AUDIT AND RISK OVERSIGHT COMMITTEE

AGENDA PACKAGE

JANUARY 17, 2019
8:30 a.m.
Dial-in Info 877-668-4493 or 650-479-3208
Meeting Number 735 172 737

Committee Members

Karen Nelson, Jacksonville Beach – Chairwoman
Jody Young, Bushnell
Barbara Quiñones, Homestead
Lynne Tejeda, Key West
Kevin Crawford, Kissimmee
Mike Poucher, Ocala
Claston Sunanon, Orlando

Meeting Location
Florida Municipal Power Agency
8553 Commodity Circle
Orlando, FL 32819
(407) 355-7767

Liyuan Woerner, CPA
Audit and Contracts Manager

MEMORANDUM

TO: FMPA Audit and Risk Oversight Committee

FROM: Liyuan Woerner

DATE: January 8, 2019

SUBJECT: FMPA Audit and Risk Oversight Committee Meeting
Thursday, January 17, 2019 at 8:30 a.m.

PLACE: Florida Municipal Power Agency Board Room, 8553 Commodity Circle, Orlando, FL 32819

DIAL-IN INFORMATION: 877-668-4493, Meeting # 735 172 737
(If you have trouble connecting via phone or internet, please call 407-355-7767)

Chairperson Karen Nelson, Presiding

AGENDA

LW/su

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

AGENDA ITEM 1 – Call to Order, Roll Call, Declaration of Quorum

Audit and Risk Oversight Committee Meeting
January 17, 2019

AGENDA ITEM 2 – Set Agenda (by vote)

Audit and Risk Oversight Committee Meeting
January 17, 2019

AGENDA ITEM 3 – Public Comment (Individual public comments limited to 3 minutes)

Audit and Risk Oversight Committee Meeting
January 17, 2019

AGENDA ITEM 4 – Approval of Minutes

Minutes of Meeting Held November 15, 2018 and Telephonic Meetings Held September 14, 2018 and December 6, 2018

Audit and Risk Oversight Committee Meeting January 17, 2019

CLERKS DULY NOTIFIED .... NOVEMBER 6, 2018
AGENDA PACKAGE SENT TO MEMBERS .... NOVEMBER 6, 2018

MINUTES
AUDIT AND RISK OVERSIGHT COMMITTEE MEETING
THURSDAY, NOVEMBER 15, 2018
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL

PARTICIPANTS PRESENT

Jody Young*, Bushnell (via telephone)
Barbara Quiñones, Homestead
Karen Nelson, Jacksonville Beach
Lynne Tejeda, Key West
Kevin Crawford, Kissimmee
Mike Poucher*, Ocala

*arrived after roll call.

PARTICIPANTS ABSENT

Claston Sunanon, Orlando

OTHERS PRESENT

Howard McKinnon, Havana
George Forbes, Jacksonville Beach
Larry Mattern, Kissimmee
Glenn Spurlock, Leesburg
Jim Williams, Leesburg
Bill Conrad, Newberry
Mike Poucher, Ocala
Craig Dunlap, Dunlap & Associates, Inc.
Kathryn Eno, Purvis Gray & Company

STAFF PRESENT

Jacob Williams, General Manager and CEO
Jody Finklea, General Counsel and CLO
Linda S. Howard, Chief Financial Officer
Mark McCain, Assistant General Manager, Member Services, and Public Relations
Carol Chinn, Chief Information and Compliance Officer
Sue Utley, Executive Asst. /Asst. Secy. to the Board
Chris Gowder, Business Development and Planning Manager
Liyuan Woerner, Contracts and Audit Manager
Jason Wolfe, Accounting and Financial Planning Director
Steve Ruppel, Accounting Manager
Edwin Nunez, Assistant Treasurer/Debt
Luis Cruz, Information Technology Manager
Sharon Adams, Human Resources Director
Dan O'Hagan, Associate General Counsel
Ian Beason, Electrical Asset Engineer
Carter Manucy, Cyber Security Manager
Trent Lewis, Environmental /Operations Specialist 1
Isaac Barbosa, Information Technology Security Analyst

Richard Montgomery, Business Development Administrator
Cairo Vanegas, Manager of Member Services Development

ITEM 1 - CALL TO ORDER, ROLL CALL, AND DECLARATION OF QUORUM

Chairperson Karen Nelson, Jacksonville Beach, called the FMPA Audit and Risk Oversight Committee (AROC) meeting to order at 8:32 a.m. on Thursday, November 15, 2018, in the Frederick M. Bryant Board Room at FMPA, 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with 4 of 7 members present. Jody Young, Bushnell, and Mike Poucher, Ocala, arrived after roll call bringing the total members present to 6 out of 7.

ITEM 2 –SET AGENDA (by vote)

MOTION: Kevin Crawford, Kissimmee, moved approval to set the agenda as presented. Barbara Quiñones, Homestead, seconded the motion. Motion carried 6 – 0.

ITEM 3 – PUBLIC COMMENTS

None

ITEM 4 – APPROVAL OF MINUTES

4a – Approval of Minutes – Meeting Held August 23, 2018

MOTION: Barbara Quiñones, Homestead, moved approval of the minutes as presented. Kevin Crawford seconded the motion.
Motion carried 6 – 0.

ITEM 5 – CHAIRPERSON'S REMARKS:

Karen Nelson said that Jacksonville Beach has hired a new City Manager, Michael Staffopoulos.

ITEM 6 – ACTION ITEMS

None

ITEM 7 – INFORMATION ITEMS

7a – Risk Management Policy Reviews

Liyuan Woerner, Audit Manager, presented the Risk Management Policy Reviews.

7b – Credit Card Audit Review

Liyuan Woerner, Audit Manager, presented the findings of the Credit Card Audit Review.

7c – OT Assessment Update

Carter Manucy, Cyber Security Manager, presented the findings of the OT Assessment.

7d – Annual Corporate IT Report

Luis Cruz, IT Manager, presented the annual Corporate IT Report.

7e – St. Lucie Capital Appreciation Bonds Quarterly Update (Linda Howard)

Linda S. Howard, Chief Financial Officer, presented the quarterly update on the St. Lucie Capital Appreciation Bonds (CAB).

7f – Committee Structure Discussion

Linda S. Howard, Chief Financial Officer, discussed a committee structure change to combine the Audit and Risk Oversight Committee with the Business Planning and Budget Committee and broaden the overall scope of a new Finance Committee to address all risk and finance matters, as an advisory committee to the Board of Directors and Executive Committee.

ITEM 8 – REPORTS

9a – Capacity Reserve Level Report (Joe McKinney)

9b – FGU Storage Management Report

There was no discussion on the reports.

ITEM 9 – COMMENTS

None

ITEM 10 – ADJOURNMENT

There being no further business the meeting was adjourned at 9:18 a.m.

Approved: ____________________________________
Date

LW/su

CLERKS DULY NOTIFIED ------------------------------------SEPTEMBER 11, 2018
AGENDA PACKAGE SENT TO MEMBERS------------------------- SEPTEMBER 11, 2018

MINUTES
TELEPHONIC AUDIT AND RISK OVERSIGHT COMMITTEE MEETING
FRIDAY, SEPTEMBER 14, 2018
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL

PARTICIPANTS PRESENT VIA TELEPHONE	Jody Young, Bushnell Barbara Quiñones, Homestead Karen Nelson, Jacksonville Beach Lynne Tejeda, Key West
PARTICIPANTS ABSENT	Kevin Crawford, Kissimmee Mike Poucher, Ocala Claston Sunanon, Orlando
OTHERS PRESENT VIA TELEPHONE	Larry Mattern, Kissimmee Mark White, Purvis Gray & Co. Helen Painter, Purvis Gray & Co. Kathryn Eno, Purvis Gray & Co. Matt Carver, Purvis Gray & Co.
STAFF PRESENT	Jacob Williams, General Manager and CEO (Via Telephone) Jody Finklea, General Counsel and CLO (Via Telephone) Linda S. Howard, Chief Financial Officer Liyuan Woerner, Contracts and Audit Manager Steve Ruppel, Accountant III Sue Utley, Exec. Asst. / Asst. Secy. to the Board Jason Wolfe, Accounting and Financial Planning Director

ITEM 1 - CALL TO ORDER, ROLL CALL, AND DECLARATION OF QUORUM

Chairperson Karen Nelson, Jacksonville Beach, called the FMPA Telephonic Audit and Risk Oversight Committee (AROC) Meeting to order at 8:50 a.m. on Friday, September 14, 2018. A speaker telephone for public attendance and participation was located in the Library at Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with four of seven members present.

ITEM 2 –SET AGENDA (by vote)

MOTION: Barbara Quiñones, Homestead, moved approval to set the agenda as presented. Lynne Tejeda, Key West, seconded the motion. Motion carried 4 – 0.

ITEM 3 – CHAIRPERSON'S REMARKS

None.

ITEM 4 – EXTERNAL AUDITOR ENTRANCE CONFERENCE

Auditors discussed with the Committee the items they worked on during their interim audit that were listed in the memo they presented to the Committee.

ITEM 5 – ADJOURNMENT

There being no further business the meeting was adjourned at 9:07 a.m.

Approved: ________________________________

Date

LW/su

CLERKS DULY NOTIFIED ....DECEMBER 5, 2018
AGENDA PACKAGE SENT TO MEMBERS ....DECEMBER 5, 2018

MINUTES
TELEPHONIC AUDIT AND RISK OVERSIGHT COMMITTEE MEETING
THURSDAY, DECEMBER 6, 2018
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL

PARTICIPANTS	Barbara Quiñones	-	Homestead
PRESENT	Karen Nelson	-	Jacksonville Beach
VIA	Lynne Tejeda	-	Key West
TELEPHONE	Kevin Crawford	-	Kissimmee
PARTICIPANTS	Jody Young	-	Bushnell
ABSENT	Mike Poucher	-	Ocala
	Claston Sunanon `	-	Orlando

OTHERS PRESENT
Larry Mattern, Kissimmee (via telephone)
Mark White, Purvis Gray & Company
Helen Painter, Purvis Gray & Company (via telephone)
Kathryn Eno, Purvis Gray & Company

STAFF PRESENT
Jacob Williams, General Manager and CEO (via telephone)
Jody Finklea, General Counsel and CLO (via telephone)
Linda S. Howard, Treasurer
Carol Chinn, Chief Information and Compliance Officer (via telephone)
Sue Utley, Executive Asst. /Asst. Secy. to the Board
Liyuan Woerner, Contracts and Audit Manager
Jason Wolfe, Accounting and Financial Planning Director
Steve Ruppel, Senior Financial Analyst

ITEM 1 - CALL TO ORDER, ROLL CALL,

Chairperson Karen Nelson, Jacksonville Beach, called the FMPA Telephonic Audit and Risk Oversight Committee (AROC) Meeting to order at 3:00 p.m. on Thursday, December 6, 2018, in the Board Room at FMPA, Orlando, Florida. The roll was taken and a quorum was declared with four of seven members present.

ITEM 2 – CHAIRPERSON'S REMARKS:

None

ITEM 3 – INFORMATION ITEMS

3a – External Auditor Exit Conference

Liyuan Woerner introduced Mark White of Purvis Gray and Company. Mark White said that he and Katy Eno were present at FMPA and Helen Painter was present via telephone.

Mr. White presented the draft of the Independent Audit Report and said the findings were all good and thanked the FMPA staff for their cooperation.

Questions were answered from Members.

ITEM 4 – ADJOURNMENT

There being no further business the meeting was adjourned at 3:36 p.m.

Approved: ___________________________________
Date

LW/su

VERBAL REPORT

AGENDA ITEM 5 – Chairperson's Remarks

Audit and Risk Oversight Committee Meeting
January 17, 2019

AGENDA ITEM 6 – Action Items

a) Approval of the Risk Inventory Update

Audit and Risk Oversight Committee Meeting
January 17, 2019

6a – 2019 Annual Risk Inventory Update

Audit and Risk Oversight Committee

January 17, 2019

Risk Score Components

Severity

1 through 5 (1 = Minor, 5 = Severe)

Likelihood

1 through 3 (1 = Remote, 3 = Almost Certain)

Controls

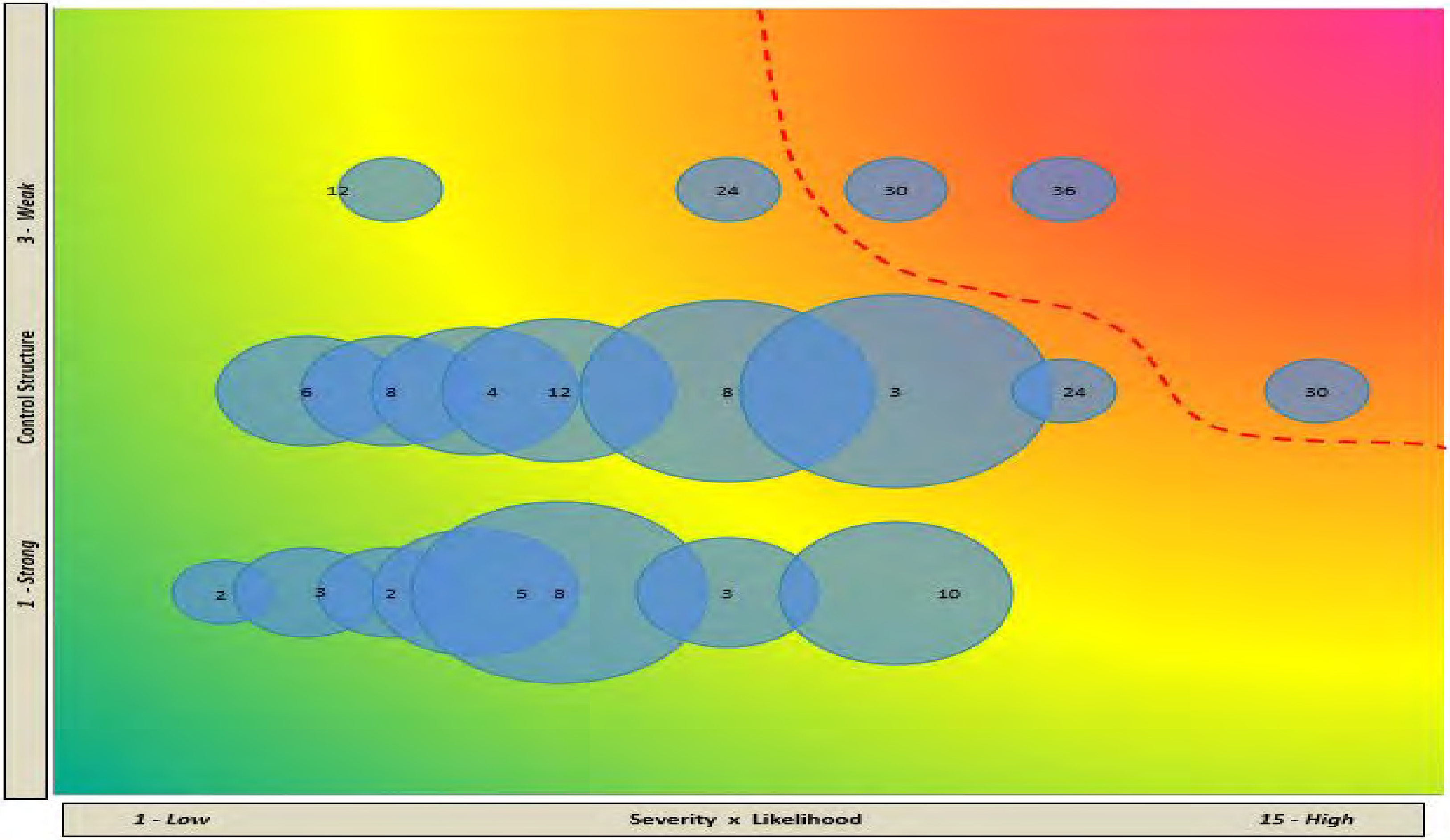
1 through 3 (1 = Tight Control, 3 = Bare Minimum)

Risk Scoring Highlights

Risk	Risk Score 2017	Risk Score 2018	Risk Score 2019
Transmission - energy delivery	36	36	36
Credit rating	30	30	30
Long-term transmission	20	30	30
Natural gas price	30	24	24
ARP Rates - rate increases/rate instability	24	24	24
Third party litigation claims	10	10	20
CIP critical cyber asset regulation	16	16	20
Individual member decisions that impact other members	30	30	4

FMPA MUNICIPAL POWER

Risk Heat Map



Risks Remaining High to Very High

- Transmission – Energy Delivery
- Credit Rating
- Long-term Transmission
- Natural Gas Price
- ARP Rates – Rate Increases/Instability
- Third-party Litigation Claims
- CIP Critical Cyber Asset Regulation

Risks No Longer Considered High

Individual member decisions that impact other members

FMPA MUNICIPAL POWER

Action

- Move for approval of the 2019 FMPA Risk Inventory Update

AGENDA ITEM 6 – Action Items

b) Review and Recommendation for Approval of Annual Audited Financial Report (AAFR) for Fiscal Year 2018

Audit and Risk Oversight Committee Meeting January 17, 2019

6b-Review and Recommend Approval of Annual Audited Financial Report (AAFR) for FYE 2018

Audit and Risk Oversight Committee (AROC)

January 17, 2019

Financial Statement Reporting Policy

- Annual Report presented in accordance with the Accounting and Internal Controls Policy, Section 7.0 Reporting
- The policy requires that the CFO shall cause the prior fiscal year end financial statements and accompanying notes to be presented for approval to the Board of Directors and the Executive Committee no later than January
- The AROC met with Purvis, Gray & Co. on December 6th to discuss the audit results

Financial Summary & Highlights

- Audited in accordance with Government Auditing Standards by Purvis, Gray & Company
- FMPA has received a “clean” opinion of the financial statements for FYE 2018
- Total Liabilities for the Agency Fund and other projects decreased by $102.2 million mainly due to bond principal payments
- Total Revenue for Agency and other projects increased by $19.9 million primarily due to increase in billings to participants and sales to others

Financial Summary & Highlights (continued)

- Short-Term variances between Current Fiscal Year Actual Net Short-Term Revenue and 2018 Budgeted Net Short-Term Revenue were classified as amounts to be Recovered From or (Refunded To) Participants
- Board
  - St. Lucie $ 332,000
  - Stanton $ 176,000
  - Tri-City $ 328,000
  - Stanton II ($ 436,000)
- Executive Committee
  - All Requirements $ 7,288,000

Recommendations

- Board
  - Approve fiscal year ended September 30, 2018 AAFR, and the associated Purvis, Gray & Company report
  - Approve recovery or refund all over or under recovery amounts through the billing true up process
- Executive Committee
  - Approve fiscal year ended September 30, 2018 AAFR, and the associated Purvis, Gray & Company report
  - Approve recovery or refund all over or under recovery amounts through the billing true up process

FMPA MUNICIPAL POWER

Financial Statements

For The Fiscal Year Ended September 30, 2018

This page intentionally left blank

Member Cities

- Alachua
- Bartow
- Bushnell
- Blountstown
- Chattahoochee
- Clewiston
- Fort Meade
- Fort Pierce
- Gainesville
- Green Cove Springs
- Havana
- Homestead
- Jacksonville Beach
- Key West
- Kissimmee
- Lake Worth
- Lakeland
- Leesburg
- Moore Haven
- Mount Dora
- New Smyrna Beach
- Newberry
- Ocala
- Orlando
- Quincy
- St. Cloud
- Starke
- Vero Beach
- Wauchula
- Williston
- Winter Park

Table of Contents

INDEPENDENT AUDITORS' REPORT

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and each major fund of the Florida Municipal Power Agency (the Agency) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Agency, as of September 30, 2018, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants
P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Emphasis of a Matter
As discussed in Note XII to the financial statements, for the year ended September 30, 2018, the Agency adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP
December 20, 2018
Ocala, Florida

MANAGEMENT'S DISCUSSION & ANALYSIS

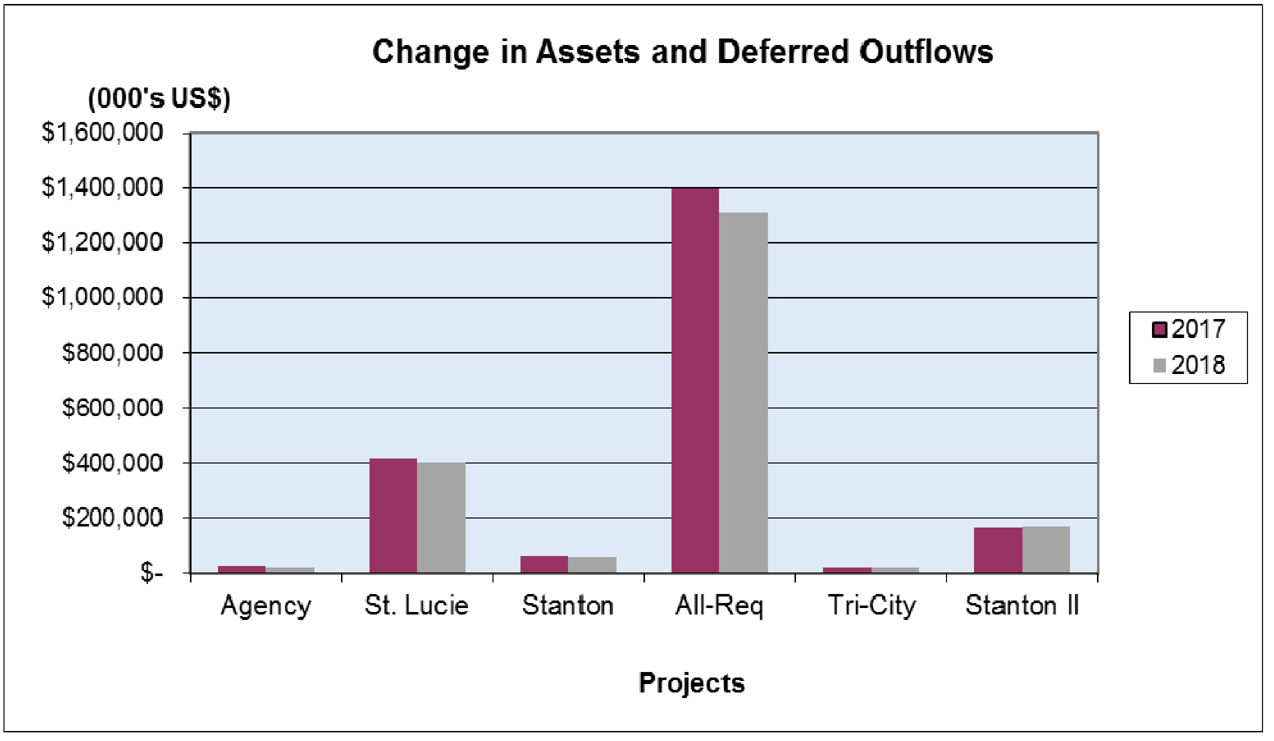
For Fiscal Year Ended September 30, 2018

This discussion and analysis is intended to serve as an introduction to Florida Municipal Power Agency's (FMPA's) basic financial statements, which are comprised of individual project or fund financial statements and the notes to those financial statements.

FMPA's financial statements are designed to provide readers with a broad overview of FMPA's financial condition in a manner similar to a private-sector business. It is important to note that, due to contractual arrangements which are the basis of each power project, no monies are shared among the projects.

FINANCIAL HIGHLIGHTS

Total Assets and Deferred Outflows at September 30, 2018, of FMPA's Agency Fund and other projects decreased $109.2 million from the prior year. Decreases included $74.4 million of depreciation and amortization of Plant Asset. Increases in total plant included $7.9 million of new depreciable assets.



Change in Assets & Deferred Outflows (000's US$)							
Year	**Agency**	**St. Lucie**	**Stanton**	**All-Req**	**Tri-City**	**Stanton II**	**Total**
2017	$ 22,063	$ 418,281	$ 62,445	$1,397,705	$ 20,864	$ 166,748	$2,088,106
2018	$ 16,807	$ 404,525	$ 59,299	$1,307,621	$ 20,172	$ 170,490	$1,978,914
Variance	($5,256)	($13,756)	($3,146)	($90,084)	($692)	$3,742	($109,192)

FINANCIAL HIGHLIGHTS (CONTINUED)

Total Liabilities and Deferred Inflows at September 30, 2018, for FMPA's Agency Fund and other projects decreased by $102.2 million during the current fiscal year. The decrease in total liabilities is mainly due to bond principal payments.

Long-Term Liability balance outstanding at September 30, 2018, for FMPA's Agency Fund and Projects was $1.7 billion, a decrease of $115.7 million during the current fiscal year.

Long-Term Bonds balance, less current portion, was $1.6 billion, including All-Requirements balance of $1.1 billion.

Total Revenue for Agency and all projects decreased by $19.9 million for the current fiscal year, primarily due to decrease in Billings to Participants.

Comparative years' Assets, Liabilities and Net Position, as well as Revenues, Expenses are summarized on the following pages.

Net Position at beginning of year at October 1, 2017 decreased by $2.5 million as a result of the Agency's implementation of Governmental Accounting Standard No. 75 – Other Postemployment Benefits (OPEB) for recognizing the OPEB liability that was previously reported under Governmental Accounting Standard No. 45.

FINANCIAL HIGHLIGHTS (CONTINUED)

Statement of Net Position
Proprietary funds
September 30, 2018
(000's US$)

2018	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
	Business-Type Activities- Proprietary Funds						
Assets:							
Capital Assets, Net	$ 3,234	$ 19,469	$ 28,797	$ 674,858	$ 11,157	$ 92,263	$ 829,778
Current Unrestricted Assets	12,944	123,303	27,648	256,426	7,326	54,247	$ 481,894
Non-Current Restricted Assets	494	196,578	2,817	29,338	1,613	12,029	$ 242,869
Other Non Current Assets	135	47,296	-	295,086	-	-	$ 342,517
Deferred Outflows of Resources	-	17,879	37	51,913	76	11,951	$ 81,856
Total Assets & Deferred Outflows	$ 16,807	$ 404,525	$ 59,299	$ 1,307,621	$ 20,172	$ 170,490	$ 1,978,914
Liabilities:							
Long-Term Liabilities	$ 5,719	$ 392,067	$ 9,091	$ 1,157,636	$ 3,325	$ 127,446	$ 1,695,284
Current Liabilities	1,814	12,458	9,806	149,985	3,670	13,893	191,626
Deferred Inflows of Resources	-	-	40,402	-	13,177	29,151	82,730
Total Liabilities & Deferred Inflows	$ 7,533	$ 404,525	$ 59,299	$ 1,307,621	$ 20,172	$ 170,490	$ 1,969,640
Net Position:							
Investment in capital assets	$ 3,150	$ (279,358)	$ 11,502	$ (452,090)	$ 4,726	$ (33,593)	$ (745,663)
Restricted	$ 3	$ 122,193	$ 11,001	$ 74,722	$ 4,774	$ 22,301	234,994
Unrestricted	$ 6,121	$ 157,165	$ (22,503)	$ 377,368	$ (9,500)	$ 11,292	519,943
Total Net Position	$ 9,274	$ -	$ -	$ -	$ -	$ -	$ 9,274

Statement of Net Position
Proprietary funds
September 30, 2017
(000's US$)

2017	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
	Business-Type Activities- Proprietary Funds						
Assets:							
Capital Assets, Net	$ 3,389	$ 23,656	$ 30,977	$ 727,100	$ 12,019	$ 96,589	$ 893,730
Current Unrestricted Assets	18,441	121,598	28,817	253,338	7,144	42,493	471,831
Non-Current Restricted Assets	233	187,763	2,542	40,676	1,527	13,094	245,835
Other Non Current Assets	-	56,375	-	311,100	-	-	367,475
Deferred Outflows of Resources	-	28,889	109	65,491	174	14,572	109,235
Total Assets & Deferred Outflows	$ 22,063	$ 418,281	$ 62,445	$ 1,397,705	$ 20,864	$ 166,748	$ 2,088,106
Liabilities:							
Long-Term Liabilities	$ 3,518	$ 403,457	$ 17,347	$ 1,241,223	$ 6,508	$ 138,885	$ 1,810,938
Current Liabilities	2,296	14,824	10,169	156,482	3,833	7,288	194,892
Deferred Inflows of Resources	-	-	34,929	-	10,523	20,575	66,027
Total Liabilities & Deferred Inflows	$ 5,814	$ 418,281	$ 62,445	$ 1,397,705	$ 20,864	$ 166,748	$ 2,071,857
Net Position:							
Investment in capital assets	$ 2,959	$ (283,738)	$ 5,954	$ (488,826)	$ 2,537	$ (32,624)	$ (793,738)
Restricted	1	120,589	10,327	88,726	4,622	17,994	242,259
Unrestricted	13,289	163,149	(16,281)	400,100	(7,159)	14,630	567,728
Total Net Position	$ 16,249	$ -	$ -	$ -	$ -	$ -	$ 16,249

FINANCIAL HIGHLIGHTS (CONTINUED)

Statements of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For Fiscal Year Ended September 30, 2018

(000's US$)

2018	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Revenues:							
Billings to participants	$ 13,764	$ 53,678	$ 28,027	$ 406,073	$ 10,794	$ 50,933	$ 563,269
Sales to others		2,470	352	29,883	126	552	33,383
Amounts to be recovered from (refunded to) participants		332	176	7,288	328	(436)	7,688
Investment Income (loss)	119	3,562	209	2,111	73	(669)	5,405
Total Revenue	$ 13,883	$ 60,042	$ 28,764	$ 445,355	$ 11,321	$ 50,380	$ 609,745
Expenses:							
Operation, Maintenance & Nuclear Fuel Amortization	$ -	$ 15,752	$ 4,702	$ 61,398	$ 1,682	$ 6,860	$ 90,394
Purchased power, Transmission & Fuel Costs		3,890	12,801	246,883	4,661	21,704	289,939
Administrative & General	12,972	3,278	1,382	22,029	774	1,941	42,376
Depreciation & Decommissioning	294	11,342	3,436	57,332	1,312	5,535	79,251
Interest & Amortization	12	15,724	969	46,974	236	5,761	69,676
Gain/Loss on Ineffective Swaps		976					976
Development Fund Distribution	5,000						5,000
Write off Nuclear Development Project	83						83
Total Expense	$ 18,361	$ 50,962	$ 23,290	$ 434,616	$ 8,665	$ 41,801	$ 577,695
Change in net position before regulatory asset adjustment	$ (4,478)	$ 9,080	$ 5,474	$ 10,739	$ 2,656	$ 8,579	$ 32,050
Net cost recoverable/future Participant billings	-	(9,080)	(5,474)	(10,739)	(2,656)	(8,579)	(36,528)
Change in Net Positon After Regulatory Adj	$ (4,478)	$ -	$ -	$ -	$ -	$ -	$ (4,478)
Net position at beginning of year	16,249						16,249
Prior Period Adjustment - GASB 75 (OPEB)	(2,497)						(2,497)
Restated Net Position at beginning of year	13,752						13,752
Net position at end of year	$ 9,274	$ -	$ -	$ -	$ -	$ -	$ 9,274

Statements of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For Fiscal Year Ended September 30, 2017

(000's US$)

2017	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Revenues:							
Billings to participants	$ 14,279	$ 54,296	$ 28,909	$ 428,034	$ 10,919	$ 48,001	$ 584,438
Sales to others		2,439	356	33,480	127	558	36,960
Amounts to be recovered from (refunded to) participants		1,796	(869)	(3,916)	(306)	546	(2,749)
Investment Income (loss)	63	8,553	122	2,165	34	98	11,035
Total Revenue	$ 14,342	$ 67,084	$ 28,518	$ 459,763	$ 10,774	$ 49,203	$ 629,684
Expenses:							
Operation, Maintenance & Nuclear Fuel Amortization	$ -	$ 17,357	$ 4,293	$ 65,550	$ 1,536	$ 7,363	$ 96,099
Purchased Power, Transmission & Fuel Costs		4,752	13,454	255,926	4,961	22,450	301,543
Administrative & General	13,701	3,248	1,304	21,841	743	1,897	42,734
Depreciation & Decommissioning	333	35,624	3,029	56,412	1,168	5,392	101,958
Interest & Amortization	14	15,338	1,396	51,026	347	5,817	73,938
Write-off Development Project							
Total Expense	$ 14,048	$ 76,319	$ 23,476	$ 450,755	$ 8,755	$ 42,919	$ 616,272
Change in net position before regulatory asset adjustment	$ 294	$ (9,235)	$ 5,042	$ 9,008	$ 2,019	$ 6,284	$ 13,412
Net cost recoverable/future Participant billings		9,235	(5,042)	(9,008)	(2,019)	(6,284)	(13,118)
Change in Net Positon After Regulatory Adj	$ 294	$ -	$ -	$ -	$ -	$ -	$ 294
Net position at beginning of year	15,955						15,955
Net position at end of year	$ 16,249	$ -	$ -	$ -	$ -	$ -	$ 16,249

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to FMPA's basic financial statements, which are comprised of two components: (1) individual project or fund financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

FMPA's **Entity-Wide Financial Statements** are designed to provide readers with a broad overview of FMPA's finances in a manner similar to a private-sector business. It is very important to note that, due to contractual arrangements that are the basis of each power project, no monies can be shared among projects.

The cash flow of one power project, although presented with all others in the financial statement presentation as required by financial reporting requirements, cannot and should not be considered available for any other project. Management encourages readers of this report, when evaluating the financial condition of FMPA, to remember that each power project or fund is a stand-alone entity.

The **Statements of Net Position** presents information on all of FMPA's assets and liabilities with the differences between the two reported as Net Position. As a result of a decision by the governing bodies of FMPA, billings and revenues in excess (deficient) of actual costs are returned to (collected from) the participants in the form of billing credits (charges). The assets within the Agency Fund represent those required for staff operations, which coordinate all of the power projects described herein.

The **Statements of Revenues, Expenses and Changes in Fund Net Position** present information regarding how FMPA's net position has changed during the fiscal year ended September 30, 2018. All changes in net position are reported as the underlying event giving rise to the change as it occurs, regardless of the timing of related cash flows. Therefore, some revenues and expenses that are reported in these statements for some items will only result in cash flows in future fiscal periods, such as unrealized gains or losses from investment activities, uncollected billings and earned but unused vacation.

The **Statements of Cash Flows** provide information about FMPA's Agency Fund and each project's cash receipts and disbursements during the fiscal year. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing and capital & related financing activities.

All of the activities of FMPA are of a business type, as compared to governmental activities. FMPA has no component units to report. The Financial Statements can be found on pages 12 through 14 of this report.

The **Fund Financial Statements** are comprised of a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. FMPA, like governments and other special agencies or districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of FMPA are reported on the proprietary basis.

FMPA maintains only one type of Proprietary Fund, the Enterprise Fund type. Enterprise Funds are used to report the same functions presented as business-type activities in the financial statements. FMPA uses enterprise funds to account for all of its power projects, as well as the Agency business operations. Each of the funds is considered a "major fund" according to specific accounting rules. A summary of FMPA's activities for years 2018 and 2017 is shown on pages 5 and 6. A more detailed version of the major fund proprietary financial statements can be found on pages 12 through 14 of this report.

The Notes to Financial Statements provide additional information that is essential to understanding the data provided in both the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 15 through 55 of this report.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, when readers use the financial presentations to evaluate FMPA's financial position and results of operations, it is essential to remember the legal separation that exists among the projects. Nevertheless, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each fund and project. For example, total expenses decreased $38.6 million primarily due to decreases in fuel costs and depreciation expenses. The Stanton, All-Requirements and Tri-City Projects total expenses decreased primarily due to lower fuel costs. Total expense for the Agency Fund increased primarily due to the Development Fund distributions while the St. Lucie Fund expenses decreased primarily due to lower depreciation resulting from the extension of the nuclear plants useful life.

FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS

FMPA uses fund accounting, Federal Energy Regulatory Commission accounting and special utility industry terminology to ensure and demonstrate compliance with finance-related legal requirements. The projects and funds are presented below and in the financial statements in the order in which they were established.

The **Agency Fund** accounts for the administrative activities of FMPA. The expenses incurred while operating the projects and administrative activities are allocated to the power projects, net of any miscellaneous receipts. Total General and Administrative expenses decreased $729 thousand from fiscal year 2017 to fiscal year 2018.

On September 30, 2018, the current portion of long-term notes payable was $220 thousand, which is accounted for in the FMPA Agency Fund and represents the last payment of the Loan outstanding for the Agency's office building.

The **St. Lucie Project** consists of an 8.806% undivided ownership interest in St. Lucie Unit 2. This unit is a nuclear power plant primarily owned and operated by Florida Power & Light (FPL). FPL requested and received a 20-year extension of the operating license from the Nuclear Regulatory Commission (NRC) for Units 1 and 2. The license will allow Unit 1 to operate until 2035 and Unit 2 to operate until 2043.

The Project billed 690,698 Megawatt-hours (MWh) in fiscal year 2018. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, decreased 4% to $77.72 in fiscal year 2018.

The **Stanton Project** derives its power from a 14.8193% ownership interest in Stanton Unit 1, a 441 Megawatt coal-fired power plant operated by its primary owner, Orlando Utilities Commission (OUC).

The Project billed 336,361 MWh in fiscal year 2018. The average all-inclusive billing rate which includes budgeted Demand, Energy and Transmission expenses decreased 4% to $83.32 per MWh in fiscal year 2018 due to increased MWh sales.

The **All-Requirements Project** (ARP) consists of 13 active participants. The ARP energy resources are part of the Florida Municipal Power Pool (FMPP), a consortium of three municipal energy suppliers - ARP, Lakeland Electric and OUC - which have agreed to dispatch resources on an economic cost and availability basis in order to meet combined loads. The average all-inclusive billed rate to ARP member cities was $71.68 per MWh in fiscal year 2018, which is all-inclusive of Energy, Demand and Transmission expenses. The billed Megawatt hours for fiscal year 2018 were 5,664,825.

Billings to ARP participants in fiscal year 2018 were 5% lower, decreasing from $428 million to $406 million primarily due to a decrease in fuel expense and operation and maintenance expenses.

The All-Requirements participant net cost of power decreased to $72.97 per MWh in fiscal year 2018, a 5% decrease from fiscal year 2017. This decrease was primarily due to lower fuel and operation and maintenance expenses. The fuel supply mix was 84.6% for natural gas, 15.0% for coal, and 0.4% for renewables.

FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS (CONTINUED)

After consideration of amounts to be refunded to or recovered from Project participants, the net position of the All-Requirements Project was zero (by design) again in fiscal year 2018. The All-Requirements project adjusts the Demand, Energy, and Transmission rates each month based on the current expenses, estimated future expenses, and over/under collections to meet its 60-day cash target. The over/under collection amounts are shown in the Statements of Revenues, Expenses and Changes in Fund Net Position as an addition or reduction to "Billings to Participants" and as "Due from Participants" or "Due to Participants" in the accompanying Statement of Net Position.

The **Tri-City Project** consists of a 5.3012% ownership interest in Stanton Unit 1. The Project billed 124,558 MWh in fiscal year 2018. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, decreased 1% to $86.66 per MWh during fiscal year 2018 due to lower fuel expenses.

The **Stanton II Project** consists of a 23.2367% ownership interest in Stanton Unit 2, a coal-fired power plant operated by its primary owner; Orlando Utilities Commission (OUC). The Project billed 601,691 MWh in fiscal year 2018. The average all-inclusive billing rate, which includes budgeted Demand, Energy, and Transmission expenses, increased by 10% to $84.65 per MWh in fiscal year 2018. This was caused by a decrease in MWh Sales related to the extended uprate outage.

BUDGETARY HIGHLIGHTS

The FMPA Board of Directors approves the non All-Requirements Project budgets, and the Executive Committee approves the Agency and All-Requirements Project budgets, establishing legal boundaries for expenditures. For fiscal year 2018, the St. Lucie, Stanton, Tri-City and Stanton II budgets were amended mid-year and at the end of the fiscal year to increase expenditures $3.5 million, $3.5 million, $1.8 million, and $1.0 million respectively. This was due to higher actual fixed O & M and A&G expenses billed from FPL than budgeted for the St. Lucie Project. Fuel acquisition costs for St. Lucie Project were also higher than budgeted. The Stanton, Tri-City, and Stanton II budgets were increased fuel expenses due to lower coal pricing contributing to higher utilization of those units.

