

**Florida Municipal Power Agency
Finance Advisory Committee
September 5, 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 September 5, 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

PUBLIC NOTICE

TO: FMPA Finance Advisory Committee
FROM: Mark Larson, Chairman
DATE: August 22, 2008
RE: FMPA Finance Advisory Committee Meeting
September 5, 2008 at 10:00 a.m.
PLACE: FMPA, 8553 Commodity Circle, Orlando, FL, 1st Floor Conference Room

AGENDA

1. **Call Meeting to Order - Roll Call, Declaration of Quorum**
2. **Consent Agenda**
 - a. Approval of Minutes – Meetings Held June 6, 2008, May 2, 2008 and January 11, 2008 (Revised)
3. **Information Items:**
 - a. FMPA's 2008 Bond Financings (Janet Davis)
 - b. Audit Report for Stanton Unit A Operating Agreement - 2007 (Rich Popp)
4. **Other Information**
 - a. Finance Manager's Comments – FAC: A Look Back and a Look Forward
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
September 5, 2008**

AGENDA ITEM 2 – Consent Item

- a) Approval of Minutes – Meetings Held
1/11/08, 5/2/08 and 6/6/08**

**Finance Advisory Committee Meeting
September 5, 2008**

CLERKS DULY NOTIFIEDJanuary 8, 2008
AGENDA PACKAGE DISTRIBUTED TO MEMBERSJanuary 9, 2008

**REVISED 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, Accounting Manager & 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 (Key West), Nina Hurtubise (Fort Pierce) and Don Corley (Ocala) arrived later.

ITEM #2 – ACTION ITEMS:

Item 2a – Audit Bidding

Steve 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. Mr. Ruppel also

included contact information for Marilyn Rosetti@aud.state.fl.us. Ms. Rosetti's mailing address and phone is: Auditor General, Local Gov't. Reviews & Special Audits, 111 W. Madison St., Section 342, Tallahassee, FL 32399-1450; phone (850) 487-9031.

Item 2b – Review Draft Financial Statements

Prior to the discussion of the actual financial statements, several members suggested that some method of improved identification of the cities locations be incorporated into the map of the state on the second page.

Jim Arntz presented the draft financial statements for the year ended September 30, 2007. Discussion included explanations and analyses of variances and changes between 2006 and 2007. He pointed out the following: all of the assets in the Pooled Loan Fund are classified as restricted assets; very little debt was added; \$6M was borrowed for the Taylor Energy Center; a line was added to the Statement of Cash Flows to show interest expense as a separate line item (previously included in supplies for prior years); a definition for capital assets and depreciable lives; debt repayment; FAS 71 and bond maturation. He also gave an overview of the Notes to the Financial Statements and discussed significant points. Each page of the approximately 100-page report was reviewed. After much discussion, it was determined that a FAS 71 review and update should be presented at the March meeting.

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. He also noted 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 a future meeting. The backup and calculations for the workshop will be emailed to members so that they can prepare for the workshop). Next, Mark discussed PGP, which it is geographically remote, and said that FMPA should take delivery of profits since it cannot take actual physical delivery of the gas. Mark Bates asked if FMPA would include responses to the auditor's comments. Janet Davis added that FMPA should consider noting in the financial statements that FMPA does not have any sub-prime exposure issues.

Item 2d – Financial Market Update

Janet 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. She 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. Janet then answered questions from the Committee. Craig Dunlap then discussed what he thought the current and projected conditions mean for the Agency. Mark 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 at that time.

Item 2f – Affirmation of FAC Mission Statement

Mark 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. Mark suggested that in a future meeting, someone should bring up “generator and non-generator” members. Joe Hostetler emphasized the need for a strong, technical operating committee to ensure that we know how to run the plants properly. Harry Royal added that he specifically wanted Joe Hostetler’s comments added to the Minutes.

ITEM #3 – FINANCE MANAGERS STATEMENT:

Mark 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
05-19-08

CLERKS DULY NOTIFIEDApril 25, 2008
AGENDA PACKAGE DISTRIBUTED TO MEMBERSMay 6, 2008

**MINUTES
FINANCE ADVISORY COMMITTEE (FAC) MEETING
FRIDAY, MAY 9, 2008
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819**

COMMITTEE

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

ACTING

CHAIRMAN: Jim Arntz, Controller

OTHERS

PRESENT: David Siegel, Kissimmee
Larry Mattern, Kissimmee
Craig Dunlap, Dunlap & Associates

STAFF

PRESENT: Janet Davis, Treasury Manager
Rich Popp, Financial Planning, Budget & Risk Management Manager
Steven Ruppel, Contract Compliance Audit Manager
Cameron Cassidy, Contract Compliance Auditor II
Larry Landry, Contract Compliance Auditor II
Manny Santos, Audio Visual/Computer Support Specialist
Terri Bucy, Budget & Accounting Specialist

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

Acting Chairman Jim Arntz called the meeting to order at 10:04 a.m. on May 9, 2008 at FMPA's offices in Orlando, Florida. The roll was taken and there was no quorum.

