG to investigate other options for reducing volatility in rates.</p>
12. NERC criteria for demand side management	09/14/10 09/30/10	<p><b>Introduction:</b> FMPA staff received an e-mail dated Aug. 26, 2010, from a member asking for more information on the topic of operating reserves and, in particular, the use of demand resources to contribute toward operating reserves.</p> <p><b>Result:</b> FMPA staff addressed the topic in a memorandum that was included in the agenda package for both meetings. Due to time limitations at the first meeting, discussion was postponed until the second meeting. No further action was requested.</p>
13. BMWG activities status report	09/14/10 09/30/10 11/09/10 01/10/11 03/08/11 04/19/11 06/01/11 <u>11/17/11</u>	<p><b>Introduction:</b> At the BMWG meeting on June 14, 2010, one of the committee members requested that staff prepare a report summarizing the BMWG's activities to date. The member asked that an updated report be included in each BMWG agenda package.</p> <p><b>Result:</b> The summary report was provided. Due to time limitations at the first meeting, discussion was postponed until the second meeting. Updated reports will be included in future BMWG agenda packages. At the Jan. 1, 2010, meeting, the BMWG reviewed the topics it had discussed to date and selected new topics to be considered at future meetings.</p>
14. Generation fuels	03/08/11	<p><b>Introduction:</b> The BMWG requested a presentation on FMPA's generation fuels, specifically a briefing on the latest events impacting future fuel costs.</p> <p><b>Result:</b> FMPA staff presented information about what the operating owners of the All-Requirements Project's jointly owned generating units are doing on the Project's behalf relative to the fuels of coal, natural gas and fuel oil. No further action was requested by the BMWG.</p>
15. Florida Gas Utility	03/08/11	<p><b>Introduction:</b> The BMWG requested a presentation on Florida Gas Utility (FGU).</p> <p><b>Result:</b> Katrina V. Warren, General Manager of FGU, gave a presentation on the history, background and daily functions of FGU relative to FMPA's All-Requirements Project. Some of the topics included membership, governance, staffing, cost allocation, transportation, supply, credit, operations, storage, prepaids and future projects. The new projects included: 1) FMPA Capacity Disaggregation, 2) Gas Management system, and 3) GSAP 3. No further action was requested by the BMWG.</p>
16. Public Gas Partners	04/19/11	<p><b>Introduction:</b> The BMWG requested a presentation on Public Gas</p>



Topic	Discussed	Comment/Status
	06/01/11	<p>Partners (PGP).</p> <p><b>Result:</b> Susan Reeves, president of PGP and chief financial officer for the Gas Authority of Georgia, joined FMPA staff members Mark Larson and Jim Arntz to present a review of the All-Requirements Project's (ARP) association with PGP. At the June 1, 2011, meeting, the consensus of the BMWG was: 1) they are comfortable with the ARP's current participation in PGP, 2) no direction was given to staff to investigate participation in PGP's Pool 3, 3) staff was directed to continue monitoring PGP for other beneficial opportunities to ARP, and 4) staff was directed to create an ongoing, semi-annual summary-at-a-glance report on the overall performance of FMPA's risk mitigation strategies for natural gas.</p>
17. <u>Credit rating</u>	<u>11/17/11</u>	<p><b>Introduction:</b> <u>Moody's Investors Service downgraded the credit ratings for two of FMPA's power supply projects on Aug. 9, 2011. FMPA's All-Requirements Project revenue bonds were downgraded to A2 from A1 with a stable rating outlook. To help the BMWG understand Moody's credit conclusion, the Aug. 9 credit analysis was reviewed in detail. In addition, the credit view of one of the All-Requirements Project's major credit providers, Well Fargo Bank, was presented by Karl Pfeil. Mr. Pfeil is Senior Vice President, Loan Team Managers at Wells Fargo Bank. Prior to joining Wells Fargo, Mr. Pfeil was a Managing Director at Fitch Ratings. Mr. Pfeil was associated with the FMPA credit review effort at Fitch for many years.</u></p> <p><b>Result:</b> <u>At the next meeting, the BMWG will review highlights of the Nov. 17 presentations and open the floor for member comments and recommendations.</u></p>