CAPITAL ASSETS AND LONG-TERM DEBT

FMPA's investment in **Capital Assets,** as of September 30, 2018, was $830 million, net of accumulated depreciation and inclusive of work-in-process and development projects. This investment in capital assets includes operational and construction projects in progress of generation facilities, transmission systems, land, buildings, improvements, and machinery and equipment.

FMPA's investment in capital assets for fiscal year 2018 decreased by 7.2% or $64.0 million. This was caused primarily by depreciation of plant assets.

At September 30, 2018, FMPA had **Long-term debt** of $1.6 billion in notes, loans and bonds payable. The remaining principal payments on Long-term debt less current portion, net of unamortized premium and discount, and deferred outflows are as follows:

Project	Amount (000's US$)
Agency Fund	$ 0
St. Lucie Project	303,007
Stanton Project	8,993
All-Requirements Project	1,121,324
Tri-City Project	3,290
Stanton II Project	127,293
Total	$ 1,563,907

See **Note VIII** to the Notes to Financial Statements for further information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Multi-year operational and financial modeling was conducted to arrive at the fiscal year 2018 budget. Expenses were estimated using current market conditions for fuel and estimated member loads which take into consideration the member cities' economies that have shown varying impacts on loads in both demand and energy due to the current economic down turn. Rates are set in order to cover all costs and based on the member loads. Additionally, All-Requirements rates are adjusted monthly to maintain cash at a 60 day target as approved by the Executive Committee.

SIGNIFICANT EVENTS

A. Stanton II Project Refinancing

On October 26, 2017, the Stanton II Series 2000 and 2004 debt were refinanced. The proceeds were used to refund $65.7 million of 2000 and 2004 Bonds and terminated $9.7 million of the Interest Rate Swaps related to those bonds. The Series 2000 and 2004 debt refinancing resulted in net gross savings of approximately $532 thousand with a present value savings of approximately $380 thousand. The Series 2004 debt refinancing resulted in net gross savings of $5.3 million with a present value savings of $1.2 million.

B. All Requirements Project Refinancing.

On July 12, 2018, The All Requirements Series 2008A debt was refinanced for the total of $57.8 million. The Series 2008A debt refinancing resulted in a gross savings of approximately $2.7 million with a present value savings of approximately $6.6 million.

C. All Requirements Combined Contractual Services Agreement

On November 16, 2017, the FMPA Executive Committee approved a new combined Contractual Services Agreement (CSA) for FMPA's three base load units (Cane Island 3, Cane Island 4 and TCEC). Per footnote X.C Contractual Service Agreements, these units each had individual CSA's. The Combined CSA is estimated to save approximately $3.5 million in operating costs over the next two years. The Combined CSA provides for two additional planned maintenance events for each unit beyond those provided for in the original CSAs, or approximately 8 to 10 years after the original CSAs expire, but not to exceed 20 years from the effective date of the Combined CSA.

D. Agency Development Fund Return

The Development Fund was created to provide upfront costs necessary to investigate and establish new FMPA Projects. The Development Fund was funded through an adder on each MWh of energy sold from each FMPA Project to Participants through Fiscal Year 2011, after which the Board of Directors elected to cease contributions. On December 14, 2017, the Board of Directors determined that the then-current balance in the Development Fund of approximately $11 million exceeded the amount likely to be needed to support future initiatives and approved the return of $5 million to the members. After the return of funds to the members, the Development Fund should have a balance of approximately $6 million.

E. Vero Beach Proposed Sale

All of the necessary nineteen FMPA member cities have approved the required consents and waivers and associated documents for the sale of the Vero Beach electric utility system to be achieved, and to permit the ARP to assume the Vero Beach Power Entitlement Shares in the St. Lucie, Stanton, and Stanton II Projects. In March 2018, the FMPA Executive Committee and Board of Directors approved the transfer and assignment documents to effect the transfer and assignment of the Vero Beach Power Entitlement Shares, upon the closing of the Vero Beach transaction. See Financial Footnote X.D.2 for further detail.

F. Governmental Accounting Standard No. 75 – Other Postemployment Benefits Other Than Pension

The Agency's Net Position at beginning of year at September 30, 2017 decreased by $2.5 million as a result of the Agency's implementation of Governmental Accounting Standard No. 75 – Other Postemployment Benefits (OPEB) for recognizing the OPEB liability that was previously reported under Governmental Accounting Standard No. 45. See footnote XII.

INTEREST ARBITRAGE AND REBATE

As a result of lower interest rates on outstanding debt in contrast to higher yields on investments, the Agency has the following remaining potential arbitrage rebate liabilities as of September 30, 2018:

Project	Amount (000's US$)
St. Lucie Project	$ 683
Total	$ 683

See **Note XIV** in the Notes to Financial Statements for further information regarding the arbitrage rebate liabilities.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the *Chief Financial Officer, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, FL 32819.*

FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

(000's US$)

	Business-Type Activities						
ASSETS & DEFERRED OUTFLOWS	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Current Assets:							
Cash and cash equivalents	$ 1,298	$ 11,616	$ 2,381	$ 26,514	$ 744	$ 3,719	$ 46,272
Investments	10,432	96,865	13,255	77,042	1,820	33,355	232,769
Participant accounts receivable	651	2,427	2,462	35,477	950	3,300	45,267
Due from Participants		332	176		328		836
Fuel stock and material inventory			576	41,596	206	899	43,277
Other current assets	561	643	156	6,211	48	360	7,979
Restricted assets available for current liabilities	2	11,420	8,642	69,586	3,230	12,614	105,494
Total Current Assets	$ 12,944	$ 123,303	$ 27,648	$ 256,426	$ 7,326	$ 54,247	$ 481,894
Non-Current Assets:							
Restricted Assets:							
Cash and cash equivlents	$ 496	$ 5,809	$ 2,958	$ 6,757	$ 2,335	$ 2,657	$ 21,012
Investments		201,835	8,470	91,812	2,496	21,952	326,565
Accrued Interest		354	31	355	12	34	786
Less: Portion Classified as Current	$ (2)	(11,420)	(8,642)	(69,586)	(3,230)	(12,614)	(105,494)
Total Restricted Assets	$ 494	$ 196,578	$ 2,817	$ 29,338	$ 1,613	$ 12,029	$ 242,869
Utility Plant:							
Electric plant	$ -	$ 294,945	$ 89,427	$ 1,265,514	$ 35,766	$ 196,760	$ 1,882,412
General plant	8,984	21,264	10	4,046	36	91	34,431
Less accumulated depreciation and amortization	(5,750)	(297,743)	(60,640)	(594,702)	(24,645)	(104,588)	(1,088,068)
Net utility plant	$ 3,234	$ 18,466	$ 28,797	$ 674,858	$ 11,157	$ 92,263	$ 828,775
Construction work in progress		1,003					1,003
Total Utility Plant, net	$ 3,234	$ 19,469	$ 28,797	$ 674,858	$ 11,157	$ 92,263	$ 829,778
Other Assets:							
Net costs recoverable/future particpant billings	$ -	$ 47,296	$ -	$ 229,392	$ -	$ -	$ 276,688
Prepaid natural Gas - PGP				64,033			64,033
Other	135			1,661			1,796
Total Other Assets	$ 135	$ 47,296	$ -	$ 295,086	$ -	$ -	$ 342,517
Total Assets	$ 16,807	$ 386,646	$ 59,262	$ 1,255,708	$ 20,096	$ 158,539	$ 1,897,058
Deferred Outflows of Resources							
Deferred Outflows from Derivatives	$ -	$ 5,875	$ -	$ -	$ -	$ -	$ 5,875
Unamortized Loss on Advanced Refunding		12,004	37	51,913	76	11,951	75,981
Total Deferred Outflows	$ -	$ 17,879	$ 37	$ 51,913	$ 76	$ 11,951	$ 81,856
Total Assets & Deferred Outflows	$ 16,807	$ 404,525	$ 59,299	$ 1,307,621	$ 20,172	$ 170,490	$ 1,978,914
LIABILITIES, DEFERRED INFLOWS AND NET POSITION							
Current Liabilities:							
Payable from unrestricted assets:							
Accounts payable & Accrued Liabilities	$ 1,592	$ 1,038	$ 1,010	$ 31,475	$ 385	$ 600	$ 36,100
Due to Participants				30,109		437	30,546
Line of Credit Payable				5,000			5,000
Capital Lease and other Obligations	220		154	13,815	55	242	14,486
Total Current Liabilities Payable from Unrestricted Assets	$ 1,812	$ 1,038	$ 1,164	$ 80,399	$ 440	$ 1,279	$ 86,132
Payable from Restricted Assets:							
Current portion of long-term revenue bonds	$ -	$ 7,825	$ 8,185	$ 50,380	$ 3,160	$ 10,271	$ 79,821
Accrued interest on long-term debt	2	3,595	457	19,206	70	2,343	25,673
Total Current Liabilities Payable from Restricted Assets	$ 2	$ 11,420	$ 8,642	$ 69,586	$ 3,230	$ 12,614	$ 105,494
Total Current Liabilities	$ 1,814	$ 12,458	$ 9,806	$ 149,985	$ 3,670	$ 13,893	$ 191,626
Long-Term Liabilities Payable from Restricted Assets:							
Held in Trust for Rate Stabilization	$ 490	$ -	$ -	$ -	$ -	$ -	$ 490
Accrued Decommissioning Liability		82,209					82,209
Total Liabilities Payable from Restricted Assets	$ 490	$ 82,209	$ -	$ -	$ -	$ -	$ 82,699
Long-Term Liabilities Less Current Portion:							
Long-term debt	$ -	$ 303,007	$ 8,993	$ 1,121,324	$ 3,290	$ 127,293	$ 1,563,907
Other Post-employment Benefits	5,229						5,229
Landfill Closure			98	109	35	153	395
Advances from Participants				20,967			20,967
Derivative Instruments		6,851		15,236			22,087
Total Long-Term Liabilities	$ 5,229	$ 309,858	$ 9,091	$ 1,157,636	$ 3,325	$ 127,446	$ 1,612,585
Deferred Inflows of Resources							
Net cost refundable/future participant billings	-	-	40,402	-	13,177	29,151	82,730
Total Long-Term Liabilities & Deferred Inflows	$ 5,719	$ 392,067	$ 49,493	$ 1,157,636	$ 16,502	$ 156,597	$ 1,778,014
Total Liabilities and Deferred Inflows	$ 7,533	$ 404,525	$ 59,299	$ 1,307,621	$ 20,172	$ 170,490	$ 1,969,640
Net Position:							
Investment in Capital Assets, Net of Related Debt	$ 3,150	$ (279,358)	$ 11,502	$ (452,090)	$ 4,726	$ (33,593)	$ (745,663)
Restricted	3	$ 122,193	$ 11,001	$ 74,722	$ 4,774	$ 22,301	234,994
Unrestricted	6,121	$ 157,165	$ (22,503)	$ 377,368	$ (9,500)	$ 11,292	519,943
Total Net Position	$ 9,274	$ -	$ -	$ -	$ -	$ -	$ 9,274
Total Liabilities and Net Position	$ 16,807	$ 404,525	$ 59,299	$ 1,307,621	$ 20,172	$ 170,490	$ 1,978,914

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2018
(000's US$)

	Business-Type Activities						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Operating Revenue:							
Billings to participants	$ 13,764	$ 53,678	$ 28,027	$ 406,073	$ 10,794	$ 50,933	$ 563,269
Interchange Sales	-			18,322			18,322
Sales to others		2,470	352	11,561	126	552	15,061
Amounts to be recovered from (refunded to) participants		332	176	7,288	328	(436)	7,688
Total Operating Revenue	$ 13,764	$ 56,480	$ 28,555	$ 443,244	$ 11,248	$ 51,049	$ 604,340
Operating Expenses:							
Operation and maintenance	$ -	$ 10,953	$ 4,702	$ 61,398	$ 1,682	$ 6,860	$ 85,595
Fuel expense	-		11,625	194,661	4,246	19,809	230,341
Nuclear fuel amortization	-	4,799					4,799
Purchased power	-	3,540		23,561			27,101
Transmission services	-	350	1,176	28,661	415	1,895	32,497
General and administrative	12,972	3,278	1,382	22,029	774	1,941	42,376
Depreciation and amortization	294	6,487	3,436	57,332	1,312	5,535	74,396
Decommissioning		4,855					4,855
Total Operating Expense	$ 13,266	$ 34,262	$ 22,321	$ 387,642	$ 8,429	$ 36,040	$ 501,960
Total Operating Income	$ 498	$ 22,218	$ 6,234	$ 55,602	$ 2,819	$ 15,009	$ 102,380
Non-Operating Income (Expense):							
Interest expense	$ (12)	$ (15,724)	$ (969)	$ (46,974)	$ (236)	$ (5,761)	$ (69,676)
Debt costs				(546)		(194)	(740)
Investment earnings (losses)	119	3,562	209	1,023	73	(475)	4,511
Loss on ineffective swaps		(976)					(976)
Amortization of swap terminations				1,634			1,634
Development Fund Distribution	(5,000)						(5,000)
Write off Nuclear Development Project	(83)						(83)
Total Non-Operating Income (Expenses)	$ (4,976)	$ (13,138)	$ (760)	$ (44,863)	$ (163)	$ (6,430)	$ (70,330)
Change in net assets before regulatory asset adjustment	$ (4,478)	$ 9,080	$ 5,474	$ 10,739	$ 2,656	$ 8,579	$ 32,050
Net cost recoverable/future participant billings	$	$ (9,080)	$ (5,474)	$ (10,739)	$ (2,656)	$ (8,579)	$ (36,528)
Change in Net Position After Regulatory Adj	$ (4,478)	$	$	$	$	$	$ (4,478)
Net Postion at beginning of year	16,249						16,249
Prior Period Adjustment - GASB 75 (OPEB)	(2,497)						(2,497)
Restated Net Position at beginning of year	13,752						13,752
Net Position at end of year	$ 9,274	$ -	$ -	$ -	$ -	$ -	$ 9,274

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
September 30, 2018
(000's US$)

	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Cash Flows From Operating Activities:							
Cash Received From Customers	$ 14,928	$ 58,666	$ 28,900	$ 438,240	$ 11,307	$ 51,171	$ 603,212
Cash Paid to Suppliers	(6,000)	(20,880)	(18,585)	(320,534)	(7,142)	(25,700)	(398,841)
Cash Paid to Employees	(7,431)						(7,431)
Net Cash Provided by (Used in) Operating Activities	$ 1,497	$ 37,786	$ 10,315	$ 117,706	$ 4,165	$ 25,471	$ 196,940
Cash Flows From Investing Activities:							
Proceeds From Sales and Maturities Of Investments	$ 11,201	$ 924,791	$ 11,908	$ 283,675	$ 8,623	$ 32,729	$ 1,272,927
RSA Deposits and Interest Earnings	258						258
Purchases of Investments	(8,691)	(988,274)	(19,251)	(357,976)	(9,372)	(54,007)	(1,437,571)
Income received on Investments	152	16,502	280	3,440	73	95	20,542
Net Cash Provided by (Used in) Investment Activities	$ 2,920	$ (46,981)	$ (7,063)	$ (70,861)	$ (676)	$ (21,183)	$ (143,844)
Cash Flows From Capital & Related Financing Activities:							
Proceeds from Issuance of Bonds & Loans	$ -	$ -	$ -	$ 60,223	$	$ 71,907	$ 132,130
Debt Issuance Costs				(546)		(194)	(740)
Capital Expenditures - Utility Plant	(139)	263	(1,256)	(5,090)	(450)	(1,209)	(7,881)
Long Term Gas Pre Pay - PGP				(3,407)			(3,407)
Principal Payments - Long Term Debt	(210)	(10,180)	(7,785)	(120,316)	(3,148)	(67,025)	(208,664)
Swap Termination Payments						(9,306)	(9,306)
Interest paid on Debt	(150)	(17,209)	(1,180)	(59,257)	(270)	(6,286)	(84,352)
Write-off of Development Fund (Nuclear Initiative)	(83)						(83)
Development Fund Distribution	(5,000)						(5,000)
Net Cash Provided (Used in) Capital & Related Financing Activities	$ (5,582)	$ (27,126)	$ (10,221)	$ (128,393)	$ (3,868)	$ (12,113)	$ (187,303)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (1,165)	$ (36,321)	$ (6,969)	$ (81,548)	$ (379)	$ (7,825)	$ (134,207)
Cash and Cash Equivalents - Beginning	2,959	53,746	12,308	114,819	3,458	14,201	201,491
Cash and Cash Equivalents - Ending	$ 1,794	$ 17,425	$ 5,339	$ 33,271	$ 3,079	$ 6,376	$ 67,284
Consisting of:							
Unrestricted	$ 1,298	$ 11,616	$ 2,381	$ 26,514	$ 744	$ 3,719	$ 46,272
Restricted	496	5,809	2,958	6,757	2,335	2,657	21,012
Total	$ 1,794	$ 17,425	$ 5,339	$ 33,271	$ 3,079	$ 6,376	$ 67,284
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:							
Operating Income (Loss)	$ 498	$ 22,218	$ 6,234	$ 55,602	$ 2,819	$ 15,009	$ 102,380
Adjustment to Reconcile Net Operating Income to Net Cash Provided by (Used In) Operating Activities:							
Depreciation	294	6,487	3,436	57,332	1,312	5,535	74,396
Asset Retirement Costs		(7,362)					(7,362)
Decommissioning		4,855					4,855
Amortization of Nuclear Fuel		4,799					4,799
Amortization of Pre Paid Gas - PGP				8,761			8,761
Changes in Assests and Liabilities Which Provided (Used) Cash:							
Inventory			1,142	975	411	1,771	4,299
Receivables From (Payable to) Participants	1,164	2,184	343	(3,370)	56	122	499
Accounts Payable and Accrued Expense	(823)	194	(624)	(8,611)	(163)	555	(9,472)
Other Deferred Costs		2,894	72	4,390	98	2,181	9,635
Net Cash Provided By (Used In) Operating Activities	$ 1,497	$ 37,786	$ 10,315	$ 117,706	$ 4,165	$ 25,471	$ 196,940
Noncash Investing, capital and financing activities:							
Increase (Decrease) in mark to market values							
Non-Trust Investments	$ (33)	$ (12,168)	$ (95)	$ (1,034)	$ (10)	$ (587)	$ (13,927)
Interest Rate Derivative Contracts		(976)					(976)
Change in Effective Swaps		8,116		7,814		9,745	25,675

The accompanying notes are an integral part of these financial statements

I. Summary of Significant Accounting Policies

A. Reporting Entity

Florida Municipal Power Agency (FMPA or Agency) was created on February 24, 1978, pursuant to the terms of an Interlocal Agreement signed by the governing bodies of 25 Florida municipal corporations or utility commissions chartered by the State of Florida.

The Florida Interlocal Cooperation Act of 1969 authorizes local government units to enter together into mutually advantageous agreements which create separate legal entities for certain specified purposes. FMPA, as one such entity, was authorized under the Florida Interlocal Cooperation Act and the Joint Power Act to finance, acquire, construct, manage, operate or own electric power projects or to accomplish these same purposes jointly with other public or private utilities. An amendment to the Florida Interlocal Cooperation Act in 1985 and an amendment to the Interlocal Agreement in 1986 authorized FMPA to implement a pooled financing or borrowing program for electric, water, wastewater, waste refuse disposal or gas projects for FMPA and its members. FMPA established itself as a project-oriented agency.

This structure allows each member the option of whether to participate in a project, to participate in more than one project, or not to participate in any project. Each of the projects are independent from the other and the project bond resolutions specify that no revenues or funds from one project can be used to pay the costs of any other project. As of September 30, 2018, FMPA has 31 members. Tallahassee joined the Agency effective October 19th, 2018; as of that date, there are 32 members of the Agency.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Agency Fund and each of the projects are maintained using the Governmental Accounting Standards Board (GASB), the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and Generally Accepted Accounting Principles of the United States (GAAP) using the economic resources measurement focus and the accrual basis of accounting. Application of the accounting methods for regulatory operations is also included in these financial statements. This accounting guidance relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process, which is governed by the Executive Committee and the Board of Directors.

The Agency's General Bond Resolution requires that its rate structure be designed to produce revenues sufficient to pay operating, debt service and other specified costs. The Agency's Board of Directors, which is comprised of one representative from each member city, and Executive Committee, which is comprised of one representative from each of the active All-Requirements Project members, are responsible for reviewing and approving the rate structure. The application of a given rate structure to a given period's electricity sales may produce revenues not intended to pay that period's costs and conversely, that period's costs may not be intended to be recovered in that period's revenues. The affected revenues and/or costs are, in such cases, deferred for future recognition. The recognition of deferred items is correlated with specific future events, primarily payment of debt principal.

FMPA considers electric revenues and costs that are directly related to generation, purchases, transmission and distribution of electricity to be operating revenues and expenses. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, following GAAP.

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

1. Fund Accounting

FMPA maintains its accounts on a fund/project basis, in compliance with appropriate bond resolutions, and operates its various projects in a manner similar to private business. Operations of each project are accounted for as a proprietary fund and as such, inter-project transactions, revenues and expenses are not eliminated.

The Agency operates the following major funds:

- The Agency Fund, which accounts for general operations beneficial to all members and projects,
- The St. Lucie Project, which accounts for ownership interest in the St. Lucie Unit 2 nuclear generating facility,
- The Stanton Project and the Tri-City Project, which account for respective ownership interests in the Stanton Energy Center (SEC) Unit 1, a coal-fired generation facility,
- The All-Requirements Project, which accounts for ownership interests in Stanton Energy Center Unit 1, Stanton Energy Center Unit 2, Stanton Unit A, and Indian River Combustion Turbine Units A, B, C and D. Also included in the All-Requirements Project is the purchase of power for resale to the participants and 100% ownership or ownership cost responsibility (for jointly owned and participant-owned units) of Treasure Coast Energy Center, Cane Island Units 1, 2, 3 and 4, FMPA's Key West Combustion Turbine Units 1, 2, 3 and 4 and Key West Stock Island MS Units 1 & 2.
- The Stanton II Project, which accounts for an ownership interest in SEC Unit 2.

Certain accounts within these funds are grouped and classified in the manner established by respective bond resolutions and/or debt instruments.

All funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary or business fund's principal on-going operations. The principal operating revenues of FMPA's proprietary or business funds are charges to participants for sales and services. Operating expenses for proprietary or business funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is FMPA's policy to use restricted funds for their intended purposes only, based on the bond resolutions. Unrestricted resources are used as they are needed in a hierarchical manner from the General Reserve accounts to the Operations and Maintenance accounts.

Certain direct and indirect expenses allocable to FMPA's fully owned and undivided ownership in the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project are capitalized as part of the cost of acquiring or constructing the respective utility plant. Direct and indirect expenses not associated with these projects are capitalized as part of the cost of Development Projects in Progress in the Agency Fund. Electric Plant in Service is depreciated using the straight-line method over the assets' respective estimated useful lives. Estimated useful lives for electric plant assets range from 23 years to 42 years.

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

2. Capital Assets

FMPA has adopted the policy of capitalizing net interest costs during the period of project construction (interest expense less interest earned on the investment of bond proceeds). Capitalized net interest cost on borrowed funds include amortization of bond discount and bond premium, interest expense and interest income. The cost of major replacements of assets in excess of $5,000 is capitalized to the utility plant accounts. The cost of maintenance, repairs and replacements of minor items are expensed as incurred.

3. Inventory

Coal, oil, and natural gas inventory is stated at weighted average cost. Parts inventory for the generating plants is also stated at weighted average cost. Nuclear fuel is carried at cost and is amortized on the units of production basis.

4. Cash & Cash Equivalents

FMPA considers the following highly liquid investments (including restricted assets) to be cash equivalents for the statement of cash flows:

- Demand deposits (not including certificates of deposits)
- Money market funds

5. Investments

Florida Statutes authorize FMPA to invest in the FL Local Government Surplus Funds Trust Fund, obligations of the U.S. Instrumentalities, Money Market Funds, U.S. Government and Agency Securities, Certificates of Deposit, commercial paper and repurchase agreements fully collateralized by all the items listed above. In addition to the above, FMPA's policy also authorizes the investment in corporate and municipal bonds, bankers' acceptances, prime commercial paper and repurchase agreements, guaranteed investment contracts and other investments with a rating confirmation issued by a rating agency.

Investments are stated at fair value based on quoted market prices and using third party pricing models for thinly traded investments that don't have readily available market values. Investment income includes changes in the fair value of these investments. Interest on investments is accrued at the Statement of Net Position date. All of FMPA's project and fund investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

6. Debt-Related Costs

Debt issuance costs are expensed as incurred. Gains and losses on the refunding of bonds are deferred and amortized over the life of the refunding bonds or the life of the refunded bonds, whichever is shorter, using the bonds outstanding method. This method is used for the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project.

7. Compensated Absences

Liabilities related to Compensated Absences are recognized as incurred in accordance with GASB Statement No. 16 and are included in accrued expenses. Regular, full-time employees in good standing, upon resignation or retirement, are eligible for vacation pay, and sick/personal pay. At September 30, 2018, the liability for unused vacation was $603,622 and $547,962 for unused sick/personal leave is accounted for in the Agency Fund.

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

8. Allocation of Agency Fund Expenses

General and administrative operating expenses of the Agency Fund are allocated based on direct labor hours of specific positions and certain other minimum allocations to each of the projects. Any remaining expenses are allocated to the All-Requirements Project.

9. Billing to Participants

Participant billings are designed to systematically provide revenue sufficient to recover costs. Rates and budgets can be amended by the Board of Directors or the Executive Committee at any time.

For the All-Requirements Project, energy rate adjustments are driven by the Project's Operation and Maintenance (O & M) Fund month-end cash balance and the cash balance needed to meet the targeted balance of 60 days of cash within the O & M Fund. If it is determined that the O & M Fund balance is over the 60 days O & M Fund cash balance target amount, the energy rate adjustment will result in a lower billing rate relative to projected expenses and thereby reduce the future O & M Fund balance. Likewise, if the O & M Fund balance is below the 60 day cash target, the energy rate adjustment will result in a higher billing rate relative to projected expenses and thereby increase the future O & M Fund balance.

Amounts due from participants are deemed to be entirely collectible and as such, no allowance for uncollectible accounts has been recorded.

For the St. Lucie Project, the Stanton Project, the Tri-City Project and the Stanton II Project, variances in current fiscal year billings and actual project costs are computed and compared to the current year budget target under or over recovery and under the terms of the project contract, net excesses or deficiencies are credited or charged to future participant billings or may be paid from the General Reserve Fund, as approved by the Board of Directors, or Executive Committee as appropriate.

10. Income Taxes

FMPA is a local governmental entity and therefore is exempt from federal and state income taxes.

11. Use of Estimates

The management of FMPA has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Examples of major areas where estimates are used include the estimate for useful lives of property, plant and equipment and the estimate for the nuclear decommissioning liability. Other examples include using third party pricing models for pricing of thinly traded investments, amortization of Public Gas Partner gas based on estimated total reserves and use of estimates when computing the OPEB liability. Actual results could differ from those estimates.

12. Derivative Financial Investments

FMPA uses commodity futures contracts and options on forward contracts to hedge the effects of fluctuations in the price of natural gas purchases, as well as interest rate swap contracts to hedge the fluctuations in the interest rate of variable-rate debt. The Interest Rate Swap contracts require the Agency to pay a fixed interest rate and receive a variable interest rate, based upon the London Interbank Offered Rate (LIBOR), or the Consumer Price Index (CPI). GASB Statement No. 53 was adopted by FMPA beginning with the fiscal year ending September 30, 2010. All derivative financial instruments have been evaluated for effectiveness using criteria established in GASB Statement No. 53. Related gains or losses on the derivative

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

12. Derivative Financial Investments (continued)
instruments determined to be ineffective are recorded as either a reduction of, or an addition to, Net costs refundable/participant billings or interest expense.

13. Deferred Inflows and Deferred Outflows
GASB Statement No. 65 was adopted by FMPA beginning with the fiscal year ending September 30, 2013. The impacts on accounting and reporting for FMPA are as follows:

All debt issuance costs previously recorded as an asset are now expensed as incurred and included as a Regulatory asset (Net costs recoverable from future participant billings) in the Other Assets section of the Statement of Net Position.

Any Gain/Loss on Debt Refunding was previously accounted for in the Long-Term Liabilities section of the Statement of Net Position as an addition or offset to Long-term debt and amortized to expense over the term of the debt. These are now accounted for as Deferred Outflows of Resources in the Statement of Net Position and amortized to expense over the term of the new debt.

Long-term Regulatory Liabilities (Due to Participants) previously accounted for in the Long-Term Liabilities section of the Statement of Net Position are now accounted for as a Deferred Inflows of Resources in the Statement of Net Position and recognized as a rate benefit over future periods.

14. Financial Reporting for Pension Plans
The Governmental Accounting Standards Board Statement No. 67 was adopted by FMPA beginning with the fiscal year ending September 30, 2014. FMPA has a Defined Contribution Pension Plan and therefore the impacts were minimal compared to entities that have a Defined Benefit Pension Plan. The impacts on accounting and reporting for FMPA were additional disclosures in footnote XII.A.

15. Financial Reporting for Postemployment Benefits Other Than Pensions
The Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) was adopted by FMPA beginning with the fiscal year ending September 30, 2018, for reporting the employer's OPEB Plan Liability. Previously, the OPEB Plan Liability was reported pursuant to Governmental Accounting Standards Board Statement No. 45. The impacts on accounting and reporting for FMPA and additional disclosures are provided in footnote XII.B and in the Required Supplementary Information section.

16. Landfill Closure and Post Closure Maintenance Cost
In accordance with Governmental Accounting Standards Board Statement No. 18, Accounting for Landfill Closure and Post Closure Maintenance Cost was implemented beginning with the fiscal year ending September 30, 2018, for reporting the Stanton, Stanton II, Tri-City and All Requirements Projects liability for the fly ash landfill at the Stanton Energy Center.

17. Fair Value Measurement and Application
During the year ending September 30, 2016, FMPA implemented GASB Statement No. 72 Fair Value Measurement and Application. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This statement clarifies the definition of fair value as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest.

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

17. Fair Value Measurement and Application (continued)

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- **Level 1 inputs**-are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- **Level 2 inputs**-are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Agency Obligation securities are recorded at fair value based upon Bloomberg pricing models using observable inputs and as such are presented as level 2 in the GASB 72 hierarchy in footnote IV.
- **Level 3 inputs**-are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

II. Nuclear Decommissioning Liability

St. Lucie Project

The U.S. Nuclear Regulatory Commission (NRC) requires that each licensee of a commercial nuclear power reactor furnish to the NRC a certification of its financial capability to meet the costs of nuclear decommissioning at the end of the useful life of the licensee's facility. As a co-licensee of St. Lucie Unit 2, FMPA's St. Lucie Project is subject to these requirements and therefore has complied with the NRC regulations.

To comply with the NRC's financial capability regulations, FMPA established an external trust fund (Decommissioning Trust) pursuant to a trust agreement. Funds deposited, together with investment earnings in the Trust, are anticipated to result in sufficient funds in the Decommissioning Trust at the expiration of the license extension to meet the Project's share of the decommissioning costs. This is reflected in the St. Lucie Project's Statement of Net Position as Restricted Cash and Investments ($82.2 million) and Accrued Decommissioning Liability ($82.2 million) at September 30, 2018. These amounts are to be used for the sole purpose of paying the St. Lucie nuclear decommissioning costs. Based on a site-specific study approved by the Florida Public Service Commission in 2015, Unit 2's future net decommissioning costs are estimated to be $2.2 billion or $745 million in 2015 dollars, and FMPA's share of the future net decommissioning costs is estimated to be $197 million or $65 million in 2015 dollars. A new study will be completed and made available in 2020. The Decommissioning Trust is irrevocable and funds may be withdrawn from the Trust solely for the purpose of paying the St. Lucie Project's share of costs for nuclear decommissioning. Also, under NRC regulations, the Trust is required to be segregated from other FMPA assets and outside FMPA's administrative control. FMPA has complied with these regulations.

III. Landfill Closure and Post Closure Maintenance Liability

In accordance with Governmental Accounting Standard No. 18, the ownership share of the landfill closure and post closure maintenance costs the Stanton Energy Center Units 1 & 2, the proportionate closure and post closure maintenance costs of $395 thousand as of September 30, 2018, was recognized across FMPA's All Requirements, Stanton, Stanton II and Tri-City Projects. FMPA expects to recognize the remaining share of its estimated closure and post-closure costs of $556 thousand over the remaining useful life of the landfill. As of September 30, 2017 and 2018, 26.3% and 41.5%, respective of the total landfill capacity has been used. Three years remain on the landfill life.

III. Landfill Closure and Post Closure Maintenance Liability (continued)

The impact for each of FMPA Projects as of September 30, 2018 is:

000's US$		Liability as of September 30, 2018			
			Post-		Remaining
GASB 18 Liability	Total Exposure	Closure	Closure	Total	Liability
Stanton	$ 235	$ 36	$ 62	$ 98	$ 137
Stanton II	371	$ 56	$ 97	$ 153	$ 218
Tri-City	84	$ 13	$ 22	$ 35	$ 49
All Requirements	261	$ 41	$ 68	$ 109	$ 152
	$ 951	$ 146	$ 249	$ 395	$ 556

IV. Capital Assets

A description and summary as of September 30, 2018, of Capital Assets by fund and project, is as follows:

The column labeled "Increases" reflects new capital undertakings and depreciation expense. The column labeled "Decreases" reflects retirements of those assets.

A. Agency Fund

The Agency Fund contains the general plant assets of the Agency that are not associated with specific projects. Depreciation of general plant assets is computed by using the straight-line method over the expected useful life of the asset. Expected lives of the different types of general plant assets are as follows:

- Structures & Improvements 25 years
- Furniture & Fixtures 8 years
- Office Equipment 5 years
- Automobiles and Computers 3 years

New capital undertakings are accounted for in the Development Projects in Progress account and included in the Other Assets section of the Statement of Net Position. Depending on whether these undertakings become a project, costs are either capitalized or expensed. The activity for the Agency's general plant assets for the year ended September 30, 2018 was as follows:

	September 30, 2018			
	Beginning Balance	*Increases**	*Decreases**	*Ending Balance*
		(000's US$)		
Land	$ 653	$ -	$ -	$ 653
General Plant	8,033	298	-	8,331
Construction work in process	159	-	(159)	-
General Plant in Service	$ 8,845	$ 298	$ (159)	$ 8,984
Less Accumulated Depreciation	(5,456)	(294)	-	(5,750)
General Plant in Service, Net	$ 3,389	$ 4	$ (159)	$ 3,234

* Includes Retirements Less Salvage

B. St. Lucie Project

The St. Lucie Project consists of an 8.806% undivided ownership interest in St. Lucie Unit 2, a nuclear power plant primarily owned and operated by Florida Power & Light (FPL).

Depreciation was originally computed using the straight-line method over the expected useful life of the asset, which was originally computed to be 34.6 years. In the current year,

IV. Capital Assets (continued)

B. St. Lucie Project (continued)

management extended the useful life to 41.6 years based on the extended operating license for St. Lucie Unit 2. Nuclear fuel is amortized on a units of production basis.

St. Lucie plant asset activity for the year ended September 30, 2018, was as follows:

	September 30, 2018			
	Beginning Balance	Increases	Decreases*	Ending Balance
	(000's US$)			
Land	$ 75	$ -	$ -	$ 75
Electric Plant	292,324	2,709	(163)	294,870
General Plant	1,209	-	-	1,209
Nuclear Fuel	23,081	4,641	(7,667)	20,055
Construction work in process	786	919	(702)	1,003
Electric Utility Plant in Service	$ 317,475	$ 8,269	$ (8,532)	$ 317,212
Less Accumulated Depreciation	(293,819)	(11,286)	7,362	(297,743)
Utility Plant in Service, Net	$ 23,656	$ (3,017)	$ (1,170)	$ 19,469

* Includes Retirements Less Salvage

Construction work in process is recorded on an estimate basis and reversed 3 months later when actual amounts are determined.

C. Stanton Project

The Stanton Project consists of an undivided 14.8193% ownership in Stanton Energy Center Unit 1, a coal-fired power plant. Asset retirements and additions for the plant are decided by Orlando Utilities Commission (OUC), the primary owner and operator of the plant.

Depreciation of plant assets is computed using the straight-line method over the expected useful life of the different plant assets. Expected useful lives of the assets are as follows:

- Electric Plant 40 years
- Computer Equipment 9 years

Stanton Unit 1 plant asset activity for the year ended September 30, 2018, was as follows:

	September 30, 2018			
	Beginning Balance	Increases	Decreases*	Ending Balance
	(000's US$)			
Land	$ 125	$ -	$ -	$ 125
Electric Plant	88,044	1,256	-	89,300
General Plant	12	-	-	12
Electric Utility Plant in Service	$ 88,181	$ 1,256	$ -	$ 89,437
Less Accumulated Depreciation	(57,204)	(3,436)	-	(60,640)
Utility Plant in Service, Net	$ 30,977	$ (2,180)	$ -	$ 28,797

* Includes Retirements Less Salvage

D. All-Requirements Project

The All-Requirements Project's current utility plant assets include varying ownership interests in Stanton Energy Center Units 1 and 2; Indian River Combustion Turbines A, B, C and D; and Stanton A.

The All-Requirements Project's current utility plant assets also consist of 100% ownership in the Treasure Coast Energy Center, Cane Island Units 1, 2, 3 and 4, Key West Units 1, 2, 3 and 4, and Stock Island MS Units 1 & 2, with the exception of the Key West and KUA – TARP Capital

IV. Capital Assets (continued)

D. All-Requirements Project (continued)

Lease Obligation. See footnote IX.A.4 for more detail on the Key West and KUA – TARP Capital Lease Obligations.

Retirements and additions for the All-Requirements Project assets are decided by the All-Requirements members.

Depreciation of plant assets and amortization of capital leases is computed using the straight-line method over the expected useful life of the asset. Expected lives of the different plant assets are as follows:

- Stanton Energy Center Units 1 and 2 — 40 years
- Stanton Energy Center Unit A — 35 years
- Treasure Coast Energy Center — 23 years
- Cane Island Unit 1 — 25 years
- Cane Island Units 2, 3 — 30 years
- Cane Island Unit 4 — 23 years
- Key West Units 1, 2 and 3 — 25 years
- Key West Stock Island Units 1 and 2 — 25 years
- Key West Stock Island Unit 4 — 23 years
- Indian River Units A, B, C and D — 23 years *
- Computer Equipment — 9 years

** Indian River Units A, B, C and D, reached the end of their useful lives. Management has extended the useful life by 5 years for new capital additions.*

All-Requirements plant asset activity for the year ended September 30, 2018, was as follows:

	September 30, 2018			
	Beginning Balance	Increases	Decreases*	Ending Balance
	(000's US$)			
Land	$ 13,405	$ -	$ -	$ 13,405
Electric Plant	1,247,097	5,012	-	1,252,109
General Plant	3,571	475	-	4,046
CWIP	397	668	(1,065)	-
Electric Utility Plant in Service	$ 1,264,470	$ 6,155	$ (1,065)	$ 1,269,560
Less Accumulated Depreciation	(537,370)	(57,332)	-	(594,702)
Utility Plant in Service, Net	$ 727,100	$ (51,177)	$ (1,065)	$ 674,858

* Includes Retirements Less Salvage

E. Tri-City Project

The Tri-City Project consists of an undivided 5.3012% ownership interest in Stanton Unit 1, a coal-fired power plant. Retirements and additions for Stanton Unit 1 are determined by OUC, the primary owner and operator.

