



**Florida Municipal Power Agency  
ARP Business Model Working Group  
March 21, 2012  
2:00 PM**

**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 Matthey, Lake Worth

Paul Kalv, Leesburg

Bill Conrad, Newberry

Matt Brower, Ocala

Ricky Thompson, Starke

**Wednesday, March 21, 2012  
2:00pm  
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: March 15, 2012**  
**RE: ARP Business Model Working Group Meeting**  
**Wednesday, March 21, 2012 at 2:00 PM**

**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 January 5, 2012**
- 4. Comments from the Chairman**
- 5. Comments from the General Manager**
- 6. Kissimmee Utility Authority’s Proposal - GANT Plan (Larry Mattern, KUA)**
- 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**

**March 21, 2012**

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

**ARP Business Model Working Group**

**March 21, 2012**

**AGENDA ITEM 3 – Consent Agenda – Approval of  
Minutes – Meeting Held January 5, 2012**

**ARP Business Model Working Group**

**March 21, 2012**

AGENDA PACKAGES SENT TO MEMBERS..... December 23, 2011  
NOTICE TO CLERKS SENT..... December 23, 2011

**MINUTES  
ALL-REQUIREMENTS PROJECT  
BUSINESS MODEL WORKING GROUP MEETING  
JANUARY 5, 2012  
FLORIDA MUNICIPAL POWER AGENCY  
8553 COMMODITY CIRCLE  
ORLANDO, FL 32819**

**BMW GROUP MEMBERS PRESENT**

Bushnell	-	Vince Ruano
Fort Pierce	-	Thomas Richards
Green Cove Springs	-	Gregg Griffin
Jacksonville Beach	-	Roy Trotter
Key West	-	Lynne Tejeda (via telephone)
Kissimmee	-	Larry Mattern
Leesburg	-	Paul Kalv
Newberry	-	Bill Conrad
Ocala	-	Matt Brower
Starke	-	Ricky Thompson

**BMW GROUP MEMBERS ABSENT**

Fort Meade	-	Fred Hilliard
Lake Worth	-	Rebecca Matthey

**OTHERS PRESENT**

David Anderson, Ocala  
Larry Novak, Ocala  
Michael Grenon, Ocala  
Joe Hostetler, Kissimmee  
Bill Theiss, 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 (via telephone)  
Jody Finklea, Assistant General Counsel & Manager of Legal Affairs (via telephone)  
Jim Arntz, Senior Financial Analyst

**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 10:04 a.m. on Thursday, January 5, 2012, in the Board Room at Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with 10 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. Thompson, Starke, seconded the motion. Motion carried 10-0.

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

**MOTION:** Mr. Thompson, Starke, moved to approve the consent agenda as presented. Mr. Brower, Ocala, seconded the motion. Motion carried 10-0.

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

Chairman Mattern, Kissimmee, gave welcoming comments.

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

Mr. Guarriello briefly recapped the events of the previous meeting of the committee.

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

Mr. Larson reviewed the November 17<sup>th</sup> Moody’s ARP presentation and led a question and answer session with the group.

The meeting recessed at 11:47pm.  
The meeting reconvened at 12:10pm.

Discussion continued.

**Item 7– BMWG Activities Status Report**

Mr. McCain stated that the information was in the agenda package and he would take any specific question. No questions were asked of him.

**Item 9 – Set Meeting Date**

The date and subject for the next meeting will be scheduled after the Joint AROC/EC Workshop. A notice will be distributed when a date has been chosen.

**Item 9 – Member Comments**

Mr. Richards, Fort Pierce, stated that he would like the group to discuss time of use rates at an upcoming meeting.

There being no further business, the meeting was adjourned at 12:36 p.m.

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Approved



# VERBAL REPORT

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

**ARP Business Model Working Group**

**March 21, 2012**

# VERBAL REPORT

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

**ARP Business Model Working Group**

**March 21, 2012**

**AGENDA ITEM 6 –Kissimmee Utility Authority’s  
Proposal – GANT Plan**

**ARP Business Model Working Group**

**March 21, 2012**

## GANT (Gas At Normalized Tabs) Plan:

The GANT Plan (Gas At Normalized Tabs) was introduced as a concept of collecting cash during low natural gas prices and rolling cash back into the rates when prices escalate. This is a recommended methodology to achieve the collection and redistribution of the cash that would tend to normalize the rates. The collection and distribution would be automatically controlled by predetermined parameters.