ITEM #2 – CONSENT AGENDA:

Items 2a & 2b – Approval of Minutes – Meetings Held 1/11/08 & 3/7/08

The January Meeting Minutes were not approved due to a question concerning a statement about generators and non-generators. FMPA staff will listen to the audio recording of that meeting and make any necessary changes. Revised January Meeting Minutes will be available for the June meeting. The March Meeting Minutes were approved.

ITEM #3 – INFORMATION ITEMS:

Item 3a – Workshop – 60 Days Cash Requirement

Jim Arntz gave an overview of the spreadsheet used to generate the 60 Days Cash Requirement Calculation. Harry Royal asked Jim to tie the worksheets together to facilitate understanding how the various items played into the calculation of the number. Jim said that he would have it ready for the June meeting.

Item 3b – Payments to Consultants

Payments to attorneys and other consultants were presented for calendar year 2007. It was agreed that this information was beneficial, but should include a description of the services provided and be renamed to: “Service Contractors” or “Professional Services” or “Outside Services” or “Payments for Professional and Contract Services”. Nina Hurtubise recommended that the report provide two years of information. Harry Royal suggested that the report should focus on consultants paid in excess of \$20,000 annually. A draft incorporating the changes is forthcoming.

Item 3c – Update of Debt Restructuring

Janet Davis prepared and explained “long” and “short” versions of current and future proposed debt models. Janet and Craig discussed obtaining LOC’s and other debt from various financial institutions (SunTrust, Wachovia, Regions, Dexia, etc) and the range of basis points based on the terms. Craig indicated that credit is very tight and that we have to lower Wachovia’s exposure to FMPA debt to their “house limits” of \$350M. Janet explained how the models get FMPA to the 50% or greater target for fixed debt. Janet and Craig agreed that they were “close” on agreement on their respective plans. Harry Royal motioned that “the staff strongly consider issuing more fixed debt (with Craig’s input) to get closer to the 60% number, to make the variable piece fixed and get as close to the 60% (target) as possible”. Don Corley seconded Harry’s motion and it carried. Kathleen Libby said that “FAC should make a recommendation to Roger Fontes to review the hedging policy.” Harry motioned Kathleen’s recommendation and Don Corley seconded it.

Item 3d – St. Lucie II Power-Up & Participation

The Memorandum from Doug Keegan/Steve Ruppel states that “FMPA staff received written notice from FPL on 3/18/08 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”. The report states that FMPA has until 6/16/08 to exercise its option to reduce its ownership in St. Lucie 2 in lieu of contributions to the costs of the Project. The report recommends that FMPA does not opt out and moves for approval to inform FPL of same.

Item 3e – Stanton Energy Center / Indian River CT’s Audit Report

The Memorandum from Steve Ruppel states that the Contract Compliance Audit Department has completed the Participation Agreement Audit for the Stanton Energy Centers Unit 1 and 2, the Indian River Combustion Turbines A&B and C&D. The Memo discussed the audit scope, objective and results. Per the Memo, “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.” No action was required.

Item 3f – June Meeting Needed?

It was determined that a June meeting was necessary to complete unfinished business before adjourning for the summer.

ITEM #4 – FINANCE MANAGERS STATEMENT:

Jim Arntz summarized the items to be carried over to the June meeting (60 Days Cash, Consultant’s List and Debt Issuance and Process.

ITEM #5 – ADJOURNMENT:

There being no further business, the meeting adjourned at 1:22 p.m.

Approved on: _____
(date)

MJL/tlb
05-20-08

CLERKS DULY NOTIFIEDMay 29, 2008
AGENDA PACKAGE DISTRIBUTED TO MEMBERSJune 3, 2008

MINUTES
FINANCE ADVISORY COMMITTEE (FAC) MEETING
FRIDAY, JUNE 6, 2008
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819
‘CONFERENCE CALL MEETING’

COMMITTEE

MEMBERS	Jacksonville Beach	-	Harry Royal
ON CALL:	Key West	-	Jack Wetzler
	Ft. Pierce	-	Nina Hurtubise

ACTING

CHAIRMAN: Jim Arntz, Controller

OTHERS

ON CALL: Craig Dunlap, Dunlap & Associates
Kelly Ryman, Dunlap & Associates
Don Ouchley, Jacksonville Beach

STAFF

ON CALL: Janet Davis, Treasury Manager
Steven Ruppel, Senior Risk Analyst
Terri Bucy, Budget & Accounting Specialist

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

Acting Chairman Jim Arntz called the meeting to order at 10:18 a.m. on June 6, 2008 via teleconference. The roll was taken and there was no quorum.