Depreciation of plant assets is computed using the straight-line method over the expected useful life of the different assets. Expected useful lives of the assets are as follows:

- Electric Plant — 40 years
- Computer Equipment — 9 years

IV. Capital Assets (continued)

E. Tri-City Project (continued)

Tri-City Project plant asset activity for the year ended September 30, 2018, was as follows:

	September 30, 2018			
	Beginning Balance	Increases	Decreases*	Ending Balance
	(000's US$)			
Land	$ 48	$ -	$ -	$ 48
Electric Plant	35,284	434	-	35,718
General Plant	20	16	-	36
Electric Utility Plant in Service	$ 35,352	$ 450	$ -	$ 35,802
Less Accumulated Depreciation	(23,333)	(1,312)		(24,645)
Utility Plant in Service, Net	$ 12,019	$ (862)	$ -	$ 11,157

* Includes Retirements Less Salvage

F. Stanton II Project

The Stanton II Project consists of an undivided 23.2367% ownership interest in Stanton Unit 2, a coal-fired power plant. Retirements and additions for Stanton Unit 2 are determined by OUC, the primary owner and operator.

Depreciation of plant assets is computed using the straight-line method over the expected useful life of the different assets. Expected useful lives of the assets are as follows:

- Electric Plant 40 years
- Computer Equipment 9 years

Stanton Unit 2 plant asset activity for the year ended September 30, 2018, was as follows:

	September 30, 2018			
	Beginning Balance	Increases	Decreases*	Ending Balance
	(000's US$)			
Land	$ 217	$ -	$ -	$ 217
Electric Plant	195,334	1,209	-	196,543
General Plant	91	-	-	91
Electric Utility Plant in Service	$ 195,642	$ 1,209	$ -	$ 196,851
Less Accumulated Depreciation	(99,053)	(5,535)		(104,588)
Utility Plant in Service, Net	$ 96,589	$ (4,326)	$ -	$ 92,263

* Includes Retirements Less Salvage

V. Cash, Cash Equivalents and Investments

A. Cash and Cash Equivalents

At September 30, 2018, FMPA's Cash and Cash Equivalents consisted of demand deposit accounts and money market accounts which are authorized under FMPA bond resolutions. Cash and cash equivalents are held at two financial institutions. All of FMPA's demand deposits at September 30, 2018, were insured by Federal Depository Insurance Corporation (FDIC) or collateralized pursuant to the Public Depository Security Act of the State of Florida. Current unrestricted cash and cash equivalents are used in FMPA's funds' and projects' day-to-day operations.

V. Cash, Cash Equivalents and Investments (continued)

B. Investments

FMPA adheres to a Board and Executive Committee-adopted investment policy based on the requirements of the bond resolutions. The policy requires diversification based upon investment type, issuing institutions, and duration. All of the fund and project accounts have specified requirements with respect to investments selected and the length of allowable investment.

Investments at September 30, 2018, were insured or registered and held by its agent in FMPA's name. Changes in the fair value of investments are reported in current period revenues and expenses. All of FMPA's fund and project investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

Foreign Currency Risk

FMPA's investments are not exposed to foreign currency risk.

Interest-Rate Risk

FMPA's investment policy requires that funds generally be invested to match anticipated cash flow. All fund and project accounts have a specified maximum maturity for investments and, the majority of FMPA's funds are required to be invested for less than five years. All project funds and accounts are monitored using weighted average maturity analysis as well as maturity date restrictions.

Concentration of Credit Risk

Each project is separate from the others, and as such, each project is evaluated individually to determine the credit and interest rate risk. FMPA's investment policy prohibits investments in commercial paper that exceed 50% of any of the projects' or the Agency's assets. All commercial paper must be rated in the highest rating category by a nationally recognized bond rating agency at the time of purchase. These investments must not exceed 25% for any of FMPA's projects. As of September 30, 2018, fixed income commercial paper investments, held by FMPA from any one issuer (investments issued or explicitly guaranteed by the US Government, investments in mutual funds, external investment pools and other pooled investments are excluded) that represent 5% or more of the projects' investment assets are as follows:

Agency Fund	
None	
St. Lucie Project	
None	
Stanton Project	
UPS	9.21%
All-Requirements Project	
None	
Tri-City Project	
None	
Stanton II Project	
Agri Bk NY	5.42%
UPS	9.21%

Capital Appreciation Bonds (CABS) in total represent 24% of the St. Lucie Project's portfolio, of which 38% of them are held in California.

FMPA maintains all assets other than demand deposit accounts within a trust department of a bank. Under Florida Statutes, Chapter 280, public deposits in a bank or savings association by a trust department company are fully secured under trust business laws. All cash and investments, other than demand deposit accounts, are held in the name of a custodian or a trustee for the Agency and its projects.

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

1. Agency Fund

Cash, cash equivalents and investments on deposit for the Agency at September 30, 2018, are as follows:

	September 30, 2018	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 496		
US Gov't/Agency Securities	-		
Commercial Paper	-		
Total Restricted	$ 496		
Unrestricted			
Cash and Cash Equivalents	$ 1,298		
US Gov't/Agency Securities	10,432	450	Aaa/AA+/AAA *
Commercial Paper	-		
Total Unrestricted	$ 11,730		
Total	$ 12,226		

*The Municipal Bond ratings range from a best of AAA/AAA/AAA to a worst of A3/A-/A.
** Moody's/S&P/Fitch

Investments and Derivative Instruments measured at Fair Value for the Agency at September 30, 2018, are as follows:

Investment Assets by Fair Value Level	Quoted Prices in Active Markets (Level 1) *(000's US$)*	Significant Other Observable Inputs (Level 2) *(000's US$)*	Significant Unobservable Inputs (Level 3) *(000's US$)*
Agency Obligations	$ -	$ 7,999	$ -
US Treasury Obligations	2,486		
Municipal Bonds			
Total By Level	$ 2,486	$ 7,999	$ -
Investment Liabilities (Derivative Instruments)			
Interest Rate Swaps	$ -	$ -	$ -
Total	$ 2,486	$ 7,999	$ -
Money Market and Mutual Fund Instruments Not Subject to Fair Value Disclosure			
Cash Equivalents	$ 1,142		
Commercial Paper			
Morgan Stanley Institutional	158		
Held in Trust Rate Stabilization	495		
Total Money Market and Mutual Fund Instruments	$ 1,795		
Total Market Value of Assets	$ 12,280		
Accrued Interest(including portion within other current assets of Unrestricted Assets)	(54)		
Market value (less) Accrued Interest	$ 12,226		
Total Investment Liabilities (Interest Rate Swaps)	$ -		

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

2. St. Lucie Project

In addition to normal operational cash needs for the project, investments are being accumulated in order to pay-off the balloon maturity of the Project's debt in 2026. The primary investments being used for this are zero coupon municipal bonds. Cash, cash equivalents and investments for the St. Lucie Project at September 30, 2018, are as follows:

		September 30, 2018	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	5,809		
US Gov't/Agency Securities		121,792	597	Aaa/AA+/AAA **
Municipal Bonds		75,089	2,672	*
Commercial Paper		4,954	240	P1/A1 **
Total Restricted	$	207,644		
Unrestricted				
Cash and Cash Equivalents	$	11,616		
US Gov't/Agency Securities		-		
Municipal Bonds		96,865	1,126	*
Commercial Paper		-		
Total Unrestricted	$	108,481		
Total	$	316,125		

*The Municipal Bond ratings range from a best of AAA/AAA/AAA to a worst of A3/A-/A.
** Moody's/S&P/Fitch

Investments and Derivative Instruments Measured at Fair Value for the St. Lucie Project at September 30, 2018, are as follows:

Investment Assets by Fair Value Level		Quoted Prices in Active Markets (Level 1) *(000's US$)*		Significant Other Observable Inputs (Level 2) *(000's US$)*		Significant Unobservable Inputs (Level 3) *(000's US$)*
Agency Obligations	$	-	$	134,288	$	-
US Treasury Obligations		15,385				
Municipal Bonds				145,457		
Corporate Notes				1,959		
Total By Level	$	15,385	$	281,704	$	-
Investment Liabilities (Derivative Instruments)						
Interest Rate Swaps	$	-	$	(6,851)	$	-
Total	$	-	$	(6,851)	$	-
Money Market and Mutual Fund Instruments Not Subject to Fair Value Disclosure						
Cash Equivalents	$	17,415				
Commercial Paper		2,500				
Morgan Stanley Institutional		9				
Total Money Market and Mutual Fund Instruments	$	19,924				
Total Market Value of Assets	$	317,013				
Accrued Interest(including portion within other current assets of Unrestricted Assets)		(888)				
Market value (less) Accrued Interest	$	316,125				
Total Investment Liabilities (Interest Rate Swaps)	$	(6,851)				

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

3. Stanton Project

Cash, cash equivalents and investments for the Stanton Project at September 30, 2018, are as follows:

	September 30, 2018	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 2,958		
US Gov't/Agency Securities	4,800	34	Aaa/AA+/AAA **
Municipal Bonds	770	275	*
Commercial Paper	2,900	1	P1/A1 **
Total Restricted	$ 11,428		
Unrestricted			
Cash and Cash Equivalents	$ 2,381		
US Gov't/Agency Securities	12,453	289	Aaa/AA+/AAA **
Municipal Bonds	302	123	*
Commercial Paper	500	995	P1/A1 **
Total Unrestricted	$ 15,636		
Total	$ 27,064		

*The Municipal Bond ratings range from a best of AAA/AAA/AAA to a worst of A3+/A-/A.
** Moody's/S&P/Fitch

Investments and Derivative Instruments Measured at Fair Value for the Stanton Project at September 30, 2017, are as follows:

Investment Assets by Fair Value Level	Quoted Prices in Active Markets (Level 1) *(000's US$)*	Significant Other Observable Inputs (Level 2) *(000's US$)*	Significant Unobservable Inputs (Level 3) *(000's US$)*
Agency Obligations	$ -	$ 8,927	$ -
US Treasury Obligations	8,391		
Municipal Bonds		1,076	
Total By Level	$ 8,391	$ 10,003	$ -
Investment Liabilities (Derivative Instruments)			
Interest Rate Swaps	$ -	$ -	$ -
Total	$ -	$ -	$ -
Money Market and Mutual Fund Instruments Not Subject to Fair Value Disclosure			
Cash Equivalents	$ 5,299		
Commercial Paper	2,900		
Morgan Stanley Institutional	45		
Wells Fargo Funds	500		
Total Money Market and Mutual Fund Instruments	$ 8,744		
Total Market Value of Assets	$ 27,138		
Accrued Interest(including portion within other current assets of Unrestricted Assets)	(74)		
Market value (less) Accrued Interest	$ 27,064		
Total Investment Liabilities (Interest Rate Swaps)	$ -		

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

4. All-Requirements Project

Cash, cash equivalents and investments for the All-Requirements Project at September 30, 2018, are as follows:

		September 30, 2018	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	6,757		
US Gov't/Agency Securities		42,097	538	Aaa/AA+/AAA **
Municipal Bonds		20,579	1,815	*
Commercial Paper		29,136	726	P1/A1 **
Total Restricted	$	98,569		
Unrestricted				
Cash and Cash Equivalents	$	26,514		
US Gov't/Agency Securities		62,919	540	Aaa/AA+/AAA **
Municipal Bonds		8,330	1,346	*
Commercial Paper		5,793	2,501	P1/A1 **
Total Unrestricted	$	103,556		
Total	$	202,125		

*The Municipal Bond ratings range from a best of AAA/AAA/AAA to a worst of Aa3/AA+/A-.
** Moody's/S&P/Fitch

Investments and Derivative Instruments Measured at Fair Value for the All-Requirements Project at September 30, 2018, are as follows:

Investment Assets by Fair Value Level		Quoted Prices in Active Markets (Level 1) *(000's US$)*		Significant Other Observable Inputs (Level 2) *(000's US$)*		Significant Unobservable Inputs (Level 3) *(000's US$)*
Agency Obligations	$	-	$	42,595	$	-
US Treasury Obligations		62,421				
Municipal Bonds				28,909		
Total By Level	$	62,421	$	71,504	$	-
Investment Liabilities (Derivative Instruments)						
Interest Rate Swaps	$	-	$	(15,163)	$	-
Total	$	-	$	(15,163)	$	-
Money Market and Mutual Fund Instruments Not Subject to Fair Value Disclosure						
Cash Equivalents	$	34,550				
Commercial Paper		34,929				
Wells Fargo Funds		7				
Total Money Market and Mutual Fund Instruments	$	69,486				
Total Market Value of Assets	$	203,411				
Accrued Interest(including portion within other current assets of Unrestricted Assets)		(1,286)				
Market value (less) Accrued Interest	$	202,125				
Total Investment Liabilities (Interest Rate Swaps)	$	(15,163)				

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

5. Tri-City Project

Cash, cash equivalents and investments for the Tri-City Project at September 30, 2018, are as follows:

		September 30, 2018	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	2,335		
US Gov't/Agency Securities		2,395	56	Aaa/AAA/AAA **
Municipal Bonds		101	212	*
Commercial Paper		-		
Total Restricted	$	4,831		
Unrestricted				
Cash and Cash Equivalents	$	744		
US Gov't/Agency Securities		1,666	422	Aaa/AAA/AAA **
Municipal Bonds		-		*
Commercial Paper		154	325	P1/A1 **
Total Unrestricted	$	2,564		
Total	$	7,395		

*The Municipal Bond ratings range from a best of AAA/AAA/AAA to a worst of Aa3/AAA/AA.
** Moody's/S&P/Fitch

Investments and Derivative Instruments Measured at Fair Value for the Tri-City Project at September 30, 2018, are as follows:

Investment Assets by Fair Value Level		Quoted Prices in Active Markets (Level 1) *(000's US$)*		Significant Other Observable Inputs (Level 2) *(000's US$)*		Significant Unobservable Inputs (Level 3) *(000's US$)*
Agency Obligations	$	-	$	1,077	$	-
US Treasury Obligations		3,002				
Municipal Bonds				103		
Total By Level	$	3,002	$	1,180	$	-
Investment Liabilities (Derivative Instruments)						
Interest Rate Swaps	$	-	$	-	$	-
Total	$	3,002	$	1,180	$	-
Money Market and Mutual Fund Instruments Not Subject to Fair Value Disclosure						
Cash Equivalents	$	3,056				
Commercial Paper		154				
Morgan Stanley Institutional		16				
Wells Fargo Funds		7				
Total Money Market and Mutual Fund Instruments	$	3,233				
Total Market Value of Assets	$	7,415				
Accrued Interest(including portion within other current assets of Unrestricted Assets)		(20)				
Market value (less) Accrued Interest	$	7,395				
Total Investment Liabilities (Interest Rate Swaps)	$	-				

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

6. Stanton II Project

Cash, cash equivalents and investments for the Stanton II Project at September 30, 2018, are as follows:

	September 30, 2018	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 2,657		
US Gov't/Agency Securities	9,749	402	Aaa/AA+/AAA **
Municipal Bonds	518	335	*
Commercial Paper	11,685	16	P1/A1 **
Total Restricted	$ 24,609		
Unrestricted			
Cash and Cash Equivalents	$ 3,719		
US Gov't/Agency Securities	33,113	812	Aaa/AA+/AAA **
Municipal Bonds	242	212	*
Mutual Fund	-	267	P1/A1 **
Total Unrestricted	$ 37,074		
Total	$ 61,683		

*The Municipal Bond ratings range from a best of Aa1/AAA/AAA to a worst of Aa1/AAA/AAA.
** Moody's/S&P/Fitch

Investments and Derivative Instruments Measured at Fair Value for the Stanton II Project at September 30, 2018, are as follows:

Investment Assets by Fair Value Level	Quoted Prices in Active Markets (Level 1) *(000's US$)*	Significant Other Observable Inputs (Level 2) *(000's US$)*	Significant Unobservable Inputs (Level 3) *(000's US$)*
Agency Obligations	$ -	$ 20,316	$ -
US Treasury Obligations	20,759		
Municipal Bonds		766	
Total By Level	$ 20,759	$ 21,082	$ -
Investment Liabilities (Derivative Instruments)			
Interest Rate Swaps	$ -	$ -	$ -
Total	$ -	$ -	$ -
Money Market and Mutual Fund Instruments Not Subject to Fair Value Disclosure			
Cash Equivalents	$ 6,376		
Commercial Paper	11,685		
Wells Fargo Fund	1,998		
Total Money Market and Mutual Fund Instruments	$ 20,059		
Total Market Value of Assets	$ 61,900		
Accrued Interest(including portion within other current assets of Unrestricted Assets)	(217)		
Market value (less) Accrued Interest	$ 61,683		
Total Investment Liabilities (Interest Rate Swaps)	$ -		

On October 26, 2017, all of the Stanton II Interest Rate Swaps were terminated.

VI. Derivative Financial Instruments

FMPA uses derivative instruments to hedge the effects of fluctuations in interest rates and the price of natural gas. In accordance with GASB Statement No. 53, market values of derivative instruments are included on the Statement of Net Position as either an asset or a liability depending on whether FMPA would receive or pay to terminate the instrument on the Statement of Net Position date. If the derivative instruments are determined under the Standard to be effective hedges a deferred cash outflow or a liability is recorded. If the derivative instrument is determined to be not effective under the Standard, then the market value adjustment flows through investment income. All swaps were deemed effective in fiscal year 2018, with the exception of two St. Lucie Project series. These two series were determined not to be effective pursuant to the guidelines in GASB Statement No. 53. The result is $976,000 recognized in the Investment Income/Loss as a reduction in the fair market value for the current period. The following table shows the classification of the various derivative instruments on the Statement of Net Position as of September 30, 2018:

	Agency Fund	St. Lucie Project	Stanton Project	All -Req Project	Tri-City Project	Stanton II Project
Deferred Outflows from Derivatives						
Interest Rate Swaps - Effective	$ -	$ 5,875	$ -	$ -	$ -	$ -
Total Deferred Outflows from Derivatives	$ -	$ 5,875	$ -	$ -	$ -	$ -
Fair Market Value Derivative Instruments Liabilities						
Hybrid Swap Liability	$ -	$ -	$ -	$ 15,163	$ -	$ -
Market Value Adjustment for Effective Swaps		5,875		-		-
Market Value Adjustment for Ineffective Swaps		976				
Natural Gas Storage				73		
Total Fair Value	$ -	$ 6,851	$ -	$ 15,236	$ -	$ -

A. Swap Agreements

Three of FMPA's projects were party to interest rate swap agreements. The objective for entering into these agreements is to convert variable interest rates to fixed rates thus reducing interest rate exposure. The 30-day London Interbank Offered Rate (LIBOR) and the US Consumer Price Index for All Urban Consumers (CPI-U) are used to determine the variable rates received. Interest requirements for variable rate debt are determined using the rate in effect at the financial statement date.

Credit Risk

The swap agreements are subject to credit risk. Counterparty credit ratings and the maximum loss due to credit risk as of September 30, 2018, is listed, by project, in the tables that follow. As part of the swap agreements, if the provider's credit rating drops below certain levels and a termination value indicates an amount that would be payable to the Agency, collateral (or cash in some circumstances) would need to be posted by the counterparty with a third-party custodian if the value of the termination payment exceeds certain threshold levels. Conversely, the Agency would have to post collateral for the same reason in some circumstances.

The Agency has an approved Debt Management Policy with regard to derivatives whereby approval is required of the appropriate project participants and our financial advisor, prior to entering into swaps or other derivative products. The policy sets minimum standards for all derivative transactions.

Interest Rate Risk

FMPA has entered into swap agreements to fix the interest rate on variable rate bonds for the entirety of the term of the bonds. As interest rates increase above the swap rates, the value of these swaps will increase. As rates decrease below the swap rates, the values will decrease. Depending on the terms of the swap agreement, collateral may have to be posted.

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

Basis Risk

Basis risk exists on the swap agreements where the variable rate indices used on these swaps differ from the variable index on the bonds. If there were a mismatch between the indices, the budget process would allow FMPA to adjust rates for this difference.

Termination Risk

Termination values are listed in the following tables as of September 30, 2018. These amounts vary with changes in the market. The swaps may be terminated by the Agency if the counterparty's credit quality falls below certain levels. The Agency or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would continue to pay based on its variable index. If, at the time of the termination, the swap has a negative fair value to the Agency, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

Market Access Risk

Financial market access risk is the risk that the Agency or any of FMPA's Power Projects could not complete a financial transaction due to the lack of a counterparty at reasonable cost or terms or the inability to complete the transaction in a timely manner, for example, issuing new bonds, selling an investment to raise cash, obtaining or renewing a line or letter of credit. The inability to conduct business as needed could have significant effects on the ability of the Agency or any of its Power Projects to have needed cash balances or access to cash.

Rollover Risk

The Agency is exposed to rollover risk on swaps that may be terminated prior to the maturity of the associated debt. If these swaps are terminated prior to the maturity of the bonds, the Agency will not realize the synthetic fixed rate offered by the swaps on the underlying debt issues. New swaps entered into at the time of termination of the old swaps will likely carry different rates and terms.

GASB Statement No. 53 Effectiveness Testing

The Agency performed effectiveness tests using the Synthetic Instrument Method on all interest rate swaps for its three projects that have these agreements. In addition, in 2016 the swaps associated with ARP 2008C, 2008D and 2008E required recognition of hybrid loans in 2011 for the change in market value from the original bond date to the date of refundings. During 2018, the ARP 2008D and 2008E hybrid loans were terminated. The hybrid loan total after amortizations at September 30, 2018 is $15.4 million.

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

1. St. Lucie Project

Swaps Currently Effective
(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2000							
$ 16,650	7/3/2006	3.444%	72% LIBOR*	10/1/2021	$ (681)	Merrill Lynch Capital Services, Inc.	Baa1/BBB+/A
Series 2002							
$ 11,975	7/2/2007	3.481%	72% LIBOR*	10/1/2021	$ (502)	~ Merrill Lynch Capital Services, Inc.	Baa1/BBB+/A
11,975	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(542)	Merrill Lynch Capital Services, Inc.	Baa1/BBB+/A
11,975	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(555)	Merrill Lynch Capital Services, Inc.	Baa1/BBB+/A
7,825	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(320)	Goldman Sachs Bank USA	A3/A+/A
11,308	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(512)	Goldman Sachs Bank USA	A3/A+/A
11,308	7/2/2007	3.481%	72% LIBOR*	10/1/2021	(474)	~ Goldman Sachs Bank USA	A3/A+/A
11,308	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(524)	Goldman Sachs Bank USA	A3/A+/A
67,125	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(2,741)	Merrill Lynch Capital Services, Inc.	Baa1/BBB+/A
$ 144,799					$ (6,170)		
Total Termination Value of Swaps					$ (6,851)		
Effective Hedes					(5,875)		
Ineffective Hedges					(976)		
					$ (6,851)		
Prior Year Termination Value of Swaps					$ (13,991)		
Change in Fair Market Value					$ 7,140		

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/17
~ denotes ineffective swaps

2. All-Requirements Project

Swaps Currently Effective
(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2006A							
$ -		Terminated June 2017			$ -		
-		Terminated June 2017			-		
$ -					$ -		
Series 2008C							
$ 33,180	10/1/2006	3.701%	72% LIBOR*	10/1/2027	$ (3,196)	Goldman Sachs Bank USA	A3/A+/A
11,050	10/1/2006	3.665%	72% LIBOR*	10/1/2026	(979)	JP Morgan Chase & Co.	A3/A-/A+
2,684	10/1/2006	3.656%	72% LIBOR*	10/1/2026	(235)	JP Morgan Chase & Co.	A3/A-/A+
224	10/1/2006	3.612%	72% LIBOR*	10/1/2026	(19)	JP Morgan Chase & Co.	A3/A-/A+
33,180	10/1/2006	3.649%	72% LIBOR*	10/1/2027	(3,092)	Morgan Stanley	Baa1/BBB+/A
33,180	10/1/2006	3.697%	72% LIBOR*	10/1/2027	(3,189)	Merrill Lynch Capital Services, Inc.	Baa1/BBB+/A
17,025	10/1/2006	3.669%	72% LIBOR*	10/1/2025	(957)	UBS AG	Aa3/A+/A+
19,050	10/1/2006	3.737%	72% LIBOR*	10/1/2035	(3,496)	Wells Fargo Bank, NA	A2/A/A+
$ 149,573					$ (15,163)		
Series 2011A							
$ $ -		Terminated June 2017			$ -		
Series 2011A-1 & 2011B							
$ -	inated June 2017				$ -		
$ -					$ -		
Total Swap Terminaton Value					$ (15,163)		
Effective Swaps					$ -		
Hybrid Loans					(15,163)		
					$ (15,163)		
Prior Year Termination Value of Effective Swaps and Hybrid Loans					$ (24,611)		
Change in Fair Market Value					$ 9,448		

*floating to fixed
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/17

3. Stanton II Project

All Stanton II Interest Rate Swaps in existence as of September 30, 2017 were terminated as part of the 2017A & B series refinancing that took place on October 28, 2017.

VI. Derivative Financial Instruments (continued)

B. Natural Gas Futures, Contracts and Options

FMPA uses New York Mercantile Exchange (NYMEX) and over the counter, natural gas futures contracts, options on futures contracts and fixed-price firm physical purchases of natural gas as a tool to establish the cost of natural gas that will be needed by the All-Requirements Project in the future (next month or several years from now). NYMEX and over the counter futures contracts can be used to obtain physical natural gas supplies, however all futures contracts that FMPA enters into will be financially settled before physical settlement is required by the Exchange. Any gain or loss of value in these futures contracts are ultimately rolled into the price of natural gas burned in the Project's electric generators. As of September 30, 2018 FMPA has sold 44 contracts outstanding, valued at $73,419, which will expire in January 2019.

VII. Regulatory Assets (Net Costs Refundable/Future Participant Billings)

FMPA has elected to apply the accounting methods for regulatory operations of GASB No. 62. Billing rates are established by the Board of Directors or Executive Committee and are designed to fully recover each project's costs over the life of the project, but not necessarily in the same year that costs are recognized under generally accepted accounting principles (GAAP). Instead of GAAP costs, annual participant billing rates are structured to systematically recover current debt service requirements, operating costs and certain reserves that provide a level rate structure over the life of the project which is equal to the amortization period. Accordingly, certain project costs are classified as deferred on the accompanying Statement of Net Position as a regulatory asset, titled "Net costs recoverable/future participant billings," until such time as they are recovered in future rates. Types of deferred costs include depreciation and amortization in excess of bond principal payments, and prior capital construction interest costs.

In addition, certain billings recovering costs of future periods have been recorded as a regulatory liability, titled "Net costs refundable/future participant billings", or as a reduction of deferred assets on the accompanying Statement of Net Position. Types of deferred revenues include billings for certain reserve funds and related interest earnings in excess of expenditures from those funds, and billings for nuclear fuel purchases in advance of their use.

VIII. Restricted Net Position

Bond resolutions require that certain designated amounts from bond proceeds and project revenues be deposited into designated funds. These funds are to be used for specific purposes and certain restrictions define the order in which available funds may be used. Other restrictions require minimum balances or accumulation of balances for specific purposes. At September 30, 2018, all FMPA projects were in compliance with requirements of the bond resolution.

Segregated restricted net position at September 30, 2018, are as follows:

	(000's US$)					
	Agency Fund	**St. Lucie Project**	**Stanton Project**	**All-Req Project**	**Tri-City Project**	**Stanton II Project**
Debt Service Funds	$ -	$ 110,135	$ 8,706	$ 71,799	$ 3,254	$ 18,567
Reserve & Contingency Funds		15,696	2,752	22,129	1,590	6,077
Decomissioning Fund		82,166				
Rate Stabilization Accounts	496					
Accrued Interest on Long-Term Debt	(3)	(3,595)	(457)	(19,206)	(70)	(2,343)
Accrued Decommissioning Expenses		(82,209)				
Rate Stabilization Accounts	(490)					
Total Restricted Net Assets	$ 3	$ 122,193	$ 11,001	$ 74,722	$ 4,774	$ 22,301

VIII. Restricted Net Position (continued)

Restrictions of the various bank funds are as follows:

- Debt service funds include the Debt Service Account, which is restricted for payment of the current portion of the bond principal and interest and the Debt Service Reserve Account, which includes sufficient funds to cover one half of the maximum annual principal and interest requirement of the specific fixed rate issues or 10% of the original bond proceeds.
- Reserve and Contingency Funds are restricted for payment of major renewals, replacements, repairs, additions, betterments and improvements for capital assets.
- If, at any time, the Debt Service Fund is below the current debt requirement and there are not adequate funds in the General Reserve Fund to resolve the deficiency, funds will be transferred from the Reserve and Contingency Fund to the Debt Service Fund.
- Decommissioning Funds are restricted and are funded for the payment of costs related to the decommissioning, removal and disposal of FMPA's ownership on nuclear power plants.
- Project Funds are used for the acquisition, construction and capitalized interest, as specified by the participants.
- Revenue Funds are restricted under the terms of outstanding resolutions.

IX. Long-Term Debt

A. Debt

FMPA enters into Long-term debt to fund different projects. The type of Long-term debt differs among each of the projects. A description and summary of Long-term debt at September 30, 2018, is as follows:

1. Agency Fund

	2018 (000's US$)				
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Wells Fargo Loan 2010	$ 430	$ -	$ (210)	$ 220	$ 220
	$ 430	$ -	$ (210)	$ 220	$ 220

Loan Payable to Wells Fargo Bank

The Agency Fund has one loan payable to Wells Fargo Bank at September 30, 2018. Interest is payable semi-annually at a fixed rate of 3.3%. Principal is payable in two annual payments ranging from $210 thousand to $220 thousand with the final payment due July 1, 2019.

IX. Long-Term Debt (continued)

A. Debt (continued)

2. St. Lucie Project

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
	2018 (000's US$)				
Revenue Bonds					
Refunding 2000	$ 16,650	$ -	$ -	$ 16,650	$ -
Refunding 2002	144,800			144,800	-
Bonds 2009A	19,095		(3,455)	15,640	3,630
Bonds 2010A	10,220		(1,910)	8,310	1,980
Bonds 2011A	26,975		(3,630)	23,345	1,000
Bonds 2011B	24,305			24,305	
Bonds 2012A	58,870			58,870	
Bonds 2013A	13,390		(1,185)	12,205	1,215
Total Principal	$ 314,305	$ -	$ (10,180)	$ 304,125	$ 7,825
Deferred Premiums And Discounts	7,987		(1,280)	6,707	
Total Revenue Bonds	$ 322,292	$ -	$ (11,460)	$ 310,832	$ 7,825
Unamortized loss on advanced refunding	$ (14,898)	$ -	$ 2,894	$ (12,004)	$ -

The 2000 and 2002 bonds are variable rate bonds and the variable interest rates ranged between 1.00% and 3.168% for the year ended September 30, 2018. The 2009A bonds have an interest rate of 5% from 2016 through 2021. The 2010A bonds have a fixed interest rate of 2.72% from 2016 through 2021. The 2011A and 2011B bonds are fixed, and have a series of maturity dates from 2016 to 2026. The rates for the 2011A bonds range from 3.125 to 5.0%, and the rate for the 2011B bonds range from 4.375% to 5.0%. The 2012A bonds have a fixed interest rate of 5.0%, and mature in 2026. The 2013A bonds have a fixed interest rate of 2.73%, and mature in 2026.

The Series 2000 & 2002 bonds are subject to redemption prior to maturity at the election of FMPA on any interest payment date at a call rate of 100%. The Series 2012 bonds are subject to redemption prior to maturity at the election of FMPA on or after October 1, 2022, at a call rate of 100%.

3. Stanton Project

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
	2018 (000's US$)				
Revenue Bonds					
Refunding 2008	$ 21,275	$ -	$ (6,670)	$ 14,605	$ 7,010
Bonds 2009A	3,680		(1,115)	2,565	1,175
Wells Fargo Bank Taxable	154			154	154
Total Principal	$ 25,109	$ -	$ (7,785)	$ 17,324	$ 8,339
Deferred Premiums And Discounts	23		(15)	8	
Total Bonds and Loans	$ 25,132	$ -	$ (7,800)	$ 17,332	$ 8,339
Unamortized loss on advanced refunding	$ (109)	$ -	$ 72	$ (37)	$ -

The 2008 and 2009A revenue bonds are fixed at interest rates which range from 4.5% to 5.5%.

IX. Long-Term Debt (continued)
A. Debt (continued)
3. Stanton Project (continued)

Loan Payable to Wells Fargo Bank

In December 2003, the Stanton Project entered into a taxable loan with Wells Fargo Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center. This loan will be paid in full on October 1, 2018.

4. All-Requirements Project

Business-Type Activities	2018 (000's US$) Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds					
Bonds 2008A	$ 149,455	$	$ (84,965)	$ 64,490	$ 25,975
Bonds 2008B	19,050		(8,765)	10,285	10,285
Bonds 2008C	151,173		(1,600)	149,573	1,700
Bonds 2009A	15,510		(5,070)	10,440	5,295
Bonds 2009B	15,235			15,235	
Bonds 2013A	11,025		(1,420)	9,605	1,470
Bonds 2015B	115,770		(5,385)	110,385	5,655
Bonds 2016A	424,120			424,120	
Bonds 2017A	69,625			69,625	
Bonds 2017B	52,925			52,925	
Bonds 2018A		57,790		57,790	
Total Principal	$ 1,023,888	$ 57,790	$ (107,205)	$ 974,473	$ 50,380
Capital Leases and Other					
KUA - TARP	$ 128,784	$ -	$ (12,467)	$ 116,317	$ 13,145
Keys - TARP	1,856		(594)	1,262	618
St. Lucie County	451		(22)	429	52
Total Other Liabilities	$ 131,091	$ -	$ (13,083)	$ 118,008	$ 13,815
Total Principal & Capital Lease	$ 1,154,979	$ 57,790	$ (120,288)	$ 1,092,481	$ 64,195
Deferred Premiums And Discounts	101,843	2,418	(11,223)	93,038	
Total Revenue Bonds & Capital Lease	$ 1,256,822	$ 60,208	$ (131,511)	$ 1,185,519	$ 64,195
Unamortized loss on advanced refunding	$ (57,938)	$ (539)	$ 6,564	$ (51,913)	$ -

The 2008C and 2013A bonds are the only variable rate bonds, and the variable interest rates ranged from 2.70722% to 3.58375% for the year ended September 30, 2018.

Portions of the Series 2008A, 2008C, 2009A, 2011A-1, 2011B, 2011A-2, 2015B, 2016A and 2018A bonds are subject to redemption prior to maturity at the election of FMPA at a call rate of 100%. The Series 2008B, 2009B, 2017A and 2017B bonds are not subject to redemption prior to maturity.

On July 12, The All Requirements Series 2008A debt was refinanced for the total of $57.79 million of Series 2018A. The Series 2008A debt refinancing resulted in a gross savings of $2.7 million with a present value saving of $6.6 million.

KUA – TARP Capital Lease Obligation

Effective October 1, 2008, the Capacity and Energy Sales Contract with KUA was revised. Under the revised contract, KUA receives agreed upon-fixed payments over preset periods relating to

IX. Long-Term Debt (continued)

A. Debt (continued)

4. All-Requirements Project (continued)

payments remaining under the agreement at September 30, 2018, amount to $145.4 million and the present value of these payments is $116.3 million. The capital assets at September 30, 2018 include Facilities and Equipment of $217.9 million less Accumulated Depreciation of $133.2 million resulting in a net book value of $84.7 million.

Keys – TARP Capital Lease Obligation

Effective January 1, 2011, the Capacity and Energy Sales Contract with Keys Energy Services was revised. Under the contract, Keys Energy Services receives agreed-upon fixed payments over preset periods relating to each of their generating units. FMPA assumed all cost liability and operational management of the generating units. FMPA is accounting for this transaction as a capital lease. Total minimum payments remaining under the agreement at September 30, 2018 amount to $1.3 million and the present value of these payments is $1.3 million. The capital assets at September 30, 2018 include Facilities and Equipment of $4.8 million less Accumulated Depreciation of $3.8 million resulting in a net book value of $1.0 million.

St. Lucie County

As a condition of obtaining its conditional use permit for the construction and operation of the Treasure Coast Energy Center, the All-Requirements project agreed to pay St. Lucie County, Florida $75,000 a year for a period of 20 years. Upon commercial operation of the plant, the unpaid amounts were discounted at a rate of 5.3% and capitalized to plant. At September 30, 2018, seven payments remain under this obligation with the final payment to be made September 30, 2025.

Line of Credit

The All-Requirements Project has two lines of credit - one from JPMorgan Chase in the amount of $75 million, and one from Wells Fargo Bank in the amount of $25 million. The JPMorgan Chase line expires in July 2019. The Wells Fargo line expires in November 2019.

Other Credit Facilities

The All-Requirements Project series 2008C bonds are Variable Rate Demand Obligations secured by an irrevocable letter of credit as follows:

2008C	Bank of America	$152.9 million

The letter of credit will expire on May 19, 2021.

5. Tri-City Project

	2018 (000's US$)				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
Revenue Bonds					
Bonds 2009A	$ 1,060	$ -	$ (315)	$ 745	$ 335
Bonds 2013A	8,485		(2,780)	5,705	2,825
Wells Fargo Taxable	108		(53)	55	55
Total Principal	$ 9,653	$ -	$ (3,148)	$ 6,505	$ 3,215
Deferred Premiums And Discounts	3		(3)	-	
Total Bonds and Loans	$ 9,656	$ -	$ (3,151)	$ 6,505	$ 3,215
Unamortized loss on advanced refunding	$ (174)	$ -	$ 98	$ (76)	$ -

IX. Long-Term Debt (continued)

A. Debt (continued)

5. Tri-City Project (continued)

The 2009A and 2013A revenue bonds are fixed at interest rates which range from 1.88% to 4.0% and have a maturity date of 2019.

Loan Payable to Wells Fargo Bank
In December 2003, the Tri-City Project entered into a taxable loan with Wells Fargo Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center. This loan will be paid in full on October 1, 2018.

6. Stanton II Project

	2018 (000's US$)				
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds					
Refunding 2000	$ 17,875		$ (17,875)	-	
Refunding 2004	44,250		(44,250)	-	
Bonds 2009A	5,130	$ -	(225)	$ 4,905	$ 200
Refunding 2012A	60,935		(4,675)	56,260	4,850
Refunding 2017A		21,888		21,888	387
Refunding 2017B		50,019		50,019	4,834
Wells Fargo Taxable	242			242	242
Total Principal	$ 128,432	$ 71,907	$ (67,025)	$ 133,314	$ 10,513
Deferred Premiums And Discounts	5,608		(1,116)	4,492	
Total Bonds and Loans	$ 134,040	$ 71,907	$ (68,141)	$ 137,806	$ 10,513
Unamortized loss on advanced refunding	$ (4,827)	$ (12,124)	$ 5,000	$ (11,951)	$ -

The 2000 and 2004 revenue bonds carry variable interest rates which ranged from 1.54% to 1.645% for the year ended September 30, 2018. The 2009, 2012, 2017A and 2017B revenue bonds are fixed, and have a maturity date of 2027. The rates for the bonds range from 3.0% to 5.0%.

The Series 2000 and 2004 bonds provide for early redemption at the election of FMPA on any interest payment date at a call rate of 100%. The Series 2012 bonds are subject to redemption prior to maturity at the election of FMPA at 100%, beginning October 1, 2022. The Series 2017A and 2017B subject to redemption in whole or part prior to maturity at the call rate of 100% and Cost of Prepayment.

On October 26, 2017 the Stanton II Project issued $71.9 million of 2017A and 2017B Bonds. The proceeds were used to refund $65.7 million of 2000 and 2004 Bonds and terminated $9.3 million of Interest Rate Swaps for the 2000 and 2004 bonds. The gross savings are $532 thousand and the net present value savings are $380 thousand.

Loan Payable to Wells Fargo Bank
In December 2003, the Stanton II Project entered into a taxable loan with Wells Fargo Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center. The loan will be paid in full on October 1, 2018.

IX. Long-Term Debt (continued)

B. Major Debt Provisions (All Projects)

Bonds, which are special obligations of FMPA, are payable solely from (1) revenues less operating expenses (both as defined by the respective bond resolutions) and (2) other monies and securities pledged for payment thereof by the respective bond resolutions. The respective resolutions require FMPA to deposit into special funds all proceeds of bonds issued and all revenues generated as a result of the projects' respective Power Sales and Power Support Contracts or the Power Supply Contract. The purpose of the individual funds is also specifically defined in the respective bond resolutions.

Investments are generally restricted to those types described in Note I. Additional restrictions that apply to maturity dates are defined in the respective bond resolutions and FMPA's investment policy.

