

**Florida Municipal Power Agency
Finance Advisory Committee
May 9, 2008**

Submitted by

Mark Larson, Chairman

Committee Members:

Harry Royal, Jacksonville Beach

Joe Hostetler, Kissimmee Utility

Nina Hurtubise, Fort Pierce

Jack Wetzler, Key West

Don Corley, Ocala

Kathleen Libby, Ocala

James Welsh, Kissimmee, Ex-officio

Meeting Held at 10:00 a.m.

Friday May 2, 2008

At FMPA

8553 Commodity Circle

Orlando, Florida 32819

407-355-7767



Florida Municipal Power Agency

Mark Larson
Assistant General Manager, CFO and Risk Manager

REVISED PUBLIC NOTICE

TO: FMPA Finance Advisory Committee
FROM: Mark Larson, Chairman
DATE: April 25, 2008
RE: FMPA Finance Advisory Committee Meeting
May 9, 2008 at 10:00 a.m.
PLACE: FMPA, 8553 Commodity Circle, Orlando, FL, Board Room

AGENDA

1. **Call Meeting to Order - Roll Call, Declaration of Quorum**
2. **Consent Agenda**
 - a. Approval of Minutes – Meetings Held January 11, 2008 & March 7, 2008
3. **Information Items:**
 - a. Workshop – 60 Days Cash Requirement (Jim Arntz)
 - b. Payments to Consultants (Jim Arntz)
 - c. Update of Debt Restructuring (Janet Davis and Craig Dunlap)
 - d. St. Lucie II Power-Up Rate and Participation (Steve Ruppel & Jim Arntz)
 - e. Stanton Energy Center / Indian River CT's Audit Report – FY06 – FY 07 (Steve Ruppel)
 - f. June Meeting Needed? (Jim Arntz)
4. **Other Information**
 - a. Finance Manager's Comments
5. **Adjournment**

MJL/tlb

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 Meeting to Order – Roll Call

**Finance Advisory Committee Meeting
May 9, 2008**

AGENDA ITEM 2 – Consent Items

- a) Approval of Minutes – Meeting Held
1/11/08**

**Finance Advisory Committee Meeting
May 9, 2008**

CLERKS DULY NOTIFIEDJanuary 8, 2008
AGENDA PACKAGE DISTRIBUTED TO MEMBERS.....January 9, 2008

MINUTES
FINANCE ADVISORY COMMITTEE (FAC) MEETING
FRIDAY, JANUARY 11, 2008
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819

COMMITTEE

| | | | |
|-----------------|--------------------|---|----------------|
| MEMBERS | Jacksonville Beach | - | Harry Royal |
| PRESENT: | Key West | - | Jack Wetzler |
| | Kissimmee | - | Joe Hostetler |
| | Ocala | - | Don Corley |
| | Ocala | - | Kathleen Libby |
| | Ft. Pierce | - | Nina Hurtubise |

CHAIRMAN: Mark Larson, Assistant General Manager, CFO and Risk Manager

OTHERS

PRESENT: Mark White, Purvis, Gray & Company
Helen Painter, Purvis, Gray & Company
Mark Bates, Lake Worth
Craig Dunlap, Dunlap & Associates

STAFF

PRESENT: Jim Arntz, Controller
Janet Davis, Treasury Manager
Rich Popp, Financial Planning, Budget & Risk Management Manager
Steven Ruppel, Contract Compliance Audit Manager
Terri Bucy, Budget & Accounting Specialist

ITEM #1 – CALL TO ORDER, ROLL CALL, AND DECLARATION OF QUORUM:

Chairman Mark Larson called the meeting to order at 10:00 a.m. on January 11, 2008 at FMPA’s offices in Orlando, Florida. The roll was taken and a quorum was not declared until 10:18 with four of five members present. (Jack Wetzler, Nina Hurtubise and Don Corley arrived later.)

ITEM #2 – ACTION ITEMS:

Item 2a – Audit Bidding

Mr. Ruppel discussed the Agency’s requirements to solicit bids for audit services and provided additional information regarding Auditor Selection Guidelines 2007 and references to Florida Statutes (215.97 and 218.39) and Law (Rules of the Auditor General sec.10.550 and 11.45). The web address is: http://www.myflorida.com/audgen/pages/pdf_files/10_550.pdf. Contact information for Marilyn: Rosetti@aud.state.fl.us, or Auditor General, Local Gov’t. Reviews & Special Audits, 111 W. Madison St., Section 342, Tallahassee, FL 32399-1450; (850) 487-9031.

Item 2b – Review Draft Financial Statements

Draft financial statements for the year ended September 30, 2007 were presented. Discussion included explanations and analyses of variances and changes between 2006 and 2007. Highlights were: all assets in the Pool Loan Fund are classified as restricted assets (this year); minimal debt has been incurred since last year; \$6M was borrowed for the Taylor Energy Center; interest expense is now shown as a separate line

item on the Statement of Cash Flow; the definition of capital assets and depreciable lives; debt repayment; FAS 71 and bond maturation.

Item 2c – FAC Meeting with External Auditors

Mark White (partner, Purvis, Gray & Co.), presented the firm’s 2007 Management Letter Comments to the committee. He noted that \$10M (mostly development fund money) has been accumulated and that these funds could possibly be utilized in the future and that the “60 days of cash” calculation (“Revenue Billing”) should be reviewed as the number fell to 39 days during several of the summer months. (It was discussed and determined that a workshop for the “60 days cash” would be held during the March meeting. Per Mr. White PGP is geographically remote and FMPA should take delivery of profits since it cannot take actual physical delivery of gas. Mr. Arntz was commended for preparing a line loss calculation – something not previously done at FMPA. PG&C was pleased that the number was 2 ½% and considered it a good safety net. In closing, Mark recognized the tremendous efforts on the part of FMPA personnel to prepare the year-end and financial statements and in adding additional professional depth in the accounting department. Mr. Bates asked if FMPA would include responses to the auditor’s comments. Ms. Davis added that FMPA should consider adding to the financial statements that we do not have any sub-prime exposure issues.

Item 2d – Financial Market Update

Ms. Davis presented and led a discussion on an update of the financial market and how current and projected market conditions impact the Agency’s investments and debt. Ms. Davis presented information on our bonds and various performance indexes and pointed out that today’s list of counterparties are all in the “A’s” and that we have swap agreements with all of them. Ms. Davis answered questions from the Committee. Mr. Dunlap then discussed his opinion of what the current and projected conditions mean for the Agency. Mr. Larson followed and noted that the effects felt by the member cities could “flow up” and affect FMPA.

Item 2e – Review Listing of Payments to Consultants

This discussion will be moved to a future meeting and a list of payments made to all consultants will be provided then.

Item 2f – Affirmation of FAC Mission Statement

Mr. Larson read the statement: *To promote member trust and participation in strategic finance issues and through a group effort, make recommendations to the General Manager of FMPA for the betterment of FMPA and its Projects.* The committee then discussed the statement and said that it should be studied further. Mr. Royal suggested that in a future meeting, someone should bring up “generator and non-generator” members. Mr. Hostetler emphasized the need for a strong, technical operating committee to ensure that we know how to run the plants properly. Mr. Royal added that he specifically wanted Mr. Hostetler’s comments added to the Minutes.

ITEM #3 – FINANCE MANAGERS STATEMENT:

Mr. Larson reviewed the list of items to be emailed to the members next week and the topics to be covered in the March meeting.

ITEM #4 – ADJOURNMENT:

There being no further business, the meeting adjourned at 3:37 p.m.

Approved on: _____ (date) _____

MJL/tlb 1/15/08

AGENDA ITEM 2 – Consent Items

- b) Approval of Minutes – Meeting Held
3/7/08**

**Finance Advisory Committee Meeting
May 9, 2008**

MINUTES
FINANCE ADVISORY COMMITTEE (FAC) MEETING
FRIDAY, MARCH 7, 2008
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819

COMMITTEE

| | | | |
|-----------------|--------------------|---|----------------|
| MEMBERS | Jacksonville Beach | - | Harry Royal |
| PRESENT: | Kissimmee | - | Joe Hostetler |
| | Ocala | - | Don Corley |
| | Ocala | - | Kathleen Libby |
| | Ft. Pierce | - | Nina Hurtubise |

CHAIRMAN: Mark Larson, Assistant General Manager, CFO and Risk Manager

OTHERS

PRESENT: Matt Williams, UBS
Susan Thorpe, Wells Fargo
David Abrams, Chris Fink & Trip Bristow all of Merrill Lynch
Larry Mattern, KUA
Becky Mattey, Ocala
Craig Dunlap, Dunlap & Associates

STAFF

PRESENT: Jim Arntz, Accounting Manager & Controller
Janet Davis, Treasury Manager
Rich Popp, Financial Planning, Budget & Risk Management Manager
Steven Ruppel, Contract Compliance Audit Manager
Edwin Nunez, Treasury Analyst III, Assistant Treasurer
Terri Bucy, Budget & Accounting Specialist

ITEM #1 – CALL TO ORDER, ROLL CALL, AND DECLARATION OF QUORUM:

Chairman Mark Larson called the meeting to order at 10:00 a.m. on March 7, 2008 at FMPA’s offices in Orlando, Florida. The roll was taken and a quorum was not declared until 10:18 with four of five members present. (Don Corley arrived late.) The order of the remaining Agenda Items was changed in order to accommodate phone-ins (including Roger Fontes, various investment firms and others).

ITEM #3 – INFORMATION ITEMS:

Item 3d – Billing Error Concern with FPL – Key West 45MW Capacity & Energy Contract

Steve Ruppel discussed the errors made by FPL regarding “on” and “off” peak charges. Per Steve, the errors occurred between 1/06 and 10/07. FPL erroneously reported Saturdays and Sundays as “on” peak. The overcharges breakdown as follows: \$550k for the difference between “on” vs. “off” peak; \$160k in related fuel charges; \$40k in interest charges for a total overcharge of \$750k. FMPA has received approximately \$75k back, leaving a remaining overcharge of about \$670k.

Item 3g – Proposed C&E Credit Changes for KUA

Rich Popp discussed C&E credit changes for KUA (capacity credit).

Item 3b – FAS 71 Update

Jim Arntz presented Deferred Cost information (including Depreciation/Debt Service Timing, Unamortized Loss on Advanced Refunding of Debt, Unamortized Debt Issuance Costs, Any Amounts Due to Members

and Cash Collected for operating requirements through rates). Jim included graphs for the FAS 71 Wind Downs of ARP, St. Lucie, Stantons I and II and Tri-City. Jim pointed out that when the line turned upward that depreciation had ceased. Concerns regarding a hidden rate increase were expressed and FMPA said that a long-term plan for debt and debt retirement was being prepared.

Item 3e – Decrease in Loads

Jim Arntz discussed the current downturns in the economy and income and their effects on rates. Mark Larson said that these factors were taken into consideration in the Budget process, so that FMPA's numbers should not cause errors in the cities' budgets especially since they have no monthly adjustments. Nina Hurtubise (FPUA) and Kathy Libby (Ocala) asked for projections for their cities.

Item 3a – FMPA Debt and Investments

Roger Fontes (via teleconference) gave an overview of FMPA's debt situation and indicated that AA's (like FMPA) may be able to issue debt based on their credit. The discussion then focused on potential downgrading of banks, etc. and not just investments. Roger indicated that the Plan was being formulated and that information still needed to be acquired. The audio quality of the phone connection varied, so Mark summarized the Plan regarding FMPA's debt, indicating that any and all available avenues were being considered (letter of credit, line of credit, private placement to relieve auction rate security issues, etc.). Merrill Lynch, Craig Dunlap and other investment advisors cited their observations, discussions with financial institutions, and recommendations. Liquidity, basis points, term lengths, underwriters discounts, insurance costs, remarketing and underwriting were some of the topics discussed. Janet Davis indicated that she had contacted Bank of America, SunTrust, Regions, Wachovia and Deutsch Bank. The consensus was that it is not an "all or nothing" market and that FMPA will have to weigh all costs against all benefits. In concluding, Roger told the audience that he would like them to consider combining the governance committee with the FAC and ROC committees. The result would be a strengthening and aligning of the committees which would also afford more efficiency.

Item 3c – ARP Bond Finance Approval for 2008 – Cane Island Plant

Ed Nunez indicated that this issue had been resolved in the prior month (at a different meeting) and thus the topic was deleted from the FAC March 2008 Meeting.

Item 3f – Workshop – 60 Days Cash Requirement

This item was rescheduled to the May 2008 FAC Meeting.

ITEM #4 – FINANCE MANAGERS STATEMENT:

Mark noted that Harry Royal (Jacksonville Beach) had left and that the FAC no longer had a quorum. In light of that, the Minutes would have to be approved at a later date. Mark summarized the topics discussed and indicated that we could possibly divide the "pie" up in order to give some business to those that not only serve FMPA for free everyday, but were also best poised to place FMPA's debt..

ITEM #4 – ADJOURNMENT:

There being no further business, the meeting adjourned at 12:32 p.m.