## BMWG Meetings by Date

Meeting Date	Topics
1. June 25, 2009	<ul style="list-style-type: none"> <li>• Elect a chairperson</li> <li>• Review and discuss contractual documents sent to Executive Committee member June 4, 2009</li> </ul>
2. July 31, 2009	<ul style="list-style-type: none"> <li>• Review and discuss contractual documents sent to Executive Committee member June 4, 2009 (carried over from June 25, 2009 meeting)</li> <li>• Review and discussion comments received from Executive Committee members in response to e-mail sent by Nick Guarriello on June 4, 2009</li> </ul>
3. Sept. 1, 2009	<ul style="list-style-type: none"> <li>• Review and discuss Florida Municipal Power Pool contract</li> <li>• Overview presentation of Pool operations</li> <li>• Tour of FMPP facilities</li> </ul>
4. Sept. 23, 2009	<ul style="list-style-type: none"> <li>• Discussion of Florida Municipal Power Pool</li> <li>• Hedging presentation – review and discussion</li> </ul>
5. Oct. 9, 2009	<ul style="list-style-type: none"> <li>• Continued review and discussion on hedging</li> </ul>
6. Oct. 22, 2009	<ul style="list-style-type: none"> <li>• Continued review and discussion on hedging</li> </ul>
7. Nov. 5, 2009	<ul style="list-style-type: none"> <li>• Discussion of Integrated Resource Plan (IRP) process</li> <li>• Review and discussion of Cane Island Unit 4 project</li> </ul>
8. Nov. 12, 2009	<ul style="list-style-type: none"> <li>• Review and discussion of other joint action agency arrangements</li> </ul>
9. Dec. 16, 2009	<ul style="list-style-type: none"> <li>• Discussion on demand side management</li> </ul>
10. Jan. 27, 2010	<ul style="list-style-type: none"> <li>• Discussion on FMPA wholesale power rates</li> <li>• Discussion on wholesale power cost comparison</li> </ul>
11. Feb. 17, 2010	<ul style="list-style-type: none"> <li>• Discussion on FMPA wholesale power rates</li> <li>• Discussion on demand side load management/demand reduction</li> </ul>
12. March 4, 2010	<ul style="list-style-type: none"> <li>• Discussion on FMPA wholesale power rates</li> <li>• Discussion on demand side load management/demand reduction</li> </ul>
13. April 1, 2010	<ul style="list-style-type: none"> <li>• Discussion on demand side load management/demand reduction</li> <li>• Discussion on FMPA wholesale power rates</li> </ul>
14. May 7, 2010	<ul style="list-style-type: none"> <li>• Discussion on FMPA wholesale power rates</li> <li>• Update on FMPA's response to Ocala's suggestion about communicating with customers on peak energy use days</li> <li>• Review and discussion of other joint action agency arrangements</li> </ul>
15. June 14, 2010	<ul style="list-style-type: none"> <li>• Review and discussion of other joint action agency arrangements</li> <li>• Discussion on FMPA wholesale power rates</li> </ul>
16. July 26, 2010	<ul style="list-style-type: none"> <li>• Update on other joint action agency arrangements</li> <li>• Discussion on ARP rate structure and demand side management</li> </ul>
17. Sept. 14, 2010	<ul style="list-style-type: none"> <li>• Discussion on ARP rate structure and demand side management</li> <li>• NERC criteria for demand side management (member requested)</li> <li>• BMWG activities status report</li> </ul>

18. Sept. 30, 2010	<ul style="list-style-type: none"> <li>• NERC criteria for demand side management (member requested)</li> <li>• BMWG activities status report</li> <li>• Alternative fixed cost allocators/capacity demand charges for the ARP</li> </ul>
19. Nov. 9, 2010	<ul style="list-style-type: none"> <li>• Alternative fixed cost allocators/demand rate structure alternatives</li> <li>• BMWG activities status report</li> </ul>
20. Jan. 10, 2011	<ul style="list-style-type: none"> <li>• Alternative fixed cost allocators/demand rate structure alternatives</li> <li>• BMWG activities status report</li> </ul>
21. March 8, 2011	<ul style="list-style-type: none"> <li>• Discussion of FMPA's generation fuel mix</li> <li>• Presentation on Florida Gas Utility (FGU)</li> <li>• BMWG activities status report</li> </ul>
22. April 19, 2011	<ul style="list-style-type: none"> <li>• Discussion of Public Gas Partners</li> <li>• BMWG activities status report</li> </ul>
23. June 1, 2011	<ul style="list-style-type: none"> <li>• Review of April 19, 2011, PGP presentation/discussion</li> <li>• Discussion of ARP rates</li> <li>• BMWG activities status report</li> </ul>
24. <u>Nov. 17, 2011</u>	<ul style="list-style-type: none"> <li>• <u>Review and Discussion of Moody's ARP bod rating downgrade</u></li> <li>• <u>ARP credit rating remarks – Karl Pfeil, Wells Fargo</u></li> <li>• <u>BMWG activities status report</u></li> </ul>

**AGENDA ITEM 8 – Set Next Meeting Date**

**ARP Business Model Working Group**

**January 5, 2012**

**AGENDA ITEM 9 – Member Comments**

**ARP Business Model Working Group**

**January 5, 2012**