C. Defeased Debt

The following bonds have been defeased. Since investments consisting of governmental obligations are held in escrow for payment of principal and interest, the bonds are not considered liabilities of FMPA for financial reporting purposes. The principal balances of the defeased bonds at September 30, 2018 are as follows:

Dated	Description	Defeased Portion Amount Originally Issued (000's US$)	Balance at September 30, 2018
April 2016	All-Requirements Revenue Bonds, 2008A & Revenue Bonds, 2009A	$452,880	$472,726
July 2018	All-Requirements, 2008A	$59,155	$60,654

The July 2018 Defeasance of $59.155 million was called on October 1, 2018.

D. Annual Requirements

The annual cash flow debt service requirements to amortize the long term **bonded** debt outstanding as of September 30, 2018, are as follows:

(000's US$)

Fiscal Year Ending September	St. Lucie Project Principal	St. Lucie Project Interest Including Swaps, Net	Stanton Project Principal	Stanton Project Interest Including Swaps, Net	All-Req Project Principal	All-Req Project Interest Including Swaps, Net	Tri-City Project Principal	Tri-City Project Interest	Stanton II Project Principal	Stanton II Project Interest Including Swaps, Net	Totals
2019	$ 7,825	$ 12,142	$ 8,185	$ 694	$ 50,380	$ 40,723	$ 3,160	$ 130	$ 10,271	$ 4,430	$ 137,940
2020	9,515	11,783	8,985	240	68,155	41,278	3,290	62	10,747	4,164	158,219
2021	27,320	10,938			50,345	37,194			11,082	3,762	140,641
2022	169,145	10,142			57,255	34,746			11,432	3,345	286,065
2023	5,765	4,213			62,655	32,451			11,785	2,912	119,781
2024 - 2028	84,555	12,704			362,288	120,074			77,755	7,598	664,974
2029 - 2033					313,695	32,068					345,763
2034 - 2038					9,700	992					10,692
Total Principal & Interest	$ 304,125	$ 61,922	$ 17,170	$ 934	$ 974,473	$ 339,526	$ 6,450	$ 192	$ 133,072	$ 26,211	$ 1,864,075
Less:											
Interest		(61,922)		(934)		(339,526)		(192)		(26,211)	(428,785)
Unamortized Loss on refunding	(12,004)		(38)		(51,914)		(76)		(11,951)		(75,983)
Add:											
Unamortized Premium (Discount), net	6,707		8		93,040		1		4,493		104,249
Total Net Debt Service Requirement at September 30, 2018	$ 298,828	$ -	$ 17,140	$ -	$ 1,015,599	$ -	$ 6,375	$ -	$ 125,614	$ -	$ 1,463,556

IX. Long-Term Debt (continued)

D. Annual Requirements (continued)

The annual cash flow debt service requirements to amortize **all** long term debt outstanding as of September 30, 2018, are as follows:

(000's US$)

Fiscal Year Ending September	Agency Fund Principal	Agency Fund Interest Including Swaps, Net	St. Lucie Project Principal	St. Lucie Project Interest Including Swaps, Net	Stanton Project Principal	Stanton Project Interest	All-Req Project Principal	All-Req Project Interest Including Swaps, Net	Tri-City Project Principal	Tri-City Project Interest	Stanton II Project Principal	Stanton II Project Interest Including Swaps, Net	Totals
2019	$ 220	$ 7	$ 7,825	$ 12,142	$ 8,339	$ 697	$ 64,195	$ 46,646	$ 3,215	$ 131	$ 10,513	$ 4,434	$ 158,364
2020			9,515	11,783	8,985	240	82,697	46,473	3,290	62	10,747	4,164	177,956
2021			27,320	10,938			61,079	41,689			11,082	3,762	155,870
2022			169,145	10,142			68,572	38,657			11,432	3,345	301,293
2023			5,765	4,213			74,587	35,748			11,785	2,912	135,010
2024 - 2028			84,555	12,704			417,954	126,472			77,755	7,599	727,039
2029 - 2033							313,696	32,069					345,765
2034 - 2038							9,700	992					10,692
Total Principal & Interest	$ 220	$ 7	$ 304,125	$ 61,922	$ 17,324	$ 937	$ 1,092,480	$ 368,746	$ 6,505	$ 193	$ 133,314	$ 26,216	$ 2,011,989

X. Commitments and Contingencies

A. Participation Agreements

FMPA has entered into participation agreements, and acquired through capital leases, individual ownership of generating facilities as follows:

Project	Operating Utility	Joint Ownership Interest	Commercial Operation Date
St. Lucie	Florida Power & Light	8.806% of St. Lucie Unit 2 nuclear plant	August 1983
Stanton*	Orlando Utilities Commission (OUC)	14.8193% of Stanton Energy Center (SEC) Unit 1 coal-fired plant	July 1987
All-Requirements*	OUC	11.3253% of SEC Unit 1	July 1987
Tri-City*	OUC	5.3012% of SEC Unit 1	July 1987
All-Requirements	OUC	51.2% of Indian River Units A & B combustion turbines	A - June 1989 B - July 1989
All-Requirements	OUC	21% of Indian River Units C & D combustion turbines	C - August 1992 D - October 1992
All-Requirements	OUC	5.1724% of SEC Unit 2 coal-fired plant	June 1996
Stanton II	OUC	23.2367% of SEC Unit 2	June 1996
All-Requirements	Southern Company	7% of Stanton Unit A combined cycle	October 2003

*OUC has the contractual right to unilaterally make any retirement decision for SEC Unit 1 beginning in 2017

X. Commitments and Contingencies (continued)

A. Participation Agreements (continued)

Operational control of the electric generation plants rests with the operating utility and includes the authority to enter into long-term purchase obligations with suppliers. FMPA is liable under its participation agreements for its ownership interest of total construction and operating costs. Further contracts with Orlando Utilities Commission (OUC) include commitments for purchases of coal. According to information provided by OUC, such existing commitments are currently scheduled to terminate on December 31, 2019. However, OUC reports that it is in the initial stage of securing coal beyond this date. Through participation with OUC, FMPA's estimated cost share of the existing purchases by project for the next five fiscal years is summarized below.

		000's US$			
Project	**2018**	**2019**	**2020**	**2021**	**2022**
Stanton Project	$ 3,481	$ 1,234	None	None	None
All-Requirements Project	3,875	1,374	None	None	None
Tri-City Project	1,245	441	None	None	None
Stanton II Project	5,458	1,935	None	None	None

B. Public Gas Partners, Inc.

Public Gas Partners, Inc. (PGP) is a nonprofit corporation of the State of Georgia, duly created and existing under the Georgia Nonprofit Corporation Code, O.C.G.A Sections 14-3-101 through 14-3-1703, as amended. Pursuant to its Articles of Incorporation and by-laws, PGP's purpose is to acquire and manage reliable and economical natural gas supplies through the acquisition of interests in natural gas producing properties and other long-term sources of natural gas supplies for the benefit of participating joint action agencies and large public natural gas and power systems.

On November 16, 2004, FMPA signed an agreement with six other public gas and electric utilities in five different states to form PGP. The initial members of PGP, along with FMPA, included Municipal Gas Authority of Georgia, Florida Gas Utility, Lower Alabama Gas District, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation. Florida Gas Utility has left the organization, and their interest was acquired by all members, except for FMPA and the Tennessee Energy Acquisition Corporation, as of May 2008. Lower Alabama Gas District has assigned its interest in each Pool to the Gas Authority effective October 2013.

FMPA has entered into two separate Production Sharing Agreements (PSAs) that obligate FMPA to pay as a component of gas operations expense its share of all costs incurred by the related PGP Pool until all related PGP or participant debt has been paid and the last volumes have been delivered. In addition, PGP has the option, with at least six month notice, to require FMPA to prepay for its share of pool costs, which may be financed by FMPA through the issuance of bonds or some other form of long-term financing. The PSAs include a step-up provision that could obligate FMPA to increase its participation share in the pool by up to 25% in the event of default by another member.

On November 1, 2004, FMPA entered into a PSA as a 22.04% participant of PGP Gas Supply Pool No. 1 (PGP Pool #1). PGP Pool #1 was formed by all of the participants. PGP Pool #1 had targeted an initial supply portfolio capable of producing 68,000 mmBtu per day of natural gas or 493 Bcf over a 20-year period. The acquisition period for PGP Pool #1 has closed after acquiring a supply currently estimated to be 140 Bcf. Current production from Pool #1 is approximately 11,655 mmBtu per day. FMPA's share of this amounts to 2,569 mmBtu per day.

On October 1, 2005, FMPA entered into a PSA as a 25.90% participant of PGP Gas Supply Pool No. 2 (PGP Pool #2). PGP Pool #2 was formed to participate in specific transactions that have different acquisition criteria than PGP Pool #1. PGP Pool #2 had a total expenditure limit of $200 million, with FMPA's share being $52 million as authorized by the Board (before step-up provisions which would increase ARP's commitment to a maximum of $65 million). The other members of PGP Pool #2, along with FMPA, include Municipal Gas Authority of Georgia, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation. FMPA entered into a separate agreement with Fort Pierce Utilities Authority whereby FMPA agreed to sell to FPUA 3.474903% of

X. Commitments and Contingencies (continued)

B. Public Gas Partners, Inc. (continued)

the benefits that FMPA receives from its participation in PGP Pool #2. The acquisition period for PGP Pool #2 has closed after acquiring a supply currently estimated to be 42 Bcf. Current production for PGP Pool #2 is approximately 2,845 mmBtu per day. FMPA's share of this amounts to 737 mmBtu per day.

FMPA's share of the total investment costs amounts to approximately $101 million for PGP Pool #1, and $29 million for PGP Pool #2 as of September 30, 2018.

C. Contractual Service Agreements

The All-Requirements Project has signed, or accepted assignment of, Contractual Service Agreements (CSAs) with General Electric International, Inc. (GE) for the Treasure Coast Energy Center, Cane Island 3 and Cane Island 4 combustion turbines, steam turbines and generators. The CSAs cover specified monitoring and maintenance activities to be performed by GE over the contract term, which is the earlier of a specified contract end date, or a performance end date based on reaching certain operating milestones of either Factor Fired Hours or Factored Starts on the combustion turbines. GE or FMPA may terminate the agreements for the breach of the other party. The defaulting party pays the termination amount based on the performance metric specified in the contract.

On March 31, 2016 Cane Island Unit 2 CSA was transitioned to a Managed Maintenance Program (MMP). The MMP does not have a factored start or hours based payment, and maintenance is paid for at the time it's incurred at prenegotiated discounts.

The following is a summary of the contract status.

	Treasure Coast	Cane Island Unit 2	Cane Island Unit 3	Cane Island Unit 4
Original Effective Date	1/30/2007	3/31/2016	12/12/2003	12/22/2010
Last Amendment Effective Date	11/21/2017		11/21/2017	11/21/2017
Cumulative Factor Fired Hours	83,000	87,400	117,000	55,000
Term if hours based	~64,000		~74,000	~84,000
Cumulative Factored Starts				
Term if starts based				
Current Termination Amount (000's USD)	$2,587		$1,904	$2,082
Specified Contract End Date	11/21/2037		11/21/2037	11/21/2037
Estimated Performance End Date	FYE 2026	FYE 2019	FYE 2025	FYE 2028

In November 2017, FMPA and General Electric negotiated a revised CSA to combine Cane Island Units 3 & 4 and Treasure Coast under one service agreement.

D. Other Agreements

FMPA has entered into certain long-term contracts for transmission services for its projects. These amounts are recoverable from participants in the projects (except the All-Requirements Project) through the Power Sales and Project Support Contracts. FMPA has entered into Power Sales and Project Support Contracts with each of the project participants for entitlement shares aggregating 100% of FMPA's joint ownership interest. In the case of the All-Requirements Project, a Power Supply Contract was entered into providing for the participant's total power requirements (except for certain excluded resources). Revenues received under these individual project contracts are expected to be sufficient to pay all of the related project costs.

- FMPA has entered into a Reliability Exchange Agreement and a Replacement Power Agreement with FPL. The Reliability Exchange agreement results in FMPA exchanging 50% of its share of the output from St. Lucie Unit 2 for a like amount from the St. Lucie

X. Commitments and Contingencies (continued)

D. Other Agreements (continued)

1. St. Lucie Project (continued)

Unit 1. This agreement's original expiration was on October 1, 2017. The Parties mutually agreed to extend the expiration date to October 1, 2022. The Replacement Power Agreement provides for replacement power and energy to be made available to FMPA if FPL voluntarily ceases to operate or reduces output from St. Lucie Unit 2 or St. Lucie Unit 1 for economic reasons or valley-load conditions, until each unit is retired from service or, in the case of St. Lucie Unit 1, if the Reliability Exchange Agreement terminates prior to the retirement date of that unit. Either party may terminate the agreement with 60 days written notice.

- The St. Lucie Project, a joint owner of St. Lucie Unit 2, is subject to the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with this Act, FPL maintains $450 million of private liability insurance for the St. Lucie Plant, which is the maximum obtainable, and participates in a secondary financial protection system, which provides up to $12.6 billion of liability insurance coverage per incident at any nuclear reactor in the U.S. Under the secondary financial protection system, St. Lucie Unit 2 is subject to retrospective assessments of up to approximately $127.3 million, plus any applicable taxes, per incident at any nuclear reactor in the U.S., payable at a rate not to exceed approximately $19.0 million per incident per year. FMPA is contractually liable for its ownership interest of any assessment made against St. Lucie Unit 2 under this plan.

- FPL further participates in a nuclear insurance mutual company that provides $2.75 billion of limited insurance coverage per occurrence per site for property damage, decontamination and premature decommissioning risks at the St. Lucie plant and a sublimit of $1.5 billion for non-nuclear perils. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL also participates in an insurance program that provides limited coverage for replacement power costs if St. Lucie Unit 2 is out of service for an extended period of time because of an accident. In the event of an accident at one of FPL's or another participating insured's nuclear plants, St. Lucie Unit 2 could be assessed up to approximately $27 million, plus any applicable taxes, in retrospective premiums in a policy year. FPL is contractually entitled to recover FMPA's ownership share of any such assessment made against St. Lucie 2.

- On December 16, 1999, FMPA and J.P. Morgan Chase (formerly Chase Manhattan Bank) entered into a Forward Delivery Agreement for a portion of the St. Lucie Decommissioning Trust. The agreement provides that J.P. Morgan Chase deliver securities initially with a value not to be less than $10,225,000 for an equivalent payment. Upon maturity, the securities and the yield earned along with any cash delivered by J.P. Morgan Chase will be equivalent to 7.03% of the face value of the Agreement. The Forward Sale Agreement has a termination date of April 6, 2023.

- In June 2004, the Agency entered into a Forward Sale Agreement and a Credit Support Agreement for the St. Lucie Project with Merrill Lynch. The Credit Support Agreement requires the Agency to establish a collateral account with the Trustee that must contain securities that have a value of $7.5 million. This collateral is posted for the benefit of Merrill Lynch should the Agency be unable to keep its commitments under the Forward Sale Agreement. Under the Forward Sale Agreement, Merrill Lynch is required to deliver and the Trustee is required to purchase certain eligible securities on behalf of the St. Lucie Project. Under this Agreement, the securities or securities and cash to be delivered will guarantee the project an annual effective yield of 6.22% between January 1, 2005, and July 1, 2026, on the semi-annual amounts deposited. It is expected that the amounts invested pursuant to the Forward Sale Agreement will be used to redeem bonds outstanding for this project in the future. See Subsequent Event XV.B. St. Lucie Project Debt Reduction Strategy for the Board of Director's approval to terminate the Forward Sales Agreement.

X. Commitments and Contingencies (continued)

D. Other Agreements (continued)

2. All-Requirements Project

- FMPA supplies all of the wholesale power needs, unless limited to a contract rate of delivery, of the All-Requirements Project participants (except for certain excluded resources). In addition to its ownership facilities, FMPA has entered into interchange and power purchase contracts with minimum future payments as detailed below.

Supplier	End of Contract		Minimum Contract Liability (000's US$)
Southern Company - Stanton A PPA	9/30/2023	$	43,228
Southern Company - Oleander 5 PPA	12/16/2027		80,255
Total Minimum Liability		$	123,483

- In October 2003, FMPA executed contracts for a $10 million investment in a brine water processing plant and other water facilities at the Stanton Energy Center in Orlando, Florida.

- The Stanton Unit A combined cycle generator receives cooling water treatment services from the brine plant and associated facilities. The owners of Stanton Unit A (Southern Company Florida, FMPA, KUA and Orlando Utilities Commission) pay the owners of Stanton Energy Center Units 1 and 2 (including FMPA's Stanton, Stanton II, Tri-City and All-Requirements Projects) a fixed and a variable operation and maintenance charge for services received from this facility.

- The All-Requirements Project has several commitments/entitlements for natural gas transportation services to supply fuel to its owned and leased generation facilities. Below were the current commitments/entitlements during the past year.

Pipeline	Ave Daily Volume mmBtu/day)		Annual Cost (000's US$)	Expiration	Primary Delivery/Receiving Point
Fl Gas Transmission FTS-1	22,426	$	4,516	Various	Cane Island Treasure Coast
Fl Gas Transmission FTS-2	71,930		17,112	Various	Cane Island Treasure Coast
Fl Gas Transmission FTS-2 Stanton A	14,950		3,177	Various	Stanton A
Transco	50,000		1,818	4/30/2026	FGT
TECO-Peoples Gas	-		750	12/31/2033	Treasure Coast
TECO- Peoples Gas	-		750	12/31/2033	Cane Island/Oleander
		$	28,123		

- The All-Requirements Project has entered into a storage contract with SG Resources Mississippi LLC, for 1 million mmBtu of storage capacity in the Southern Pines Storage facility. The contract was effective August 1, 2008, for storage capacity of 500,000 mmBtu and revised April 1, 2011, to increase the storage capacity by 500,000 mmBtu. The contract expired July 31, 2018, for 500,000 mmBtu and will expire March 31, 2021, for the remaining 500,000 mmBtu.

X. Commitments and Contingencies (continued)

D. Other Agreements (continued)

2. All Requirements (continued)

- The All-Requirements Project is under a contractual arrangement to have generation facilities in Key West, Florida, at a minimum level of 60% of the island utility's weather normalized annual peak capacity requirements. With installed capacity of 112 MW located in the Key West service territory, the All-Requirements Project believes it has sufficient existing generating capacity to fulfill the 60% on-island generation requirement well beyond the next decade.

- FMPA has entered into the Florida Municipal Power Pool (FMPP) Agreement, as amended, with the FMPP members. Pursuant to Amendment 6 – the most recent Amendment, executed June of 2013 – the term of the agreement is three years, with automatically-renewed three-year term extensions. The current term ends June 1, 2019. Any party wishing to withdraw from the agreement must provide at least three years notice to the other FMPP members. The FMPP Agreement documents, among other things, how FMPP operating costs are accounted for and allocated among the members, and liability between the FMPP members.

- The All Requirements Project has signed contracts with Fort Pierce Utilities Authority (FPUA), Kissimmee Utility Authority (KUA) and Keys Energy Services (KES) to operate and maintain Treasure Coast Energy Center, Cane Island Power Park and Stock Island generation facilities, respectively. The contracts provide for reimbursement of direct and indirect costs incurred by FPUA, KUA and KES, for operating the plants. The All-Requirements Project, in consultation with FPUA, KUA and KES, sets staffing levels, operating and capital budgets, and operating parameters for the plants.

- In the amended and Restated Agreement Concerning Delivery and Use of treated Sewage Effluent with Toho Water Authority for the Cane Island Site dated September 24, 2008, in the event that peak demand requires the addition of some increased storage capacity for reclaimed water, FMPA will financially assist Toho Water Authority in the construction of reclaimed water storage to assist in providing the projected peak demand. Toho Water Authority and FMPA have separately agreed that the cost of such reclaimed water storage shall not exceed $2 million. In October 2018, TOHO called on the $2 million financial assistance.

- The City of Starke and the City of Green Cove Springs have each given FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Project Contract that the term of their respective contracts will stop renewing automatically each year. The terms of their respective contracts are now fixed; Starke's contract terminates on September 30, 2035, and Green Cove Springs' contract terminates on September 30, 2037.

- The City of Vero Beach has limited its All-Requirements Service to a contract rate of delivery, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitations commenced January 1, 2010 and continue for the term of the ARP Contract. On October 25, 2012, Vero Beach gave notice of its intent to withdraw from the All-Requirements Power Supply Project as of September 30, 2016, in anticipation of a sale of its retail electric system to Florida Power & Light Company (the "Original Sale"). The Original Sale did not occur, and Vero Beach remained a Project Participant in the All-Requirements Power Supply Project. On September 25, 2014, Vero Beach gave FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Contract that the term of its contract will stop renewing automatically each year. The term of Vero Beach's contract is now fixed and will terminate on September 30, 2046, unless terminated earlier. On September 15, 2017, Vero Beach gave FMPA notice of the extension of its October 25, 2012, notice to withdraw from the All-Requirements Power Supply Project, and requested that FMPA grant it a waiver of certain contract terms so that its withdrawal from the All-Requirements Power Supply Project can be effective on the date of the anticipated sale of its retail electric system to FPL. On October 24, 2017, the City of Vero Beach approved an asset purchase and sale agreement with FPL to sell its retail electric

X. Commitments and Contingencies (continued)

D. Other Agreements (continued)

2. All-Requirements Project (continued)

utility system (the "New Sale"). As a part of the New Sale transaction, Vero Beach and FMPA are negotiating for FMPA's All-Requirements Power Supply Project to take an assignment and transfer of Vero Beach's Power Entitlement Shares, and all corresponding rights and obligations, in the St. Lucie, Stanton, and Stanton II Projects. Vero Beach has also requested a complete and total release from FMPA and all other Project Participants. FMPA has projected, subject to final FMPA governing body approvals, that it will need to be paid $108 million (as adjusted pursuant to the terms of the transfer and assignment documents) to assume Vero Beach's Power Entitlement Shares, which Vero Beach has indicated its agreement with. To achieve this, there are many contract amendments, including amendments to the All-Requirements Power Supply Project Contact, the Power Sales Contract for each project, and the Project Support Contract for each project, that must be completed, and certain consents and waivers obtained from FMPA, Project Participants in each Project, and outside parties, as required by the terms of the contracts, each project bond resolution, and other binding instruments. The necessary FMPA documentation for the New Sale transaction was approved by the FMPA Executive Committee and Board of Directors in March 2018. The closing of the New Sale transaction occurred on December 17, 2018. The transfer and assignment of Vero Beach's Power Entitlement Shares, and all corresponding rights and obligations, and the complete and total release of Vero Beach from all obligations to FMPA and the other Project Participants, must meet all of FMPA's contractual and other commitments to its member cities, bondholders, credit providers, and others, as determined by FMPA.

- The City of Lake Worth has limited its All-Requirements Service to a contract rate of delivery, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitation commenced January 1, 2014. The amount of capacity and energy the City is obligated to purchase under this conversion of their contract was determined to be zero in December 2013. Additionally, effective January 1, 2014, the Capacity and Energy Sales Contract between the City and FMPA terminated.

- The City of Fort Meade has limited its All-Requirements Service to a contract rate of delivery (CROD), as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitation commenced January 1, 2015. Based on the city's usage between December 2013 and November 2014, and Executive Committee action in December 2014, the maximum hourly obligation was established at 10.360 MW. Concurrently with its notice of limitation, the City gave FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Contract that the term of its contract will stop renewing automatically each year. The term of the City's contract is now fixed and will terminate on October 1, 2041. In March 2018, FMPA and Fort Meade entered into a Supplemental Power and Ancillary Services Agreement (Fort Meade Supplemental Agreement). Effective September 1, 2018, the ARP now serves Fort Meade with any additional power needed to serve its total requirements above its St. Lucie Project entitlement and CROD.

  The ARP also provides Fort Meade with transmission and ancillary services as if CROD had not been implemented. The effect of this arrangement is that Fort Meade is served and billed as if it was a full-requirements ARP Participant. The initial term of the Fort Meade Supplemental Agreement runs through September 30, 2027, and includes 5-year automatic renewals until the termination of Fort Meade's ARP contract. Concurrent with the approval of the Fort Meade Supplemental Agreement, the Executive Committee approved a reduction of Fort Meade's CROD amount from 10.360 MW to 9.009 MW. If the Fort Meade Supplemental Agreement is terminated prior to the termination of Fort Meade's ARP contract, Fort Meade will be served at the lower CROD amount.

- On August 21, 2017, the All-Requirements Project entered into a five year power sales agreement with the City of Bartow, pursuant to which FMPA's All Requirements Project provides a minimum of 20 MW peaking power (adjusted upwardly based on actual Bartow

X. Commitments and Contingencies (continued)

D. Other Agreements (continued)

2. All-Requirements Project (continued)

load) during 2018-2020. Bartow separately entered into a power purchase agreement with the Orlando Utilities Commission for 40 MW of base load power during those initial three years. Beginning in 2021, FMPA will serve Bartow's full power supply requirements of approximately 65 MWs through 2022.

- In the normal course of its business, FMPA has had claims or assertions made against it. In the opinion of management, the ultimate disposition of these currently asserted claims are either not substantiated or will not have a material impact on FMPA's financial statements.

- During 2008, the All-Requirements Project entered into a Revised, Amended and Restated Capacity and Energy Sales Contract for KUA whereby the All-Requirements Project has assumed all cost liability and operational management of all KUA-owned generation assets and will pay to KUA agreed-upon fixed payments over preset periods relating to each asset.

- Effective January 1, 2011, the All-Requirements Project entered into a Revised, Amended and Restated Capacity and Energy Sales Contract for Key West whereby the All-Requirements Project has assumed all cost liability and operational management of all Key West owned generation assets and will pay to Key West fixed annual payments of $670,000 each January 1 from 2011 through 2020. The revised, amended, and restated contract provides the All-Requirements Project the right to retire Keys generation assets at any time during the term of the contract, subject to the 60% on-island capacity requirement, without shortening the fixed payment term.

E. Solar Project

In March 2018, the FMPA Board of Directors approved the formation of the Solar Project, as a sixth FMPA power supply project, and for which FMPA approved a 20-year power purchase agreement for 57 MW-AC of solar energy on behalf of its participants as of the solar facilities' commercial operation date, which is expected to be in Summer of 2020. Also in March 2018, the FMPA Executive Committee approved a 20-year power purchase agreement (among other enabling agreements) for a total of 58 MW-AC of solar energy as an ARP resource, which is estimated to achieve commercial operation by mid-2020. In coordination with these new endeavors, the Board of Directors has authorized the creation of a Solar Project Committee, which will be advisory to the Board of Directors on matters involving the Solar Project, and the Executive Committee has authorized the creation of an ARP Solar Project Advisory Committee, which is an Executive Committee subcommittee that will address matters involving ARP participants who have committed to pay for the costs of the ARP solar power purchase.

XI. Mutual Aid Agreement

The All-Requirements Project has agreed to participate in a mutual aid agreement with six other utilities for extended generator outages of defined base-load generating units. The parties of this agreement are the city of Tallahassee, Gainesville Regional Utilities, JEA, Lakeland Electric, Orlando Utilities Commission, and Municipal Electric Authority of Georgia. The All-Requirements Project has designated 120 MWs of Cane Island Unit 3, 140 MWs of Cane Island 4, and 200 MWs of the Treasure Coast Energy Center, 60 MW of Stanton Unit 1, and 60 MW of Stanton Unit 2. In the case of a qualifying failure, the All-Requirements Project will have the option to receive either 50% or 100% of the replacement of the designated MWs of the failed unit. The cost of replacement energy will be based on an identified gas index or coal index and heat rate in the agreement. In the event of any extended outage from any other participant, the All-Requirements Project would provide between 10 MWs and 53 MWs (based on the designation of the participant) for a maximum of nine

XI. Mutual Aid Agreement (continued)

months. The agreement term automatically renewed on October 1, 2017, and now has a term lasting until October 1, 2022, unless FMPA (1) has not received energy under the agreement during the current term, ad (2) provides at least 90 days' notice prior to the end of the current term that it does not elect to renew it participation.

XII. Employment Benefits

A. Retirement Benefits

A Deferred Compensation Plan (in accordance with the Internal Revenue Code Section 457) and a Defined Contribution (money purchase) Plan (under the Internal Revenue Code Section 401(a)) are offered to the Agency's employees who are scheduled to work more than 1700 hours per year are eligible for the plans. The plan was established by the Board of Director's in 1984 and the Board of Directors has had the authority to amend the plan. FMPA's contribution is 10% of the individual's gross base salary for the 401(a) plan. Total payroll for the year ended September 30, 2018, was $7.4 million, which approximates covered payroll. The 401(a) defined contribution plan has 68 active members with a plan balance.

The Agency's contribution may be made to either plan at the discretion of the employee. Additionally, an employee generally may contribute to the Deferred Compensation Plan, so that the combined annual contribution does not exceed the IRS annual maximum. Assets of both plans are held by ICMA Retirement Corporation, the Plan Administrator and Trustee.

Agency contributions to the Deferred Contribution Plan resulted in expenses for the fiscal year 2018 of $698,210. Funds from these plans are not available to employees until termination or retirement, however funds from either plan can be made available, allowing an employee to borrow up to the lower of $50,000 or one half of their balance in the form of a loan.

B. Post-Employment Benefits other than Retirement

The Agency's Retiree Health Care Plan (Plan) is a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the Agency. The Plan, which is administered by the Agency, allows employees who retire and meet retirement eligibility requirements to continue medical insurance coverage as a participant in the Agency's plan.

As of September 30, 2017 and 2018, the plan membership consisted of the following participants:

	September 30, 2017	September 30, 2018
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	13	14
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0	0
Active Plan Members	18	17
	31	31

The Agency pays 100% of the cost of employee-only coverage for employees hired prior to October 1, 2004 who retire upon meeting the retirement eligibility requirement, which is that age combined with service must exceed 75. This subsidy apples to the healthcare plan premiums for Pre-65 retirees as well as any Medicare supplement plan purchased by Post-65 retirees.

The Agency also provides up to $3,000 in HRA funds to all eligible members for life. If those members elect to cover their spouse or have handicapped dependents, the HRA benefit limit is increased to $6,000. These funds are made available to cover retirees' out-of-pocket medical expenses, and therefore are included in the Agency's Pay-As-You-Go plan costs.

Employees hired after October 1, 2004 are ineligible for any Agency subsidies, nor are they allowed to continue to participate in the plan after retirement.

XII. Employment Benefits (continued)

B. Post-Employment Benefits other than Retirement (continued)

No implicit benefit was valued in this valuation.

The measurement date is September 30, 2018. The measurement period for the OPEB expense was October 1, 2017 to September 30, 2018. The reporting period is October 1, 2017 through September 30, 2018. The Sponsor's Total OPEB Liability was measured as of September 30, 2018.

The Sponsor's Total OPEB Liability for The Agency's ledger adjustment was measured as of September 30, 2017 using a discount rate of 3.64%. The Total OPEB Liability was "rolledback" from September 30, 2018 at 3.64%.

Actuarial Assumptions:
Total OPEB Liability for The Agency's ledger adjustment was measured as of September 30, 2017 using a discount rate of 3.64%.

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2018 (measurement date) using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.18%
Initial Trend Rate	8.00%
Ultimate Trend Rate	4.00%
Years to Ultimate	54

For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA.

Discount Rate:
Given the Agency's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18 %. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

OPEB Expense:
For the year ended September 30, 2018, the Agency will recognize OPEB Revenue of $118 thousand.

(000's US$)	
Fiscal Year Ending	9/30/2018
Service Cost	$ 53
Interest	201
Recognition of Changes in Total Opeb Liability	(374)
Administrative Expenses	2
Total OPEB Expense/(Revenue)	$ (118)

XII. Employment Benefits (continued)

B. Post-Employment Benefits other than Retirement (continued)

Total OPEB Liability as of the Measurement Date is:

Description	(000's US$) Amount
Reporting Period Ending September 30, 2017	$ 5,563
Service Cost	53
Interest	201
Difference Between Expected and Actual Experience	-
Changes in Assumptions	(374)
Changes of Benefit Terms	-
Contributions - Employer	-
Benefits Payments	(214)
Other Changes	-
Reporting Period Ending September 30, 2018	$ 5,229

Changes of assumptions reflect a change in the discount rate from 3.64% for the reporting period ended September 30, 2017 to 4.18% for the reporting period ended September 30, 2018.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:
The following presents the Total OPEB Liability of the Agency, as well as what the Agency's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	3.18%	4.18%	5.18%
Total OPEB Liability (000's US$)	$ 5,954	$ 5,229	$ 4,629

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates:
The following presents the Total OPEB Liability of the Agency, as well as what the Agency's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.00% - 7.00%	4.00% - 8.00%	5.00% - 9.00%
Total OPEB Liability (000's US$)	$4,799	$ 5,299	$ 5,744

Under GASB 75 as it applies to plans that qualify for the Alternative Measurement Method, changes in the Total OPEB Liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB Expense.

As of September 30, 2018, the most recent valuation date, the Total OPEB Plan Liability was $5.2 million, and assets held in trust were $0, resulting in a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $2.2 million, and the ratio of the Total OPEB Plan Liability to the covered payroll was 241 percent.

The OPEB Plan contribution requirements of Florida Municipal Power Agency are established and may be amended through action of its Board of Directors.

XII. Employment Benefits (continued)

B. Post-Employment Benefits other than Retirement (continued)

The Agency's Net Position at beginning of year at September 30, 2017 decreased by $2.5 million as a result of the Agency's implementation of Governmental Accounting Standard No. 75 – Other Postemployment Benefits (OPEB) for recognizing the OPEB liability that was previously reported under Governmental Accounting Standard No. 45.

		(000's US$)
Net Postion at beginning of year	$	16,249
Prior Period Adjustment - GASB 75 (OPEB)		(2,497)
Restated Net Position at beginning of year	$	13,752

XIII. Risk Management

The Agency is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, injuries to employees and the public and damage to property of others. In addition, FMPA enters into contracts with third parties, some of whom are empowered to act as its agents in order to carry out the purpose of the contracts.

These contracts subject FMPA to varying degrees and types of risk. The Agency has purchased commercial insurance that management believes is adequate to cover these various risks. FMPA has elected to self-insure the Agency's risk for general liability. It is the opinion of general counsel that FMPA may enjoy sovereign immunity in the same manner as a municipality, as allowed by Florida Common Law. Under such Florida Law, the limit of liability for judgments by one person for tort is $200,000 or a maximum of $300,000 for the same incident or occurrence. At no point have settlements exceeded coverage in the past two fiscal years.

The Agency has established an Audit and Risk Oversight Committee (AROC) made up of some of FMPA's Board of Directors and member's representatives, and has assigned corporate risk management to its Treasurer and Risk Director. The Treasurer and Risk Director is designated the Agency's Risk Manager, and oversees the Risk Management Department, which reports to the Chief Financial Officer. The objective of the Agency's Enterprise Risk Management program is to identify measure, monitor and report risks in order to minimize unfavorable financial and strategic impacts.

FMPA's Risk Management Policy addresses key risk areas including, but not limited to, fuel, generation, debt, investment, insurance, credit and contracts.

XIV. Interest Arbitrage and Rebate

A rebate payable to the Internal Revenue Service (IRS) is calculated based on the investment of bond proceeds in financial instruments that yield interest income that is higher than the interest of the debt. This rebate is payable to the IRS within five years of the date of the bond offering and each consecutive five years thereafter.

The potential arbitrage liability at September 30, 2018, for each of the projects is as follows:

Project		Amount (000's US$)
St. Lucie Project	$	683
Total	$	683

XV. Related Party Transactions

A. Governing Members and Committees

Each of the members of FMPA appoints a director and one or more alternatives to serve on FMPA's Board of Directors. Tallahassee joined the Agency effective October 19th, 2018; as of that date, there are 32 members of the Agency. The Board has responsibility for developing and approving FMPA's non All-Requirements Project budgets, hiring of the General Manager and General Counsel and establishing the Agency's bylaws, which govern how FMPA operates and the policies which implement such bylaws. The Board also authorizes all non-All-Requirements Project debt issued by FMPA and allocates the Agency Fund burden to each of the Projects. The Board elects an Agency Chairman, Vice-Chairman, Secretary and Treasurer.

The Executive Committee consists of representatives from the 13 active members of the All-Requirements Project. The Executive Committee elects a Chairman and Vice-Chairman. The Board's Secretary and Treasurer serve in the same capacity on the Executive Committee. The Executive committee has sole responsibility for developing and approving FMPA's Agency Fund and All-Requirements Project budgets, and authorizes all debt issued by the All-Requirements Project.

In order to facilitate the project decision-making process, there are project committees for the St. Lucie, Stanton, Stanton II, and Tri-City Projects which are comprised of one representative from each participant in a project. The project committees serve in an advisory capacity, and all decisions concerning the project are decided by the Board of Directors, except for the All-Requirements Project, in which all decisions are made by the Executive Committee.

The Board of Directors has authorized the creation of a Solar Project Committee, which will be advisory to the Board of Directors on matters involving the Solar Project. The Executive Committee has authorized the creation of an ARP Solar Project Advisory Committee, which is an Executive Committee subcommittee that will address matters involving ARP participants.

B. Florida Gas Utility (FGU)

The All-Requirements Project has a contractual agreement to purchase natural gas from Florida Gas Utility (FGU), which accounts for approximately 80-85% of FGU's total throughput of natural gas. FMPA and the following member cities have representatives on the FGU Board of Directors: Ft. Pierce, KUA, Leesburg and Starke.

XVI. Subsequent Events

A. TOHO Exercises $2 Million Financial Assistance

In October 2018, the Toho Water Authority called on the $2 million financial assistance pursuant to the Amended and Restated Agreement Concerning Delivery and Use of Treated Sewage Effluent with Toho Water Authority for the Cane Island Site. See footnote X.D.2 for further detail.

B. St. Lucie Swaps

In November 2018, the St. Lucie Series 2000 and an additional Series 2002 Swaps were deemed ineffective. When the derivative instrument is determined ineffective under GASB Statement No. 53, the market value adjustments flow through investment income instead of an asset or liability adjustment. These St. Lucie swaps were terminated per Item C. below.

C. St. Lucie Project Debt Reduction Strategy

The Board of Directors approved a St. Lucie Project Debt Reduction Strategy on October 18, 2018. The strategy will eliminate all the $161.5 million auction rate debt outstanding, eliminate all the related swaps with a termination value of approximately $6.9 million at September 30, 2018, and terminate the Forward Sales Agreement with Merrill Lynch Capital Services, Inc. that results in elimination of waivers for noncompliance and lowers the St. Lucie Project debt service costs.

XVI. Subsequent Events (continued)

C. St. Lucie Project Debt Reduction Strategy

The St. Lucie Debt Reduction Strategy was completed on the following dates:

November 21, 2018 –Forward Sales Agreement was terminated at a gain of $3.1 million.

December 7, 2018 – St. Lucie Swaps were terminated at a cost of $6.8 million.

By December 31, 2018 - all the auction rate debt, consisting of the St. Lucie Project Series 2000 and 2002 debt, will be terminated with a principal value of $161.5 million using available funds in the St. Lucie Project.

D. Vero Beach Proposed Sales

The closing of the New Sale transaction occurred on December 17, 2018. See footnote X.D.2 for further detail.

E. Winter Park Capacity and Energy Sale.

FMPA's All-Requirements Project has been chosen by the City of Winter Park through a competitive selection process to provide a portion of their power supply needs for nine years. The All-Requirements Project has entered into a power purchase agreement with Winter Park, pursuant to which FMPA will supply 10 MW of base load power during 2019. Beginning in 2020, FMPA will serve Winter Park's partial-requirements power supply needs, net of existing contracts, of approximately 70 MW through 2027. The Winter Park power purchase agreement was approved by the FMPA Executive Committee in November 2018.

F. Stanton Energy Center Class-Action Lawsuit

On December 20, 2018, a class action lawsuit (naming three residents of east Orange County as class representatives) was filed against OUC and several local developers alleging that the coal-burning power plants at the Stanton Energy Center have contaminated their properties and caused a local spike in rare cancers. FMPA's Stanton, Tri-City, Stanton II and All-Requirements Power Supply Projects are co-owners of the Stanton Energy Center coal plants along with KUA and OUC. On December 21, 2018, FMPA received a letter from the law firm representing the three putative class representatives, which states that the letter is "NOTICE PURSUANT TO FLORIDA STATUTE § 768.28" and that "we are notifying you of our intent to file suit against FMPA for property contamination and related damages . . . ."