Approved on: _____ (date) _____

MJL/tlb 3/10/08

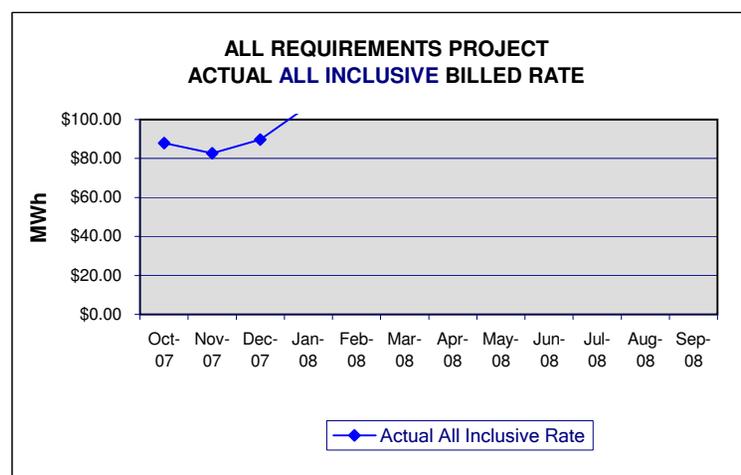
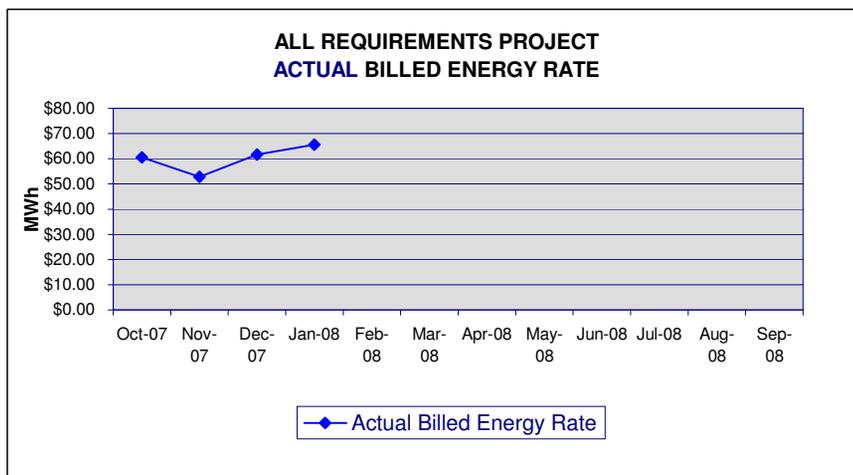
AGENDA ITEM 3 – Information Items

a) Workshop – 60 Days Cash Requirement

**Finance Advisory Committee Meeting
May 9, 2008**

One Page Financial Report As of January 31, 2008

| | All-Requirements | | St. Lucie | Stanton | Tri-City | Stanton II |
|---|------------------|-----------------|----------------|----------------|----------------|----------------|
| | Current Month | | Current Month | Current Month | Current Month | Current Month |
| | Actual Cost | Rate | Rate | Rate | Rate | Rate |
| Demand (kW) | \$10.10 | \$14.29 | | | | |
| Energy (MWh) | \$52.61 | \$65.60 | | | | |
| Transmission (kW) | \$1.03 | \$1.33 | | | | |
| All-Inclusive (MWh) | \$82.45 | \$107.10 | \$48.07 | \$49.26 | \$55.70 | \$45.25 |
| S/T Over/(Under) Recovery Through 1/31/08 | \$11,267,875 | | \$3,300,218 | \$1,816,247 | \$638,386 | \$1,798,813 |
| Billed ENERGY MWH fiscal year-to-date | 2,034,726 | | | | | |
| Budgeted ENERGY MWH fiscal year-to-date | 2,144,688 | | | | | |
| Days of Cash Available - O&M Fund | 55 | | 60 | 60 | 60 | 60 |
| Days of Cash Available - O&M & General Reserve Funds | 55 | | 219 | 152 | 38 | 217 |
| O&M Balance (does not include borrowed \$\$s) | \$90,235,032 | | \$8,100,000 | \$4,800,000 | \$2,000,000 | \$7,000,000 |
| O&M and General Reserve Funds | \$90,235,065 | | \$29,541,570 | \$12,134,525 | \$1,262,066 | \$25,349,337 |
| Borrowings: | | | | | | |
| NYMEX Equity Borrowings Balance | \$0 | | \$0 | \$0 | \$0 | \$0 |
| LOC Borrowings Balance | \$1,000 | | \$0 | \$0 | \$0 | \$0 |
| 60 Day O&M Fund Target | \$98,580,540 | | \$8,100,000 | \$4,800,000 | \$2,000,000 | \$7,000,000 |



All Requirements

Graph Source

| | Oct-07 | Nov-07 | Dec-07 | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actual Energy Rate | \$60.54 | \$52.84 | \$61.63 | \$65.60 | | | | | | | | |
| Actual All Inclusive Rate | \$78.66 | \$103.90 | \$81.50 | \$82.45 | #DIV/0! |
| Actual All Inclusive Billed R | \$87.84 | \$82.75 | \$89.68 | \$107.10 | #DIV/0! |

FMPA Power Cost Adjustment Calculation Worksheet

January-08

Energy Adjustment Calculation

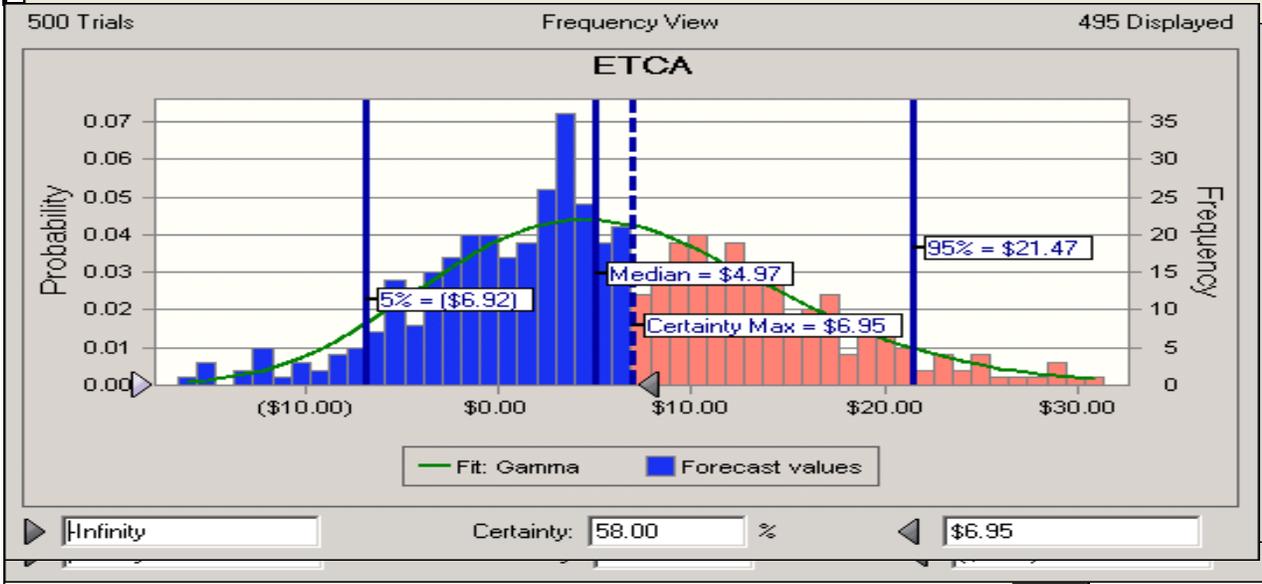
(Over) Under Recovery
Balance \$ (45,342,432)

| Usage Month | Projected MWh | Projected Production Costs per MWh | Projected Cost per Month |
|--------------------------|---------------|------------------------------------|--------------------------|
| Jan. 08 Energy | 476,354 | \$53.41 | \$ 25,442,067.46 |
| Projected Billing | | | |
| Feb. 08 Energy | 434,582 | \$55.98 | \$ 24,327,900.36 |
| Mar. 08 Energy | 481,082 | \$73.08 | \$ 35,157,472.56 |
| Apr. 08 Energy | 487,168 | \$59.01 | \$ 28,747,783.68 |
| 4 Month Totals | 1,879,186 | | \$ 113,675,224.06 |

Days of cash on hand 54.92

Recovery Adjustment Rate (\$24.13) per MWh
 4 Month Weighted Average of Production costs and cash requirements \$87.44 per MWh
 Less: Base Energy Rate \$58.65 per MWh
 Adjustment Rate \$28.79 per MWh
Energy Total Cost Adjustment @ Mean \$4.66 per MWh

Energy Total Cost Adjustment @ 58% Confidence based on Project's Days of Available Cash
 \$ 0.00695 per kWh
Net Energy Rate \$65.60 per MWh



FMPA Power Cost Adjustment Calculation Worksheet

January-08

Transmission Adjustment Calculation

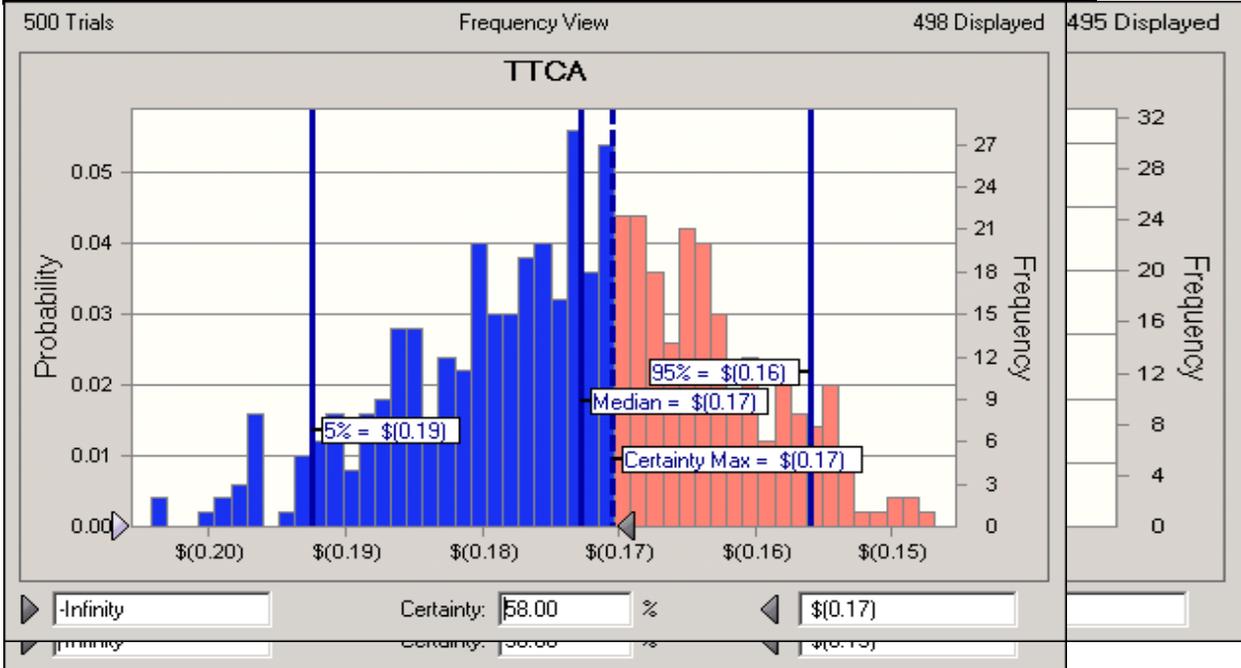
(Over) Under Recovery
Balance \$ (576,058) prior month's balance

| Usage Month | Projected kW |
|--------------------------|--------------|
| Jan. 08 Transmission | 1,342,994 |
| Projected Billing | |
| Feb. 08 Transmission | 1,197,000 |
| Mar. 08 Transmission | 1,011,000 |
| Apr. 08 Transmission | 1,130,500 |
| 4 Month Totals | 3,338,500 |

Transmission Total Cost Adjustment @ Mean \$ (0.17)

Trans. Total Cost Adjustment @ 58% Confidence based on Project's Days of Available Cash \$ (0.17) per kW month

Base Rate \$ 1.50 per kW month
Net Demand Rate \$ 1.33 per kW month



| Budget Data | | \$ | Monthly |
|-----------------------------|-------------------|---|----------------|
| Demand Budget FY 08 | 213,174,000 | \$ | 17,764,500 |
| Xmssn Budget FY 08 | 19,917,000 | \$ | 1,659,750 |
| Xmssn Budget KUA FY 08 | 1,480,000 | \$ | 123,333 |
| Cash Information | | | |
| Calculated Cash requirement | 98,580,540 | | |
| | | | \$ (8,345,508) |
| Current Cash on hand | <u>90,235,032</u> | Operations & Maintenance Fund per Accou | |
| Equity borrowings | - | | |
| LOC borrowings balance | - | | |
| Excluded Resources | | MWh | kW |
| CR3 | | | |
| | 16,000 | | 23,061 |
| St Lucie | 41,418 | | 59,524 |
| | | | |
| | <u>57,418</u> | | <u>82,585</u> |

| IRP Data | Severe (90%) | Mild (10%) | Adjusted for Exclu High |
|-----------------|---------------------|-------------------|------------------------------------|
| kW | | | |
| Feb. 08 Demand | 1,339,000 | 1,055,000 | 1,256,415 |
| Mar. 08 Demand | 1,167,000 | 855,000 | 1,084,415 |
| Apr. 08 Demand | 1,295,000 | 966,000 | 1,212,415 |
| MWh | | | |
| Feb. 08 Energy | 542,636 | 441,363 | 485,218 |
| Mar. 08 Energy | 595,879 | 481,121 | 538,461 |
| Apr. 08 Energy | 605,375 | 483,796 | 547,957 |

| Month | Variance from 60 days w/o over- recoveries |
|--------------------------|--|
| Jan. 08 Energy | \$ 12,658,273 |
| Projected Billing | |
| Feb. 08 Energy | \$ 12,658,273 |
| Mar. 08 Energy | \$ 12,658,273 |
| Apr. 08 Energy | \$ 12,658,273 |
| 4 Month Totals | \$ 50,633,094 |