ITEM #2 – CONSENT AGENDA:

Items 2a & 2b – Approval of Minutes – Meetings Held 1/11/08 & 3/7/08

A quorum was not present, therefore, approval of the Minutes for the meetings held January 11, 2008 and March 7, 2008 will be scheduled for the September 5, 2008 meeting (after the summer break).

ITEM #3 – INFORMATION ITEMS:

Item 3a – New Debt Issuance & Update on Debt Issuance Process

Janet Davis prepared a breakdown of the 2008 debt issuance and dealer breakdown. The breakdown included the following information: project, form of bonds, total to issue, senior managers/amount in millions, co-managers/amount in millions, dealers and totals to dealers. The total bonds – all projects through 2008 was \$1,171,059,000.00.

Item 3b – Payments to Consultants

FMPA staff revised the format for the summary of payments to attorneys, consultants and other outside professionals to reflect current month, current year-to date, and prior two years information. The draft presented at the meeting included Spiegel & McDiarmid and reflected a breakdown of the payments for services provided for various issues (“general”, “PEF Transmission”, “FPL Transmission”, “Network Transmission Matters”, etc). Harry, Nina and Jack said that quarterly presentation of the data in this format should be sufficient.

Item 3c – Diagram of Components in 60 Days Cash Calculation

Jim Arntz went through the 60 Days Cash Calculation in more depth than in the previous FAC meeting. The materials included (over) under recovery balance and a confidence level (%) of achieving the number of days cash. Also included were adjustment calculations for: demand, transmission and energy.

ITEM #4 – OTHER INFORMATION:

There were no additional comments at this time.

ITEM #5 – ADJOURNMENT:

There being no further business, the meeting adjourned at 11:07a.m.

Approved on: _____
(date)

AGENDA ITEM 3 – Information Items

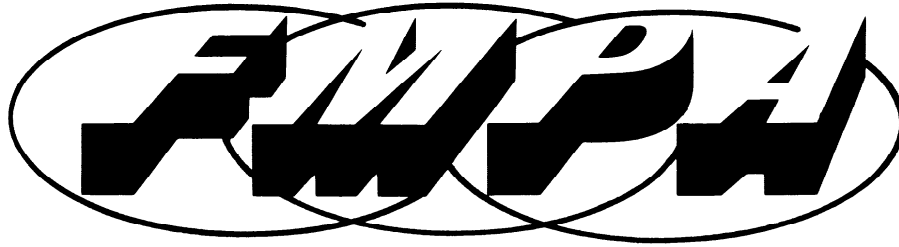
a) FMPA's 2008 Bond Financings

**Finance Advisory Committee Meeting
September 5, 2008**

AGENDA ITEM 3 – Information Items

- b) Audit Report – Stanton A Operating Agreement 2007**

**Finance Advisory Committee Meeting
September 5, 2008**



AUDIT REPORT

July 7, 2008

STANTON ENERGY CENTER COMBINED CYCLE UNIT A BILLINGS UNDER THE OPERATING AGREEMENT

AUDIT PERIOD JANUARY 1, 2007 THROUGH DECEMBER 31, 2007

Audit Performed By:

**Celina Tse, CPA, CFE
Larry Landry
Cameron Cassidy, CPA
Denise Fuentes**

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EXECUTIVE SUMMARY

The Florida Municipal Power Agency (“FMPA”) Contract Compliance Audit staff has audited the following areas relating to the Stanton Energy Center Combined Cycle Unit A (“Stanton Unit A”) Operating Agreement for which costs have been billed to the minority joint owners (“Participants”):

- Capital Addition Costs
- Operation and Maintenance Expenses (“O&M”)
- Administrative and General Expenses (“A&G”)
- Insurance Costs
- Inventory
- Long Term Service Agreement with General Electric

This is the second audit of the Stanton Unit A Operating Agreement. It covered the billings to Participants for the period from January 1, 2007 through December 31, 2007. Under the Stanton Unit A Operating Agreement, the Participants have until September 15 of the immediately following calendar year to contest the correctness of the charges.