Required Supplementary Information (unaudited)

Schedule of Changes in Agency's Net OPEB Liability and Related Ratios
Last Ten Years
(000's US$)

Reporting Period Ending		9/30/2018
Measurement Date		9/30/2018
Total OPEB Liability		
Service Cost	$	53
Interest		201
Changes in Assumptions		(374)
Benefit Payments		(214)
Net Change in Total OPEB Liability	$	(334)
Total OPEB Liability - Beginnning of Year		5,563
Total OPEB Liabilty - End of Year	$	5,229
Trust Net Position		
Contirbutions - Employer	$	-
Contributions - Member		-
Net Investment Income		-
Administrative Expenses		-
Benefit Payments, Including Refunds		-
Other		-
Net Change in Net Position Held in Trust	$	-
Trust Fiduciary Net Position - Beginning of Year		-
Trust Fiduciary Net Position - End of Year	$	-
Agency Net OPEB Liability - Ending	$	5,229
Trust Fiduciary Net Position as a % of Total OPEB Liability		0%
Covered Employee Payroll		2,167
Agency's Net OPEB Liability as a % of Covered Employee Payroll		241%

* GASB Statement 75 was implemented as of September 30, 2018. Information from 2009 - 2017 is not available and this schedule will be presented on a prospective basis.

Notes to Schedule:

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year Ending September 30, 2018: 4.18%
Fiscal Year Ending September 30, 2017: 3.64%

See footnote XII.B for further information.

Supplementary Information

(unaudited)

SCHEDULE OF AMOUNTS DUE TO (FROM) PARTICIPANTS

RESULTING FROM BUDGET/ACTUAL VARIANCES
YEAR ENDED SEPTEMBER 30, 2018
(000's US$)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Agency Fund			
Received from projects	$ 14,492	$ 13,704	$ (788)
Received from member assessments	23	23	-
Interest income	219	171	(48)
Other income		18	18
	$ 14,734	$ 13,916	$ (818)
General and administrative	$ 14,059	$ 12,972	$ 1,087
Invested in Capital Assets	165	282	(117)
Principal on Debt	210	210	-
Other Adjustments	(75)	5,057	(5,132)
	$ 14,359	$ 18,521	$ (4,162)
Net Revenue	$ 375	$ (4,605)	$ (4,980)
St. Lucie Project			
Participant billing	$ 52,049	$ 52,049	$ -
Reliability exchange contract sales	4,786	4,099	(687)
Interest income	209	474	265
	$ 57,044	$ 56,622	$ (422)
Operation and maintenance, fuel	$ 16,857	$ 16,540	$ 317
Purchased power	4,786	3,540	1,246
Transmission service	355	350	5
General and administrative	2,671	3,031	(360)
Deposit to renewal and replacement fund	4,500	4,500	-
Deposit to general reserve fund & FSA	7,300	7,300	-
Deposit to debt service fund	20,913	22,031	(1,118)
	$ 57,382	$ 57,292	$ 90
Net Due to (from) Participants Resulting from Budget/Actual Variances	$ (338)	$ (670)	$ (332)

Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

Schedule of Amounts Due to (from) Participants

Resulting from Budget/Actual Variances
Year Ended September 30, 2018

(000's US$)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Stanton Project			
Participant billing & sales to others	$ 28,901	$ 28,380	$ (521)
Interest income	93	157	64
	$ 28,994	$ 28,537	$ (457)
Operation and maintenance, fuel	$ 16,689	$ 16,327	$ 362
Transmission service	1,142	1,176	(34)
General and administrative	1,291	1,382	(91)
Deposits to debt service and other funds	10,745	10,701	44
	$ 29,867	$ 29,586	$ 281
Net Due to (from) Participants Resulting from Budget/Actual Variances	$ (873)	$ (1,049)	$ (176)
All-Requirements Project			
Participant billing & sales to others	$ 498,991	$ 435,956	$ (63,035)
Interest Income	1,206	2,057	851
	$ 500,197	$ 438,013	$ (62,184)
Member Capacity	$ 29,964	$ 29,723	$ 241
Contract Capacity	$ 17,696	$ 17,651	45
ARP Owned Capacity	$ 42,417	$ 34,617	7,800
Debt & Capital Leases	$ 129,933	$ 123,945	5,988
Direct Charges & Other	$ 21,858	$ 18,867	2,991
Gas Transportation	33,356	31,496	1,860
Fuels	194,598	154,271	40,327
Purchased Power	2,928	5,820	(2,892)
Transmission	27,447	28,911	(1,464)
	$ 500,197	$ 445,301	$ 54,896
Net Due to (from) Participants Resulting from Budget/Actual Variances	$ -	$ (7,288)	$ (7,288)

Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

SCHEDULE OF AMOUNTS DUE TO (FROM) PARTICIPANTS

RESULTING FROM BUDGET/ACTUAL VARIANCES
YEAR ENDED SEPTEMBER 30, 2018
(000's US$)

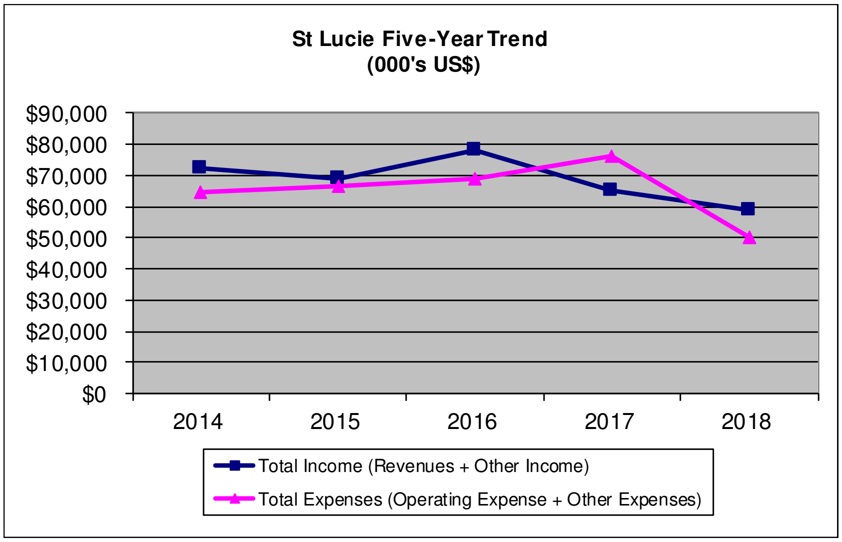
	Amended Budget	Actual	Variance Favorable (Unfavorable)
Tri-City Project			
Participant billing & sales to others	$ 11,449	$ 10,920	$ (529)
Interest income	30	79	49
	$ 11,479	$ 10,999	$ (480)
Operation and maintenance, fuel	$ 6,097	$ 5,928	$ 169
Transmission service	410	415	(5)
General and administrative	754	774	(20)
Deposits to debt service and other funds	4,083	4,075	8
	$ 11,344	$ 11,192	$ 152
Net Due to (from) Participants Resulting from Budget/Actual Variances	$ 135	$ (193)	$ (328)
Stanton II Project			
Participant billing & sales to others	$ 51,016	$ 51,485	$ 469
Interest income	181	(232)	(413)
	$ 51,197	$ 51,253	$ 56
Operation and maintenance, fuel	$ 26,195	$ 26,669	$ (474)
Transmission service	1,802	1,895	(93)
General and administrative	1,870	1,941	(71)
Deposits to debt service and other funds	18,098	17,080	1,018
	$ 47,965	$ 47,585	$ 380
Net Due to (from) Participants Resulting from Budget/Actual Variances	$ 3,232	$ 3,668	$ 436

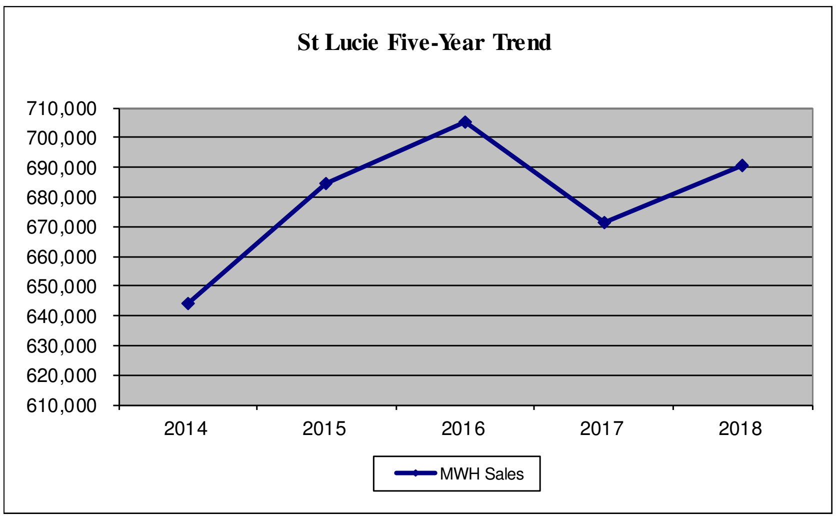
Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

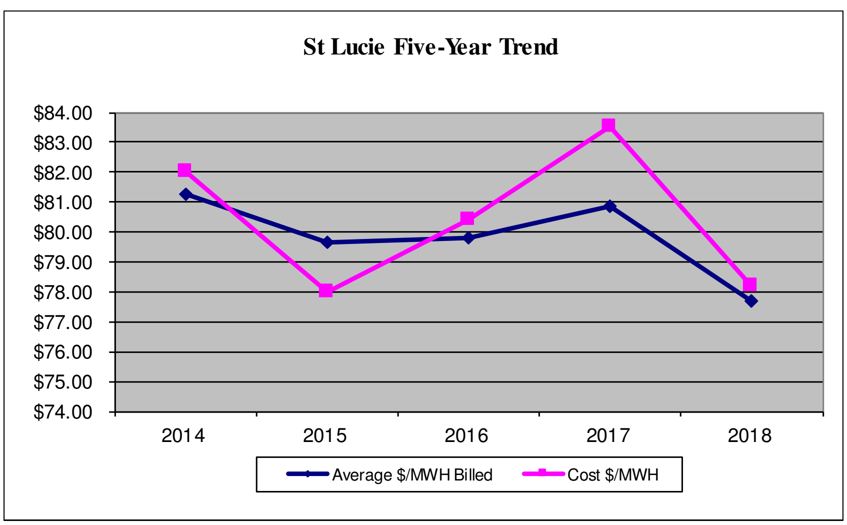
FIVE-YEAR TREND ANALYSIS

	2014	2015	2016	2017	2018
(000's US$ except for MWH Sales and Average $/MWH)					
St. Lucie Project					
Capital Assets	$ 89,129	$ 74,133	$ 50,196	$ 23,656	$ 19,469
Total Assets & Deferred Outflows	$ 441,240	$ 441,333	$ 431,817	$ 418,281	$ 404,525
Long-Term Liabilities	$ 428,520	$ 424,539	$ 418,789	$ 403,457	$ 392,067
Total Liabilities & Deferred Inflows	$ 441,240	$ 441,333	$ 431,817	$ 418,281	$ 404,525
Billings to Participants	$ 52,338	$ 54,511	$ 56,287	$ 54,296	$ 53,678
Sales to Others	2,235	2,302	2,561	2,439	2,470
Total Operating Revenues	$ 54,573	$ 56,813	$ 58,848	$ 56,735	$ 56,148
Purchased Power	$ 4,254	$ 4,072	$ 3,874	$ 4,431	$ 3,540
Production-Nuclear O&M	12,106	11,265	9,727	12,087	10,953
Nuclear Fuel Amortization	4,385	4,599	5,963	5,270	4,799
Transmission	511	470	380	321	350
General & Administrative	2,716	2,998	2,486	3,248	3,278
Depreciation & Decommissioning	25,731	28,211	31,417	35,624	11,342
Total Operating Expenses	$ 49,703	$ 51,615	$ 53,847	$ 60,981	$ 34,262
Net Operating Revenues	$ 4,870	$ 5,198	$ 5,001	$ (4,246)	$ 21,886
Investment Income	$ 17,530	$ 12,362	$ 19,430	$ 8,553	$ 2,586
Total Other Income	$ 17,530	$ 12,362	$ 19,430	$ 8,553	$ 2,586
Interest Expense	$ 13,486	$ 14,855	$ 13,454	$ 13,759	$ 14,111
Amortization & Other Expense	1,532	(117)	1,544	1,579	1,613
Total Other Expenses	$ 15,018	$ 14,738	$ 14,998	$ 15,338	$ 15,724
Net Income (Loss)	$ 7,382	$ 2,822	$ 9,433	$ (11,031)	$ 8,748
Net Cost Recovered (Credited) in the Future	(7,855)	(1,688)	(9,862)	9,235	(9,080)
Due from (to) Participants	473	(1,134)	429	1,796	332
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	643,993	684,526	705,233	671,510	690,698
Average $/MWH Billed	$ 81.27	$ 79.63	$ 79.81	$ 80.86	$ 77.72
Cost $/MWH	$ 82.01	$ 77.98	$ 80.42	$ 83.53	$ 78.20

FIVE-YEAR TREND ANALYSIS



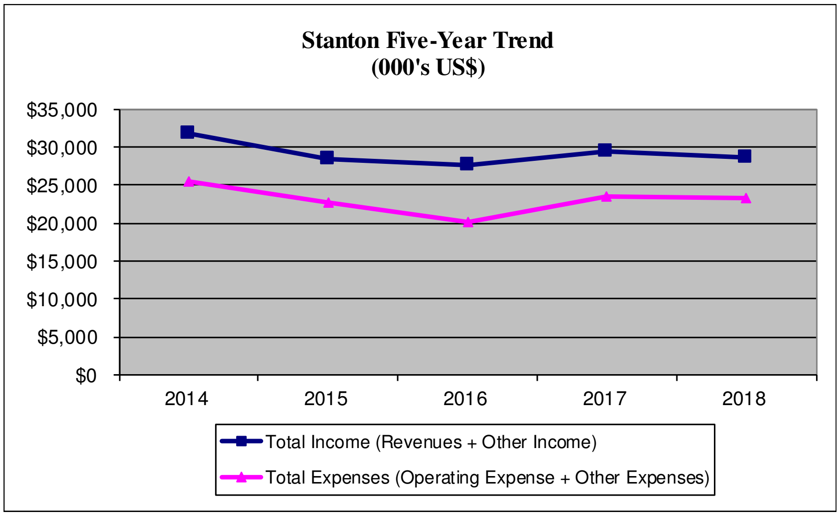


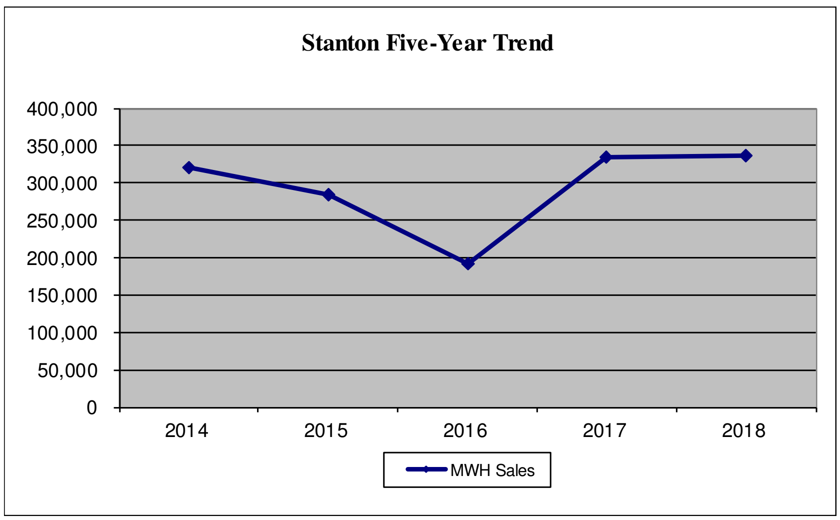


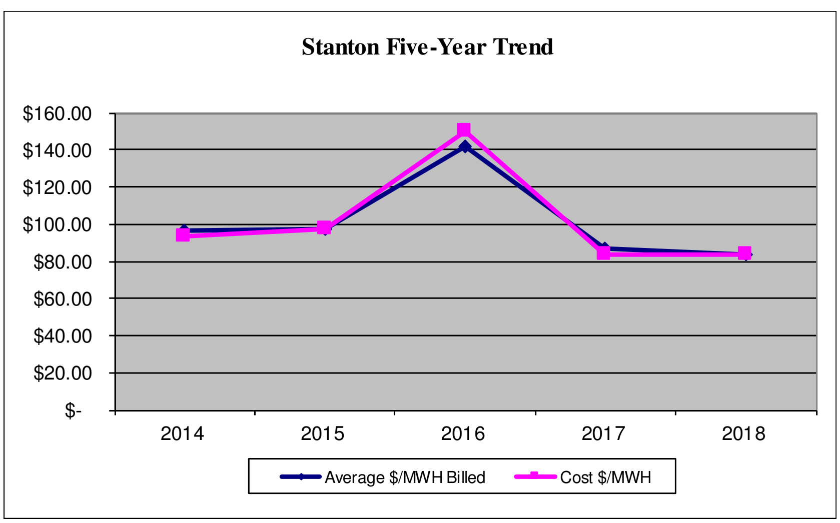
FIVE-YEAR TREND ANALYSIS

	2014	2015	2016	2017	2018
(000's US$ except for MWH Sales and Average $/MWH)					
Stanton Project					
Capital Assets	$ 32,939	$ 31,623	$ 30,536	$ 30,977	$ 28,797
Total Assets & Deferred Outflows	$ 63,824	$ 61,778	$ 63,579	$ 62,445	$ 59,299
Long-Term Debt	$ 39,310	$ 32,875	$ 25,299	$ 17,347	$ 9,091
Total Liabilities & Deferred Inflows	$ 63,824	$ 61,778	$ 63,579	$ 62,445	$ 59,299
Billings to Participants	$ 30,967	$ 27,716	$ 27,103	$ 28,909	$ 28,027
Sales to Others	419	322	327	356	352
Total Operating Revenues	$ 31,386	$ 28,038	$ 27,430	$ 29,265	$ 28,379
Production-Steam O&M	$ 3,567	$ 4,225	$ 5,520	$ 4,293	$ 4,702
Fuel Expense	14,500	11,315	7,400	12,392	11,625
Transmission	1,223	1,222	1,132	1,062	1,176
General & Administrative	1,187	1,235	1,287	1,304	1,382
Depreciation & Decommissioning	2,647	2,759	2,937	3,029	3,436
Total Operating Expenses	$ 23,124	$ 20,756	$ 18,276	$ 22,080	$ 22,321
Net Operating Revenues	$ 8,262	$ 7,282	$ 9,154	$ 7,185	$ 6,058
Investment Income	$ 392	$ 450	$ 251	$ 122	$ 209
Total Other Income	$ 392	$ 450	$ 251	$ 122	$ 209
Interest Expense	$ 1,997	$ 1,843	$ 1,680	$ 1,310	$ 911
Amortization & Other Expense	258	137	112	86	58
Total Other Expenses	$ 2,255	$ 1,980	$ 1,792	$ 1,396	$ 969
Net Income (Loss)	$ 6,399	$ 5,752	$ 7,613	$ 5,911	$ 5,298
Net Cost Recovered (Credited) in the Future	(5,394)	(5,762)	(9,121)	(5,042)	(5,474)
Due from (to) Participants	(1,005)	10	1,508	(869)	176
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	320,992	284,081	190,985	334,166	336,361
Average $/MWH Billed	$ 96.47	$ 97.56	$ 141.91	$ 86.51	$ 83.32
Cost $/MWH	$ 93.34	$ 97.60	$ 149.81	$ 83.91	$ 83.85

Five-Year Trend Analysis





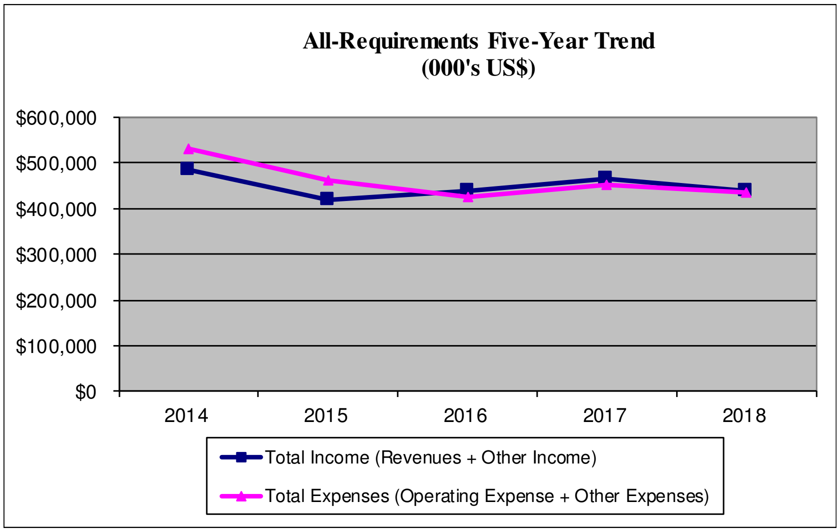


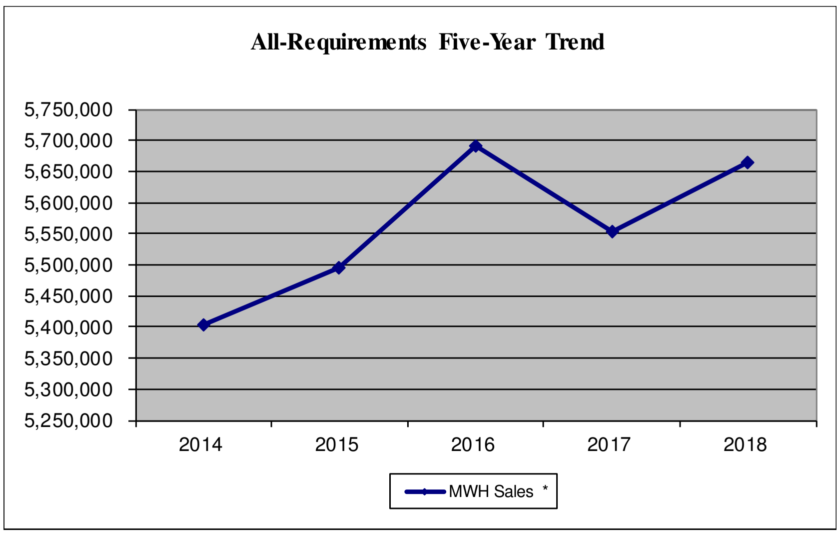
FIVE-YEAR TREND ANALYSIS

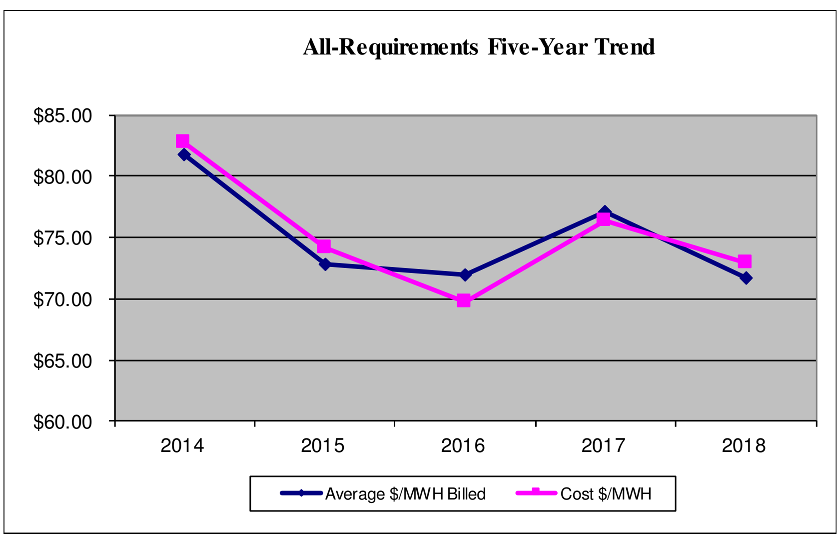
	2014	2015	2016	2017	2018
(000's US$ except for MWH Sales and Average $/MWH)					
All-Requirements Project					
Capital Assets	$ 864,876	$ 814,271	$ 777,532	$ 727,100	$ 674,858
Total Assets & Deferred Outflows	$ 1,475,187	$ 1,456,404	$ 1,471,708	$ 1,397,705	$ 1,307,621
Long-Term Liabilities	$ 1,342,161	$ 1,334,149	$ 1,331,563	$ 1,241,223	$ 1,157,636
Total Liabilities & Deferred Inflows	$ 1,475,187	$ 1,456,404	$ 1,471,708	$ 1,397,705	$ 1,307,621
Billings to Participants **	$ 442,072	$ 399,979	$ 409,104	$ 428,034	$ 406,073
Sales to Others	76,854	45,656	26,146	33,480	29,883
Total Operating Revenues	$ 518,926	$ 445,635	$ 435,250	$ 461,514	$ 435,956
Purchased Power	$ 27,523	$ 31,755	$ 25,546	$ 21,814	$ 23,561
O&M Production-Steam	55,621	60,693	67,270	65,550	61,398
Fuel Expense	283,682	204,743	170,762	205,925	194,661
Transmission	26,247	26,862	26,256	28,187	28,661
General & Administrative	21,957	21,729	22,349	21,841	22,029
Depreciation & Decommissioning	54,252	54,464	55,101	56,412	57,332
Total Operating Expenses	$ 469,282	$ 400,246	$ 367,284	$ 399,729	$ 387,642
Net Operating Revenues	$ 49,644	$ 45,389	$ 67,966	$ 61,785	$ 48,314
Investment Income	$ (32,150)	$ (27,859)	$ 3,805	$ 3,307	$ 2,657
Total Other Income	$ (32,150)	$ (27,859)	$ 3,805	$ 3,307	$ 2,657
Interest Expense	$ 59,873	$ 59,185	$ 56,843	$ 55,371	$ 51,785
Amortization & Other Expense	673	1,921	2,150	(3,203)	(4,265)
Total Other Expenses	$ 60,546	$ 61,106	$ 58,993	$ 52,168	$ 47,520
Net Income (Loss)	$ (43,052)	$ (43,576)	$ 12,778	$ 12,924	$ 3,451
Net Cost Recovered (Credited) in the Future	37,847	35,778	(359)	(9,008)	(10,739)
Due from (to) Participants	5,205	7,798	(12,419)	(3,916)	7,288
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales *	5,404,370	5,495,169	5,691,752	5,553,937	5,664,825
Average $/MWH Billed	$ 81.80	$ 72.79	$ 71.88	$ 77.07	$ 71.68
Cost $/MWH	$ 82.76	$ 74.21	$ 69.69	$ 76.36	$ 72.97

* Restated to include Ft. Meade's MWhs for fiscal year 2015.
** Restated to properly break out sales to others that were previously included in Billings to Participants for 2014.

FIVE-YEAR TREND ANALYSIS



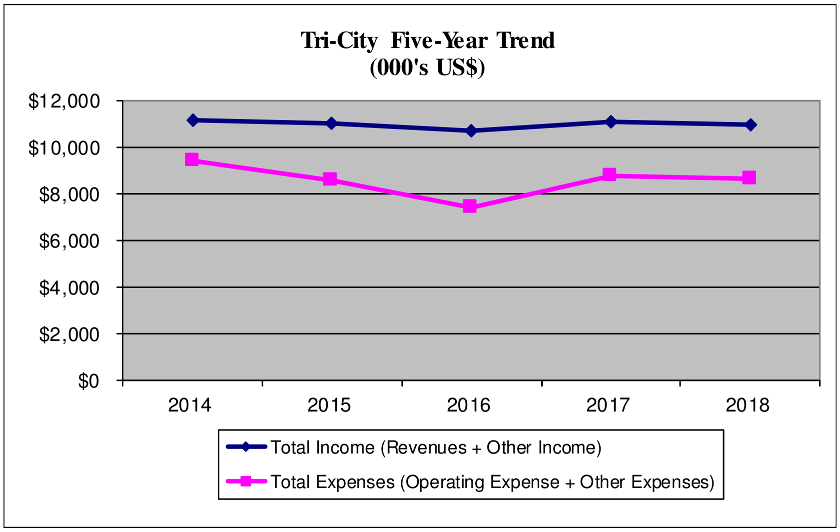


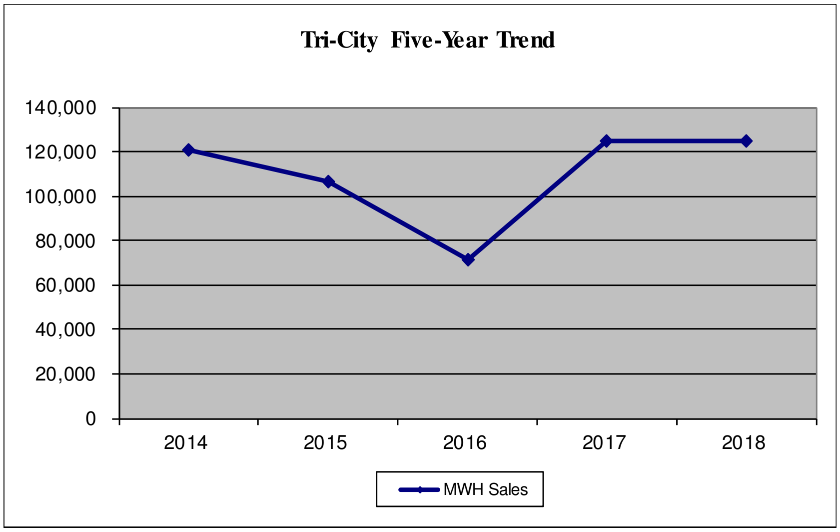


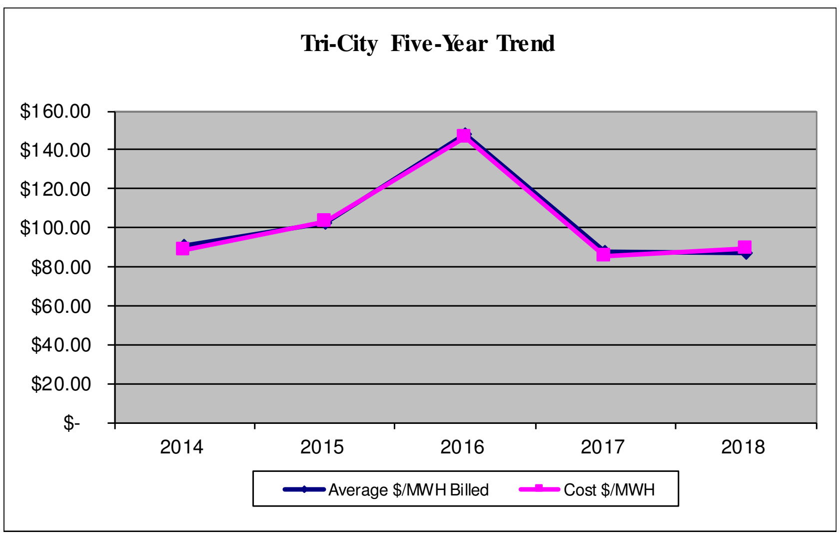
FIVE-YEAR TREND ANALYSIS

	2014	2015	2016	2017	2018
(000's US$ except for MWH Sales and Average $/MWH)					
Tri-City Project					
Capital Assets	$ 12,999	$ 12,436	$ 11,947	$ 12,019	$ 11,157
Total Assets & Deferred Outflows	$ 22,573	$ 21,620	$ 21,520	$ 20,864	$ 20,172
Long-Term Debt	$ 15,771	$ 12,748	$ 9,659	$ 6,508	$ 3,325
Total Liabilities & Deferred Inflows	$ 22,573	$ 21,620	$ 21,520	$ 20,864	$ 20,172
Billings to Participants	$ 10,971	$ 10,873	$ 10,548	$ 10,919	$ 10,794
Sales to Others	150	115	116	127	126
Total Operating Revenues	$ 11,121	$ 10,988	$ 10,664	$ 11,046	$ 10,920
Production-Steam O&M	$ 1,262	$ 1,511	$ 1,991	$ 1,536	$ 1,682
Fuel Expense	5,189	4,287	2,715	4,579	4,246
Transmission	489	489	427	382	415
General & Administrative	687	696	735	743	774
Depreciation & Decommissioning	1,041	1,078	1,134	1,168	1,312
Total Operating Expenses	$ 8,668	$ 8,061	$ 7,002	$ 8,408	$ 8,429
Net Operating Revenues	$ 2,453	$ 2,927	$ 3,662	$ 2,638	$ 2,491
Investment Income	$ 81	$ 27	$ 44	$ 34	$ 73
Total Other Income	$ 81	$ 27	$ 44	$ 34	$ 73
Interest Expense	$ 389	$ 327	$ 266	$ 203	$ 139
Amortization & Other Expense	342	235	190	144	97
Total Other Expenses	$ 731	$ 562	$ 456	$ 347	$ 236
Net Income (Loss)	$ 1,803	$ 2,392	$ 3,250	$ 2,325	$ 2,328
Net Cost Recovered (Credited) in the Future	(1,545)	(2,493)	(3,129)	(2,019)	(2,656)
Due from (to) Participants	(258)	101	(121)	(306)	328
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	120,915	106,538	71,172	124,588	124,558
Average $/MWH Billed	$ 90.73	$ 102.06	$ 148.20	$ 87.64	$ 86.66
Cost $/MWH	$ 88.60	$ 103.01	$ 146.50	$ 85.18	$ 89.29

FIVE-YEAR TREND ANALYSIS



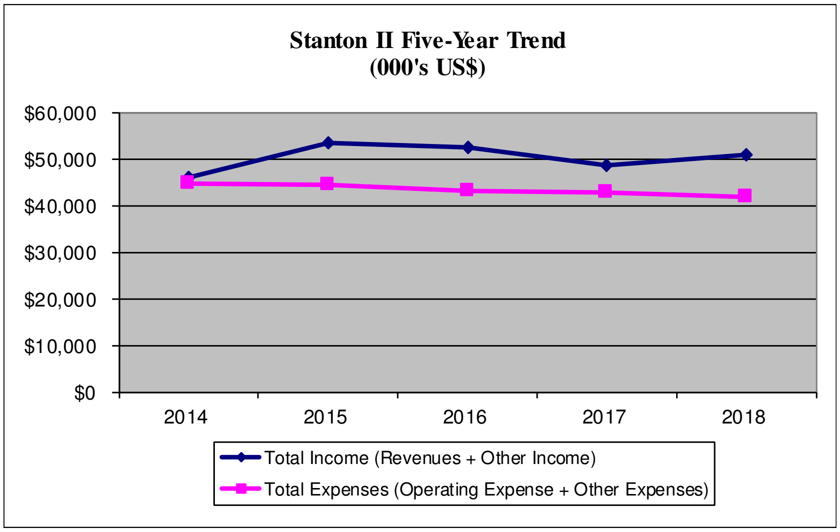


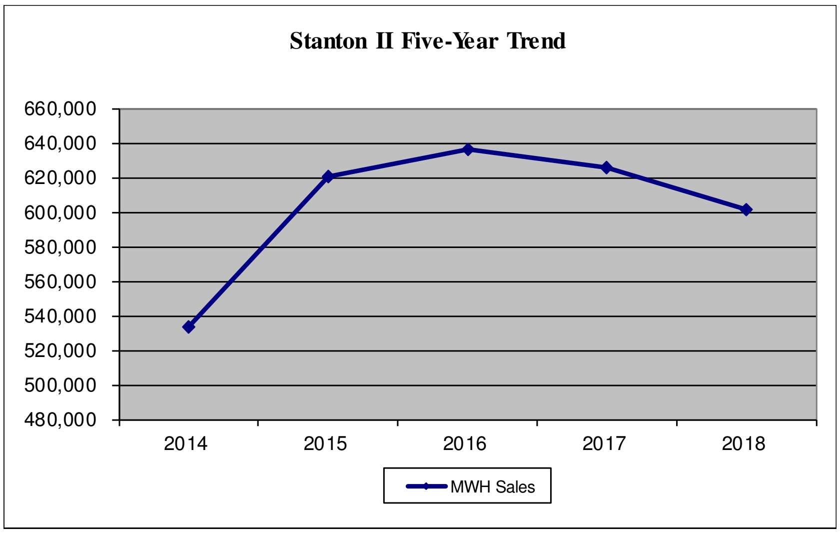


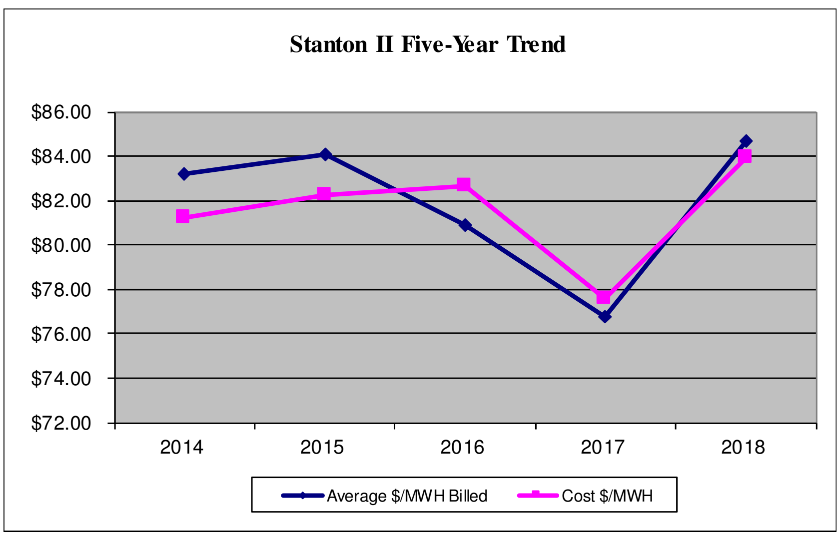
FIVE-YEAR TREND ANALYSIS

	2014	2015	2016	2017	2018
(000's US$ except for MWH Sales and Average $/MWH)					
Stanton II Project					
Capital Assets	$ 106,356	$ 102,865	$ 100,258	$ 96,589	$ 92,263
Total Assets & Deferred Outflows	$ 182,054	$ 178,143	$ 176,182	$ 166,748	$ 170,490
Long-Term Debt	$ 167,977	$ 148,656	$ 139,040	$ 138,885	$ 127,446
Total Liabilities & Deferred Inflows	$ 182,054	$ 178,143	$ 176,182	$ 166,748	$ 170,490
Billings to Participants	$ 44,411	$ 52,204	$ 51,463	$ 48,001	$ 50,933
Sales to Others	657	505	511	558	552
Total Operating Revenues	$ 45,068	$ 52,709	$ 51,974	$ 48,559	$ 51,485
Production-Steam O&M	$ 5,871	$ 6,495	$ 6,688	$ 7,363	$ 6,860
Fuel Expense	24,253	23,417	21,650	20,773	19,809
Transmission	1,846	1,846	1,750	1,677	1,895
General & Administrative	1,770	1,831	1,889	1,897	1,941
Depreciation & Decommissioning	5,082	5,194	5,336	5,392	5,535
Total Operating Expenses	$ 38,822	$ 38,783	$ 37,313	$ 37,102	$ 36,040
Net Operating Revenues	$ 6,246	$ 13,926	$ 14,661	$ 11,457	$ 15,445
Investment Income	$ 1,151	$ 778	$ 738	$ 113	$ (475)
Total Other Income	$ 1,151	$ 778	$ 738	$ 113	$ (475)
Interest Expense	$ 6,724	$ 6,453	$ 6,359	$ 6,295	$ 4,695
Amortization & Other Expense	(661)	(619)	(545)	(463)	1,260
Total Other Expenses	$ 6,063	$ 5,834	$ 5,814	$ 5,832	$ 5,955
Net Income (Loss)	$ 1,334	$ 8,870	$ 9,585	$ 5,738	$ 9,015
Net Cost Recovered (Credited) in the Future	(279)	(7,718)	(10,698)	(6,284)	(8,579)
Due from (to) Participants	(1,055)	(1,152)	1,113	546	(436)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	533,732	620,796	635,926	625,514	601,691
Average $/MWH Billed	$ 83.21	$ 84.09	$ 80.93	$ 76.74	$ 84.65
Cost $/MWH	$ 81.23	$ 82.24	$ 82.68	$ 77.61	$ 83.93

FIVE-YEAR TREND ANALYSIS







Compliance Report

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Florida Municipal Power Agency (the Agency), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented or detected, and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

Certified Public Accountants
P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)

Compliance and Other Matters *(Concluded)*
provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard.* However, we noted a certain matter that we reported to the Agency's management in a separate letter dated December 20, 2018.