Projected next 3
Month Energy Cost
w/o cash requirement

\$62.90 \$ /MWH

Diff. between calculated
unting monthly report

| | |
|--------------------|---------|
| Adjusted Resources | |
| Low | |
| | 972,415 |
| | 772,415 |
| | 883,415 |
| Adjust Low | |
| | 383,945 |
| | 423,703 |
| | 426,378 |

All-Requirements

| | October-07 | November-07 | December-07 | January-08 | February-08 | March-08 | April-08 | May-08 | June-08 | July-08 | August-08 | September-08 | Total |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-------------|----------|----------|---------|---------|---------|-----------|--------------|------------------|
| Number of Days in Month | 31 | 30 | 31 | 31 | 29 | 31 | 30 | 31 | 30 | 31 | 31 | 30 | |
| Demand | | | | | | | | | | | | | |
| Billed to Participants | 17,451,576.08 | 12,762,715.46 | 12,080,358.16 | 17,981,016.40 | | | | | | | | | 60,275,666.10 |
| Actual Net Expenses | (12,759,573.54) | (16,962,732.91) | (14,718,216.42) | (12,730,055.19) | | | | | | | | | (57,170,578.06) |
| Over/(Under) Recovery | 4,692,002.54 | (4,200,017.45) | (2,637,858.26) | 5,250,961.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,105,088.04 |
| kWhs Billed | 1,221,780 | 934,195 | 880,255 | 1,260,216 | | | | | | | | | 4,296,446 |
| Actual Cost | \$10.44 | \$18.16 | \$16.72 | \$10.10 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | \$13.31 |
| Projected Net Expenses | | | | | | | | | | | | | |
| Projected Rate | | | | | | | | | | | | | |
| Energy | | | | | | | | | | | | | |
| Billed to Participants | 34,777,939.58 | 24,832,333.39 | 29,822,950.99 | 31,071,278.01 | | | | | | | | | 120,504,501.97 |
| Actual Net Expenses | (34,175,763.37) | (30,379,324.10) | (23,143,679.04) | (24,868,928.68) | | | | | | | | | (112,567,695.19) |
| Over/(Under) Recovery | 602,176.21 | (5,546,990.71) | 6,679,271.95 | 6,202,349.33 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 7,936,806.78 |
| kWhs Billed | 612,211,686 | 469,807,466 | 480,014,743 | 472,691,936 | | | | | | | | | 2,034,725,831 |
| Actual Cost | \$55.82 | \$64.66 | \$48.21 | \$52.61 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | \$55.32 |
| Projected Net Expenses | | | | | | | | | | | | | |
| Projected Rate | | | | | | | | | | | | | |
| Transmission | | | | | | | | | | | | | |
| Billed to Participants | 1,550,095.00 | 1,280,464.05 | 1,143,939.05 | 1,572,818.28 | | | | | | | | | 5,547,316.38 |
| Actual Net Expenses | (1,219,650.40) | (1,472,091.93) | (1,257,475.96) | (1,372,117.99) | | | | | | | | | (5,321,336.28) |
| Over/(Under) Recovery | 330,444.60 | (191,627.88) | (113,536.91) | 200,700.29 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 225,980.10 |
| kWhs Billed | 1,292,004 | 1,004,419 | 935,133 | 1,330,440 | | | | | | | | | 4,561,996 |
| Actual Cost | \$0.94 | \$1.47 | \$1.34 | \$1.03 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | \$1.17 |
| Projected Net Expenses | | | | | | | | | | | | | |
| Projected Rate | | | | | | | | | | | | | |
| TOTAL EXPENSES | (48,154,987.31) | (48,814,148.94) | (39,119,371.42) | (38,971,101.86) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (175,059,609.53) |
| TOTAL kWh billed - Energy | 612,211,686 | 469,807,466 | 480,014,743 | 472,691,936 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,034,725,831 |
| TOTAL S/T OVER (UNDER REC) | 5,624,623.35 | (9,938,636.04) | 3,927,876.78 | 11,654,010.83 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 11,267,874.92 |
| TOTAL REVENUES | 53,779,610.66 | 38,875,512.90 | 43,047,248.20 | 50,625,112.69 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 186,327,484.45 |
| All-Inclusive Rate | \$ 87.84 | \$ 82.75 | \$ 89.68 | \$ 107.10 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | \$ 91.57 |

**Florida Municipal Power Agency
Monthly Financial Statement Recap
Fiscal Year 2008**

| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Cumulative |
|---|------------------|------------------|--------------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|
| Short-Term Rev & Exp | | | | | | | | | | | | | |
| Operating Income | 3,233,517 | 2,934,680 | 2,881,630 | 5,018,047 | | | | | | | | | 14,067,874 |
| Operating Expenses | 3,018,372 | 2,949,926 | 2,408,574 | 2,390,785 | | | | | | | | | 10,767,657 |
| Net Over (Under) Recoveries | 215,145 | (15,246) | 473,056 | 2,627,262 | - | - | - | - | - | - | - | - | 3,300,218 |
| cumulative | 215,145 | 199,899 | 672,955 | 3,300,218 | 3,300,218 | 3,300,218 | 3,300,218 | 3,300,218 | 3,300,218 | 3,300,218 | 3,300,218 | 3,300,218 | |
| Long-Term Deferred Rev & Exp | | | | | | | | | | | | | |
| Non-Operating Income | - | - | | | | | | | | | | | - |
| Non-Operating Expense | 495,264 | (3,149,704) | 2,284,815 | 14,728,120 | | | | | | | | | 14,358,495 |
| Net Deferred Income / (Expense) | (495,264) | 3,149,704 | (2,284,815) | (14,728,120) | - | - | - | - | - | - | - | - | (14,358,495) |
| cumulative | (495,264) | 2,654,440 | 369,625 | (14,358,495) | (14,358,495) | (14,358,495) | (14,358,495) | (14,358,495) | (14,358,495) | (14,358,495) | (14,358,495) | (14,358,495) | |
| Grand Net Income / (Expense) | (280,119) | 3,134,458 | (1,811,759) | (12,100,858) | - | - | - | - | - | - | - | - | (11,058,278) |
| cumulative | (280,119) | 2,854,339 | 1,042,580 | (11,058,278) | (11,058,278) | (11,058,278) | (11,058,278) | (11,058,278) | (11,058,278) | (11,058,278) | (11,058,278) | (11,058,278) | |

**Florida Municipal Power Agency
Monthly Financial Statement Recap
Fiscal Year 2008**

| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Cumulative |
|---|----------------|----------------|-----------------|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Short-Term Rev & Exp | | | | | | | | | | | | | |
| Operating Income | 2,016,818 | 1,823,336 | 2,618,000 | 2,603,364 | | | | | | | | | 9,061,518 |
| Operating Expenses | 1,372,757 | 1,719,149 | 2,093,556 | 2,059,811 | | | | | | | | | 7,245,272 |
| Net Over (Under) Recoveries | 644,062 | 104,187 | 524,444 | 543,553 | - | - | - | - | - | - | - | - | 1,816,247 |
| cumulative | 644,062 | 748,249 | 1,272,693 | 1,816,247 | 1,816,247 | 1,816,247 | 1,816,247 | 1,816,247 | 1,816,247 | 1,816,247 | 1,816,247 | 1,816,247 | |
| Long-Term Deferred Rev & Exp | | | | | | | | | | | | | |
| Non-Operating Income | 270,833 | 270,833 | 270,833 | 270,833 | | | | | | | | | 1,083,333 |
| Non-Operating Expense | 103,624 | (564,629) | 297,669 | 1,304,984 | | | | | | | | | 1,141,648 |
| Net Deferred Income / (Expense) | 167,209 | 835,463 | (26,836) | (1,034,150) | - | - | - | - | - | - | - | - | (58,314) |
| cumulative | 167,209 | 1,002,672 | 975,836 | (58,314) | (58,314) | (58,314) | (58,314) | (58,314) | (58,314) | (58,314) | (58,314) | (58,314) | |
| Grand Net Income / (Expense) | 811,271 | 939,650 | 497,609 | (490,597) | - | - | - | - | - | - | - | - | 1,757,932 |
| cumulative | 811,271 | 1,750,921 | 2,248,529 | 1,757,932 | 1,757,932 | 1,757,932 | 1,757,932 | 1,757,932 | 1,757,932 | 1,757,932 | 1,757,932 | 1,757,932 | |

**Florida Municipal Power Agency
Monthly Financial Statement Recap
Fiscal Year 2008**

| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Cumulative |
|---|----------------|----------------|----------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|------------|
| Short-Term Rev & Exp | | | | | | | | | | | | | |
| Operating Income | 848,640 | 754,915 | 1,045,848 | 1,038,631 | | | | | | | | | 3,688,035 |
| Operating Expenses | 600,410 | 740,648 | 862,440 | 846,151 | | | | | | | | | 3,049,649 |
| Net Over (Under) Recoveries | 248,231 | 14,267 | 183,408 | 192,480 | - | - | - | - | - | - | - | - | 638,386 |
| cumulative | 248,231 | 262,498 | 445,906 | 638,386 | 638,386 | 638,386 | 638,386 | 638,386 | 638,386 | 638,386 | 638,386 | 638,386 | |
| Long-Term Deferred Rev & Exp | | | | | | | | | | | | | |
| Non-Operating Income | 177,083 | 177,083 | 177,083 | 177,083 | | | | | | | | | 708,333 |
| Non-Operating Expense | 108,771 | (63,453) | 136,315 | 270,599 | | | | | | | | | 452,232 |
| Net Deferred Income / (Expense) | 68,313 | 240,536 | 40,768 | (93,516) | - | - | - | - | - | - | - | - | 256,101 |
| cumulative | 68,313 | 308,849 | 349,617 | 256,101 | 256,101 | 256,101 | 256,101 | 256,101 | 256,101 | 256,101 | 256,101 | 256,101 | |
| Grand Net Income / (Expense) | 316,543 | 254,803 | 224,176 | 98,964 | - | - | - | - | - | - | - | - | 894,487 |
| cumulative | 316,543 | 571,346 | 795,523 | 894,487 | 894,487 | 894,487 | 894,487 | 894,487 | 894,487 | 894,487 | 894,487 | 894,487 | |

**Florida Municipal Power Agency
Monthly Financial Statement Recap
Fiscal Year 2008**

| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Cumulative |
|---|----------------|------------------|------------------|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Short-Term Rev & Exp | | | | | | | | | | | | | |
| Operating Income | 3,963,648 | 3,966,447 | 3,907,084 | 3,873,340 | | | | | | | | | 15,710,519 |
| Operating Expenses | 3,532,533 | 3,583,406 | 3,544,913 | 3,250,854 | | | | | | | | | 13,911,706 |
| Net Over (Under) Recoveries | 431,116 | 383,041 | 362,170 | 622,486 | - | - | - | - | - | - | - | - | 1,798,813 |
| cumulative | 431,116 | 814,156 | 1,176,327 | 1,798,813 | 1,798,813 | 1,798,813 | 1,798,813 | 1,798,813 | 1,798,813 | 1,798,813 | 1,798,813 | 1,798,813 | |
| Long-Term Deferred Rev & Exp | | | | | | | | | | | | | |
| Non-Operating Income | 367,500 | 367,500 | 367,500 | 367,500 | | | | | | | | | 1,470,000 |
| Non-Operating Expense | 336,749 | (379,298) | 510,805 | 1,324,083 | | | | | | | | | 1,792,340 |
| Net Deferred Income / (Expense) | 30,751 | 746,798 | (143,305) | (956,583) | - | - | - | - | - | - | - | - | (322,340) |
| cumulative | 30,751 | 777,548 | 634,243 | (322,340) | (322,340) | (322,340) | (322,340) | (322,340) | (322,340) | (322,340) | (322,340) | (322,340) | |
| Grand Net Income / (Expense) | 461,866 | 1,129,838 | 218,865 | (334,097) | - | - | - | - | - | - | - | - | 1,476,473 |
| cumulative | 461,866 | 1,591,705 | 1,810,570 | 1,476,473 | 1,476,473 | 1,476,473 | 1,476,473 | 1,476,473 | 1,476,473 | 1,476,473 | 1,476,473 | 1,476,473 | |