The Participants billings during this audit period totaled \$8.1 million for OUC and \$1.0 million for KUA and FMPA each. This audit resulted in three audit findings and one general comment. Net underbilling to the Participants totals \$62,603 to OUC and \$7,826 to KUA and FMPA each.

SUMMARY OF AUDIT FINDINGS

Audit Findings	Due (OUC)/Southern 28%	Due (KUA)/Southern 3.5%	Due (FMPA)/Southern 3.5%	Total Due (Participants)/ Southern 35%
1. Billable & Nonbillable Allocated A&G Charges	(\$14,167)	(\$1,771)	(\$1,771)	(\$17,709)
2. Non-billable Direct A&G Charges	(\$1,715)	(\$214)	(\$214)	(\$2,143)
3. O&M Billing Errors	\$78,485	\$9,811	\$9,811	\$98,107
Net Underbilling to the Participants:	\$62,603	\$7,826	\$7,826	\$78,255

AUDIT SCOPE AND OBJECTIVES

The scope of this audit consisted of reviewing the following areas under the Stanton Unit A Operating Agreement:

- Capital Addition Costs
- Operation and Maintenance (“O&M”) Expenses
- Administrative and General (“A&G”) Expenses
- Insurance Costs
- Inventory
- Long Term Service Agreement with General Electric

The primary objectives of this audit were to determine whether:

- a) Allocations, required for billing certain costs, were reasonable and in compliance with the terms of the Operating Agreement.
- b) All costs billed were supported by adequate documentation.
- c) Capital Additions Costs, O&M Expenses, A&G Expenses, Insurance, Inventory, and Long Term Service Agreement were billed reasonably and appropriately in accordance with the Stanton Unit A Operating Agreement.

BACKGROUND INFORMATION

Stanton Energy Center Combined Cycle Unit A (“Stanton Unit A”) is a nominal 633 MW rated gas-fired combined cycle unit consisting of two GE 7 FA combustion turbines, two heat recovery steam generators and a steam turbine generator. The unit’s commercial operation date was October 1, 2003 with an estimated useful life of 35 years.

Stanton Unit A is operated by Southern Company Florida (“SCF”), which owns a 65% undivided interest in the facility and interconnection facilities. The Orlando Utilities Commission (“OUC”), Kissimmee Utilities Authority (“KUA”) and FMPA’s All-Requirements Power Supply Project own the remaining 28%, 3.5% and 3.5% undivided interests, respectively. Subject to further provisions of separate Purchase Power Agreements (“PPA”) between SCF and OUC, KUA and FMPA, respectively, SCF sells to OUC, KUA and FMPA the energy and capacity from its undivided ownership share of 65%. The PPA has not been audited as part of the current Operating Agreement audit and contains its own provisions for contesting invoiced charges.

Under the terms of the Stanton Unit A Operating Agreement and Ownership Agreement, SCF was appointed as the operating agent in performing the functions with respect to operation of the facility, with the exception of fuel purchasing and scheduling. OUC was appointed as the agent to act on behalf of the Participants in performing functions with respect to the fuel supply.

Under the terms of the Operating Agreement and Ownership Agreement, the Participants reimburse Southern Company for costs incurred from operating the Project in proportion to their respective ownership interests in the facility. Each Participant is entitled to the actual capacity of the facility in proportion to their respective ownership interests.

The Operating Agreement provides the Participants the right to contest charges billed to them until September 15 of the immediately following calendar year.

AUDIT FINDINGS AND ACTIONS TAKEN

1. Billable and Nonbillable Allocated A&G Charges

One type of A&G charges billed to the Participants is Southern's service company charges that are billed to Southern Power Company ("SPC") and allocated to Stanton Unit A.

During the review of these A&G charges, it was found that certain nonbillable charges were billed, certain charges were double-billed and certain billable charges were not billed.

Twenty-three (23) nonbillable work orders totaling \$1,285,982 were billed in error. These work orders include charges related to energy marketing, power sales, "below-the-line" items, specific plant sites other than Stanton Unit A, etc. These work orders should not have been billed to the Participants.

Two (2) A&G work orders included charges that have already been billed under another area. One was an insurance charge for \$129,360 billed through both A&G and insurance sections. Another was a support services charge for \$407,153 billed through both A&G and O&M sections. These double-billed charges total \$536,513.

Three (3) work orders totaling \$1,288,225 were found to be billable but not billed. These charges were related to SPC's costs of separating certain department functions from Southern's other affiliates. They were mostly information technology related staffing and overhead costs.

The above findings net to \$534,270. After applying the SPC allocation rate to Stanton Unit A, the Participant shares of overbillings are \$14,167 to OUC and \$1,771 to KUA and FMFA each.