The Agency's response to the Management Letter Comments identified in our audit is described in the accompany management's response. We did not audit the Agency's response and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP
December 20, 2018
Ocala, Florida

MANAGEMENT LETTER

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

Report on the Financial Statements
We have audited the financial statements of the Florida Municipal Power Agency (the Agency), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated December 20, 2018.

Auditors' Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Florida Auditor General*.

Other Reporting Requirements
We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *American Institute of Certified Public Accountants Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated December 20, 2018, should be considered in conjunction with this Management Letter.

Prior Audit Findings
Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, all prior year recommendations have been addressed by the Agency.

Official Title and Legal Authority
Section 10.554(1)(i)4, *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information has been disclosed in Note I of the Agency's September 30, 2018 financial statements. There are no component units related to the Agency.

Financial Condition
Sections 10.554(1)(i)5.a. and 10.556(7) *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Agency has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Certified Public Accountants
P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition *(Concluded)*
Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the Agency. It is management's responsibility to monitor the Agency's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our audit noted no findings of deteriorating financial condition, required to be reported.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. Please see **2018-1—Technology Platforms and Reviews** in our Management Letter Comments report.

Additional Matters
Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter
Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other applicable agencies, the Agency's Executive Committee, the Board of Directors and Audit and Risk Oversight Committee and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP
December 20, 2018
Ocala, Florida

Certified Public Accountants
P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Purvis Gray & Company

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

We have examined Florida Municipal Power Agency's (the Agency) compliance with Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2018. The Agency's management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Agency complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Agency complied with the specified requirements. The nature, timing, and extend of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of the Florida Auditor General, the Agency's Executive Committee, the Board of Directors, the Audit and Risk Oversight Committee, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

December 20, 2018
Ocala, Florida

Certified Public Accountants
P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Purvis Gray & Company

MANAGEMENT LETTER COMMENTS

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

Report on the Financial Statements
We have audited the financial statements of the Florida Municipal Power Agency (the Agency), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated December 20, 2018. As a part of audit, we offer the following recommendations to improve financial management, accounting procedures, and internal controls:

Prior Year Findings and Comments

All prior year findings and comments have been addressed by the Agency.

Current Year Findings and Comments

As a part of our 2018 Audit, we offer the following comment and recommendation:

2018-1—Technology Platforms and Reviews
In our 2016 and 2017 Management Letter Recommendations we noted that the Agency essentially maintains two separate technology platforms, one for corporate information technology (IT) and one for operations technology (OT). We noted that the IT platform has received a full risk assessment, network analysis and our review of IT general controls and that the OT network (which is of equal if not greater importance) should also receive a full risk assessment by outside IT consultants.

The OT platform includes applications associated with data collection, cyber-security, physical security, and monitoring of the OEM turbine control access, of the Agency's owned generation plants, (CI, TCEC, and the Keys) and is critical to the success of the Agency.

During 2017, the Agency contracted with consultants who performed a full OT risk assessment and delivered their report dated July 13, 2018, with several recommendations to be considered by the Agency to improve OT controls.

We are aware of current progress to analyze and implement the changes recommended for the OT platform and recommend that the Agency continue its efforts to implement the recommendations provided by the external OT consultants to this critical function.

Purvis, Gray and Company, LLP
December 20, 2018
Ocala, Florida

Certified Public Accountants
P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

TO: AROC, Board and Executive Committee
FROM: Linda S. Howard
DATE: January 17, 2019
ITEM: Audited Financial Statements – Management Letter Response

Executive Summary: Staff Response to the Fiscal Year 2018 Management Letter Comment

Current Year Finding:

In our 2016 and 2017 Management Letter Recommendations we noted that the Agency essentially maintains two separate technology platforms, one for corporate information technology (IT) and one for operations technology (OT). We noted that the IT platform has received a full risk assessment, network analysis and our review of IT general controls and that the OT network (which is of equal if not greater importance) should also receive a full risk assessment by outside IT consultants.

The OT platform includes applications associated with data collection, cyber-security, physical security, and monitoring of the OEM turbine control access, of the Agency's owned generation plants, (CI, TCEC, and the keys) and is critical to the success of the Agency.

During 2017, the Agency contracted with consultants who performed a full OT risk assessment and delivered their report dated July 13, 2018, with several recommendations to be considered by the Agency to improve OT controls.

We are aware of current progress to analyze and implement the changes recommended for the OT platform and recommend that the Agency continue its efforts to implement the recommendations provided by the external OT consultants to this critical function.

Management Response: The Agency plans to address the majority of the OT risk assessment recommendations by the end of 2019.

Prior Year Findings:

None

AGENDA ITEM 7 – Information Items

b) Generation Performance Report

Audit and Risk Oversight Committee Meeting
January 17, 2019

AGENDA PACKAGE MEMORANDUM

TO:	FMPA Audit and Risk Oversight Committee
FROM:	Tim Jackson
DATE:	January 8, 2019
ITEM:	7a – 2018 Generation Performance Report

Strategic Relevance

FMPA generating units must maintain optimum availability to ensure FMPA can provide the members with an adequate supply of power at the lowest possible cost. The availability factor of a generating station can affect the energy rate, and the Project bond rating. FMPA follows the NERC Generating Availability Data System (GADS) standard calculation for Equivalent Availability Factor (EAF).

Executive Summary

This memorandum reports the performance of generation operated by FMPA through its agents as compared to the EAF goals stated in the Asset Management and Operations Risk Management Policy.

The base load generating units (Cane Island units 3 and 4 and TCEC) had an annual EAF of 90%, which is above the corporate goal and the GADS benchmark of 84%.

The intermediate unit, Cane Island Unit 2, had an annual EAF of 90%, which exceeds the 84% EAF reported to GADS.

The peaker units (Stock Island Generating Facility and Cane Island unit 1) had an average annual EAF of 95%, which exceeded the GADS benchmark of 90%.

Our fleet is highly reliable, exceeding the industry average in every asset class.

Performance Summary

FMPA's goals as stated in the Asset Management and Operations Risk Policy are to meet the organization's strategic goals. For this fiscal year, the goals were to have zero OSHA reportable events, zero environmental Notices of Violations or fines and for the base class units to exceed 85% EAF.

The Safety goal of zero reportable events was not achieved this year. One lost time event for sprained back while conducting routine maintenance occurred.

Environmentally, there zero Notices of Violation or fines. One letter was sent to the Florida DEP to document an allowable excess emission event due to an equipment malfunction.

The following chart depicts Asset Class performance for all ARP generating resources.

Asset Class	NERC GADS Average	Annual EAF Goal	Annual EAF Actual	Net Generation	Net Heat Rate - BTU / KWh
Base / Intermediary	**84%**	**88%**	**90%**	**4,801,191**	**7,329**
Intermediary / Peaker	**84%**		**90%**	**236,530**	**8,382**
Peaker	**90%**		**95%**	**3,033**	**17,008**

Discussion

Collectively the ARP base load generating units exceeded the FMPA internal goal for annual availability. Cane Island Unit 4 extended it's planned outage for an unexpected repair of the ST generator wedges. There were also very few forced outage hours

Cane Island Unit 2 is the only ARP unit in the classification of intermediate. Cane 2 exceeded the NERC GADS average, with availability of 90%.

All generating units in the peaker class collectively exceeded the NERC GADS average annual EAF.

Recommended Motion

No action requested. For information only.

7a - ARP Generation Performance 2018

Audit and Risk Oversight Committee

January 17, 2019

Performance Standards
All Generating Units Reporting

- Generating Availability Data System (GADS)

  NERC data base for collection and distribution of generating unit performance

- Equivalent Availability Factor (EAF)

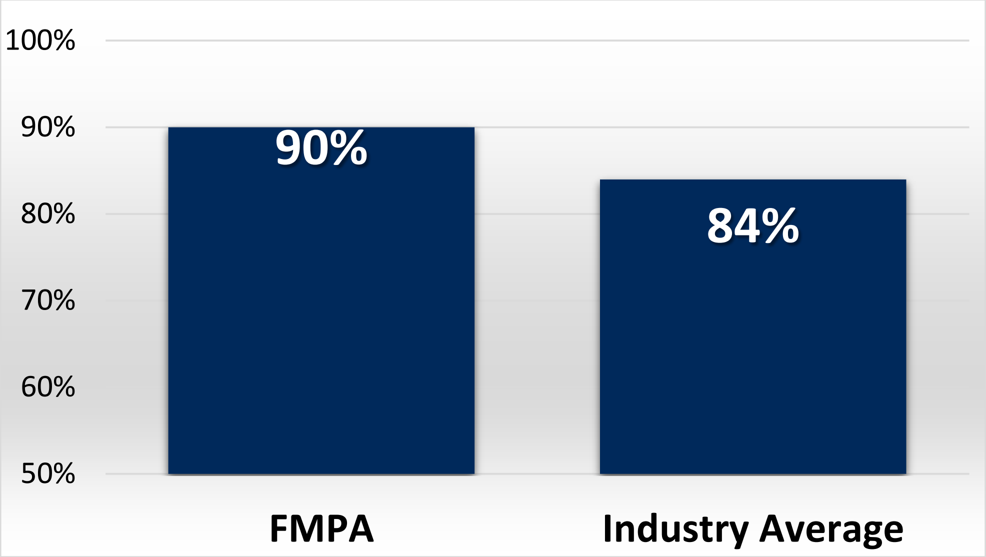
  The percentage of time a unit is fully available for service

FMPA's Base Load Fleet

Mission: Low-Cost, Clean, and Reliable Power

Operating Performance

Fiscal 2018



Annual EAF Average	Annual EAF Goal	Industry Average	Average Net Heat Rate - BTU/KWh	Total Net Generation – MWh
90%	88%	84%	7,329	4,801,191

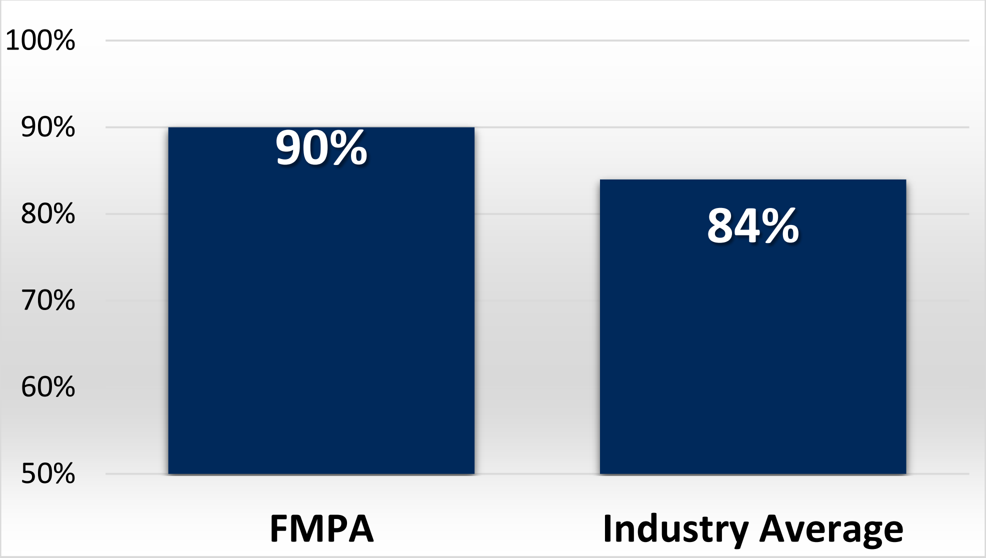
FMPA MUNICIPAL POWER

Intermediary Class Unit

Mission: Low-Cost, Clean, and Reliable Power

Operating Performance

Fiscal 2018



Annual EAF Average	Industry Average	Average Net Heat Rate - BTU/KWh	Total Generation – MWh
90%	84%	8,382	239,530

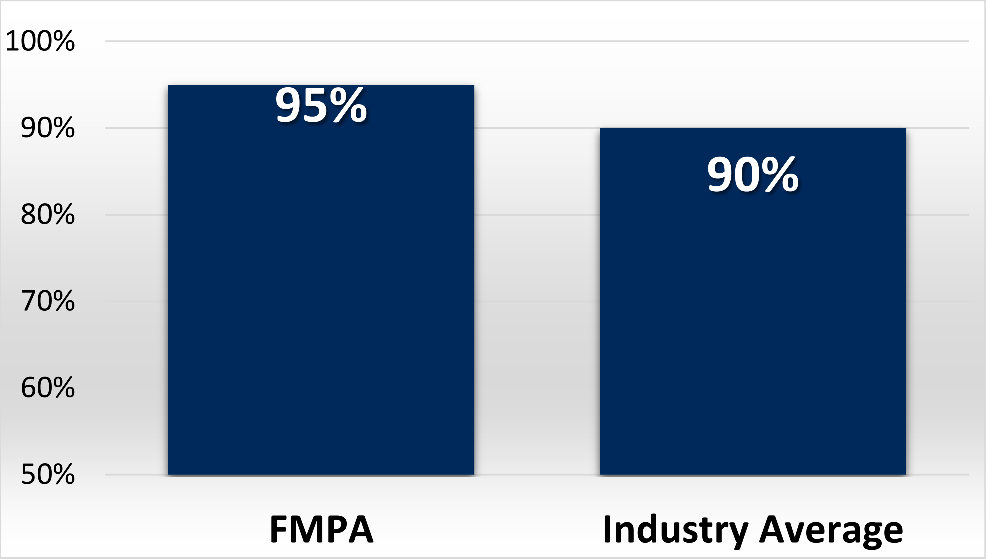
FMPA MUNICIPAL POWER

Peaking Class

Mission: Low-Cost, Clean, and Reliable Power

Operating Performance

Fiscal 2018



Annual EAF Average	Industry Average	Average Net Heat Rate - BTU/KWh	Total Generation – MWh
95%	90%	17,008	3,033

FMPA MUNICIPAL POWER

Environmental

Mission: Low-Cost, Clean, and Reliable Power

- Permit Limits
  - One allowable excess emission letter sent to the DEP due to equipment malfunction

- Annual Compliance Tests
  - All facilities/units are in compliance

Safety

Mission: Low-Cost, Clean, and Reliable Power

- One lost time event
  - Sprained back while conducting routine maintenance
- Two First Aid Events
  - Sprained ankle while doing rounds
  - Cut from wheel braking off of a grinder

Performance Summary / Discussion

- FMPA base units reliability outperformed the industry and the corporate target
- The base units net heat rates remain within expectations
- Operated within the approved ARP budget
- There were no material maintenance deferrals requested

AGENDA ITEM 7 – Information Items

c) Update on Finance Committee Structure

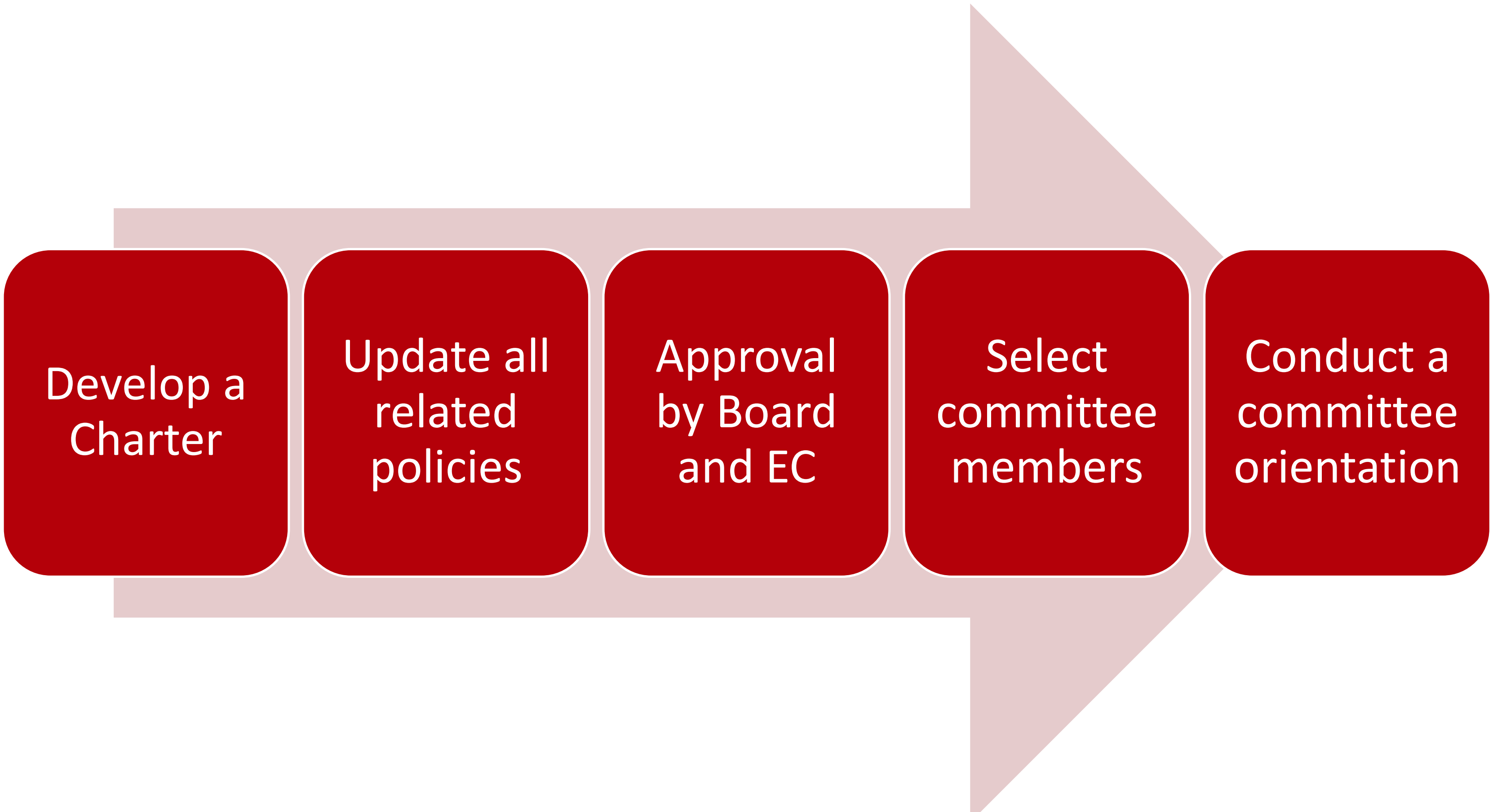
Audit and Risk Oversight Committee Meeting
January 17, 2019

AROC 7b – Update on Finance Committee Structure

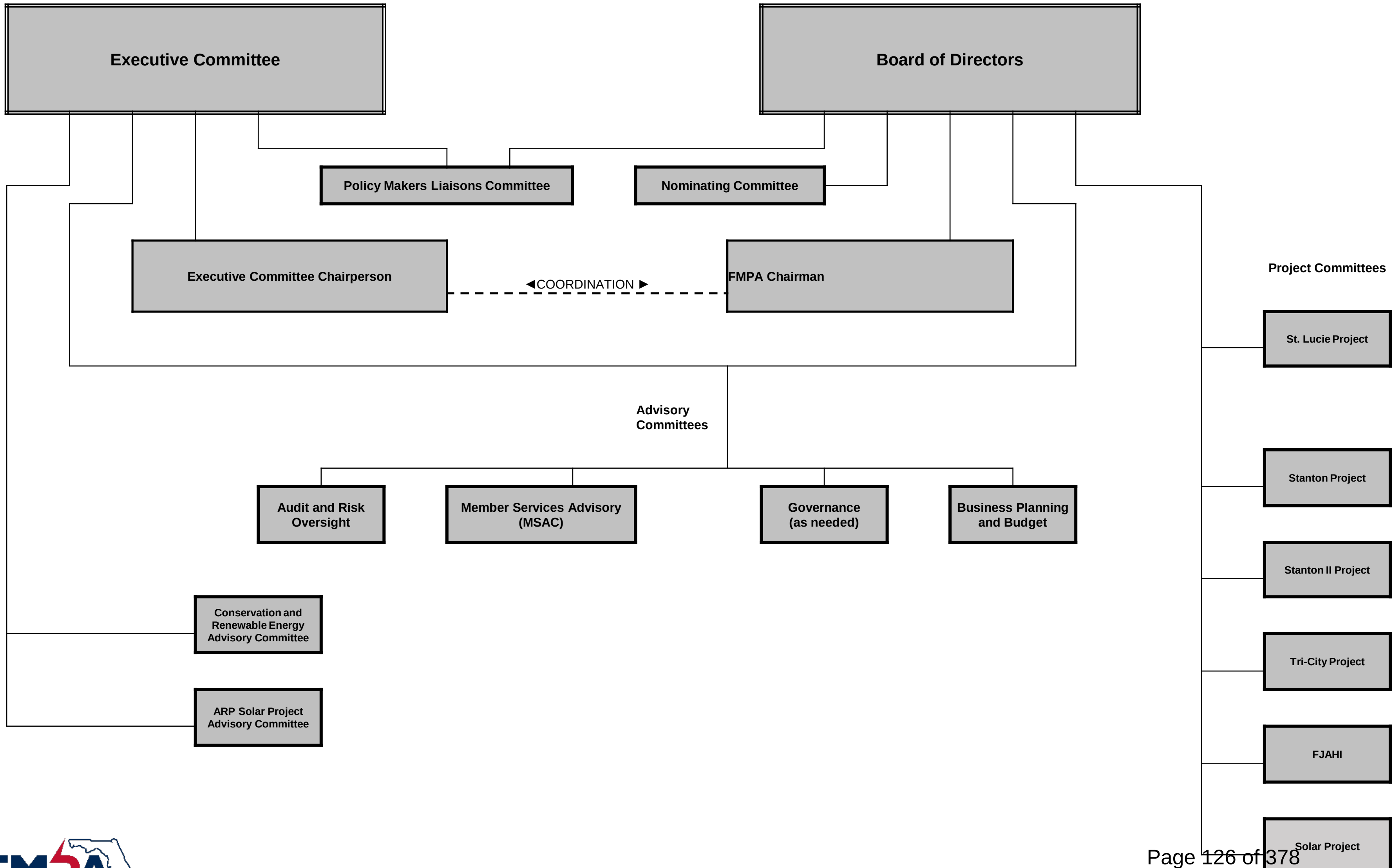
January 17, 2019

Process Flow

From Current Structure to New Committee

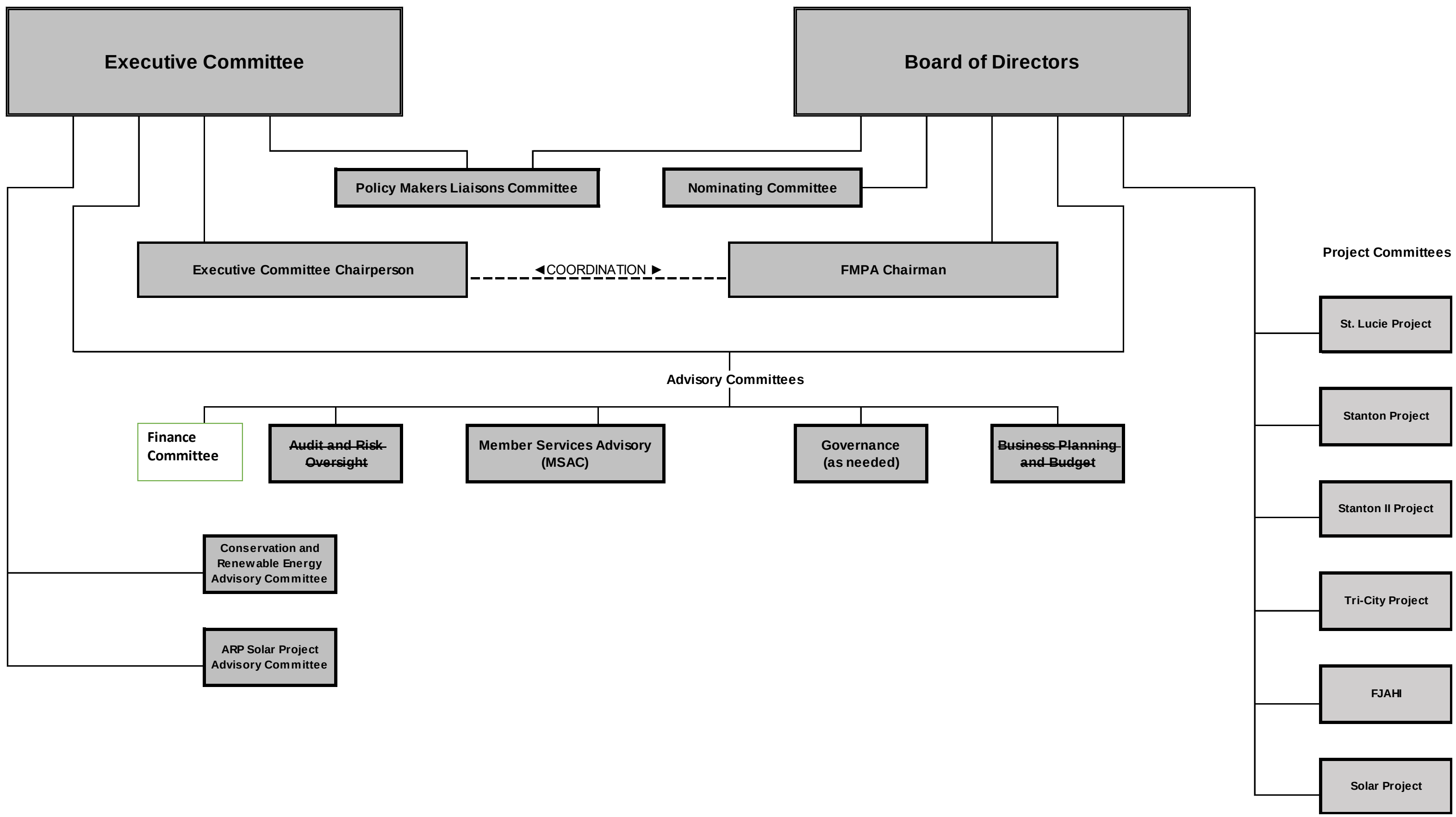


Current Committee Structure



FMPA MUNICIPAL POWER

Proposed Structure



FMPA MUNICIPAL POWER

What to Expect

Details on the Documents

- Charters
  - New Charter has been drafted for the Board and Executive Committee's review
  - Key areas in the Charter:
    - Mission
    - Membership
    - Meetings
    - Responsibilities
    - Authority
  - Old Charters will be superseded (AROC, Business Planning and Budget)

What to Expect (contd.)

Details on the Documents

- Policies
  - All policies have been updated for committee name change and staff title changes. Redline versions are included for review
  - More substantive policy changes will be done during the normal, annual review process

Structure of the Committee
Recommendation

- Staff recommends 7 committee members
- Executive Committee chair will appoint the finance committee chair (must be ARP member or alternate) and 3 members representing ARP participants
- Board chair will recommend the remaining 3 members
- Committee will meet at least quarterly or as needed to handle agency business, with a 5 day public notice

Target: 2020 Budget Approval

Timeline to Get There

- Jan 2019
  - Review draft charter
  - Define responsibilities
- Feb 2019
  - Approve Charter and defined responsibilities
  - Select Members and Conduct Orientation
- April/May 2019
  - First meeting of newly structured committee
  - Review/approve 2020 Budget

Questions?

FLORIDA MUNICIPAL POWER AGENCY

FINANCE COMMITTEE CHARTER

(as adopted February 2019)

This Finance Committee Charter is intended to govern the function and operation of the Finance Committee (the "Committee") of Florida Municipal Power Agency ("FM PA") in fulfillment of its purpose as established by the FMPA Board of Directors and the Executive Committee.

I. MISSION.

The mission of the Committee is to 1) oversee the administration of the Florida Municipal Power Agency Risk Management Policy, including Appendices A-O, 2) review significant procurements contemplated by the Agency, 3) receive regular reports from FMPA staff and members regarding risks and exposures of FMPA activities,4) review major items impacting FMPA's budgets, and5) review major items impacting FMPA's rates. More specifically, the Committee shall assist the Board of Directors and Executive Committee in fulfilling its oversight responsibility relating to (i) the integrity of the Agency's financial statements and financial reporting process and the Agency's systems of internal accounting and financial controls; (ii) the performance of the internal audit function; (iii) the annual independent audit of the Agency's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (iv) the development, review and monitoring of the annual budget, (v) the review and evaluation of all financing transactions including bank loans, publicly offered debt, and pooled loans, (vi) the evaluation of management's process to assess and manage the Agency's enterprise risk issues; and (vii) the fulfillment of the other responsibilities set out in this Charter.

II. MEMBERSHIP.

The membership of the Committee consists of seven persons. The Executive Committee Chairperson shall appoint the chairperson of the Committee, who must be a member of the Executive Committee (or an Executive Committee alternate), and three other representatives of the All Requirements Project (ARP) participants. The FMPA Chairperson shall appoint the remaining three Committee members.

The appointing officers (Board Chairperson and Executive Committee Chairperson) will consider the financial experience of those who they appoint to the Committee and coordinate so that members of the Committee will have sufficient financial background which can include, but is not limited to demonstrated experience in the following areas: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements, budgets, or financing transactions (or some combination thereof) that present a breadth and level of complexity of financial issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by FMPA, (iv) an understanding of internal controls and procedures for financial reporting; understanding of risk and insurance matters, understanding of legal concepts and processes, and (v) an understanding of similar committee functions.

III. MEETINGS.

Each member of the Committee has one vote which he or she may cast (yea or nea) on any action coming before the Committee. A quorum of the Committee is present at a meeting of the Committee when at least four of the Committee members are present and able to participate in the meeting in person or by electronic means, including by telephone. A quorum of the Committee is necessary for the Committee to take action.

Notice of the time, date, and place of each meeting will be provided to each Committee member at least 5 days prior to any meeting. Meetings of the Committee shall be called by the chairperson, by any two members of the Committee, or as otherwise regularly scheduled by the Committee. Regular meetings will be held at least quarterly in conjunction with the Board and/or Executive Committee meetings. The conduct of the meetings will follow *Roberts Rules of Order Newly Revised*, with the chairperson running the meeting. In the absence of the chairperson, the chairperson may designate another Committee member to chair the meeting or, if there has been no such designation; the Executive Committee Chairperson shall chair the meeting.

The Financial Advisor(s) of FMPA shall be given adequate prior notice of each Committee meeting to permit him or her to attend and is encouraged to attend and to participate in all meetings of the Committee.

IV. COMMUNICATIONS.

(1) The CFO (or staff person with chief financial management responsibility, if such title is changed), (2) the General Manager, (3) the Audit Manager, and (4) the Treasurer and Risk Director (or person with chief risk management responsibility, if such title is changes) shall serve as the staff representatives to the Committee, or each of them may name a designee to fulfill their respective roles (the "Committee Staff Representatives"). The CFO shall have responsibility for coordinating the communications of the Committee and coordinating Committee meetings, including providing meeting notices to the Committee. Reports or requests from the Committee to the Board of Directors or the Executive Committee will also be coordinated by the CFO or his or her delegate.

V. AUTHORITY.

The Committee has no authority to bind FMPA or to make any decision on behalf of the FMPA Board of Directors or Executive Committee unless such authority is delegated to the Committee by resolution. The Committee serves in an advisory capacity to the Board of Directors and the Executive Committee. The Committee's role and authority, as otherwise determined by the Board of Directors and the Executive Committee, shall be set forth in the Florida Municipal Power Agency Risk Management Policy, which may supplement and shall control over any conflicting terms of this Charter.

VI. RESPONSIBILITIES.

The following shall be the principal responsibilities of the Finance Committee:

1. *Audits by Independent Auditors:* The Committee shall discuss with the independent auditors the overall scope, plans and budget for the annual audit, including the adequacy of staffing and other factors that may affect the effectiveness of the audit. As such, the Committee shall discuss with FMPA management and the independent auditors the Agency's significant risk exposures (whether financial, operating or otherwise), the adequacy and effectiveness of the accounting and financial controls, and the steps management has taken to monitor and control such exposures, new or proposed regulatory and accounting initiatives on the Agency's financial statements, any problems or difficulties the auditors may have encountered in connection with the annual audit or otherwise, any management letter comments provided to the Committee and the Agency's responses, any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, any disagreements with management regarding generally accepted accounting principles and other matters, material adjustments to the financial statements recommended by the independent auditors and adjustments that were proposed but "passed" regardless of materiality, and other public disclosures among other considerations that may be relevant to the audit.

2. *Participant and Operational Audits*: Review and approve all participant and operational audits performed by the internal audit staff, including detail reports submitted.

3. *Annual Budget prepared by Staff:* Oversee the development of the annual budget for all projects and all amendments to the approved budget, make recommendations to the Board or Executive Committee for approval, and review of budget variances at least quarterly.

4. *Major Financial Transactions:* Review Requests for Proposals for financing transactions, review the details of financing transactions, including public offering, bank loans, letter of credits, cash defeasance, etc. and ensure that financial targets as set forth in the debt or investment policies are met and make recommendations to the Board and Executive Committee; review and provide recommendations for the pooled loan program (or similar program to provide financial support to Members); other significant financial transactions as they arise

5. *Access to Records and Others:* The Committee shall have the full resources and authority (i) to investigate any matter directly related to the mission of the Committee which is brought to the Committee's attention, with full access to all books, records, facilities and personnel of the Agency; and (ii) to request any officer or employee of the Agency, or the Company's independent auditors, to attend a meeting of the Committee or to meet with any members of the Committee.

6. *Asset Risk Management:* The Committee shall receive reports regularly, as deemed appropriate by the Committee, from risk management staff on the activities of the Asset Risk Management Group (Treasurer and Risk Director and assigned team members

from operations and generation staff) and discuss matters related to asset risk management for the Agency as the Committee deems appropriate.

7. *Annual Review:* The Committee shall at least annually review and assess the adequacy of this Charter and request the Board of Directors or Executive Committee, as provided for in Section VII, to approve proposed amendments to this Charter as deemed appropriate by this Committee.

8. *Compliance with Policies:* The Committee shall regularly hear reports from staff on the risk management activities of FMPA and all reports necessary for ensuring compliance with the Agency's risk management policies, including the Florida Municipal Power Agency-Wide Risk Management Policy and its constituent policies. The Committee is charged with oversight over the Agency's compliance with its risk management policies and shall report violations or discrepancies with those policies to the Board of Directors and Executive Committee, as appropriate.

VII. **APPROVAL.**

This Charter is effective as of the approval by both the Board of Directors and the Executive Committee. Except as provided in the next sentence, amendments to this Charter are effective as of approval by both the Board of Directors and the Executive Committee. Amendments that only relate to the All-Requirements Power Supply Project need only be approved by the Executive Committee, and amendments that only relate to the Agency generally or projects other than the All-Requirements Power Supply Project, or both, need only be approved by the Board of Directors.

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY

TABLE OF CONTENTS

RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY

This Risk Management Policy (the "Policy") and subordinate policies and procedures establish the governance, framework, and controls under which Florida Municipal Power Agency ("FMPA") engages in enterprise risk management.

1.0 Policy Statement

Enterprise risk management utilizes the Agency's organizational structure, procedures, processes, and resources to identify, measure, monitor and report risks. As a result of these efforts the Agency will manage risk by choosing to eliminate, transfer, reduce, or accept some or all of each identified risk. The Executive Committee (EC) and Board of Directors (BOD) of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. It is the objective of this Risk Management Policy to formalize the enterprise risk management process so that financial and strategic impacts of unfavorable outcomes are minimized.

The following summarizes the Policy of the EC and BOD:

- The ~~Audit and Risk Oversight~~Finance Committee (~~ARO~~FC) is authorized to oversee the administration of this Policy as detailed in Section 4.1.
- As detailed in Section 4.3, the Risk Management ~~Department~~Team (Treasurer and Risk Director, along with designated staff) shall function as the operational arm of the ~~ARO~~FC to identify, measure, monitor and report on FMPA's business risks
- The ~~Contract Compliance Audit and Risk Management Manager~~Treasurer and Risk Director is designated the Agency Risk Manager, and shall cause risks to be reported to the ~~AROC~~FC as described in Section 4.3.
- Each defined Agency activity will have separately approved risk management policy as an Appendix to this Policy as listed in Section 5.0.
- This Policy and all Appendices shall consider the credit rating implications of risk management actions as described in Section 5.0

- The Agency Risk Manager must provide or cause to be provided written risk assessments to the ~~AROC~~FC at least annually as detailed in Section 7.0.

2.0 Types of Risk

This Policy establishes minimum standards for risk awareness and enterprise risk management to minimize unfavorable outcomes of risk. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the following provides definitions for major categories of risk exposures at FMPA, as established by the 2004 Deloitte & Touche risk assessment. Each Policy Appendix further describes these risks as applicable to specific Agency functions.

2.1 Operational Risk:

The potential economic loss caused by ineffectiveness, inefficiency or loss of power generation, transmission or fuel supply facilities or assets.

2.2 Market Risk:

The risk of potential change in the value of an asset caused by adverse changes in market factors.

2.3 Environmental Risk:

The potential environmental impact associated with a failure to comply with federal and state environmental regulations

2.4 Volumetric Risk:

The potential environmental impact associated with a failure to comply with federal and state environmental regulations

2.5 Regulatory Risk:

The potential adverse impact of an action or direction from a regulatory body such as, but not limited to, FERC, EPA, DOE, or IRS.

2.6 Strategic Risk:

The risk that the policies and actions of a governing body or management do not promote the successful attainment of strategic goals and objectives.

2.7 Legal Risk:

The potential financial losses incurred through an unauthorized deviation from any legal commitments under local, state, federal law or contracts.

2.8 Reputational Risk:

The potential losses incurred when stakeholders or the public negatively perceive an organization.

2.9 Credit Risk:

The potential of financial losses due to the failure of counterparties to fulfill the terms of a contract on a timely basis, or adverse changes to credit ratings of an organization.

2.10 Administrative Risk:

The potential of financial loss due to deficiencies in internal control structure and management reporting due to human error, fraud or a system failure.

3.0 Enterprise Risk Management Program

The Accounting Department is responsible for ensuring that all funds, property and securities of the Agency are recorded in accordance with prudent utility practice, generally accepted accounting principles, and all requirements set forth by law and/or regulation. These activities will be governed by accounting procedures and the following practices.

3.1 Governance:

Strong organizational governance paths, from employee to governing body, back to employee, are essential for facilitating risk communication up and down the Agency. See Section 4.0 for further details on FMPA's risk management governance structure.

3.2 Internal Control:

Internal control is the system of processes and people designed to provide reasonable assurance that the Agency is able to meet its strategic goals. See Sections 4.0, 5.0 and all Policy Appendices for further details on FMPA's internal control system.

3.3 Risk Framework:

The risk framework of the Agency provides the general structure of the enterprise risk management program. FMPA's risk framework components address the following:

- Risk appetite for each risk category
- Risk tolerances within risk appetite
- Risk aware culture
- Risk metrics
- Risk policies

See Sections 4.0 and 5.0 for further details on specific risk management activities and risk assessment.

3.4 Monitoring and Reporting:

The enterprise risk management program of the Agency must be monitored and reported on so that staff and governing bodies can make decisions inclusive of current and emerging risks. The Agency has established a Risk Management ~~Department~~Team (RM~~D~~T) to facilitate risk monitoring and reporting. See Sections 4.3 and 7.0 for further details on risk monitoring and reporting for the Agency

4.0 Risk Management Governance:

The Agency's enterprise risk management program begins with recognition of the parties (Agency Risk Manager, RMT~~D~~, Internal Audit Manager and staff, employees and governing bodies) with responsibilities under this Policy. The risk management governance structure includes the key elements outlined below:

- Segregation of duties among the parties in the enterprise risk management program.