**Florida Municipal Power Agency
 Monthly Financial Statement Recap
 Fiscal Year 2008**

| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Cumulative |
|-------------------------|----------------|----------------|---------------|----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------------|
| Total Income | 678,928 | 743,275 | 873,771 | 965,488 | | | | | | | | | 3,261,463 |
| Total Expenses | 560,304 | 746,021 | 833,300 | 860,823 | | | | | | | | | 3,000,448 |
| Unbilled Allocation | - | - | | | | | | | | | | | - |
| Net Over (Under) | 118,624 | (2,746) | 40,471 | 104,666 | - | 261,015 |
| cumulative | 118,624 | 115,878 | 156,349 | 261,015 | 261,015 | 261,015 | 261,015 | 261,015 | 261,015 | 261,015 | 261,015 | 261,015 | |

**Florida Municipal Power Agency
 Monthly Financial Statement Recap
 Fiscal Year 2008**

| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Cumulative |
|-------------------------|-----------------|----------------|----------------|------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|
| Total Income | 503,788 | 489,596 | 485,995 | 514,903 | | | | | | | | | 1,994,282 |
| Total Expenses | 540,251 | (279,746) | 353,412 | 1,369,122 | | | | | | | | | 1,983,039 |
| Net Over (Under) | (36,463) | 769,342 | 132,583 | (854,219) | - | 11,243 |
| cumulative | (36,463) | 732,879 | 865,462 | 11,243 | 11,243 | 11,243 | 11,243 | 11,243 | 11,243 | 11,243 | 11,243 | 11,243 | |

Stanton

| Participant | October-07 | November-07 | December-07 | January-08 | February-08 | March-08 | April-08 | May-08 | June-08 | July-08 | August-08 | September-08 | Total |
|-------------------------|---------------------|---------------------|-----------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------|
| Ft. Pierce | 4,191,878 | 2,106,599 | 10,011,168 | 10,014,213 | | | | | | | | | 26,323,858 |
| Homestead | 2,276,954 | 1,087,919 | 5,516,954 | 5,760,609 | | | | | | | | | 14,642,436 |
| Kissimmee | 2,096,447 | 1,052,792 | 5,005,076 | 5,007,107 | | | | | | | | | 13,161,422 |
| Lake Worth | 2,794,924 | 1,404,061 | 6,674,112 | 6,676,142 | | | | | | | | | 17,549,239 |
| Starke | 419,168 | 210,584 | 1,000,961 | 1,001,326 | | | | | | | | | 2,632,039 |
| Vero Beach | 5,589,646 | 2,808,157 | 13,347,906 | 13,352,765 | | | | | | | | | 35,098,474 |
| Total kWh Billed | 17,369,017 | 8,670,112 | 41,556,177 | 41,812,162 | 0 | 109,407,468 |
| Rate (\$/kWh) | \$0.02444754 | \$0.02916177 | \$0.02476926 | \$0.02429847 | \$0.02302612 | \$0.02359221 | \$0.02361673 | \$0.02342063 | \$0.02294457 | \$0.02399152 | \$0.02808698 | \$0.02034062 | \$0.02488635 |
| Amount Billed | \$424,629.74 | \$252,835.81 | \$1,029,315.75 | \$1,015,971.56 | \$0.00 | \$2,722,752.87 |

Tri-city

| Participant | October-07 | November-07 | December-07 | January-08 | February-08 | March-08 | April-08 | May-08 | June-08 | July-08 | August-08 | September-08 | Total |
|-------------------------|---------------------|--------------------|---------------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| Ft. Pierce | 1,396,954 | 702,538 | 3,337,056 | 3,338,071 | | | | | | | | | 8,774,619 |
| Homestead | 1,517,970 | 725,279 | 3,677,970 | 3,840,406 | | | | | | | | | 9,761,625 |
| Key West | 3,354,315 | 1,685,279 | 8,009,137 | 8,012,183 | | | | | | | | | 21,060,914 |
| Total kWh Billed | 6,269,239 | 3,113,096 | 15,024,163 | 15,190,660 | 0 | 39,597,158 |
| Rate (\$/kWh) | \$0.02445086 | \$0.02915777 | \$0.02477799 | \$0.02431947 | \$0.02302630 | \$0.02359102 | \$0.02319225 | \$0.02342227 | \$0.02294658 | \$0.02399862 | \$0.02808292 | \$0.02033430 | \$0.02489463 |
| Amount Billed | \$153,288.29 | \$90,770.94 | \$372,268.56 | \$369,428.80 | \$0.00 | \$985,756.58 |

Stanton II

| Participant | October-07 | November-07 | December-07 | January-08 | February-08 | March-08 | April-08 | May-08 | June-08 | July-08 | August-08 | September-08 | Total |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------|
| Ft. Pierce | 12,081,218 | 11,536,041 | 11,571,574 | 11,769,543 | | | | | | | | | 46,958,376 |
| Homestead | 6,325,880 | 6,093,401 | 6,324,873 | 6,353,299 | | | | | | | | | 25,097,453 |
| Key West | 7,248,731 | 6,920,812 | 6,943,147 | 7,061,929 | | | | | | | | | 28,174,619 |
| Kissimmee | 24,163,452 | 23,072,081 | 23,144,162 | 23,539,086 | | | | | | | | | 93,918,781 |
| Starke | 905,584 | 864,975 | 868,020 | 883,249 | | | | | | | | | 3,521,828 |
| St Cloud | 10,750,254 | 10,263,959 | 10,297,462 | 10,472,081 | | | | | | | | | 41,783,756 |
| Vero Beach | 12,081,218 | 11,536,041 | 11,571,574 | 11,769,543 | | | | | | | | | 46,958,376 |
| Total kWh Billed | 73,556,337 | 70,287,310 | 70,720,812 | 71,848,730 | 0 | 286,413,189 |
| Rate (\$/kWh) | \$0.02393494 | \$0.02516600 | \$0.02386227 | \$0.02336187 | \$0.02286121 | \$0.02289015 | \$0.02289349 | \$0.02280479 | \$0.02332612 | \$0.02683547 | \$0.02082790 | \$0.02407535 | \$0.02407535 |
| Amount Billed | \$1,760,566.51 | \$1,768,850.44 | \$1,687,559.11 | \$1,678,520.69 | \$0.00 | \$6,895,496.76 |

All-Requirements

| Participant | October-07 | November-07 | December-07 | January-08 | February-08 | March-08 | April-08 | May-08 | June-08 | July-08 | August-08 | September-08 | Total |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| BUSHNELL | 1,876,050 | 1,616,193 | 1,524,033 | 1,625,902 | | | | | | | | | 6,642,178 |
| CLEWISTON | 12,873,261 | 9,430,892 | 8,423,698 | 7,150,774 | | | | | | | | | 37,878,625 |
| FORT MEADE | 4,022,680 | 4,022,000 | 3,280,000 | 3,571,000 | | | | | | | | | 14,895,680 |
| FORT PIERCE | 52,817,142 | 37,895,307 | 39,622,872 | 36,562,394 | | | | | | | | | 166,897,715 |
| GRN COVE SPGS | 10,392,738 | 8,381,000 | 9,126,922 | 8,138,519 | | | | | | | | | 36,039,179 |
| HAVANA | 2,046,952 | 1,849,077 | 2,047,769 | 2,397,457 | | | | | | | | | 8,341,255 |
| JAX BEACH | 66,457,066 | 48,074,137 | 52,781,139 | 58,372,399 | | | | | | | | | 225,684,741 |
| KEY WEST | 71,617,931 | 53,221,671 | 56,893,946 | 53,394,354 | | | | | | | | | 235,127,902 |
| KISSIMMEE | 125,274,312 | 95,534,360 | 95,534,360 | 96,410,000 | | | | | | | | | 412,753,032 |
| LAKE WORTH | 36,187,106 | 24,797,748 | 26,581,608 | 18,517,893 | | | | | | | | | 106,084,355 |
| LEESBURG | 40,644,554 | 34,622,697 | 33,596,942 | 32,097,683 | | | | | | | | | 140,961,876 |
| NEWBERRY | 2,638,677 | 2,152,654 | 2,292,531 | 2,510,377 | | | | | | | | | 9,594,239 |
| OCALA | 114,246,968 | 96,036,683 | 93,415,541 | 99,474,740 | | | | | | | | | 403,173,932 |
| STARKE | 6,063,040 | 4,751,039 | 5,150,667 | 5,200,957 | | | | | | | | | 21,165,703 |
| VERO BEACH | 69,075,889 | 51,444,008 | 53,022,715 | 50,838,487 | | | | | | | | | 224,381,099 |
| Total kWh Billed | 616,234,366 | 473,829,466 | 483,294,743 | 476,262,936 | 0 | 2,049,621,511 |
| Less: Fort Meade | (4,022,680) | (4,022,000) | (3,280,000) | (3,571,000) | 0 | (14,895,680) |
| Total ARP kWhs | 612,211,686 | 469,807,466 | 480,014,743 | 472,691,936 | 0 | 2,034,725,831 |
| Energy Over/Under Recovery | | | | | | | | | | | | | \$0.00 |
| Monthly Energy Rate | \$56.76 | \$52.81 | \$61.63 | \$65.60 | #DIV/0! | #DIV/0! | #DIV/0! | \$64.54 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | \$54.70 |

St. Lucie

| Participant | October-07 | November-07 | December-07 | January-08 | February-08 | March-08 | April-08 | May-08 | June-08 | July-08 | August-08 | September-08 | Total |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------|----------|----------|----------|----------|----------|-----------|--------------|--------------------|
| Clewiston | 612,000 | 603,000 | 612,000 | 10,864,000 | | | | | | | | | 12,691,000 |
| Green Cove Springs | 488,000 | 482,000 | 488,000 | 864,000 | | | | | | | | | 2,322,000 |
| Vero Beach | 4,225,000 | 4,153,000 | 4,225,000 | 7,480,000 | | | | | | | | | 20,083,000 |
| Starke | 616,000 | 605,000 | 616,000 | 1,088,000 | | | | | | | | | 2,925,000 |
| Fort Pierce | 4,226,000 | 4,154,000 | 4,226,000 | 7,482,000 | | | | | | | | | 20,088,000 |
| Lake Worth | 6,912,000 | 6,796,000 | 6,912,000 | 12,234,000 | | | | | | | | | 32,854,000 |
| Kissimmee | 2,557,000 | 2,512,000 | 2,557,000 | 4,524,000 | | | | | | | | | 12,150,000 |
| Jacksonville Beach | 2,036,000 | 2,002,000 | 2,036,000 | 3,607,000 | | | | | | | | | 9,681,000 |
| Leesburg | 646,000 | 636,000 | 646,000 | 1,145,000 | | | | | | | | | 3,073,000 |
| Moore Haven | 107,044 | 104,921 | 107,044 | 189,027 | | | | | | | | | 508,036 |
| Fort Meade | 93,664 | 91,805 | 93,664 | 165,398 | | | | | | | | | 444,531 |
| Newberry | 51,292 | 50,274 | 51,292 | 90,575 | | | | | | | | | 243,433 |
| Total kWh Billed | 22,570,000 | 22,190,000 | 22,570,000 | 49,733,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 117,063,000 |

| | | | | | | | | | | | | | |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| Participant Entitlement Summary | 52,553,016 | 54,365,445 | 52,515,632 | 54,943,890 | 49,960,588 | 55,083,213 | 30,128,904 | 26,403,861 | 54,397,913 | 52,773,315 | 43,979,812 | 50,937,908 | 578,043,497 |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|