Audit Request

The Participants request Southern to refund \$14,167, \$1,771 and \$1,771 to OUC, KUA and FMFA, respectively.

Southern's Response

Southern agrees to this audit recommendation and will refund the overbilled amounts to the Participants on a future invoice.

2. Nonbillable Direct A&G Charges

Another type of A&G charges billed to the Participants is SPC-related direct A&G charges that are allocated to Stanton Unit A.

A review of these charges indicated that two months of public liability insurance expenses totaling \$64,698 were billed as direct A&G in error. Twelve months of the same insurance were already billed under a separate A&G work order (P86Y01) as allocated A&G charges. This resulted in \$64,698 of double-billed charges. After applying the SPC allocation rate to Stanton Unit A, the Participant shares of overbillings are \$1,715 to OUC and \$214 to KUA and FMFA each.

Audit Request

The Participants request Southern to refund \$1,715, \$214 and \$214 to OUC, KUA and FMFA, respectively.

Southern's Response

Southern agrees to this audit recommendation and will refund the overbilled amounts to the Participants on a future invoice.

3. O&M Billing Errors

During the reconciliation of the O&M general ledger, it was discovered that some credit entries were incorrectly included in the billings to Participants. These credit entries pertained to the payments received by Southern for Participant shares of billed expenses. These entries were made in order for Southern to properly record their ownership costs within their accounting system. The inclusion of these credit entries for billing in effect has understated the Participants billable costs and resulted in underbilling of O&M expenses. Most of these credit entries were related to the November 2007 Participants' Support Services monthly payment and fiscal year 2007 year-end true-up of Support Services. These errors resulted in total underbilling of \$187,792. After the SPC allocation rate to Stanton Unit A, the Participant shares of underbillings are \$78,485 to OUC and \$9,811 to KUA and FMFA each.

Audit Request

The Participants request Southern to bill \$78,485, \$9,811 and \$9,811 to OUC, KUA and FMFA, respectively.

Southern's Response

Southern agrees to this audit recommendation and will bill the above amounts to the Participants on a future invoice.

GENERAL COMMENTS

A. Adjustments Resulted From Ongoing Monthly Billing Review

FMPA Contract Compliance Audit Department monitors the invoices billed to Participants for the Stanton Unit A Operating Agreement. During calendar year 2007, some billing errors were found which were communicated to Southern Company and corrected as billing adjustments before the commencement of this audit. These audit findings resulted in additional payments by the Participants to Southern Company under the Operating Agreement of \$19,201. The related billing error issues and amounts by individual joint owners are as follows:

Period	DESCRIPTION	Due (OUC)/ Southern	Due (FMPA)/ Southern	Due (KUA)/ Southern	Total Due (Participants)/ Southern
Jan-07	O&M billing error for Inlet Bleed Heat System.	\$1,380	(\$928)	(\$928)	(\$476)
Apr & May-07	Variable O&M Support Services billed incorrectly as Fixed O&M charges	\$6,182	\$773	\$773	\$7,728
Dec-07	Error in calculating the Variable O&M monthly billing rate	\$9,559	\$1,195	\$1,195	\$11,949
	Total Underbilled	\$17,121	\$1,040	\$1,040	\$19,201

B. 2008 Adjustments Resulted From 2007 Audit

As a result of this audit of 2007 charges, Southern also refunded the nonbillable allocated A&G charges as noted in #1 above that impacted January to May of 2008, the months that Participants were billed so far. The 2008 refunds totaled \$18,780, \$2,347 and \$2,347 to OUC, KUA and FMPA, respectively. Starting with the June 2008 invoice, those nonbillable A&G charges should be excluded from Participant billings.

C. Billing of Inventory Spare Parts

Inventory spare parts are billed to the Participants through the O&M account when they are issued (as replacement costs) or when they become obsolete (as write-offs). This billing methodology works for most inventory parts, except for the initial inventory parts that the Participants have already paid upfront during construction of the plant. There are audit concerns that Southern lacks a system to track original inventory spare parts so that Participants will properly receive a credit when they become obsolete. Without proper refund, the spare parts purchased during construction will eventually be billed to the Participants twice. The potential overbilled amount is \$88,649 (\$253,284 x 35%). Southern stated that as of to-date there have been no write-offs and that future write-offs would be communicated to the Participants to ensure proper credits are received.

AGENDA ITEM 4 – Other Information

- a) Finance Manager’s Comments:**
FAC - A Look Back and a Look Forward

Finance Advisory Committee Meeting
September 5, 2008

AGENDA ITEM 5 - Adjournment

**Finance Advisory Committee Meeting
March 7, 2008**