- Independence of the Agency Risk Manager such that risk and control information flows without restriction or bias due to self-interest.
- All FMPA staff are required to work in cooperation with the RM~~D~~T to facilitate risk management processes.
- The Agency Risk Manager shall coordinate periodic reviews of the enterprise risk management program conducted by an independent, external party with expertise in risk management. The Agency Risk Manager shall include such a review in the budget process at least every five years.

4.1 Oversight Structure- ~~Audit and Risk Oversight~~Finance Committee:

Members are appointed to the ~~AROC~~FC according to the Committee Charter. The ~~AROC~~FC shall oversee the administration of this Policy and any subsequent procedures relating to Agency risk management activities.

This Policy and all included appendices shall be reviewed on at least an annual basis by the ~~RMD~~Internal Audit Team. Completed policy compliance reviews shall be reported to the ~~AROC~~FC. The Agency Risk Manager will from time to time report to the ~~AROC~~FC on Agency risks as described in Section ~~4.3~~2.0.

The Agency Risk Manager may use discretion to report Policy violations directly to the General Manager and/or the ~~AROC~~FC as deemed necessary. The ~~AROC~~FC shall advise the Agency Risk Manager and the General Manager on desired next steps for addressing the Policy violation.

4.2 Organizational Structure For Risk Control

4.3 Delegation of Authority:

It is recognized that there are times when a member of the FMPA management team may be absent for some period of time. Through the use of FMPA's "Delegation of Authority" form, any management team member can designate a direct report to fulfill all of their respective organizational responsibilities during their absence, without limitation.

If a member of the management team has failed to delegate their authority, the manager to whom the member reports has the expanded authority to either assume that member's organizational responsibilities or to delegate such to a subordinate of the member. Upon such action, any and all rights provided by the "Delegation of Authority" form will be authorized as if the form had been completed prior to their absence.

4.4 Risk Management ~~Department~~Team:

The RM~~D~~T is the operational arm of the ~~AROC~~FC. The mission of the RM~~D~~T is to facilitate the effective identification, monitoring and reporting of the Agency's risks in support of achieving the goals of the Agency and all of the Agency's Projects, in accordance with this Policy. The RM~~D~~T is responsible for facilitating an enterprise risk management culture and fulfilling compliance and reporting roles as appropriate. It remains the responsibility of the General Manager and governing bodies to set risk appetites and tolerances and to establish risk management strategies.

The ~~Contract Compliance Audit and~~Treasurer and Risk ~~Manager~~Director is designated FMPA's Agency Risk Manager, and is responsible for causing FMPA's risk exposures to be prioritized and reported to the ~~AROC~~FC. Risks are prioritized by the RM~~D~~T using the Agency's risk framework for level of severity, likelihood of occurrence, and quality of controls, as well as the judgment of the Agency Risk Manager.

5.0 Risk Management Strategies:

The Agency is subject to numerous risks. These risks can arise from actions taken (or not taken) by Agency staff, parties external to the Agency and from "acts of God." The following Agency activities shall have risk management policies approved by the ~~AROC~~FC and appropriate governing body, consistent with this Policy and included as Appendices to it.

Natural Gas and Fuel Oil Management	Appendix A
Debt Management Investment	Appendix B
Investment Management	Appendix C
Insurance Program Management	Appendix D
Credit Risk Management	Appendix E
Contract Administration	Appendix F
Statutory and Regulatory Matters	Appendix G
Power Supply and Resource Planning	Appendix H
Asset Management and Operations	Appendix I
Accounting and Internal Controls	Appendix J
Origination Transaction Management	Appendix K
Records Management	Appendix L

Contingency Planning	Appendix M
Human Resource Management	Appendix N
Information Technology	Appendix O

6.0 Risk Assessment and Evaluation

Section 2.0 of this Policy establishes FMPA's risk categories to assist with identifying critical risk factors during decision-making. These risk categories will be used in the process of assessing risk and to facilitate independent measurement of risk by providing common understanding of risks.

When deciding between two or more competing alternate courses, each course of action or decision should be evaluated using the risk framework (Section 3.3). Components of the Agency's risk framework shall be used as a reference for risk assessments presented to the ~~AROC~~FC and governing bodies. Specific risk assessment and evaluation criteria are established in each of the Policy Appendices.

7.0 Review and Revisions to Policy

The ~~AROC~~FC is granted authority by the Board of Directors and Executive Committee of FMPA to oversee this Policy. The ~~AROC~~FC directs the Agency Risk Manager to cause a review of the operation and effectiveness of this Policy through risk assessment reports. The Agency Risk Manager shall present or cause to be presented a written risk assessment report to the ~~AROC~~FC for approval at least annually. The risk assessment report shall include a synopsis of the current state of the enterprise risk management program.

Based on the findings of each risk assessment report, the ~~AROC~~FC may make recommendations regarding risk management processes to the General Manager and Agency Risk Manager, and if appropriate, recommend a course of action promoting changes to this Policy to the Board of Directors and/or Executive Committee. This Policy may be changed only with approval of the appropriate governing body.

The appropriate governing bodies may, as business needs arise, approve changes to this Policy outside of the annual review process described above.

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX A

FUEL PORTFOLIO MANAGEMENT POLICY

TABLE OF CONTENTS

TABLE OF CONTENTS
(Continued)

FUEL PORTFOLIO RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Fuel Portfolio Risk Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and controls under which Florida Municipal Power Agency ("FMPA" or "Agency") may engage in activities to identify, measure and minimize future business risk impacting the All Requirements Power Supply Project ("ARP") resulting from price and/or supply uncertainty in the natural gas and fuel oil markets. This Policy is Appendix A of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee ("EC") of FMPA recognizes that FMPA is exposed to various risks specific to generation fuel as an integral aspect in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the risk tolerance levels expressed by FMPA's members. As such, FMPA staff is hereby authorized to implement various mechanisms, such as those more fully described in Sections 5.0 and 6.0 of this Policy, which will control, transfer, or mitigate these risks to help safeguard the Agency's ability to provide reliable power.

The design standards of this Policy ensure that the risk control oversight functions are independent from any asset management or daily operational activities. Further, any and all actions taken by FMPA are strictly to provide reliable power to the ARP members and manage any associated risks deemed appropriate by the ARP members and will not be speculative in nature to achieve additional monetary gain using the commodity market.

The following summarizes the Policy of the EC:

- FMPA is granted authority to enter into natural gas transportation contracts, storage agreements, or physical purchase and sales contract commitments, subject to the details on authorized products are contained in Section 5.4 of this policy.
- FMPA is authorized to enter into "Enabling Agreements" that define the terms and conditions of any subsequent transaction agreements related to generation fuel commodity purchases, sales, storage, transportation or risk mitigation transactions. Details of these authorized Enabling Agreements are contained in Section 0 of this policy.

- FMPA may undertake natural gas or fuel oil risk mitigation transactions with the specific prior approval of the EC.
- FMPA shall maintain a Generation Review & Assessment Management ("GR&A") Group as detailed in Section 5.1.
- Section 6.1 of this Policy sets defined limits for purchased physical natural gas volumes.
- Section 6.2 of this Policy sets defined limits for purchased fuel oil quantities.
- All individuals authorized to execute trades shall be approved by the General Manager and reported to the GR&A Group and ~~Audit and Risk Oversight~~Finance Committee ("~~AROC~~FC").
- Authority is delegated to the ~~Assistant General Manager of Power Resources~~Chief Operating Officer (COO) (or designee) and the Agency Risk Manager to cause the creation of and subsequent administration of any underlying procedures defined by this Policy and deemed appropriate and/or necessary.
- Deviations from this Policy shall be reported to the ~~AROC~~FC as prescribed in Section 4.1 of the FMPA Risk Management Policy.
- FMPA may not enter into transactions to mitigate natural gas price fluctuation exposure related to (i) energy sales by FMPA when the contract sales price is not concurrently based upon a corresponding (fixed or floating) natural gas purchase price or (ii) the volume of gas related to net energy sales to the Florida Municipal Power Pool ("FMPP") as detailed in Section 5.4.

2.0 Scope

FMPA is exposed to risk by its participation in the physical natural gas and fuel oil commodity market and the corresponding financial derivative market for each respective underlying commodity. FMPA participates in various mitigation efforts in order to manage exposure to these risks. Without risk management, FMPA's ARP is subject to potentially significant energy rate volatility and operational reliability limitations that result from generation fuel cost changes, fuel receipt/delivery constraints, and cash flow requirements to meet operational cost liabilities and obligations.

Mitigation efforts would consist of executing physical and financial transactions designed reduce the ARP's exposure to energy rate volatility and operating risks associated with its need to participate in the physical commodity market to ensure delivery of generator fuel, as required, for generating power to meets its obligations and commitments. Currently, the EC has not authorized any program designed to mitigate near term price risk associated with spikes in natural gas fuel costs, as detailed in Section 5.2. As such, no near term price hedging type transactions will be entered into without obtaining specific EC guidelines, goals and the subsequent approval for such transactions related to natural gas fuel.

3.0 Objectives

The objective of the risk management program described in this Policy is to identify risk exposures; to understand their potential impact on the ARP's financial statements and continued economic well-being; to measure and report these impacts; and to take appropriate steps to manage or mitigate any adverse effect to an acceptable level as specified by the EC. This will be accomplished through the use of operational techniques and trading instruments which are consistent with this policy.

3.1 Manage Generation Fuel Requirement Projections:

FMPA shall strive to effectively manage its natural gas and fuel oil programs. It is expressly understood that risk management is intended to mitigate exposure to adverse outcomes and is not intended to result in increased financial profitability or result in the lowest cost for natural gas and fuel oil. The purpose of this Policy is to ensure that planning and control methods are in place and utilized to manage generation fuel supply reliability.

3.2 Manage Volumetric Exposure:

FMPA shall only manage its physical natural gas and fuel oil volumetric requirements related to serving the needs of the ARP. Fuel volume requirements are based on dynamically changing variables such as load forecasts, weather forecasts, generation resource availability, and projections of optimal generation unit dispatch. Changes in any of these variables will impact the ARP's required quantities of natural gas and/or fuel oil and inhibit the intended effectiveness of this Policy. To mitigate these impacts, this Policy defines review and update parameters to revise volumetric exposure projections in Section 5.4.4.

3.3 Maintaining Balance between Cost and Reliability:

FMPA efforts strive to control costs and ensure reliable delivery of electric power to its members and other commitments, if any. Ensuring the highest level of reliability is in opposition to achieving the lowest possible cost. The less focus placed upon reliability to control costs increases the risk that energy delivery and regulatory obligation failures may occur. Balancing between these opposing objectives is a primary focus of staff at all times. The equilibrium point between cost and reliability to achieve the desired balance is defined and established by the EC.

4.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of risk control measures to provide reliable power at market prices. The ~~Assistant General Manager of Power Resources~~ COO and the Agency Risk Manager will ensure that procedures, as needed, are created and followed specific to the areas of risk noted below and define ways for measuring and controlling these risks to within defined levels of exposure as established by the EC. The FMPA Risk Management Policy identifies ten areas comprising FMPA's key risk areas. While not intended to be a comprehensive listing of all risks encountered in its normal business cycle by FMPA, the framework provides insight into the major areas of exposure. The following identified areas are the risks most typically faced when managing any commodity intensive business like the power generation industry.

4.1 Market Risk:

The risk of potential change in the value of an asset caused by adverse changes in market factors. An example is the commodity price risk occurs when FMPA purchases fuel, usually natural gas, for its generating facilities. The timing and unit price of these fuel purchases expose FMPA to potential adverse or beneficial cost impacts with changing market conditions.

4.1.1 Price Risk:

The uncertainty associated with changes in the unit price of an underlying commodity. For example:

A fixed price fuel purchase can create market risk. The fixed purchase price set for a future delivery period may not reflect the then current market price when delivery is made. If the market price is less than the pre-established purchase price, the purchase cost would be higher than market. Conversely, if the market price was higher, then the purchase cost would be less than market.

Price risk can be caused by any one or a combination of the following:

1) Changes in the value of wholesale energy transactions (i.e. $/MWh),
2) Commodity fuel costs (i.e. $/MMBtu),
3) Basis exposure due to the value difference of a commodity at different geographic locations (i.e. gas price at a pipeline receipt point versus the pipeline delivery point),
4) Index Price Risk is the exposure created by the process to establish a unit index value of an underlying commodity at a given location. This generally entails surveys of buyers and sellers at that location and weighing the results to determine the "Index" value,
5) Intra-Month Price Risk is the daily changes in the unit price of a commodity at a given geographic location during a given month of flow (the monthly index price vs the daily index price, etc.).

4.1.2 Liquidity Risk:

The risk associated with a constrained or limited ability for transacting trades, causing a potential inability to acquire a commodity when needed or to liquidate a previously acquired commodity that is no longer needed. For example:

> In the fixed price fuel purchase example above, finding a buyer of the fuel purchase might prove difficult to find if, prior to the delivery period, it was desired to eliminate the purchase obligation. In general, a physical trade has greater liquidity risk that a financial trade.

4.1.3 Margin Risk:

The risk that a portfolio's overall net value might decrease to certain predetermined credit exposure thresholds that requires the portfolio holder to post collateral. This can be measured by margin-at-risk metrics which gauges 1) the probability that a portfolio's value will adversely change sufficiently to initiate a margin call and 2) the magnitude of any resulting required collateral posting.

4.1.4 Volumetric Risk:

The risk that the quantity of fuel supply projected to be required during a future period is either over or under estimated from actual requirements during the period. For example:

> Volume risk occurs when a sudden change in the daily fuel needs resulting from a forced outage of a generation facility causing a fuel quantity surplus. Volume risk can also include circumstances where supply was acquired using a previous longer term forecast that later exceeds the defined limits of this Policy as a result of reductions of fuel needs in ~~a~~ subsequent forecasts.

4.1.5 Calendar Risk:

The risk associated with differences of unit commodity value resulting from the time disparity between the settlement date of a financial instrument (contract index posting, swap, option, etc.) and the actual market price of the underlying physical commodity at time of delivery.

4.2 Credit Risk:

The potential for financial loss due to adverse changes to the credit rating of a counterparty that increases the potential of their inability to fulfill the terms of a contract or financial commitment. An example of this type of risk would be the exposure of a counterparty failing to pay the financial gains due that resulted from the settlement of a financial transaction. FMPA would be exposed to the current market price for the corresponding quantity defined by the transaction in addition to the costs related to establishing the transaction's position(s), if any (i.e. broker fees, transport commitments, etc.).

Credit risk exposure is significantly lower when transacting on the New York Mercantile Exchange (NYMEX) versus transacting via the Over-the-Counter (OTC) market, though there are exceptions. The credit risk associated with exchange traded instruments is mitigated since the government regulated institutional exchanges guarantee financial performance through margin posting and then further backed up by the actual exchange members, if necessary.

Credit risk exposure does exist for OTC traded transactions because the financial integrity of the trade is totally dependent upon the counterparty's ability or willingness to perform. Credit risk primarily applies to physical commodity transactions. The failure to deliver or receive purchased natural gas or fuel oil under a long-term commitment could expose FMPA to purchasing/selling quantizes above or below cost, especially during periods of fuel shortages and/or surplus.

4.3 Administrative Risk:

The potential of financial loss rising from deficiencies of internal control structures and/or management reporting resulting from human error, fraud and/or system failures. An example would be failing to implement the necessary accounting system modifications required by changes in generally accepted accounting practices (GAAP) and any associated reporting requirements. The Agency must ensure that proper accounting treatment is being used for booking transactions and that processes comply with changes in applicable financial accounting standards that impact the timing of financial recognition and/or rate determination.

5.0 Fuel Portfolio Risk Management Program

The natural gas and fuel oil risk management program will be based on the following components:

5.1 Generation Review & Assessment Group:

The General Manager shall maintain a Generation Review & Assessment ("GR&A") Group. The GR&A Group shall, at a minimum, be composed of the Agency Risk Manager, a Risk Analyst, the System Operations Manager, Generation Fleet Manager, and may include other participants such as the Power Resource Managers or a fuel agent representative. Other participant participation will depend upon the subject matter and relevance for their respective areas of responsibility and expertise. The Agency Risk Manager shall serve as the chairman with no actual voting responsibilities. Other delegates may be assigned/removed as deemed appropriate by the General Manager.

In addition to the duties listed below, the GR&A Group shall review and approve (by consensus of its voting members) any new natural gas and fuel oil purchase, sale, storage, or transportation strategy(s) and/or risk mitigation transaction instrument(s) under consideration by Agency staff/management. If, upon review, unanimous consensus cannot be obtained by the GR&A, the General Manager will be requested to review and resolve any non-consensus items. In the event that a new strategy, transaction or risk mitigation instrument requires governing body approval, the new strategy, transaction or risk mitigation instrument will be presented to and approved by the appropriate governing body prior to being implemented in any manner.

The GR&A Group responsibilities for oversight of other natural gas and fuel oil functions shall include:

- Review third party performance in managing contracted natural gas storage capacity.
- Evaluate proposed risk mitigation strategies, asset optimization opportunities or other applicable transactions including, but not limited to:
    1. Purpose of proposed strategy or applicable transactions.
    2. Type of pricing instruments, market(s) and counterparties to be used
    3. Expected results and associated probabilities of their achievement.
    4. Potential adverse outcomes associated with the strategy and/or applicable transaction(s).
    5. Margin Risk for each counterparty, total Margin Risk, and other analytical metrics that may be used to assist the GR&A Group in the performance of their duties.
- Review any trading/origination transaction being negotiated pursuant to the Annual Reporting requirements of Section 6.2 of the Origination Transaction Policy, Appendix K of this FMPA Risk Management Policy.
- Review any generation capital/maintenance expenditure item being contemplated during the annual budget process pursuant to Section 4.2 of the Asset Management and Operations Policy, Appendix I of this FMPA Risk Management Policy.

5.2 Authorized Strategies:

FMPA currently has no approved fuel price risk mitigation strategy approved by the EC. Until such time that a fuel price risk mitigation goal and corresponding strategy is defined and approved by the EC, no fuel price risk mitigation transactions will be entered into by FMPA staff.

5.3 Enabling Agreements:

Master Agreements or enabling agreements establish the general terms and conditions that govern any subsequent commodity or derivative product transaction with a counterparty. These Master Agreements are a prerequisite for doing business in today's commodity marketplace. They, by their very nature, only define general terms and conditions and do not commit FMPA to any form of financial of physical obligation. As such, FMPA is authorized to execute these types of enabling agreements without individual EC approval and their execution is governed pursuant to the Contract Management Risk Policy. All other aspects of any subsequent transaction is governed by the Origination Risk Policy. Types of these enabling agreements include utility interchange agreements, NAESB form contracts, EEI form contracts, and ISDA form contracts.

5.4 Authorized Transactions:

The following types of risk mitigation instrument transactions are authorized by the EC but are limited to only the purchase or sale of these instruments solely for near term price risk mitigation of projected physical fuel requirements and/or financial exposure to the fuel purchase requirements of others for serving FMPA generation assets (Stanton A would be an example of this exposure where OUC manages the fuel supply) and/or long-term energy supply purchase commitments.

It should be noted that the EC has not approved any near term price hedging risk mitigation program as discussed in Section 2.0. Until such a program is authorized, these instruments can only be used for managing natural gas storage inventory valuations.

5.4.1 Exchange Based Futures:

FMPA is authorized to set up accounts with one or more licensed brokerage firms in order to purchase or sell futures contracts or other exchange offered products through a recognized exchange such as the NYMEX. Alternatively, FMPA is authorized to designate an agent through which to transact exchange traded products.

5.4.2 Over-the-Counter Transactions (OTC):

FMPA is authorized to negotiate and execute ISDA agreements (refer to Section 5.3) and subsequently, pursuant to an approved risk mitigation program (refer to Section 5.2), transact with counterparties in order to purchase and/or sell derivative products such as forwards, swaps, and options on forwards or any combination of the same.

A comparison is included in Exhibit B of the characteristic features of Exchange versus OTC transactions.

New and existing transactions using the OTC market are subject to the Credit Risk Policy, Appendix E of the FMPA Risk Management Policy.

5.4.3 Forward Physical Purchases:

FMPA is authorized to negotiate, contract with, and purchase physical quantities of natural gas and fuel oil pursuant to the Credit Risk Policy and the Origination Risk Policy.

All physical purchases of natural gas shall be coordinated through an FMPA designated fuel agent in order to schedule, receive, transport and deliver such purchased gas volumes. Any forward purchases of natural gas or fuel oil must be limited to the physical volume requirements forecast for only serving the energy requirements of the ARP and its obligations, if any.

Any natural gas purchases or sales greater than a one month (thirty one day) duration shall be pursuant to the approval process defined by the Origination Policy prior to any commitment, i.e. defined approval authority of FMPA staff member making such commitment

5.4.4 Physical Natural Gas Purchases:

Physical natural gas purchases with a term of one month (thirty- one days) or greater will not exceed 75% of the respective monthly fuel needs based upon the most recent load forecast and generation dispatch projection at the time of the commitment of such purchases.

To ensure monthly fuel needs are as current as possible, each month an updated load forecast/dispatch projection will be generated no later than five (5) business days prior to the beginning of the following month. This forecast projection will be the basis for determining the 75% fuel need maximum described above.

5.4.5 Fixed Price Physical Natural Gas Purchases:

Any fixed price purchase with a duration of greater than one month is viewed as a near term price risk mitigation transaction and requires the approval of the EC prior to commitment unless such fixed price purchase is pursuant to an approved price risk mitigation strategy as described in Section 5.2 above.

5.4.6 Natural Gas Storage:

Upon approval of both the ~~AROC~~FC and the EC, FMPA may enter into natural gas storage agreements. Counterparties are subject to the Credit Risk Policy. The primary purpose of any natural gas storage agreement shall be to ensure the reliability of natural gas supplies. Secondarily, natural gas storage may be used as an operational pipeline balancing tool or in conjunction with other authorized energy management transactions when financially advantageous for the ARP, as determined by a storage management agent and/or the GR&A Group if no such agent is authorized.

5.4.7 Fuel Oil Storage:

The primary purpose for maintaining a minimum amount of fuel oil shall be to ensure that a reasonable level of alternate fuel is available for dual fuel fired generating units in the event that natural gas deliveries are reduced or interrupted due to supply and/or pipeline constraints. Recognizing that the Stock Island generating units operate solely with fuel oil, the minimum inventory criteria applies to the Island's fuel oil storage inventory as well.

6.0 Risk Limits and Measurement

FMPA may only enter into transactions to manage risks associated with the physical and financial exposure related to meeting the ARP's forecast fuel requirements of natural gas and/or fuel oil related only to fulfilling all applicable ARP energy obligations.

Proactive monitoring of current market performance, existing and potential risk exposure, risk management alternatives (acquiring or liquidating positions), and evaluation of prior strategic results are necessary to ensure the goals and expectations defined by this Policy are achieved.

The GR&A Group shall use the following limits and measurements, as calculated using applicable reference pricing, to monitor the performance of and compliance with current approved risk management strategies and procedures.

Before any transaction is executed, the individual executing the transaction is required to ensure that it is compliant with the parameters of this Policy, any approved price risk mitigation program, if any, and respective periodic reviews by the GR&A Group. This requirement will be fulfilled by analyzing the natural gas portfolio and any associated risk mitigation transactions to ensure that the resulting incremental credit and market exposures do not exceed any defined limits set forth in this Policy.

6.1 Natural Gas Storage Limits:

The minimum inventory volume of natural gas in storage during the primary hurricane season (June through November) shall be 50% of FMPA's contracted storage capacity. During all other months the minimum level of storage inventory shall be 10% of contracted storage capacity.

6.1.1 Outsourcing:

FMPA may outsource the management of its natural gas storage capacity for optimizing this asset by issuing a Request for Proposal. Final selection of the qualified storage management agent ("Agent") must be approved by the ~~AROC~~FC and EC.

The Agent shall provide information to the Agency Risk Manager for review and discussion during monthly GR&A Group meetings. The Agent must comply with FMPA Directives and the terms and conditions of FMPA's managed natural gas storage contracts and all applicable tariffs and other legal requirements. The agent will be granted access to trading platforms or other needed counterparty information required to execute transactions within FMPA's contractual relationships. The Agent must agree to the obligations of this Policy and FMPA's respective counterparty trading account(s) requirements.

6.1.2 Annual Storage Plan:

The Agent must provide an Annual Storage Plan for the upcoming fiscal year to FMPA by August 1 of each year for approval by the GR&A Group.

6.1.3 Storage Optimization Restrictions:

Storage management activities shall strive to generally maintain a net zero optimization position. Net zero optimization is when all physical gas stored in the ground (Storage) and/or financial long/short positions (i.e. purchased/sold NYMEX natural gas contracts or their equivalent) representing volumes to be injected/withdrawn in a forward period has an off-setting financial long/short position (i.e. purchased/sold NYMEX natural gas contracts or their equivalent) representing volumes to be withdrawn/injected in a forward period (Transaction).

1) Any "net zero" tolerance deviation greater than 10,000 MMBtu and less than 50,001 MMBtu ("Minor Tolerance Deviation") must be corrected by the end of the fifth (5^{th}) business day following the day on which it occurred and must be reported by the Agent to FMPA's Risk Department on a monthly basis, with sufficient details to explain why the Minor Tolerance Deviation occurred.
2) Any "net zero" tolerance deviation greater than 50,000 MMBtu ("Major Tolerance Deviation"), must be reported by the Agent to FMPA's Risk Department. Such Major Tolerance Deviation report will be in writing detailing the circumstances of the deviation within three business days of the occurrence.

FMPA's General Manager must authorize any net zero imbalance outside of approved limits.

6.1.4 Optimization Trade Period:

Storage management transactions are restricted for the settlement date to be no more than 24 months into the future from the transaction date of the trade.

6.1.5 Inventory Limit Deviations:

Storage inventory levels may deviate outside of the above stated limits only when required to meet FMPA's operational requirements ("Reliability Event"). The Agent shall inform FMPA's Risk ~~Department~~Manager immediately after any such Reliability Event. Within 3 business days after such Reliability Event, the Agent shall provide FMPA's Risk ~~Department~~Manager with a written action plan to reestablish the pre Reliability Event inventory level unless such has already been achieved.

6.1.6 Storage Management Reports:

The Agent shall provide storage management reports for each ~~AROC~~FC meeting. These reports shall include physical gas inventory and any optimization transactions.

6.1.7 Cash Flow Report:

The Agent shall provide, by the fifth of each month, a cash flow report detailing the impacts of existing and projected storage management activities for review by the GR&A Group. If directed, the Agent must contractually agree to adjust storage inventory to meet FMPA's liquidity requirements.

6.2 Fuel Oil Storage Limits:

The Agency shall maintain, as conditions warrant, a fuel oil inventory of no less than 50% and no more than 100% of available storage tank capacity located solely at each respective generating facility. In the event that the fuel oil inventory falls below 50% at a generation site, the Generation Fleet Manager will implement an action plan to achieve the minimum 50% inventory level within a reasonable period of time or provide justification for a reduced inventory level. This plan or justification will be provided to FMPA's Risk ~~Department~~Manager and the ~~AGM~~COO~~ of Power Resources~~ for review and approval. The GR&A Group will discuss the resulting action plan at its next meeting.

7.0 Internal Controls

The AGM of Power Resources, the AGM of Finance and Information Technology and CFO and the Agency Risk Manager shall be responsible for the establishment of appropriate internal controls and segregation of duties to proper execution of the natural gas and fuel oil risk mitigation program, consistent with this Policy and in accordance with all policies and procedures established by the FMPA Risk Management Policy, or by NERC and FERC regulations.

7.1 Segregation of Duties:

Individuals responsible for legally binding the organization to a transaction will not also perform confirmation, clearing and/or accounting functions related to those transactions. The official book of record of FMPA shall also be maintained by a person(s) other than those executing such transactions. This maintenance responsibility, includes the valuation of mark-to-market positions (when applicable) and the calculation of applicable risk metric(s). Clear separation of duties shall be maintained between the front office (marketing functions and transaction execution), the middle office (confirmation, valuation, and reporting functions), and the back office (processing, accounting, invoicing and reconciliation activities).

7.2 Policy Compliance:

The Agency Risk Manager shall ensure that compliance with this Policy and associated Procedures are monitored on an ongoing basis. Any unresolved compliance issues will be presented to the ~~AROC~~FC by the Agency Risk Manager at the next regularly scheduled meeting.

From time to time, but no less than once every five years, the Agency Risk Manager shall direct a review of trading and risk management practices by a party external to the Agency possessing appropriate credentials and expertise to conduct such review.

7.3 Conflicts of Interest:

Personnel responsible for executing and managing the Agency's trading activity shall not engage in any activity that could pose a conflict of interest and interfere with the proper execution of Agency risk mitigation activities or which could impair their ability to make impartial and objective trading decisions. Such personnel shall disclose to the Risk Management Department any personal financial interests in any financial institutions, firms, or other entities that conduct business with FMPA.

7.4 Policy Questions:

The Agency Risk Manager is authorized to provide clarification and explanation on any questions regarding this Policy. All legal matters stemming from this Policy will be referred to the Agency's Office of the General Counsel.

7.5 Training:

Appropriate training on the risks associated with different market conditions, financial products and physical products shall be provided as needed to educate FMPA staff and governing body members.

8.0 Reporting

- Current market conditions affecting FMPA's natural gas and fuel oil costs, risk management programs, or FMPA's current financial and physical risk management strategies shall be reported during each meeting of the ~~AROC~~FC.

- The following information shall be reported at each meeting of the ~~AROC~~FC and EC:
  1) The volume of all natural gas portfolios.
  2) Margin Risk.
  3) Monthly financial natural gas portfolio gains or losses.
  4) Any additional relevant information about FMPA's natural gas and fuel oil risk management program and activities.

- Acceptance of the reported information by both the ~~AROC~~FC and the EC is required

- The Agency Risk Manager shall report any deviations from this Policy according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The Risk Manager shall cause an annual report to be completed on the operation and effectiveness of this Fuel Portfolio Risk Management Policy as described in the FMPA Risk Management Policy, Section 7.0.

9.0 Oversight Structure

The Agency Risk Manager shall cause any material deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be presented to the ~~Audit and Risk Oversight~~FinanceFinance Committee as described in Section 7.0 of the FMPA Risk Management Policy. Finance Division managers shall report on the current risk environment affecting FMPA's material financial transactions to the Risk Management Department and engage any necessary discussion before moving items to the appropriate governing body.

Appendix A

Florida Municipal Power Agency Risk Management Reporting Calendar Natural Gas and Fuel Oil Risk Management Planning Reporting Requirements				
Reporting Item	**Frequency Of Report**	**Responsible Party**	**Policy Reference**	**Policy Reference**
Volumetric Projection Update	Monthly	System Operations Manager	Section 5.4.4	Physical Natural Gas Purchases:
Annual Storage Plan and Update	Annually	Agent	Section 6.1.2	Annual Storage Plan:
Storage Balance Restriction Deviations	As Needed	Agent	Section 6.1.3	Storage Optimization Restrictions:
Reliability Event	As Needed	Agent	Section 6.1.5	Inventory Limit Deviations:
Storage Report	Each ~~AROC~~FC Meeting	Agent	Section 6.1.6	Storage Management Reports:
Storage Cash Flow	Monthly	Agent	Section 6.1.7	Cash Flow Report:
External Review	Every five years	Agency Risk Manager	Section 7.2	Policy Compliance:
Fuel Oil Action Plan	As Needed	Generation Fleet Manager	Section 6.2	Fuel Oil Storage Limits:
Market Conditions	Each ~~AROC~~FC Meeting	Agency Risk Manager	Section 8.0	Reporting
Fuel Portfolio Update	Each ~~AROC~~FC and EC Meeting	Agency Risk Manager	Section 8.0	Reporting
Policy Operation & Effectiveness	Annually	Agency Risk Manager	Section 8.0	Reporting
Policy Compliance Deviations	As Needed	Agency Risk Manager	Section 7.2	Policy Compliance:

Appendix B

Features of Exchange Traded vs. Over-The-Counter Traded Products

FEATURES	Exchange Traded	Over-The-Counter
Examples	Futures and Options	Swaps, Caps, Floors, Collars, etc.
Market	Organized exchanges in Chicago, New York, Kansas City, and other commodity markets around the world.	Networks consisting of market makers who exchange information, provide bids/offers, and negotiate transactions.
Agreements	Standardized contracts.	Custom-tailored to meet any specific needs of the counter-parties within accepted guidelines (NAESB, EEI, ISDA).
Risk	Guaranteed contract performance.	Performance, default and/or credit risk to the counter-parties.
Regulation	U.S. exchanges regulated by Commodity Futures Trading Commission CFTC).	Not formally regulated.
Ability to Value	Market transparency resulting from the electronic posting of daily settlement and intra-day prices. All prices are generally based upon a single geographic location..	- Varies by market and location. No standardized or consistent methodology. - Some have electronic posting or periodic publications, - Some require individual inquiry and valuation.

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX B

DEBT RISK MANAGEMENT POLICY

TABLE OF CONTENTS

TABLE OF CONTENTS
(Continued)

DEBT RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY

This Debt Risk Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency (FMPA) may engage in activities to identify, measure and minimize future business risk resulting from the issuance and management of all FMPA debt financing. This Policy is Appendix B of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee ("EC") and Board of Directors ("BOD") of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its governing bodies. FMPA staff is hereby authorized to put mechanisms into place, such as those more fully described in Section 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert adverse effects on FMPA's ability to access capital markets at reasonable rates and with reasonable credit terms.

This Policy covers the planning and management of debt financing. The appropriate governing body may approve exceptions to this Policy for specific debt transactions.

The following summarizes the Policy of the EC and BOD:

- The debt management program shall conform to all applicable federal, state and local legal requirements regarding the issuance and management of debt (Section 2.0).
- The EC and BOD must approve all forms of FMPA debt issuance (Section 2.0).
- Authority is delegated to the Chief Financial Officer ("CFO") to create procedures to facilitate the management of debt and administer this Policy (Section 3.0).
- FMPA's Debt Financing Team (the "DFT" as defined by this Policy) shall be active participants in all contemplated debt transactions (Section 4.1).
- FMPA's Financial Advisor shall provide a written recommendation to the appropriate governing body prior to approval of any debt issuance (Section 2.0).

- FMPA's DFT shall fully explain the risks associated with any given structure and the financial instruments to be used to the General Manager as required in Section 4.3
- FMPA shall manage its debt portfolios to contribute to the goal of maintaining credit ratings of no less than "A-" or "A3" as required in Section 4.0.
- Interest rate hedging strategies may only be employed as detailed in Section 5.0 of this Policy. No new interest rate hedging will be considered by the All Requirements Project ("ARP") after May, 2015 unless specifically approved by the EC.
- The ~~Treasurer~~Treasurer and Risk Director shall report on the debt portfolio as required in Section 7.1 of this Policy.
- The Agency Risk Manager shall report deviations from this Policy to the ~~Audit and Risk Oversight~~Finance Committee ("~~AROC~~FC") as required in Section 7.3.

2.0 Scope and Authority

FMPA has the authority to undertake and finance projects including, among other things, to plan, finance, acquire, construct, reconstruct, own, lease, operate, maintain, repair, improve, extend, or otherwise participate jointly in those projects and issue debt obligations for the purpose of financing or refinancing the costs of such projects. The debt management program shall further conform to all federal, state, and local legal requirements governing the issuance and management of debt.

The EC and BOD, respectively, is responsible for the approval of all forms of FMPA debt issuance and the details associated therewith. The General Manager has ultimate responsibility for administration of FMPA's financial policies. The CFO or designee coordinates the administration and issuance of debt, and is responsible for the attestation of financial disclosures and other bond related documents. The CFO or designee, in consultation with the DFT, must also recommend to the General Manager and appropriate governing body the following:

1. the selection of any external agents,
2. review proposed annual capital expenditures which require a debt issuance,
3. identify specific projects for such debt financing or re-financing,
4. a written recommendation provided by the Financial Advisor.

3.0 Types of Debt Issuance Risk

This Policy is intended to provide guidance for the types of debt issued, given FMPA's risk tolerance and awareness of recent market fluctuations, capital market outlooks, future capital needs, tax implications, rating agency considerations, and industry competition. The CFO will cause Debt Management Procedures to be created that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. The FMPA Risk Management Policy identifies ten risks that compose FMPA's common risk framework. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the framework provides insight into the major areas of risk exposure for FMPA. The following selected risks in the framework are those risks presented by typical debt management and interest rate hedging activity.

3.1 Market Risk

The risk of potential change in the value of a portfolio caused by adverse changes in market factors. When considering debt management including interest rate hedging, the types of market risk that FMPA is most exposed are interest rate risk and basis risk. An example of interest rate risk occurs when a change in interest rates inversely affects a bond's value, such as when higher interest rates cause bond value to fall. This risk can be reduced by diversifying (issuing fixed rate debt with different durations) or hedging (such as interest rate swaps). An example of basis risk can occur in a floating-to-fixed rate swap when there is a difference between the interest rate paid on variable rate demand obligations and the rate received from the swap counterparty. This mismatch in rates could result in higher than expected interest rate costs.

3.2 Credit Risk

The potential of financial loss due to the failure of a counterparty to fulfill the terms of a contract. When considering debt management including interest rate hedging, the types of credit risk that FMPA is most exposed to are counterparty risk and concentration risk. An example of counterparty risk would be if FMPA depends on the performance of a counterparty to provide interest payments under a swap agreement. The failure of that counterparty to make interest payments as required under the swap agreement might expose FMPA to current market conditions, which may or may not be favorable at the time of non-performance. An example of counterparty concentration risk might occur if a counterparty with several swap agreements fails to make the required payments. This failure might cause FMPA to terminate several swap agreements and expose FMPA to market conditions on a greater scale.

3.3 Regulatory Risk

The potential adverse impact of an action or direction from an administrative body such as, but not limited to, FERC, DOE, or the Treasury Department. An example of regulatory risk might occur if tax laws are changed, and the Agency becomes ineligible to issue tax-exempt debt. This change would expose the Agency to the market rate for taxable debt and increase the cost of debt issuance.

4.0 Debt Issuance

Effective debt management includes an analysis of what level of debt is acceptable given a particular set of circumstances and assumptions. FMPA's debt portfolios shall contribute to the goal of maintaining at least "A-" or "A3" credit ratings, in coordination with strategic plans and member needs. Management of the Agency's credit ratings is addressed in the FMPA Risk Management Policy.

FMPA may consider issuing bonds, short term debt, and other debt instruments as allowed by law, each subject to the approval of the appropriate governing body. Debt may only be issued for capital projects with an asset life of five years or more. Short term capital needs should be provided for in the budget process.

4.1 Debt Financing Team

A team of FMPA staff and advisors shall determine the details of all debt transactions to be proposed to and approved by any governing body. The DFT shall, at a minimum, consist of the personnel listed below. Others may be assigned as needed.

- CFO (Chairperson)
- ~~Treasurer~~Treasurer and Risk Director
- Chief Legal Officer

- Risk Management Department Representative
- FMPA's Financial Advisor
- System Planning Manager (as necessary)
- FMPA's Swap Advisor (as necessary)
- Bond Counsel (as necessary)

The DFT shall ensure that any proposed debt issuance complies with the requirements of this Policy. The CFO, as Chairperson of the DFT, shall present all DFT recommendations to the General Manager.

4.2 Selection of Bond Professionals

The issuance of bonds or debt in any form is a significant event and should be managed in a way to protect FMPA from any number of risks. Engaging competent professionals is a key step in mitigating such risks. Underwriters, bond counsel, financial and swap advisors, trustees, and arbitrage/rebate consultants are key advisors in a successful issuance process. FMPA staff will pursue a competitive selection process to occur for all professionals associated with FMPA's debt using a Request for Proposal (RFP), a Request for Qualification (RFQ) or some other competitive selection process. The competitive selection process document should describe the scope of services desired, the length of the engagement, evaluation criteria, and the selection process. Best practices recommendations of relevant professional bodies should be considered in the development of the competitive selection document as well as in the selection process.