| | | | 12/31/2007 | | |
|--------------------------|---------------|-------------------------------|-----------------|----------------------|--|
| ALL REQUIREMENTS: | | | | | |
| 131-330 | ALLRQ-000-WIR | All-Reqr Wire/ACH Trans | 0.00 | | |
| 131-330 | ALLRQ-000-WKC | All-Reqr Working Capital | 19,640,489.42 | | |
| 136-330 | ALLRQ-000-WKC | All-Reqr Working Capital | 48,897,000.00 | | |
| 136-332 | ALLRQ-000-WKC | All-Reqr Working Capital | (99,357.51) | | |
| 136-335 | ALLRQ-000-WKC | All-Reqr Working Capital | 146,670.42 | | |
| 136-336 | ALLRQ-000-WKC | All-Reqr Working Capital | 0.00 | | |
| 136-339 | ALLRQ-000-WKC | All-Reqr Working Capital | 508,623.23 | 69,093,425.56 | |
| 131-330 | ALLRQ-000-RES | All-Reqr General Reserve | 32.68 | 69,093,458.24 | |
| ST. LUCIE: | | | | | |
| 131-330 | LUCIE-LU2-WKC | Lucie Working Capital Fund | 345,067.71 | | |
| 136-330 | LUCIE-LU2-WKC | Lucie Working Capital Fund | 0.00 | | |
| 136-332 | LUCIE-LU2-WKC | Lucie Working Capital Fund | 0.00 | | |
| 136-335 | LUCIE-LU2-WKC | Lucie Working Capital Fund | 0.00 | | |
| 136-336 | LUCIE-LU2-WKC | Lucie Working Capital Fund | 0.00 | | |
| 136-339 | LUCIE-LU2-WKC | Lucie Working Capital Fund | 0.00 | 345,067.71 | |
| 131-330 | LUCIE-LU2-RES | Lucie General Reserve | 206,981.19 | | |
| 136-330 | LUCIE-LU2-RES | Lucie General Reserve | 59,210,000.00 | | |
| 136-332 | LUCIE-LU2-RES | Lucie General Reserve | (22,364,351.22) | | |
| 136-335 | LUCIE-LU2-RES | Lucie General Reserve | 43,620.35 | | |
| 136-336 | LUCIE-LU2-RES | Lucie General Reserve | 0.00 | | |
| 136-339 | LUCIE-LU2-RES | Lucie General Reserve | (144,815.93) | 37,296,502.10 | |
| STANTON: | | | | | |
| 131-330 | STANT-ST1-WKC | Stanton Working Capital Fund | 1,660,884.68 | | |
| 136-330 | STANT-ST1-WKC | Stanton Working Capital Fund | 475,000.00 | | |
| 136-332 | STANT-ST1-WKC | Stanton Working Capital Fund | (473.56) | | |
| 136-335 | STANT-ST1-WKC | Stanton Working Capital Fund | 7,138.95 | | |
| 136-336 | STANT-ST1-WKC | Stanton Working Capital Fund | 0.00 | | |
| 136-339 | STANT-ST1-WKC | Stanton Working Capital Fund | 28,876.11 | 2,171,426.18 | |
| 131-330 | STANT-ST1-RES | Stanton General Reserve | 410,300.25 | | |
| 136-330 | STANT-ST1-RES | Stanton General Reserve | 11,489,000.00 | | |
| 136-332 | STANT-ST1-RES | Stanton General Reserve | (4,413.74) | | |
| 136-335 | STANT-ST1-RES | Stanton General Reserve | 120,570.24 | | |
| 136-336 | STANT-ST1-RES | Stanton General Reserve | 0.00 | | |
| 136-339 | STANT-ST1-RES | Stanton General Reserve | 576,215.57 | 14,763,098.50 | |
| STANTON II: | | | | | |
| 131-330 | STNII-ST2-WKC | Stanton II Working Capital Fd | 2,678,096.88 | | |
| 136-330 | STNII-ST2-WKC | Stanton II Working Capital Fd | 3,342,000.00 | | |
| 136-332 | STNII-ST2-WKC | Stanton II Working Capital Fd | (911.18) | | |
| 136-335 | STNII-ST2-WKC | Stanton II Working Capital Fd | 35,443.18 | | |
| 136-336 | STNII-ST2-WKC | Stanton II Working Capital Fd | 7,028.13 | | |
| 136-339 | STNII-ST2-WKC | Stanton II Working Capital Fd | 57,250.42 | 6,118,907.43 | |
| 131-330 | STNII-ST2-RES | Stanton II General Reserve Fd | 235,222.24 | | |
| 136-330 | STNII-ST2-RES | Stanton II General Reserve Fd | 18,773,000.00 | | |
| 136-332 | STNII-ST2-RES | Stanton II General Reserve Fd | (243.84) | | |
| 136-335 | STNII-ST2-RES | Stanton II General Reserve Fd | 246,549.46 | | |
| 136-336 | STNII-ST2-RES | Stanton II General Reserve Fd | 13,069.22 | | |
| 136-339 | STNII-ST2-RES | Stanton II General Reserve Fd | 843,925.27 | 26,230,429.78 | |
| TRICITY: | | | | | |
| 131-330 | TRICY-ST1-WKC | Tri-City Working Capital Fund | 657,060.21 | | |
| 136-330 | TRICY-ST1-WKC | Tri-City Working Capital Fund | 200,000.00 | | |
| 136-332 | TRICY-ST1-WKC | Tri-City Working Capital Fund | 153.51 | | |
| 136-335 | TRICY-ST1-WKC | Tri-City Working Capital Fund | 26.78 | | |
| 136-336 | TRICY-ST1-WKC | Tri-City Working Capital Fund | 0.00 | | |
| 136-339 | TRICY-ST1-WKC | Tri-City Working Capital Fund | 15,940.49 | 873,180.99 | |
| 131-330 | TRICY-ST1-RES | Tri-City General Reserve Fd | 159,298.59 | | |
| 136-330 | TRICY-ST1-RES | Tri-City General Reserve Fd | 1,279,000.00 | | |
| 136-332 | TRICY-ST1-RES | Tri-City General Reserve Fd | (47.69) | | |
| 136-335 | TRICY-ST1-RES | Tri-City General Reserve Fd | 22,495.98 | | |
| 136-336 | TRICY-ST1-RES | Tri-City General Reserve Fd | 0.00 | | |
| 136-339 | TRICY-ST1-RES | Tri-City General Reserve Fd | 54,956.93 | 2,388,884.80 | |

**FLORIDA MUNICIPAL POWER AGENCY
ALL-REQUIREMENTS PROJECT**

**Development Fee Fund Schedule for January 2008
Gross Receipts Schedule for January 2008**

| | Energy Billed (KWH) | Demand Billed (kW) | Transmission Billed (kW) | Gross Receipts | Amount Due |
|-----------------------------|---------------------|--------------------|--------------------------|----------------------|----------------------|
| Bushnell | 1,625,902 | 5,095 | 5,407 | 190,532.95 | 190,532.95 |
| Clewiston | 7,150,774 | 21,608 | 23,232 | 807,967.43 | 807,967.43 |
| Ft. Meade | 3,571,000 | 12,430 | 12,430 | 321,952.20 | 321,952.20 |
| Ft. Pierce | 36,562,394 | 96,099 | 107,316 | 3,554,733.63 | 3,554,733.63 |
| Green Cove Springs | 8,138,519 | 24,747 | 26,043 | 921,062.11 | 921,062.11 |
| Havana | 2,397,457 | 5,910 | 5,910 | 249,608.14 | 249,608.14 |
| Jax Beach | 58,372,399 | 171,906 | 177,312 | 6,527,714.35 | 6,527,714.35 |
| Key West | 53,394,354 | 94,126 | 94,126 | 4,862,628.34 | 4,862,628.34 |
| Kissimmee | 96,410,000 | 251,819 | 251,819 | 7,683,443.45 | 7,683,443.45 |
| Lake Worth | 18,517,893 | 45,193 | 63,539 | 1,659,443.82 | 1,659,443.82 |
| Leesburg | 32,097,683 | 94,814 | 103,150 | 3,591,760.27 | 3,591,760.27 |
| Newberry | 2,510,377 | 6,551 | 6,684 | 271,560.30 | 271,560.30 |
| Ocala | 99,474,740 | 263,502 | 274,208 | 10,627,320.74 | 10,627,320.74 |
| Starke | 5,200,957 | 14,035 | 15,669 | 562,367.41 | 562,367.41 |
| Vero Beach | 50,838,487 | 152,381 | 163,595 | 5,160,859.10 | 5,160,859.10 |
| Total | 476,262,936 | 1,260,216 | 1,330,440 | 46,992,954.24 | 46,992,954.24 |
| Dev. Fund Fee Rate (\$/Kwh) | 0.0125% | | | | |
| Development Fund Fee | 59,532.87 | 1,247,786 | | | |
| | 472,691,936 | | | | |

**Florida Municipal Power Agency
All-Requirements Project
1/31/2008**

#####

| | Bank Balance (at cost) | Total |
|--|---------------------------|----------------|
| Operations & Maintenance Fund | | |
| O&M Account | 37,570,489.42 | |
| Working Capital Account | 20,967,000.00 | |
| Rate Stabilization Account | 10,000,000.00 | |
| Total | | 68,537,489.42 |
| Debt Service Fund | | |
| Debt Service 2000 Series Bonds | 82,250.71 | |
| Debt Service 2000-1 & 2 Series Bonds | 266,296.05 | |
| Debt Service 03A Series Bonds | 2,502,491.05 | |
| Debt Service 03-B1 & B2 Series Bonds | 1,497,879.70 | |
| Debt Service 2006A Bonds | 5,654,272.11 | |
| Debt Service 2006B Bonds | 4,152,491.21 | |
| Debt Service 2006C Bonds | 506,856.41 | |
| Debt Service Reserve Account | 3,975,867.92 | |
| Total | | 18,638,405.16 |
| Subordinated Indebtedness Fund | | |
| Subordinated Debt Fund | | 122.28 |
| Reserve & Contingency Fund | | |
| Renewal & Replacement Account | 5,281,750.04 | |
| Contingency Account | 1,328,477.74 | |
| Total | | 6,610,227.78 |
| General Reserve Fund | | 32.68 |
| FGU Deposit | | 0.00 |
| Caylon Fin. Futures Margin Account | | 21,698,509.78 |
| Series 2006A & B Const. / Bond Proceeds | | 49,688,230.97 |
| Series 2006A & B Const. / Bond Proceeds/ PLP Retirement | | 0.00 |
| Series 2006 C Const. / Bond Proceeds | | 44,434,880.03 |
| Total All Funds | | 209,607,898.10 |

AGENDA ITEM 3 – Information Items

b) Payments to Consultants

**Finance Advisory Committee Meeting
May 9, 2008**

Florida Municipal Power Agency

Analysis of Payments to Attorneys for 2007

| | | % Total |
|---|--|-------------------------------|
| NIXON PEABODY LLP | \$ 518,973.74 | 53% |
| SPIEGEL & MCDIARMID | 339,811.19 | 34% |
| R.N. KOBLEGARD | 60,430.50 | 6% |
| JOHN T. BRENNAN, LLB, PL | 25,125.00 | 3% |
| HOPPING GREEN & SAMS | 14,870.75 | 2% |
| ASHPAUGH & SCULCO | 12,600.00 | 1% |
| THE LYON FIRM | 5,005.00 | 1% |
| J. J. HARGROVE & CO. LLC | 5,000.00 | 1% |
| ALSTON & BIRD LLP | 4,293.67 | 0% |
| GROWER KETCHAM RUTHERFORD BRONSON EIDE & TELAN P.A. | 1,505.50 | 0% |
| Total Payments to Attorneys | <u><u>\$ 987,615.35</u></u> | <u><u>100%</u></u> |

Florida Municipal Power Agency

Analysis of Payments to Consultants (Excluding Legal) for 2007

| | | % Total |
|--|------------------------|-------------|
| R.W. BECK | \$ 635,638.20 | 36% |
| DUNLAP & ASSOCIATES | 167,357.57 | 10% |
| DISTRIBUTION SERVICES | 118,581.67 | 7% |
| PURVIS GRAY & COMPANY | 89,248.60 | 5% |
| SIEMENS POWER T | 58,844.00 | 3% |
| GENERAL PHYSICS CORP | 50,585.00 | 3% |
| LINXWILER CONSULTING SER | 45,648.71 | 3% |
| BLUEFIELD MITIGATION BAN | 45,000.00 | 3% |
| JONES EDMUNDS & ASSOC | 43,678.00 | 2% |
| M & R SERVICES, INC. | 42,800.00 | 2% |
| "Top Ten" Paid Consultants in 2007 | 1,297,381.75 | |
| BONDLOGISTIX | 40,150.00 | 2% |
| MERGE AGENCY, LLC | 30,000.00 | 2% |
| SET SOLUTIONS LLC | 29,012.50 | 2% |
| BROWER COMMUNICATIONS | 28,651.43 | 2% |
| POWER COSTS, INC | 24,961.00 | 1% |
| PRO ENERGY SERVICES | 21,930.00 | 1% |
| EMA, INC. | 21,530.00 | 1% |
| NEW ENERGY ASSOC L | 20,364.08 | 1% |
| ADVANCED TURBINE SUPPORT | 20,117.89 | 1% |
| IRVINE MECHANICAL, INC. | 19,100.00 | 1% |
| INNOVATIVE IDEAS UNLIMIT | 18,296.71 | 1% |
| BRIGHT CONSULTING | 17,338.20 | 1% |
| WOOD GROUP POWER | 15,829.43 | 1% |
| GAE WALTERS | 12,622.50 | 1% |
| LINXWILER CONSULTING SER | 9,920.00 | 1% |
| EAF SERVICES, INC | 8,207.50 | 0% |
| NOTABLE SOLUTIONS, INC | 7,940.00 | 0% |
| TEAM A.R. TECH, INC. | 7,800.00 | 0% |
| S MISSISSIPPI ELEC POWER | 7,766.24 | 0% |
| EPPIC | 7,725.00 | 0% |
| ESIGNAL | 7,648.80 | 0% |
| WIRE AMETEK POWER INST | 6,512.70 | 0% |
| INSIGHT CCTV | 6,479.50 | 0% |
| MECHANICAL SERVICES OF C | 6,052.53 | 0% |
| STILLWELL & ASSOCIAT | 5,894.00 | 0% |
| INTERTEK TESTING SERVICE | 4,881.38 | 0% |
| RLK ASSOCIATES ENERGY | 4,604.58 | 0% |
| SOURCE MEDIA | 4,367.00 | 0% |
| JOHN HENRY DAVID | 4,285.50 | 0% |
| TELTONE CORPORATION | 3,992.40 | 0% |
| THE J.D. ALLEN GROUP, IN | 3,825.68 | 0% |
| ADVANCED UTILITY RESOURC | 3,500.00 | 0% |
| H & H PRINTING INC. | 3,020.00 | 0% |
| POPCORN INITIATIVE, INC | 2,915.00 | 0% |
| GLOBAL KNOWLEDGE NETWORK | 2,895.00 | 0% |
| AMETEK POWER INSTRUMENTS | 2,444.00 | 0% |
| TECH PHD TECHNOLOGIES, INC. | 2,397.60 | 0% |
| NETEXUS TECHNOLOGIES | 2,090.00 | 0% |
| PLATTS | 2,010.00 | 0% |
| HEWITT ASSOCIATES LLC | 2,000.00 | 0% |
| NORTH AMERICAN ELECTRIC | 1,750.00 | 0% |
| AMERICAN MUNICIPAL PWR-O | 1,600.00 | 0% |
| INFINISOURCE, INC. | 1,400.00 | 0% |
| "All Other Consultants" Total for 2007 | 455,828.15 | |
| Total Consultants Invoices Paid in 2007 | \$ 1,753,209.90 | 100% |

AGENDA ITEM 3 – Information Items

c) Update of Debt Restructuring

**Finance Advisory Committee Meeting
May 9, 2008**

AGENDA ITEM 3 – Information Items

d) St. Lucie II Power-Up Rate & Participation

**Finance Advisory Committee Meeting
May 9, 2008**



AGENDA PACKAGE MEMORANDUM

TO: St. Lucie Project Participants
FROM: Doug Keegan / Steve Ruppel
DATE: April 4, 2008
ITEM: 3a - St. Lucie 2 Nuclear Plant Power Up-Rate Option

**Strategic
Relevance**

FMMPA's Relevant Strategic Goals

1. Partnering with Others
2. Providing Competitive Rates
3. Obtaining and/or Developing the necessary asset mix
4. Pricing energy, demand and transmission appropriately

Action Plan to Achieve the Goals

- Continue the relationship with Florida Power & Light (FPL) in the joint ownership of St. Lucie Unit 2 Nuclear Plant.
- Participate in additional nuclear generation capability in response to the current market conditions
- Balance rates to the St. Lucie Project via a combination of current cost flow-through or financing through rates.