First high and low collection set points must be established. Fifty million dollars is the minimum set point to be collected before using the "GANT Fund" to smooth costs could occur. One hundred fifty million dollars is the maximum set point used to determine when the Tab (see paragraph below) should be lowered. With an annual fuel bill in fiscal year 2011 that exceeded two hundred million dollars, it is appropriate to set amounts large enough to have an impact on smoothing rates. However, these amounts would be set by the ARP Executive Committee and could be changed by them at any time.

Next the Tab or price point must be set to have a comparison with the actual all-in cost of natural gas from the FMPA All Requirements Project (ARP). The all-in cost is what ARP actually pays for natural gas including all of the hedges and long term purchases. The Tab is set by using the previous month's average ARP all-in gas cost. This Tab is compared with actual average all-in cost for the current month. If the Tab is higher than the current month then all ARP members' energy bills would be calculated using the Tab set instead of the actual all in cost of gas for that month. The excess money collected is then held in the "GANT Fund". If current gas price is more than the Tab and the minimum set point has not been reached then the actual all-in cost of gas for that month is used both to calculate all ARP members' energy bills and to reset the Tab at this new and higher level.

The Tab will continue to ratchet up or stay the same until the maximum set point is reached. The Tab will not ratchet down until the maximum set point (one hundred fifty million dollars) has been reached. The Tab will then ratchet down to the amount of the previous month, but not exceeding a reduction of ten percent reduction per month of the previous Tab in any month.

When the GANT account exceeds the minimum set point (fifty million dollars) and the current all-in price is higher than the Tab then the lower Tab is used to calculate all ARP members' energy bills with the extra funds needed to pay the higher fuel bill being taken from the GANT Fund until the fund is reduced to the minimum set point. This achieves the desired smoothing or normalizing of the gas costs used in setting ARP energy rates.

(This collection and distribution method has no built-in additional costs except the staff time to administer. There are no chances for losses as we have been subjected to in past declining markets.)

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

**ARP Business Model Working Group**

**March 21, 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:** March 19, 2012  
**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**

**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.

**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.

**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.

<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

**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.

## 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
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<p>10. Electricity Conservation Advisory Program</p>	<p>05/07/10</p>	<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>
<p>11. ARP rate structure, demand side management and rate-setting methodology</p>	<p>07/26/10 09/14/10 09/30/10 11/09/10 01/10/11 06/01/11</p>	<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 Larry Mattern to ask of the ARP Executive Committee whether it wants the BMWG to investigate other options for reducing volatility in rates. <u>Mr. Mattern led a discussion at the Executive Committee meeting on June 16, 2011, about whether the Executive Committee wanted the BMWG to further examine ways to reduce volatility in rates. The BMWG was instructed to work on it.</u></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 11/17/11 <u>01/05/12</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. 10, 2011, 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</p>

Topic	Discussed	Comment/Status
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		further action was requested by the BMWG.
16. Public Gas Partners	04/19/11 06/01/11	<p><b>Introduction:</b> The BMWG requested a presentation on Public Gas 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. Credit rating	11/17/11 <u>01/05/12</u>	<p><b>Introduction:</b> 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.</p> <p><b>Result:</b> At the <del>next</del> <u>Jan. 5, 2012</u>, meeting, the BMWG <del>will</del> <u>reviewed</u> highlights of the <u>Nov. 17, 2011</u>, presentations and opened the floor for member comments and recommendations. <u>The consensus of the group was to look at business model ideas that are the right thing to achieve FMPA's number one strategic goal of being the lowest cost wholesale electricity provider in Florida, but not just do everything on Moody's list, and further, that this conclusion be reported back to the ARP Executive Committee. Interest was expressed in rate smoothing for demand rates and fuel costs, as long as we keep in mind the goal of being the lowest cost wholesale provider. It was discussed that a forthcoming joint meeting of the ARP Executive Committee and the Audit and Risk Oversight Committee was being planned to evaluate options for smoothing fuel costs. The BMWG decided to set its next meeting after that joint meeting. Also, a request was made of staff to answer the question: "How much liquidity do we need?" Narrative and quantitative answers were requested.</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. Nov. 17, 2011	<ul style="list-style-type: none"> <li>• Review and discussion of Moody's ARP bond rating downgrade</li> <li>• ARP credit rating remarks – Karl Pfeil, Wells Fargo</li> <li>• BMWG activities status report</li> </ul>
25. <u>Jan. 5, 1012</u>	<ul style="list-style-type: none"> <li>• <u>Moody's ARP rating presentation from Nov. 17 meeting – review and discussion</u></li> <li>• <u>BMWG activities status report</u></li> </ul>

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

**ARP Business Model Working Group**

**March 21, 2012**

**AGENDA ITEM 9 – Member Comments**

**ARP Business Model Working Group**

**March 21, 2012**