Summary of Policy Implications

The Credit Risk Policy requires that counterparty transaction be transacted only with qualified counterparties. Florida Power & Light has been reviewed and is on our accepted counterparty list.

Introduction:

- FMMPA staff received written notice from FPL on March 18, 2008 that it plans to make a Capital Improvement Project at the St. Lucie 2 Nuclear Plant to effectuate a power up-rate for the nuclear unit.
 - Pursuant to section 16 of the Participation Agreement between FPL and FMMPA's St. Lucie Project (SL Project) , FMMPA's SL Project must provide written notice to FPL by June 16, 2008 if it intends to exercise its option to reduce its ownership in St. Lucie 2 in lieu of contributions to the costs of the Project. Otherwise, FMMPA's SL Project will be deemed to have elected to fund its proportionate share of the Project and continue to benefit in a 8.806% ownership in St. Lucie Nuclear Plant No. 2 (St. Lucie 2)
-

Analysis:

- FPL plans to increase the power output of St. Lucie 2 by 103 MW at an estimated cost of \$334.3 million. The proportionate share for FMMPA's SL Project (8.806%) is approximately 9.07018 MW and \$29.4 million (\$3,246/KW). The power up-rate project will begin during the first quarter of

2008 and is expected to be completed during the refueling outage in 2012.

- The license extension for St. Lucie 2 has been granted by the Nuclear Regulatory Commission to operate St. Lucie 2 for an additional twenty years. This NRC action extends the useful life of the plant from 2026 to 2046. However, FPL has not officially accepted, or relayed to FMPA that they have accepted, the license extension. All capital project activities indicate that FPL will operate St. Lucie 2 for the additional twenty years.
- Florida electric utilities are in need of additional base load capacity. The all-in energy cost (fixed and variable) from this additional capacity is highly likely to be less expensive, if not significantly less expensive, than other alternatives being investigated. In comparison to current projections for new nuclear plants, the current cost per MW is favorable.
- Funding for capital additions, which could be done either through rates or issuance of new bonds, needs to be determined. The St. Lucie budget for FY09 is being presented later today and will address how these costs will be recovered. Immediately through rates or financed and recovered in future periods.
- Attachment A identifies the St. Lucie Project participants' share of the power up-rate costs.
- Attachment B contains the scope of work over the 2010 and 2012 refueling outages to effectuate the power-uprate.

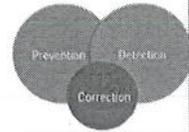
Recommendation: FMPA staff recommends that the St. Lucie Project participants do not exercise the opt out provision and to participate in the power up-rate of St. Lucie 2.

Action Move approval for staff to inform Florida Power and Light that the St. Lucie participants will not exercise their right to opt out of the power-uprate for St. Lucie Unit 2. The participants desire to maintain their 8.806% participation in the St. Lucie Unit 2 nuclear generation facility.

Revised Attachment A

| St. Lucie Project Participant | Power Entitlement Share | Share of St. Lucie 2 Power Up-rate Costs |
|-------------------------------|-------------------------|--|
| Alachua | 0.431% | \$126,880 |
| Clewiston | 2.202% | \$648,235 |
| Ft. Meade | 0.336% | \$98,913 |
| Fort Pierce | 15.206% | \$4,476,412 |
| Green Cove Springs | 1.757% | \$517,234 |
| Homestead | 8.269% | \$2,434,266 |
| Jacksonville Beach | 7.329% | \$2,157,545 |
| Kissimmee | 9.405% | \$2,768,687 |
| Lake Worth | 24.870% | \$7,321,345 |
| Leesburg | 2.326% | \$684,739 |
| Moore Haven | 0.384% | \$113,044 |
| New Smyrna Beach | 9.884% | \$2,909,697 |
| Newberry | 0.184% | \$54,167 |
| Starke | 2.215% | \$652,062 |
| Vero Beach | 15.202% | \$4,475,234 |
| | <u>100.000%</u> | <u>\$29,438,458</u> |

Modification Scope – Unit 2



Unit 2 Fall 2010

Turbine / Generator

Low Pressure Turbine Rotors

Balance of Plant

Feedwater Heater Replacement (#5)
Circulating Water Pump Refurbishment
TCW Heat Exchanger Replacement
2C Condensate Pump Repowering
Moisture Separator Reheater Replacement

Online Modifications

Simulator Modifications

Control Room Habitability Upgrades
Control Room AC Margin Improvement

Unit 2 Spring 2012 (Uprate)

Turbine / Generator

High Pressure Turbine Rotor
Generator Rotor Rewind
Generator Stator Rewind
Generator Exciter Upgrade
Generator H2 Seal Oil Pressure Increase
Generator CTs & Bushings
DEH Computer Replacement
DEH Constant Pressure Pumps

Balance of Plant

Main Feedwater Reg Valve Replacement
Condensate Pump Upgrade
Main Feedwater Pump Upgrade
Heater Drain Control Valves
Main Transformer Replacement
Electrical Bus Margin Improvement
Secondary Plant Instrumentation
Feedwater Flow MUR Installation
Heater Drain System Digital Controls
Circulating Water Pump Refurbishment
Iso-phase Bus Duct Cooling
Condenser Material Condition Upgrade
Condenser Air Removal Upgrades
Atmospheric Dump Valve Trim Changeout





March 17, 2008

Mr. Tom Reedy
Assistant General Manager
Florida Municipal Power Agency
Director of Operations
8553 Commodity Circle
Orlando, FL 32819-9002

RECEIVED

MAR 18 2008

Dear Tom:

Pursuant to the requirements of Section 16 of the St. Lucie Unit 2 Participation Agreement Between Florida Power & Light Company ("FPL") and Florida Municipal Power Agency ("FMPA") dated February 11, 1982 (the "Agreement"), FPL is notifying FMPA of a planned Capital Improvements Project (the "Project") at the St. Lucie 2 Nuclear Plant ("SL2"). The Project scope, approved on January 7, 2008, by the Florida Public Service Commission Order No. PSC-08-0021-FOF-EI (copy enclosed), involves increasing SL2 power output by approximately 103 MW at a cost of approximately \$305 million. The Project is scheduled to begin during the first quarter of 2008 and is expected to be completed during 2012.

Please provide FPL with written notice within ninety (90) days of receipt of this letter as to whether FMPA will exercise its option to reduce its ownership in SL2 in lieu of contributions to the costs of the Project. If FPL has not heard otherwise from FMPA by June 23, 2008, FMPA will be deemed to have elected to fund its proportionate share of the Project.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Osvaldo J. Lom'.

Osvaldo J. Lom
Supervisor, Purchased Power Contracts

AGENDA ITEM 3 – Information Items

- e) Stanton Energy Center / Indian River
CT's Audit Report**

**Finance Advisory Committee Meeting
May 9, 2008**



AGENDA PACKAGE MEMORANDUM

TO: FMPA Finance Advisory Committee

FROM: Steven Ruppel, Contract Compliance Audit Manager

DATE: April 28, 2008

ITEM: 3e: SEC/IRCTs Audit Report – FY06 – FY07

Introduction

The Contract Compliance Audit Department has completed the Participation Agreement audit (“audit”) for the Stanton Energy Centers Unit 1 and Unit 2 (“SEC1”, “SEC2”) and Indian River Combustion Turbines A&B and C&D (“IRCTs A&B”, “IRCTs C&D”).

This is the tenth audit of SEC1, sixth audit of SEC2, ninth audit of CTs A&B and eighth audit of CTs C&D.

Audit Scope & Objective

The following cost components of the billings pursuant to the Participation Agreements were audited:

- Capital Additions
- Operation & Maintenance Expenses
- Inventory Use Charges
- Common/External Facilities Use Charges
- Replacement Units Use Charges
- Shared Facilities Revenues & Fixed Assets
- Reserve Power
- Property & Liability Insurance Expenses
- Administrative & General Expenses
- Coal & Freight Payments
- Coal Car Repair & Maintenance Expenses
- IRCTs Fuel Expenses
- IRCTs Variable Operation & Maintenance Expenses

The primary objectives of the audit were to determine whether the Stanton I Project, Stanton II Project, All Requirements Project, Tri-City Project, and Kissimmee Utilities Authority (“KUA”) were billed in accordance with the Participation Agreements, costs billed were adequately supported, and allocations were reasonable, properly classified, and in compliance with the Agreements.

Audit Results

Based on our audit, we conclude that overall, the billings were in compliance with the terms and principals of the Participation Agreements. However, some exceptions were noted.

The audit has identified fourteen (14) findings. Audit findings total a net overbilling to FMPA Projects for \$57,730 and KUA for \$19,556, for a total of \$77,286. These adjustments qualify for interest, which totals \$1,128 to FMPA and KUA.

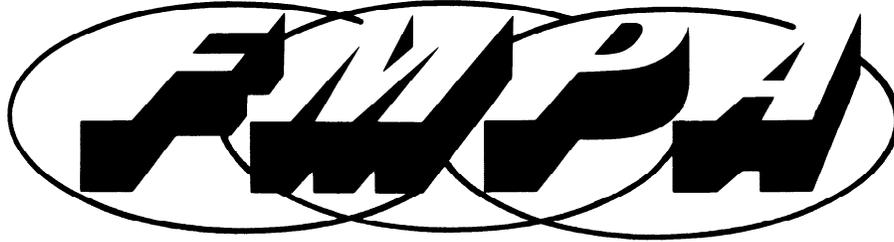
OUC has agreed to eleven (11) of the fourteen (14) audit findings. As of the date of this memorandum, three (3) audit findings remain open.

A general comment is included in the report to address the addition of the Stanton Unit B (SEC B) combustion turbine to the Stanton Energy Center. Audit has seen some changes to the invoices related to the addition of the SEC B to the site. However, the SEC 1 and SEC 2 Participation Agreement also address the need to adjust the External Facilities Use Charge and the purchase of a pro-rata share of the Common Facilities from the current Owners at the depreciated value of new facilities at the SEC site. Orlando Utilities Commission broke ground for SEC B on September 2007 and construction is currently underway.

Action Requested

Information item. No action required.
Open for questions for the Committee.

Attachment



AUDIT REPORT

FOR

**CURTIS H. STANTON ENERGY CENTER UNIT ONE,
CURTIS H. STANTON ENERGY CENTER UNIT TWO,
INDIAN RIVER COMBUSTION TURBINE PROJECT UNITS A&B,
AND
INDIAN RIVER COMBUSTION TURBINE PROJECT UNITS C&D
PARTICIPATION AGREEMENTS BILLINGS**

AUDIT PERIOD OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2007

April 28, 2008

**Audit Performed By:
Celina Tse, CPA, CFE
Larry Landry
Cameron Cassidy, CPA
Denise Fuentes**

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EXECUTIVE SUMMARY

We have audited the actual costs billed to FMPA and KUA under the Stanton Energy Center Unit No. 1 (“SEC1”) Participation Agreements, the Stanton Energy Center Unit No. 2 (“SEC2”) Participation Agreements, the Indian River Combustion Turbines A&B (“CTs A&B”) Participation Agreements and the Indian River Combustion Turbines C&D (“CTs C&D”) Participation Agreement, for the two year period from October 1, 2005 through September 30, 2007. This is the tenth audit of SEC1, the sixth audit of SEC2, the ninth audit of CTs A&B, and the eighth audit of CTs C&D.

Based on our audit procedures, exceptions were noted in the areas of administrative and general expenses, operating and maintenance expenses, hurricane related charges, inventory use charges, external facilities use charges, common facilities use charges and replacement unit use charges.

The audit findings or exceptions result in potential net refunds of \$97,255, \$1,730 and \$1,555 to the SEC1, CTs A&B and CTs C&D Participants, respectively, and net payment of \$23,254 to SEC2 Participants for a total net refund of \$77,286. FMPA projects and KUA’s share of these potential refunds are \$57,730 and \$19,556, respectively.

Participants’ individual shares of the adjustments are as follows:

| | SEC1 | SEC2 | CTs A&B | CTs C&D | Total |
|--------------------|-------------------|-----------------|------------------|----------------|-------------------|
| Stanton Project | (\$43,026) | - | - | - | (\$43,026) |
| Stanton II Project | - | \$19,020 | - | - | \$19,020 |
| All Requirements | (\$19,227) | \$4,234 | (\$1,318) | (\$1,555) | (\$17,866) |
| Tri-City | (\$15,858) | - | - | - | (\$15,858) |
| FMPA Total: | (\$78,111) | \$23,254 | (\$1,318) | (1,555) | (\$57,730) |
| | | | | | |
| KUA Total: | (\$19,144) | - | (\$412) | - | (\$19,556) |
| Total FMPA & KUA: | (\$97,255) | \$23,254 | (\$1,730) | (\$1,555) | (\$77,286) |

Per Section 8.02 of each of the SEC1, SEC2, CTs A&B and CTs C&D Participation Agreements, these adjustments qualify for interest. Interest is not included in the amounts shown above. As of April 30, 2008, net interest of \$1,128 would be due to the Participants for these adjustments.

SUMMARY OF AUDIT RECOMMENDATIONS

| | <u>Audit Recommendations</u> | <u>SEC1</u> | <u>SEC2</u> | <u>CTs A&B</u> | <u>CTs C&D</u> | <u>Total</u> |
|------|---|-------------------|-----------------|--------------------|--------------------|-------------------|
| *1. | Nonbillable legal expenses in A&G | (\$604) | (\$546) | (\$17) | (\$19) | (\$1,186) |
| *2. | Nonbillable St Cloud lock box expenses in A&G | (\$1,437) | (\$1,298) | (\$44) | (\$48) | (\$2,827) |
| 3. | Nonbillable Retail related charges in A&G | (\$20,944) | (\$18,921) | (\$635) | (\$689) | (\$41,189) |
| 4. | Nonbillable expenses charged back to billable A&G | (\$14,056) | (\$12,699) | (\$453) | (\$492) | (\$27,700) |
| *5. | A&G allocation rate calculation errors | \$60,813 | \$54,941 | \$1,219 | \$1,322 | \$118,295 |
| *6. | Purchasing overhead applied to asset retirement charges | (\$31,869) | - | - | - | (\$31,869) |
| *7. | Nonbillable transmission work order costs | (\$22,942) | - | - | - | (\$22,942) |
| *8. | Misclassified Customer Information Systems Work Order | (\$24,154) | - | - | - | (\$24,154) |
| *9. | SEC2 O&M invoices charged to SEC1 | (\$15,495) | \$13,999 | - | - | (\$1,496) |
| *10. | FEMA credit billing error | (\$3,369) | - | - | - | (\$3,369) |
| 11. | Capital charge rate not updated | (\$18,224) | (\$11,473) | (\$1,053) | (\$491) | (\$31,241) |
| *12. | Accumulated depreciation not transferred upon issuance of spare parts | (\$974) | (\$749) | - | - | (\$1,723) |
| *13. | Common Facilities Use Charge Error | - | - | (747) | (\$1,138) | (\$1,885) |
| *14. | Administrative fee not removed | (\$4,000) | - | - | - | (\$4,000) |
| | Due to (Participants)/OUC | (\$97,255) | \$23,254 | (\$1,730) | (\$1,555) | (\$77,286) |
| | | ** | ** | ** | ** | |

* OUC has agreed to this audit recommendation.

** Per Section 8.02 of each of the SEC1, SEC2, CTs A&B and CTs C&D Participation Agreements, these adjustments qualify for interest. Interest is not included in the amounts shown above. As of April 30, 2008, interest of \$1,128 would be due to the Participants for these adjustments.

SCOPE AND OBJECTIVES

The scope of this audit consisted of reviewing SEC1, SEC2 (collectively referred to as “SEC”), CTs A&B, and CTs C&D (collectively referred to as “CT”) participant billings to FMPA and KUA from October 1, 2005 through September 30, 2007.

All components of the monthly invoices were reviewed and included the following: capital additions, operation & maintenance expenses (“O&M”), inventory use charges, common/external facilities use charges, replacement units use charges, shared facilities revenues and fixed assets, reserve power, property and liability insurance expenses, administrative & general expenses (“A&G”), SEC coal and freight payments, coal car repair and maintenance expenses, CT fuel expenses and the CT variable operation and maintenance expenses.

The objectives of this audit were to determine whether:

- (a) Costs billed were in compliance with the terms of the Participation Agreements.
- (b) OUC’s billing process produced/captured costs in compliance with the terms of the Participation Agreements.
- (c) Costs billed were supported by OUC’s accounting records and other appropriate documentation.
- (d) Allocations, which are necessary for billing certain costs, were reasonable and in compliance with the terms of the Participation Agreements, especially those necessary to assign costs among SEC1, SEC2, CTs A&B and CTs C&D.

BACKGROUND INFORMATION

SEC1 is a 425MW coal-fired plant jointly owned by OUC, FMPA, and KUA. The plant is operated by OUC who owns 68.5542%. FMPA's Stanton, All-Requirements, and Tri-City Projects own a combined total of 26.6265%. KUA owns 4.8193%.

SEC1's commercial operation date was July 1, 1987 with a total useful life of 40 years.

SEC2 is a 429MW coal-fired plant jointly owned by OUC and FMPA. The plant is operated by OUC who owns 71.5909%. FMPA's Stanton II and All-Requirements Projects own a combined total of 28.4091%.

SEC2's commercial operation date was June 1, 1996 with a total useful life of 40 years.

CTs A&B are each 48MW units and are jointly owned by OUC, FMPA's All-Requirements Project, and KUA. The CTs are operated by OUC who owns 48.8%. FMPA's All-Requirements Project owns 39% and KUA owns 12.2%.

CTs A&B's commercial operation dates were June 1, and July 1, 1989, respectively with total useful lives of 23 years each.

CTs C&D are each 128MW units and are jointly owned by OUC and FMPA's All-Requirements Project. The CTs are operated by OUC who owns 79%. FMPA's All-Requirements Project owns 21%.

CTs C&D's commercial operation dates were August 28, and October 1, 1992, respectively with total useful lives of 23 years each.

Through individual Participation Agreements with OUC, FMPA and KUA pay their ownership share of costs to construct, operate, maintain, and improve the projects, and in return, are entitled to their ownership share of capacity and energy.

OBSERVATIONS AND RECOMMENDATIONS

1. Nonbillable Legal Expenses in A&G

During the audit period, OUC appropriately excluded certain nonbillable legal charges from the A&G expenses allocable to the Participants. However, it was found that a few customer collection related legal charges identified by OUC as nonbillable were inadvertently included in A&G. As a result, the Participants were overbilled by \$604, \$546, \$17 and \$19 for SEC1, SEC2, CTs A&B, and CTs C&D, respectively.

Audit Request

The Participants request refunds of \$604, \$546, \$17 and \$19 to SEC1, SEC2, CTs A&B, and CTs C&D, respectively, for the overbilling of A&G expenses. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees with this audit recommendation and will provide refunds on a future invoice.

2. Nonbillable St Cloud Lock Box Expenses in A&G

OUC has agreed in the prior audit that lockbox expenses for the City of St Cloud should not be included in the Participants' A&G expenses. A review of the detail charges for A&G expenses found that charges of \$40,077 pertaining to St Cloud lockbox services were included in A&G expenses allocated to the Participants. The \$40,077 is net of credits totaling \$4,200 for amounts reimbursed by the City of St Cloud. As a result, the Participants were overbilled for \$1,437, \$1,298, \$44 and \$48 to SEC1, SEC2, CTs A&B and CTs C&D, respectively.

Audit Request

The Participants request refunds of \$1,437, \$1,298, \$44 and \$48 to SEC1, SEC2, CTs A&B and CTs C&D, respectively, for the overbilling of A&G expenses. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees to this audit recommendation and will provide refunds on a future invoice.

3. Nonbillable Retail Related Charges in A&G

During the audit, it was found that a retail related legal fee accrual of \$250,000 and additional related legal charges of \$71,121 paid to “Emergis” were included in billable A&G expenses.

Additionally, in fiscal year 2007, OUC made an organizational change to establish a new business unit 16930 (Integrated and Customer Systems), which is a nonbillable A&G business unit. However, OUC stated this new business unit 16930 incorporated the major functions of billable business unit 16430 (IT Application Systems), and as such, 84% of the nonbillable business unit 16930 expenses were charged back to billable business unit 16430.

Upon reviewing the invoices of billable business unit 16430, it was found that there were additional “Emergis” charges totaling \$311,995 charged back from nonbillable business unit 16930. This represents an additional nonbillable amount of \$262,076, calculated at 84%, being included in allocable A&G expenses.

The 84% charge back rate discussed above was calculated based on 10 employees out of the total 12 employees in business unit 16930. According to OUC, the 10 employees worked on company wide projects so they should be included in billable A&G expenses. For this reason, it is recognized that the payroll and payroll related expenses may be appropriate for the 84% charge back. However, the outside services charges should be handled differently from payroll, consistent with common accounting guidance of the Securities and Exchange Commission, Federal Communications Commission, Cost Accounting Standards Board, National Association of Regulatory Utilities Commissioners and Federal Energy Regulatory Commission (“FERC”). The common thread that runs through their accounting guidance is that the hierarchy of recording costs should be: direct charge (first), allocation on related statistics (next), and (lastly) allocated on standard formula. The “Emergis” customer records and collection related expenses account for 40% of the total outside services to business unit 16930.

Thus, since “Emergis” is customer invoicing and payment related that is directly related to FERC account 903 (Customer Records and Collection Expenses), these costs should be directly assigned to customer service business function. The customer service business function is nonbillable under the Participation Agreements.

Thus, OUC should first determine if costs should be direct charges and not rely on the A&G allocation rate as a catch all and fair and equitable cost sharing with the Participants. Had the “Emergis” costs been directly assigned, it would not be included in allocable A&G expenses.

Removal of the \$583,197 customer records and collection expenses in the A&G allocable expenses results in overbillings of \$20,944, \$18,921, \$635, \$689 to SEC1, SEC2, CTs A&B and CTs C&D, respectively.

Action Taken

The Participants request refunds of \$20,944, \$18,921, \$635, \$689 to SEC1, SEC2, CTs A&B and CTs C&D, respectively, for the overbilled “Emergis” charges. The interest impact is not included in the audit adjustment amount above. See General comment B for more detail.

OUC Response

OUC has not responded to this audit request.

4. Nonbillable Expenses Charged Back to Billable A&G

From the review of A&G expenses charged back from nonbillable business unit 16930 to billable business unit 16430 as discussed in #3 above, it was found that the charge back included all A&G costs, i.e. payroll, payroll related and outside services expenses.

The “Emergis” expenses discussed in #3 above illustrates that the 84% charge back rate is not appropriate.

The nonbillable “Emergis” charges of \$311,995, that are customer records and collection related expenses, alone accounted for 40% of the outside services total (\$781,034) in this business unit. There might be other outside services charges that are customer records and collection specific and would be nonbillable under the Participation Agreements.

The auditor has requested a complete review of those outside services charges for this business unit; however, OUC has not responded to this data request. Therefore, auditors question whether all outside services costs to this business unit are customer records and collection related and thus nonbillable under the Participation Agreements. Removal of these charges would result in a nonbillable amount of \$393,993, which is remaining 84% of the total outside services charge back (\$781,034), excluding the “Emergis” charge back as identified in #3 above (\$781,034 x 84% less \$262,076) from allocable A&G expenses. Removing these nonbillable charges that are all potentially nonbillable due to their qualification as customer service business function direct charges would result in an overbilling of \$14,056, \$12,699, \$453 and \$492 to SEC1, SEC2, CTs A&B and CTs C&D, respectively.

Audit Request

The Participants request refunds of \$14,056, \$12,699, \$453 and \$492 to SEC1, SEC2, CTs A&B and CTs C&D, respectively, for the nonbillable outside services expenses or provide the support to identify which charges are customer records and collection related and which charges are general administrative expenses to determine the proper allocable A&G expenses and the appropriate adjustment, as appropriate. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC has not responded to this audit request.

5. A&G Allocation Rate Calculation Errors

The calculation of SEC & CTs Participant's billable A&G expenses is based on the allocation rate of the monthly headcount of SEC or CTs employees as a percent of all non-A&G employees. This percentage is applied to the expenses of all the billable A&G expenses.

In tabulating the monthly employee headcounts maintained by OUC's Human Resources Department, OUC made several calculation errors that resulted in the understatement of the A&G rate as follows:

- For the months of February 2006 through August 2006, the SEC and CTs headcounts had calculation errors. The number of SEC employees should have been one person more, while the CTs employees should have been one person less. This resulted in a net understatement of the A&G rate between the two sites.
- OUC reduced the number of SEC employees on loan to Reliant during the audit period. The number of employees on loan to Reliant went from 5 in October 2005 to zero in September 2007 via retirements. However, OUC continued to offset those loaned positions from the SEC headcount. This resulted in the A&G rate being understated for SEC.
- For the period May 2006 through September 2007, OUC included the employee headcount that ranged from 7 to 8 employees for business unit 16440 (Communication Systems) in the A&G base. Business unit 16440 operating expenses are, and have always been included in the A&G expense pool, and therefore, should not be included in the allocation base for computing the A&G rate. This resulted in an understatement of the A&G rate.

The above noted headcount discrepancies affected the monthly A&G rates used for allocating billable costs to Participants. For the purpose of maintaining consistency

with prior audits, the A&G rates for the months of September 2006 and September 2007 were used for calculating the billing adjustments. Please keep in mind that monthly recalculations would have a different result (\$49,016 less on the adjustment due OUC), had the billing adjustments been calculated using specific monthly A&G allocation rates.

The recalculated A&G rates, which include all three of the headcount corrections discussed above, are 22.93% (SEC) and 0.74% (CTs) at September 2006 and 22.69% (SEC) and 0.82% (CTs) at September 2007.

These rates impact the billable A&G costs and also the A&G portion of the property and liability insurance costs. Application of the corrected A&G rates results in underbilling of \$60,813, \$54,941, \$1,219 and \$1,322 to SEC1, SEC2, CTs A&B and CTs C&D, respectively.

Audit Request

The Participants request OUC to bill SEC1, SEC2, CTs A&B and CTs C&D for \$60,813, \$54,941, \$1,219 and \$1,322, respectively. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees to this audit recommendation and will bill the Participants on a future invoice.

6. Purchasing Overhead Applied to Asset Retirement Charges

In fiscal year 2007, a purchasing overhead charge was implemented by OUC to allocate the indirect costs of the Supply Chain Management business units. A rate of 4% was established and was applied to all account codes 503300 (Additional Items). In fiscal year 2007, a significant capital asset was written off to O&M in the amount of \$2,533,637 for the impairment of A&B coal trains and a 4% (\$101,345) purchasing overhead charge was applied. Clearly, this entry should not have received purchasing overhead, since it is an accounting transaction not related to purchasing or material handling activity. This resulted in overbilling of \$31,869 to SEC1.

Audit Request

The Participants request a refund of \$31,869 to SEC1. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees to this audit recommendation and will provide refunds on a future invoice.

7. Nonbillable Transmission Work Order Costs

OUC billed \$72,956 to the SEC1 Participants for transmission work order 255117, which resulted from an error in reclassification of these expenses by OUC. Transmission related expenses are nonbillable under the SEC Participation Agreements. Removal of the transmission expenses results in overbilling of \$22,942 to SEC1 Participants.

Audit Request

The Participants request a refund of \$22,942 to SEC1. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees with this audit recommendation and will provide a refund on a future invoice.

8. Misclassified Customer Information Systems Work Order

OUC billed \$76,811 to the SEC1 Participants for Customer Information Systems work order 257722, which resulted from an error in reclassification of these expenses by OUC. Retail related expenses are nonbillable under the SEC Participation Agreements. Removal of these expenses results in overbilling of \$24,154 to SEC1 Participants.

Audit Request

The Participants request a refund of \$24,154 to SEC1. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees with this audit recommendation and will provide a refund on a future invoice.

9. SEC2 O&M Invoices Charged to SEC1

Two Black & Veatch invoices total \$49,275 for SEC2 cathodic protection analysis were charged to SEC1 in error. Proper posting of these expenses results in an overbilling of \$15,495 to SEC1 and an underbilling of \$13,999 to SEC2.

Audit Request

The Participants request OUC to refund \$15,495 to SEC1 and bill SEC2 for \$13,999. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees to this audit recommendation and will bill SEC2 and provide a refund to SEC1 on a future invoice.

10. FEMA Credit Billing Error

In September 2006, OUC provided credit to the Participants for the amounts received from the Federal Emergency Management Agency (“FEMA”) related to prior years’ hurricane charges. The spreadsheet calculating the credits contained a formula error, resulting in a credit amount of \$3,369 lower than it should have been for KUA.

Audit Request

The Participant requests refund of \$3,369 to KUA for the error in calculating the FEMA credit. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees with this audit recommendation and will provide a refund on a future invoice.

11. Capital Charge Rate Not Updated

The inventory use charge, external facilities use charge, replacement unit use charge and common facilities use charge paid by the Participants are calculated based on an OUC capital charge rate. This capital charge rate should be updated every year in May. The last update of this capital charge rate was in May 2006. Updating the May 2007 capital charge rate and recalculating all the above use charges resulted in overbillings to SEC1, SEC2, CTs A&B and CTs C&D Participants for \$18,224, \$11,473, \$1,053 and \$491, respectively.

Audit Request

The Participants request refunds of \$18,224, \$11,473, \$1,053 and \$491 to SEC1, SEC2, CTs A&B and CTs C&D, respectively, for the overbilling of inventory, external facilities, replacement unit and common facilities use charges. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC has not responded to this audit request.

12. Accumulated Depreciation Not Transferred Upon Issuance of Spare Parts

It was found that the transfer amounts for four out of five spare part issuances in this audit period were not properly adjusted by the accumulated depreciation. OUC agreed in the last audit that they would transfer the accumulated depreciation together with the spare parts original costs upon issuance of spare parts to O&M. These depreciation expenses have already been paid for by the Participants under the replacement unit use charges. This resulted in overbilling of \$974 and \$749 to SEC1 and SEC2 Participants, respectively.

Audit Request

The Participants request refund of \$974 and \$749 to SEC1 and SEC2, respectively, for the overbilling of O&M charges. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees with this audit recommendation and will provide refunds on a future invoice.

13. Common Facilities Use Charge Error

In October 2005, the accumulated depreciation amount that offsets the plant balance in calculating the common facilities use charge was incorrect. OUC did not add the current month depreciation expenses of \$3,399 to the accumulated depreciation balance. This impacts all months of the audit period.

In addition, starting in April 2006, the accumulated depreciation amount was carried forward incorrectly. OUC carried forward \$676,428 for CTs A&B and \$210,716 for CTs C&D instead of \$690,065 for CTs A&B and \$343,521 for CTs C&D. This impacts all billing periods after April 2006, resulting in an overbilling of the common facilities use charge.

The combined effect of these two errors totals \$747 and \$1,138 overbilled to CTs A&B and CTs C&D, respectively.

Audit Request

The Participants request refund of \$747 and \$1,138 to CTs A&B and CTs C&D, respectively, for the overbilling of common facilities use charge. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees with this audit recommendation and will provide refunds on a future invoice.

14. Administrative Fee Not Removed.

Pursuant to Amendment One of the SEC1 Participation Agreement, OUC can charge FMPA and KUA each for \$100 per month for administrative fee as part of the fixed operating costs. This administrative fee was in effect from the date of this amendment, which was January 15, 1991, for a total of 15 years. OUC started to bill this fee in February 1991. As a result, OUC should have stopped billing this administrative fee as of February 2006. Since this fee has continued to be billed, the SEC1 Participants were overbilling by \$4,000 from February to September of 2007.

Audit Request

The Participants request refund of \$4,000 to SEC1. The interest impact is not included in the audit adjustment amount above. See General Comment B for more detail.

OUC Response

OUC agrees with this audit recommendation and will provide a refund on a future invoice.

GENERAL COMMENTS

A. Adjustments Resulted From Ongoing Monthly Billing Review

FMPA Contract Compliance Audit Department monitors the invoices billed to the Participants for the SEC1, SEC2, CTs A&B and CTs C&D Participation Agreements on a monthly basis. During fiscal years 2006 and 2007, errors were found and they were communicated to OUC before this audit. These findings net to total refunds of \$134,178 and \$9,611 to FMPA and KUA, respectively. After these issues were brought to the attention of OUC, proper adjustments were made in the invoices, normally the following month. These findings are listed as follows:

| Period | Description | FMPA | KUA | Total |
|--------|--|--------------------|------------------|--------------------|
| Jun-06 | R3 discrepancies | \$376 | (\$20) | \$356 |
| Jul-06 | A&G prior month total brought forward incorrectly | (\$111,420) | (\$9,757) | (\$121,177) |
| Sep-06 | A&G rate calculated incorrectly | \$4,557 | \$399 | \$4,956 |
| Jan-07 | Wastewater prior month total brought forward incorrectly | (\$49,327) | (\$4,319) | (\$53,646) |
| Feb-07 | Removed capital spare parts not reflected on invoices | (\$186) | - | (\$186) |
| Apr-07 | Coal prior month estimate brought fwd incorrectly | (\$4,117) | (\$360) | (\$4,477) |
| Jun-07 | SO2 allowance credit provide twice | \$27,826 | \$5,036 | \$32,862 |
| Sep-07 | #2 oil trued up incorrectly | (\$1,887) | (\$590) | (\$2,477) |
| | Total Overbilled: | (\$134,178) | (\$9,611) | (\$143,789) |

B. Interest

Per Section 8.02 of each of the SEC1, SEC2, CTs A&B and C&D Participation Agreements, these adjustments qualify for interest. Interest is not included in the amounts shown above. As of April 30, 2008, interest of \$1,128 would be due to the Participants for these adjustments.

C. Stanton B Impact

OUC has begun construction of Stanton Unit B, a combustion turbine, at the Stanton Energy Center. The placement of this unit at Stanton Energy Center will impact several contract sections to the SEC1 and SEC2 Participation Agreements.

Pursuant to Section 1.13 of the SEC Participation Agreement, "...any costs and expenses associated with the Common and External Facilities shall be proportionately reduced to the extent they are properly allocable to future units constructed as the Stanton Energy Center Site."

Section 4.12 of the SEC 1 Participation Agreement as amended (Section 4.13 of the SEC 2 Participation Agreement) also state that:

“...Should a future unit(s) be built on the Stanton Energy Site which uses the Common Facilities for operation, the Owners of the future unit(s) will purchase the pro-rata shares of the Common Facilities (based on the ratio of nameplate ratings or usage of the Common Facilities) from the current Owners at the depreciated book value.

Should a future unit(s) be built on the Stanton Energy Center Site which uses the External Facilities for operations, the Use Charge for the External Facilities will be calculated allocating a pro-rata share of the External Facilities (based on the ratio of nameplate ratings or usage of the External Facilities) to the future unit(s).”

When OUC broke ground for Stanton Unit B (“SEC B”) in September 2007, OUC recalculated the Participants’ External Use Charge by removing the SEC B site specific area to be utilized by Stanton B. That calculation was updated again in December 2007 adding back the acres related to the coal gasification portion of the plant that was canceled. This methodology, by only removing the site specific acres of SEC B, leaves the SEC1 and SEC2 participants bearing the use charge for all the non-site specific areas, which is 2,964.82 acres as of December 2007. Based on the Participation Agreements, SEC B should be allocated a pro-rata share of the non-site specific area based on the ratio of nameplate ratings or usage of the external facilities.

When Stanton Unit A began construction and utilizing the external facilities, no re-allocation of the non-site specific area was conducted based on the premise that OUC, KUA and FMFA all have ownership shares in Stanton Unit A. However, that is not the case with SEC B. SEC B is owned by OUC only.

Since there is only one month included in this audit period that the external use charge allocation is impacted, no exception was taken in the current audit. However, it is requested that OUC correct this allocation going forward.

Other areas under the SEC1 and SEC2 Participation Agreements include the impact that Stanton B has on the Common Facilities that FMFA and OUC have each paid their share of the capital costs under the SEC1 and SEC 2 Participation Agreements. Examples include, but are not limited to, the common facilities that should be reallocated include the Plant Road and Parking Area Improvement, Plant Fencing, Guard Stations and Security Building, Yard Services Building, Water and Wastewater systems, Permanent Warehouse, Administrative and Plant Services Building and Equipment Within Fleet, cooling tower, administrative furniture, fire protection bunker and gear, maintenance shop, tools and equipment, electric generation data processing, training facility, and fleet facilities.

The External Facilities that are impacted include, but are not limited to, the Sewage Treatment Plant, Stanton Energy Center Site excluding land on which Class A and Class B Common Facilities are located and excluding land dedicated to Stanton Unit

A, Stanton Unit B and transmission corridors, Off-site Access Road, Makeup Water Supply Pipeline Pumps and Structures (located at Sewer plant), Waste Water Return Pumps, Structures and Pipeline.

A&G employee allocation, O&M employee allocation (e.g. Power Resources Business Unit shared employees), insurance costs allocation, security costs allocation, and ground maintenance costs allocation, etc will also be impacted by the addition of the SEC Unit B to the Stanton Energy Center Site.

While this is a brief discussion on some of the impacts to the participant billings, it is by no means a comprehensive list related to the impact of SEC Unit B to the site.

It is recommended that OUC, KUA and FMPA staff discuss and resolve the issues related to the addition of SEC B at the Stanton Energy Center and proceed with contract amendments and billing adjustments, as appropriate.

AGENDA ITEM 3 – Information Items

f) June Meeting Needed?

**Finance Advisory Committee Meeting
May 9, 2008**

AGENDA ITEM 4 – Other Information

a) Finance Manager’s Comments

**Finance Advisory Committee Meeting
May 9, 2008**

AGENDA ITEM 5 - Adjournment

**Finance Advisory Committee Meeting
May 9, 2008**