4.2.1 Qualifications

The selected individual(s) or firm(s) shall have a well-established practice at a level of sophistication and standing in their respective field of practice commensurate with FMPA's needs, the Bond Resolution and any other relevant legal document(s) or requirements imposed by external entities such as the Securities and Exchange Commission (SEC), the Municipal Securities Rulemaking Board (MSRB) and the Commodity Futures Trading Commission (CFTC) as examples. Sufficient depth of staff should be present in order to ensure timely and consistent professional service when such services are required.

4.2.2 Selection

Qualified individuals or firms will be invited to submit a proposal for professional services to be considered for selection. The proposal response must document the individual's or firm's qualifications, registrations, applicable experience, knowledge of FMPA and its issues or practices, any sanctions or warnings from any relevant professional bodies, insurances in force, and fee structures. The proposals will be evaluated by the DFT and rank in order of preference, providing the resulting ranking and associated rationale to staff for presentation to the ~~AROC~~FC. The ~~AROC~~FC shall either approve or reject the DFT top ranked proposal. If the top ranked proposal is rejected, the ~~AROC~~FC will consider the next highest ranked proposal for approval. If none are found acceptable by the ~~AROC~~FC, the DFT will evaluate the ~~AROC~~FC's feedback and begin the process over. Once the ~~AROC~~FC has approved a recommended proposal, the selected individual(s) or firm(s) will be presented to the EC/BOD, as appropriate, for final approval.

4.2.3 Terms of Service

The selected individual(s) or firm(s) shall provide services for no more than one five year base term per each single contract period. The selected individual(s) or firm(s) may provide services beyond the base term for no more than two individual one-year extensions. At the end of any contract term (either base or extension), the incumbent individual(s) or firm(s) will not be excluded from submitting a new proposal for the subsequent competitive selection process. The selected individual(s) or firm(s) may perform the services requested on a negotiated fee basis.

4.3 Types of Debt

FMPA's capital structure may consist of fixed rate and variable rate debt in traditional as well as synthetic form, along with hedging instruments such as interest rate swaps, caps, collars and other non-speculative derivative products. The DFT shall fully explain the risks associated with any given structure and the financial instruments used to those who must decide and approve any such structure. No debt will be issued without written evidence of absolute authority, including all required regulatory approvals, for FMPA to proceed with the capital expenditures relating to the proposed debt issuance.

The debt mix for each of FMPA's projects shall be measured at the time of each debt issuance and comply with the limits defined in Appendix B of this Policy. The governing body issuing debt may approve exceeding such limits when a particular type of debt issue would be prudent given market conditions.

4.4 Structure

The following structuring guidelines shall govern the issuance of new money financing:

- The maturity of debt shall be less than or equal to the useful economic life of the item financed, not to exceed the remaining length of relevant FMPA Project. The table below shows the assumed useful economic life for different types of financed generation assets to be used at time of debt issuance:

Financed Generation Assets	Useful Economic Life
Combined-Cycle	30
Combustion Turbine	25
Coal Plant	30
Nuclear	30
Photovoltaic	25

  Exceptions may be approved by the appropriate governing body. The Power Resources Division shall determine the useful economic life of financed generation assets not contained in the table above.
- The use of a cash funded debt service reserve shall always be evaluated against the use of a surety or other debt service reserve product.
- The DFT shall evaluate the costs and benefits of call provisions for each debt issue.
- Non-rated securities may be issued if obtaining a credit rating on the issue does not perform any economic benefit or add any value to capital market participants; for example bank loans.

4.5 Tax Status

FMPA may issue either taxable or tax-exempt debt. The DFT shall consider the economic value of tax status and on the advice of legal counsel (bond and/or tax counsel as appropriate) recommend a taxable or tax-exempt debt issuance, unless a taxable debt issuance is required by law.

4.6 Credit Enhancement

The use of credit enhancement (including bond insurance, letter of credit, and other securitization products) shall be evaluated on a maturity-by-maturity basis. The DFT shall analyze the benefits and costs of issuing debt without credit enhancements, with consideration of the risks and restrictions of using credit enhancement. Credit enhancement shall only be used when the benefits exceed the costs. Post-issuance, the ~~Treasurer~~Treasurer and Risk Director shall monitor any credit enhancement associated with variable-rate debt for possible effects on credit or basis risk.

4.7 Methods of Sale

FMPA's policy is to sell public debt using the method of sale expected to achieve the best result, taking into consideration short-term and long-term implications. Decisions on selecting either a competitive or negotiated sale are the responsibility of the DFT. The DFT shall evaluate whether to seek funding by way of a private placement or bank loan where the size of the borrowing does not justify the incurrence of typical bond issuance expenses or market conditions favor such funding. The CFO and FMPA's Financial Advisor, if used, shall compare the overall costs of a private placement with those of a public offering and recommend the most cost effective approach.

4.8 Debt Service Coverage

Debt service coverage shall conform to any respective bond resolutions and remain at or above those levels to ensure that FMPA's credit rating is not adversely impacted.

4.9 Refunding Bonds

Refunding bonds may be issued to achieve debt service savings on outstanding bonds by redeeming high interest rate debt with lower interest rate debt. Refunding bonds may also be issued to restructure debt or modify covenants contained in the bond documents. Current tax law limits to one time the issuance of tax-exempt advance refunding bonds to refinance bonds issued after 1986. There is no current similar limitation for taxable bonds.

4.9.1 Structure

The life of the refunding bonds shall not exceed the remaining life of the assets financed. Refunding bonds should generally be structured to achieve the desired objectives of the authorizing governing body.

4.9.2 Present Value

Refunding bonds issued to achieve debt service savings should have a minimum savings level measured on a present value basis equal to 3% of the par amount of the bonds being refunded. The 3% minimum target savings level for refunding should be used as a general guide to guard against prematurely using the one advance refunding opportunity for post-1986 bond issues. However, because of the numerous considerations involved in the sale of refunding bonds, the 3% target shall not prohibit exercising refunding when the circumstances justify a deviation from the guideline.

4.10 Defeasance

Defeasance is a provision that allows the exchange of one type of collateral, such as pledged revenues for another type of collateral (normally US Treasury securities), where the borrower sets aside cash or bonds sufficient to service the borrowers' debt. FMPA may use this tool when financially beneficial and as allowed by bond covenants. Allowable securities would be purchased by FMPA and held by an Escrow Agent, with the principal and interest earned on the securities sufficient to meet all payments of principal and interest on the outstanding bonds when they become due.

4.11 Disclosure Policy and Procedures Relating Thereto

FMPA is committed to ensuring that disclosures made in connection with its municipal finance offerings and required periodic filings related thereto are fair, accurate, and comply with applicable federal and state securities laws including common law antifraud provisions under state law and all other applicable laws. Further, it is the policy of FMPA to satisfy, in a timely manner, its contractual obligations undertaken pursuant to continuing disclosure agreements entered into in connection with municipal finance offerings. In furtherance of these objectives and policies, the General Manager and FMPA's Chief Legal Officer shall cause municipal finance disclosure procedures to be drafted and presented to the EC and BOD for review and adoption in order to establish a framework for compliance by FMPA, with its disclosure and/or contractual obligations regarding the securities it issues or that are issued on its behalf, pursuant to the requirements of the disclosure undertakings made by FMPA in accordance with the provisions of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated by the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended, and other applicable rules, regulations, and orders ("Disclosure Procedures"), which shall be disseminated to FMPA staff. These Disclosure Procedures are intended to formally confirm and enhance FMPA's existing practices regarding compliance with federal securities laws relating to its disclosure responsibilities in order to:

a. **Educate:** To ensure that staff sufficiently understands FMPA's disclosure policy and FMPA's obligations under the federal securities laws and other applicable laws, and

b. **Reduce Borrowing Costs:** To reduce borrowing costs by promoting good investor relations, and

c. **Protect the Public:** To avoid damage to third parties from misstatements or omissions in, or failure to timely file, its disclosure documents, and

d. **Comply with Law and Contract:** To facilitate compliance with applicable law and existing contracts when preparing and distributing disclosure documents in connection with municipal finance offerings and continuing disclosure documents, and

e. **Reduce Liability:** To reduce exposure (of FMPA and its officials and employees) to liability for damages and enforcement actions based on misstatements and omissions in, or failure to timely file, its disclosure documents.

5.0 Interest Rate Hedging

As of May, 2015, no new interest rate hedging may be employed for the ARP unless specifically approved beforehand by the EC. The remainder of this Section is only applicable to other FMPA Projects or ARP interest rate hedges put in place prior to May, 2015. Upon any specific EC approval for the hedging of interest rates in the future, this Section would then apply.

FMPA and its Projects are exposed to volatility in interest rates both during the period between a known capital project and its associated debt issuance and with the issuance of any variable interest rate debt. Management defines interest rate hedging as balancing gains and losses to an asset by taking offsetting positions in a derivative product. FMPA's business purpose for the interest rate hedging program is to balance interest rate volatility risk with obtaining the lowest reasonable cost of capital. FMPA will not enter into interest rate hedging transactions that have no authorized business purpose, as determined by the DFT and affirmed by the appropriate governing body.

The use of interest rate swaps and any other derivative instruments such as interest rate caps or collars shall only be upon the express approval of the appropriate governing body, and pursuant to the requirements of this Policy. The CFO, as Chairperson of the DFT, shall present all interest rate hedging recommendations to the General Manager before such recommendations are made to any governing body.

The CFO, in consultation with the DFT, shall ensure active oversight of the interest rate hedging program according to these standards. See Section 7.0 for reporting requirements.

5.1 Hedging Objectives

FMPA's objective for interest rate hedging is to manage interest rate risk for each Project's debt portfolio. The benefits and risks of a specific interest rate hedge should be compared to fixed rate bonds or future interest rate projections, with consideration that an expected lower interest cost should be obtained if the derivative product contains an element of basis risk or if the product is long-dated (greater than 10 years in duration).

5.2 Transaction Management

The DFT shall review any interest rate hedging transaction before it is presented to the appropriate governing body for consideration. The DFT shall specifically review:

- Existence of associated debt
- Existence of all necessary project approvals, including all required regulatory approvals, prior to issuance or interest rate hedging authorization.
- Purpose of proposed interest rate hedge
- Type of interest rate hedge instrument and counterparty(s) to be used
- Duration of interest rate hedge
- Expected results and probabilities of achieving those results
- Risks of the interest rate hedge strategy or transaction

As Chairperson of the DFT, the CFO or designee shall notify rating agencies, applicable insurers and other interested parties before entering into an interest rate swap agreement.

5.3 Counterparty Risk

Interest rate swap counterparties must have long-term bond ratings of A1/A+ or higher when the interest rate swap transaction is entered into. Where possible, counterparties shall be required to collateralize their obligations if their ratings are down-graded below the counterparty's rating at the time the interest rate swap is entered into, dependent upon the specific terms of the approved ISDA agreement. Interest rate hedging counterparties must be specifically approved by the appropriate governing body.

The ~~Treasurer~~Treasurer and Risk Director shall notify the DFT of any collateral calls and/or collateral returns within 1 business day of such call/return.

The CFO shall report any default of an interest rate swap transaction by or with a counterparty to the DFT, General Manager and ~~AROC~~FC, EC and BOD chairs within 1 business day of such default.

5.4 Hedging Criteria

Products shall be favored which have well-established and liquid markets to facilitate liquidity of the hedging contract. Interest rate hedging products can be transacted on a negotiated or competitive basis, as determined by the DFT. Interest rate swap agreement documentation shall include a standard ISDA Master Agreement, a Schedule to the Agreement, a Credit Support Agreement or Guarantee (if required) and trade confirmations as the primary documents for terms and conditions.

5.5 Provider Diversification

No more than 35% of any single debt provider of a Project's total debt shall be hedged with interest rate swaps, caps or other hedging instruments, in the aggregate to be measured at the time of purchase and annually thereafter. In the event that a single debt provider exceeds the 35% maximum, the CFO shall cause such condition to be reported to the ~~AROC~~FC and submit for approval a strategy for addressing that condition, including an appropriate timeline for implementation.

5.6 Termination

The appropriate governing body must approve the initiation of optional termination by FMPA. In general, FMPA shall not agree to terms that permit a counterparty to terminate a swap at its unconditioned option unless giving the counterparty such right is in the best interest of FMPA, taking into consideration the purposes for and circumstances under which the Agency is entering into the swap. Criteria for termination/default events are found in each respective ISDA Schedule and/or agreement.

5.7 Collateral at Risk

The CFO shall cause any amounts posted for interest rate hedging collateral to be reported to the ~~AROC~~FC at each regular meeting along with a strategy for handling the collateral at risk level. Such strategy shall consider liquidity requirements, termination costs, rating downgrade posting thresholds, and the resulting impact on rates. Amounts posted for collateral shall also be included in the monthly swap report detailed in Section 7.1 below.

5.8 Dodd-Frank ISDA Compliance

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the implementing U.S. Commodity Futures Trading Commission (CFTC) regulations, including external business conduct standards applicable to FMPA, impose a number of new compliance obligations on FMPA in regards to providing information about its swap agreements. This Section 5.8 of the Debt Risk Management Policy is specifically focused on the Dodd-Frank Act compliance responsibilities of FMPA staff.

5.8.1 Recorded Communication

Each person at FMPA who has discussions with a swap counterparty regarding an existing swap transaction or a proposed swap transaction or the master agreement (including the related schedule and credit support annex, if applicable) that governs or will govern such swap transaction acknowledges and agrees that the discussions will be recorded by the swap counterparty and consents to the recording and agrees to sign an annual acknowledgement form stating that they acknowledge that they have read and understand the policies and procedures regarding discussions of swap documentation.

5.8.2 Dodd-Frank Supplement

FMPA will take the necessary steps to comply with its representations, agreements and notice requirements in the ISDA August 2012 DF Supplement, published on August 13, 2012 by the International Swaps and Derivatives Association, Inc., and in any other ISDA protocol documentation entered into by FMPA (directly or through incorporation by reference into existing ISDA master agreements) from time to time.

5.8.3 Qualified Independent Representative

FMPA will enter into a contract with a firm or firms that will have the qualifications to act as a qualified independent representative to FMPA in accordance with the requirements of CFTC Regulation §23.450 and its related safe harbor provisions. Each such contract will require the firm(s) to make representations and provide agreements to satisfy the requirements and safe harbor provisions of CFTC Regulation §23.450 in a manner satisfactory to FMPA.

5.8.3.1 FMPA shall utilize the services of such qualified independent representative when entering into, modifying or terminating (in whole or in part) any swap transaction.

5.8.3.2 FMPA shall monitor the continued performance of each qualified independent representative by requesting certifications annually, as a minimum, from each qualified independent representative restating that the representations and agreements in the contract described above (in Section 5.8.3) are true and correct and that no breach of the contract has occurred. Such certification shall include reference that any notice of failure of a representation or agreement provided by the qualified independent representative was true and correct and promptly provided.

6.0 Internal Controls

The CFO shall cause to be established a system of written internal controls to manage debt issuance and related activities, consistent with this Policy, established Debt Management Procedures and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. FMPA will continue to commit the resources necessary to debt management activities to be viewed by investors in the most favorable light, doing so with highest ethical principles, and consistent with all applicable rules and laws.

The Agency Risk Manager shall be responsible to review all documented internal controls and procedures established to ensure they comply with the FMPA Risk Management Policy and adequately mitigate all applicable risks. If, after review, the Agency Risk Manager identifies areas of concern, the documented internal controls weakness(s) will be communicated to the CFO and ~~AROC~~FC as appropriate.

The CFO or designee is responsible for issuance of debt. Accounting staff shall maintain accounting records for debt transactions, but shall not have any responsibility for the process of financing assets.

6.1 Policy and Procedure Compliance

The Agency Risk Manager shall cause compliance with this Policy and associated Procedures to be monitored on an ongoing basis. This shall include a review of policy compliance following *each* debt issuance. Any unresolved compliance issues will be presented to the ~~AROC~~FC by the Agency Risk Manager.

6.2 Post Issuance

Following the issuance of bonds for any project, the ~~Treasurer~~Treasurer and Risk Director shall cause the following requirements to be met:

- Primary Disclosure: As required by the Florida Division of Bond Finance.
- Continuing Disclosure: MSRB/EMMA as required, in compliance with SEC rule 15c2-12 concerning primary and secondary market disclosure.
- Arbitrage Rebate Reports: To be completed annually by a qualified third party. Amounts calculated as liabilities will be reported in the annual audited financial statements. Rebate payments, if required, will be paid for each bond issue as required by regulatory requirements.
- Investor Relations: See the Accounting, Internal Controls & Audit Policy; Appendix J of the FMPA Risk Management Policy, for financial reporting requirements.
- Economic Life Evaluation: ~~Treasurer~~Treasurer and Risk Director shall provide outstanding debt information in a timely manner to the System Planning Manager for any required evaluations of outstanding term to remaining economic life per the Power Supply & Resource Planning Policy, Appendix H of the FMPA Risk Management Policy.

7.0 Reporting

Required reports shall be obtained from information maintained in the Agency's treasury database software (such as Integrity) which is subject to ~~Risk Management~~ mid-office oversight. Reports not obtained from such software shall be subject to additional oversight as deemed appropriate by the Agency Risk Manager.

7.1 Debt Portfolio Reports

The ~~Treasurer~~Treasurer and Risk Director is responsible for completion of the following reporting requirements:

A. Monthly swap report to be posted on FMPA's member website and will include, at a minimum, the following:
   1) Description of each interest rate swap agreement, including the effective date, notional amount, pay and receive coupon rates, counterparty and any other relevant information as appropriate.
   2) Market value as of report date from an independent third party source (such as Bloomberg or FMPA's swap advisor). Value per counterparty may be used when independent market value is not widely obtainable.
   3) Collateral posting thresholds per counterparty.
   4) Collateral posted with/by counterparties.
   5) Interest earned on collateral postings.

B. Annual debt report presented to the EC and BOD at their first regularly scheduled meeting following approval of audited financial statements. Such annual debt report shall include, at a minimum, the following:
   1) Percentage of portfolio that is fixed rate, variable rate, and synthetic fixed rate at fiscal year-end.
   2) Total cost of debt (effective interest rate) per Project for the previous fiscal year.
   3) Interest rate swap counterparty diversification report.
   4) Debt outstanding for each Project by respective participant.

C. The ~~Treasurer~~Treasurer and Risk Director shall report on the current risk environment affecting FMPA's debt outstanding to the DFT, as needed. The DFT shall engage in any necessary discussion before recommending action to the appropriate governing body.

7.2 Post-closing Report

The CFO, as chairperson of the DFT, is responsible for completion of a post-closing debt report. Such report shall be made to the appropriate governing body at their next regular meeting following the closing of a debt financing transaction. The report shall include, at a minimum, the total cost of debt financing, type of debt issued and effect on the portfolio mix, any associated interest rate swaps, any credit enhancement, method of sale, and underwriter diversification for the Project.

7.3 Oversight Structure

The Agency Risk Manager shall cause any deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be completed by the ~~AROC~~FC as described in Section 7.0 of the FMPA Risk Management Policy.

Appendix A

Florida Municipal Power Agency Risk Management Reporting Calendar Debt Management Policy Reporting Requirements				
Reporting Item	Frequency of Report	Responsible Party	Policy Section Reference	Policy Category Reference
Collateral Call or Return	As Needed	~~Treasurer~~Treasurer and Risk Director	Section 5.2	Transaction Management
Swap Transaction Defaults	As Needed	CFO	Section 5.3	Counterparty Risk
Swap Diversity Exceptions	As Needed	CFO	Section 5.5	Provider Diversification
Collateral Posted	As Needed	CFO	Section 5.7	Collateral at Risk
Policy and Procedure Compliance	As Needed	Agency Risk Manager	Section 6.1	Policy and Procedure Compliance
Primary and Continuing Disclosure	As Needed	~~Treasurer~~Treasurer and Risk Director	Section 6.2	Post Issuance
Interest Rate Swap Report	Monthly	~~Treasurer~~Treasurer and Risk Director	Section 7.1	Debt Portfolio Reports
Recorded Communication Consent Form	Annually (As Needed)	~~Treasurer~~Treasurer and Risk Director	Section 5.8.1	Recorded Communication
QIR qualification attestation	Annually	~~Treasurer~~Treasurer and Risk Director	Section 5.8.3	Qualified Independent Representative
Annual Debt Report	Annually	~~Treasurer~~Treasurer and Risk Director	Section 7.1	Debt Portfolio Reports
Post-Closing Report	Upon Debt Issuance	CFO	Section 7.2	Post-closing Report
Deviations from Policy	As Needed	Agency Risk Manager	Section 7.3	Oversight Structure
Policy Operating and Effectiveness	Annually	~~AROC~~FC	Section 7.3	Oversight Structure

Appendix B

The table below shows the approved debt portfolio mix as described in Section 4.3 of this Debt Risk Management Policy.

LIMITS OF EXECUTIVE COMMITTEE DEBT PORTFOLIO MIX			
	Minimum Fixed Rate	**Maximum Fixed Rate**	**Maximum % of Debt w/ Interest Rate Swaps**
All-Requirements Project	60%	100%	25%

LIMITS OF BOARD OF DIRECTORS DEBT PORTFOLIO MIX			
Stanton Project	60%	100%	25%
Stanton II Project	60%	100%	25%
St. Lucie Project	60%	100%	25%
Tri-City Project	60%	100%	25%

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX C

INVESTMENT RISK MANAGEMENT POLICY

TABLE OF CONTENTS

INVESTMENT RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Investment Risk Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency (FMPA) may engage in activities to identify, measure and minimize future business risk resulting from the investment and management of FMPA's financial assets. This Policy is Appendix C of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee (EC) and Board of Directors (BOD) of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Sections 3.0 and 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse effect on FMPA's ability to invest funds of the Agency and its Projects in a manner that will balance investment return with principal security, such that FMPA will meet the daily and long term cash flow demands of the Agency and its Projects.

It is the Policy of the EC and BOD that:

- The investment program shall conform to all federal, state, and local legal requirements.
- Authority is delegated to the Chief Financial Officer (CFO) to create procedures to administer this Policy.
- The preservation of capital is the foremost objective of the risk-considered investment practice strategies.
- Investments using derivatives is prohibited unless specifically approved by the EC or BOD.
- The CFO shall establish benchmarks against which portfolio performance shall be compared regularly.

- Authority is delegated to the CFO to establish a system of written internal controls to regulate investment activities.
- The ~~Treasurer~~Treasurer and Risk Director and Risk Director shall provide investment reports for each regular meeting of the EC and BOD.
- Deviations from this Policy shall be reported to the ~~Audit and Risk Oversight~~Finance Committee (~~ARO~~FC).

This Policy is created to ensure the prudent management of the Agency's and its Projects' funds, and the availability of operating funds, bond proceeds and capital funds as needed. This Policy is applied individually to each Project, not in any combination of Projects. This Policy applies to all monetary assets of the Agency and all Projects with the exception of employee deferred contribution funds. The Agency's employees' employee deferred contribution funds are placed with a third party administrator and are self-managed by the employees.

The standard of prudence to be used by FMPA investment staff shall be the "prudent person" rule as defined in Florida Statute 218.415: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

2.0 Scope

Investments purchased by the Agency shall conform to all federal, state, and local legal requirements governing the investment of Public Funds, including all bond resolutions and ordinances adopted by the EC or BOD. Responsibility for investment decisions, including day-to-day transactions undertaken, is hereby delegated to the ~~Treasurer~~Treasurer and Risk Director or designated Treasury staff, under the direction of the CFO. No person may engage in an investment transaction except as provided under the terms of this Policy.

Positions authorized as investment signatories are: FMPA's General Manager and CEO, CFO, Chief Operating Officer-Power Resources, and Executive Officer Public Relations and

Human Resources. FMPA may appoint an outside investment manager as "Agent" for the Agency's cash and investment reserves. The outside investment manager must meet the requirements detailed in the Investment Procedures.

3.0 Types of Investment Risk

This Policy is intended to define responsibility, clarify investment goals, establish strategies, achieve stated goals and set up the method of evaluation and control of all investment operations. The CFO will cause Investment Procedures to be written that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the following provides insight into the major areas of investment risk exposure for FMPA

3.1 Credit Risk:

The risk that a change in the credit quality of an institution will affect the value of a security or portfolio. An example of credit risk might occur if the issuer of a bond that FMPA has purchased as an investment defaults on its obligations, causing the loss of some or all of the investment value. Such risks can be reduced by diversifying securities and maturities.

3.2 Liquidity Risk:

The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Some investments are highly liquid and have low liquidity risk (such as money market funds) while other investments are highly illiquid and have high liquidity risk (such as real estate). An example of liquidity risk might occur if FMPA attempted to convert an investment into cash for operating needs, but was unable to do so due to the illiquid nature of the security. Such risk can be reduced by selecting investments with the liquidity to meet FMPA's cash flow needs.

4.0 Investment Objectives

Investment selections should balance the primary objectives of FMPA's investment program. In priority order, the objectives are

4.1 Safety:

Preservation of capital in the overall portfolio is the highest of the risk based investment practice objectives. To attain this objective, investment securities shall be selected from those deemed authorized and suitable as described in Section 5.0 of this Policy. Speculative strategies shall not be undertaken. Management defines speculation as the process of selecting investments in an attempt to profit from fluctuations in prices.

4.2 Liquidity:

The portfolio should be structured so that securities mature concurrent with cash needs to meet anticipated demands. Investments considered to be liquid are those held until maturity where maturity is less than 3 months. A sufficient level of liquidity must be maintained to meet the next thirty days of expected operating expenses and other disbursements, plus an extra, reasonable amount to meet unusual and unexpected needs.

4.3 Return:

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio. Funds should be invested in high credit quality investment instruments (as allowed by Project Bond Resolutions and summarized in Appendix A) in anticipation of achieving a fair return. The methods used in selecting investments should balance market, credit, and liquidity risks.

5.0 Authorized and Suitable Investment Securities

FMPA is empowered by Ordinance 87-1, as amended, to invest in the types of securities listed in Appendix A for the Agency and its Projects. FMPA may swap securities for other securities to improve yield, maturity or reduce credit risk. Investment in securities that "derive" their value through financially engineered derivative indices or are highly interest rate sensitive are not permissible unless specifically recommended in writing and approved by the EC or BOD. FMPA will not allow leveraging (the borrowing of funds for the expressed purpose of reinvesting those funds), or invest in securities with a rating below that required in Appendix A at time of purchase. The ~~Treasurer~~Treasurer and Risk Director must report ~~to the Agency Risk Manager~~ on a monthly basis any security whose rating has fallen below the rating level identified in Appendix A after purchase and submit a rationale for maintaining such security if it has not been sold

5.1 Authorized Financial Institutions, Depositories, and Broker/Dealers:

The ~~Treasurer~~Treasurer and Risk Director will cause to be maintained a list of financial institutions and depositories that meet the qualifications detailed in the Investment Procedures and are authorized to provide investment services. An annual (each fiscal year) review of the ratings from national rating agencies and financial condition of all qualified financial institutions and broker/dealers will be conducted in accordance with Investment Procedures.

5.2 Method of Selection:

FMPA shall select securities which provide the highest rate of return within the risk parameters of this policy, given the current objectives, diversification, cash flow needs, and maturity requirements. Selection of securities shall be made using either competitive bids, wherein FMPA solicits proposals from at least three firms; or comparison to the current market price as indicated by one of the market pricing resources available, including but not limited to Bloomberg. Records will be kept of the bids or offers, the bids or offers accepted and if necessary a brief explanation of the decision which was made regarding the investment.

5.3 Maximum Maturities:

The funds of Agency and Project Operating accounts are invested to achieve a market rate of return while meeting the Agency's and its Projects' cash flow needs. FMPA will match investment maturities with known cash needs and anticipated cash flow requirements, not to exceed maximum maturity requirements.

Unless matched to a specific cash flow, FMPA shall invest securities maturing in accordance to Appendix B and the following.

Fund/Account	Invested to Mature as Shown
Operations and Maintenance Fund	
1. Operations and Maintenance Account	Within 12 months from investment date. (Depends on cash flow needs)
2. Working Capital Account	Within 5 years.
3. Rate Stabilization Account	Within 5 years.
Debt Service Fund	
1. Debt Service Account	Not later than when needed for payment to be made from such Account.
2. Debt Service Reserve	Not later than the final maturity date of any Bonds that are outstanding.
3. Subordinated Debt Fund	Not later than when needed for payment to be made from such Account.
Construction Fund or Proceeds Fund	Not later than when needed for payments to be made from such fund.
Reserve and Contingency Fund	
1. Contingency Account	Within 5 years.
2. Renewal and Replacement	Within 5 years.
General Reserve Fund	
1. General Reserve Account	Within 5 years or when needed to make payments.
Decommissioning	Not later than when needed. (Applicable only to St. Lucie)

5.4 Collateralization:

Collateralization, as detailed in the Investment Procedures, may be required for investments such as repurchase agreements and any approved investment agreement contract or agreement.

5.5 Diversification:

FMPA must diversify to avoid incurring unreasonable risks associated with over-investing in specific investments, individual financial institutions, maturities and in the future by geographic area or by any other reasonably determinable characteristic. Compliance with the specific diversification requirements shown in the chart below will be measured using market value at the time of purchase and monthly thereafter. In the event that a particular category exceeds the scheduled maximum percentage by 10% (for example, if Repurchase Agreements exceed 22%) for two consecutive months, the ~~Treasurer~~Treasurer and Risk Director must report such deviation ~~to the Agency Risk Manager~~ and submit for approval a strategy for handling each such deviation. For risks potentially resulting from investments with high concentrations of other characteristics not itemized in the chart above, the ~~Treasurer~~Treasurer and Risk Director should bring these investments to the attention of the CFO ~~and the Agency Risk Manager~~ for review. If the concentration risk is deemed significant enough by any one of the three noted here, the CFO must bring this concentration concern to the ~~AROC~~FC.

Diversification by Investment Type:	**Percentage at time of purchase:**
US Treasury Obligations	100%
Municipal Bonds (including FSA/FDA)(1)	100%
US Gov. Agency and US Gov. Sponsored Instrumentality	100%
Banker's Acceptances	50%
Commercial Paper	50%
Corporate Bonds and Notes (A or above)	10%
Florida Local Government Surplus Fund Trust Fund (SBA)	50%
Local Government Investment Pools	25%
Collateralized CDs and Time Deposits	25%
Money Market Mutual Funds	25%
Repurchase Agreements	20%
Guaranteed Investment Contracts (GICs)	15%*
Or as approved by the EC or BOD	

(1) Beginning with Version 5 of the Investment Policy, at time of purchase and measured monthly thereafter no more than 25% of total investments, exclusive of the FSA and FDA investments, can be from the same state, regardless of bond structure. Current investment portfolio, at adoption of this Policy revision is grandfathered; Treasury is not required to sell current portfolio to get to 25%., but cannot acquire more, if current portfolio is already to the 25% limit.

Diversification by Institution:	Percentage at time of purchase:
Money Market Mutual Fund	25%
US Gov. Agency by Agency	25%
Municipal Bonds by Issuer	20%
Commercial Banks (CDs, Time Deposits, or Commercial Paper)	10%
Bankers' Acceptance by Bank	10%

Diversification by Geographic Location:	Percentage of Portfolio
Within individual state	Not more than 25%
The limitation of investments within a state prior to May 21, 2015 was limited to 50%. The contents of any investment portfolio prior to this date is grandfathered and do not require adjustments to meet the current Policy limit of 25%. Any FSA and FDA investment is exempted from the 25% limitation.	

5.5.1 Exceptions:

Diversification percentages can be exceeded by approval from the EC / BOD.

5.6 Brokerage Accounts Equity Balance:

To maximize interest earning inflows, excess equity above the required margins or minimum balance in the FMPA chosen brokerage futures account can be invested in securities as allowed in Appendix A of this policy. Excess equity funds can be transferred out of the brokerage futures account only upon the approval of the CFO or designee.

6.0 Custody

All investment security transactions, including collateral for repurchase agreements, entered into by FMPA shall be settled on a delivery versus payment (DVP) basis. Securities will be held by a third party Custodian or Trustee designated by the CFO and evidenced by trade confirmations and bank statements.

All securities purchased by FMPA will be properly designated as an asset of the Agency or its Projects and held by a third party Custodial or Trustee institution. The Custodial or

Trustee institution shall annually (each fiscal year) provide a copy of their most recent report on internal controls (Statement on Standards for Attestation Engagements No. 16 (SSAE 16)). The ~~Treasurer~~Treasurer and Risk Director or designated Treasury Staff will provide this report, upon receipt, to the ~~Agency Risk Manager~~CFO.

7.0 Benchmarking Performance

The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates, taking into account investment risk constraints and cash flow needs. The CFO shall cause to be established a series of appropriate benchmarks against which portfolio performance shall be compared on a regular basis. Guidelines on selecting and managing benchmarks, which may include the use of duration and convexity as performance measurement tools, are contained in the Investment Procedures.

Any external investment managers, if hired, shall not independently select benchmarks. All benchmarks used by external investment managers must be approved by the CFO. Specific description and the source, including date of such benchmarks, should be provided in any external investment manager's performance report along with the exact methodology used in calculating the yields/returns on the portfolio and the benchmark.

8.0 Internal Controls and Ethics

The CFO shall cause to be established a system of written internal controls to regulate investment and related activities, consistent with this Policy and Investment Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. The controls shall be designed to meet the requirements as listed in Florida State Statute Section 218. As part of the year-end audit, the external auditors will be required to state whether the Agency has complied with Florida State Statute Section 218.415, regarding the investment of public funds.

The CFO and the ~~Treasurer~~Treasurer and Risk Director, or their designees, may do placement of funds. Accounting staff will not have any responsibility for investing funds. Further internal controls are established in the Investment Procedures to address safekeeping, repurchase agreement, collateral/depository agreements, banking service contracts, delivery vs. payment procedures, and separation of transaction authority from accounting and record-keeping, and may include security controls contained within Treasury software programs.

The Agency Risk Manager shall be responsible to review all documented internal controls and procedures established to ensure they comply with the FMPA Risk Management Policy and adequately mitigate all applicable risks. If, after review, the Agency Risk Manager identifies areas of concern, the documented internal controls weakness(s) will be communicated to the CFO and ~~AROC~~FC as appropriate.

8.1 Policy and Procedure Compliance

Risk Management staff shall ensure that compliance with this Policy and the Investment Procedures are monitored on an ongoing basis. Any unresolved compliance issues will be presented to the ~~AROC~~FC by the Agency Risk Manager at the next regularly scheduled meeting.

8.2 External Parties

All dealers, financial institutions, investment managers, or individuals, collectively referred to as the parties, investing on behalf of FMPA will be sent a copy of the Investment Policy by the ~~Treasurer~~Treasurer and Risk Director, along with a list of employees who are authorized to transact investment trades on behalf of FMPA. These parties will be required to respond, in writing, that the Policy was received, read, understood and will commit to adhere to the Policy. FMPA will pursue full recovery of all associated costs resulting from deviations from the Investment Policy.

8.3 Continuing Education

The CFO, ~~Treasurer~~Treasurer and Risk Director and other appropriate investment staff will be required to complete annually (each fiscal year) a minimum of 8 hours of continuing professional education (CPE's), or more as as required by State Regulations, in subject courses of study related to investment practices and products.

9.0 Reporting

The ~~Treasurer~~Treasurer and Risk Director will produce investment reports in accordance with Investment Procedures and provide these reports to the General Manager and the CFO as and when requested, but for no less than each meeting of the EC and/or BOD.

The CFO shall cause any deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be completed by the ~~AROC~~FC as described in Section 7.0 of the FMPA Risk Management Policy. The ~~Treasurer~~Treasurer and Risk Director shall report on the current risk environment affecting FMPA's investment program to the ~~Agency Risk Manager~~CFO as needed, and initiate and/or participate in any necessary discussion prior to moving items to the ~~AROC~~FC.

(See Also Glossary of Terms in FMPA's Risk Management Policy)

ACCRUED INTEREST: The interest to be paid on a security from the last interest accrual date to the settlement date. The buyer of the security pays the market price plus accrued interest. Also called "Purchased Interest".

AGENCY: Florida Municipal Power Agency.

AGENCY SECURITIES: Corporations, such as GNMA, FNMA or FHLMC, which have varying degrees of federal sponsorship and/or regulatory oversight.

ANNUAL AUDIT: The official audit report for FMPA. It includes combined statements for each individual fund and account group prepared in conformity with GAAP.

BASIS POINT: One one-hundredth of a percent (0.01 %).

BOND RATINGS: Evaluations by independent services such as Moody's, Fitch, or Standard & Poor's of a bond's investment quality and credit worthiness.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

CONVEXITY: A volatility measure, used in conjunction with duration, of how the price of a bond changes as interest rates change.

CORPORATE BONDS and NOTES: Public or private corporations and organizations issue corporate bonds and notes for the purpose of funding capital improvements, expansions, acquisitions or debt refinancing. Investors essentially are lending money to the issuer.

COUPON RATE: The amount of interest return based upon par value which the issuer agrees to pay the bondholder.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer (unsecured, no liens or pledges on specific assets).

DELIVERY VERSUS PAYMENT: Delivery versus payment is delivery of securities with an exchange of money for the securities.

DELIVERY VERSUS RECEIPT: (Also called free). Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value; e.g. U. S. Treasury bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DON'T KNOW (DK): A term designating the lack of knowledge of a delivery in a securities transaction.

DURATION: The weighted average time to the receipt of value of the future cash flows of a security weighted by the present value of each of the cash flows in the series. Duration is used as a measure of the relative sensitivity of the price of the security to a change in market required yield.

FACE VALUE: The dollar amount the issuer promises to pay the bondholder at maturity. Also called par value.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The FHLB play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing & Urban Development, H.U.D. It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM ("FED"): The Central Bank of the United States created by Congress and composed of the presidentially appointed Board of Governors in Washington, D.C., the Federal Open Market Committee, 12 Regional Federal Reserve Banks, numerous private U.S. member banks, and various advisory councils.

FORWARD DELIVERY AGREEMENT (FDA) and FORWARD SALE AGREEMENT (FSA): See "Forward Contracts" in Agency-wide Risk Management Policy Glossary.

FREE DELIVERY: See "Delivery versus Receipt".

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FMHM mortgages. The term "pass-through" is often used to describe Ginnie Mae.

GOVERNMENT SECURITIES: Securities that qualify under government securities are issued or guaranteed by more than 15 different entities/agencies of the U.S. government and corporations created by acts of Congress. Some are backed by the full faith and credit of the U.S. and some are not. The direct and guaranteed obligations of the U.S. government, where the securities are backed by the full faith and credits of the U.S., are considered AAA rated. A comprehensive listing of qualified investments for AAA financing is provided in Appendix A.

INTERNAL RATE OF RETURN (IRR): The discount rate that makes the present value (sum of the discounted values) of a cash flow of an instrument equal to the price of the instrument.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase--reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date a security comes due and fully payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUNICIPAL BOND: A bond issued by a political unit, such as a state, county, city, town, or village or a political unit's agencies or authorities. In general, interest paid on municipal bonds is exempt from federal income taxes and state and local income taxes within the state of issue.

NASD: National Association of Securities Dealers.

NEW HOUSING AUTHORITY BONDS: A bond issue by a local public housing authority to finance public housing secured by U.S. Government assistance agreements which guarantees full payment of interest and principal. Also called Public Housing Authority Bonds (PHA's).

OPEN MARKET OPERATIONS: Purchases and sales of government securities and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve’s most important and flexible monetary policy tool.

PAR VALUE: See "Face Value".

PAYMENT DATE: The date at which the interest on a bond is due.

PORTFOLIO: Collection of securities held by an investor.

PROJECTS: St Lucie, Stanton, All-Requirements, Tri-City, Stanton II

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state- the so-called legal list. In other states the trustee may invest in a security if it is one that would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state which has segregated eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REPURCHASE AGREEMENT (RP OR REPO): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on a specified later date.

RIDING THE YIELD CURVE: Buying long-term bonds in anticipation of capital gains as yields fall with the declining maturity of the bonds.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SEC RULE 15C3-1: See "Uniform Net Capital Rule".

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES ACT OF 1933: A federal law for the purpose of protecting the public in the issuance and distribution of securities by requiring full disclosure by the issuer.

SECURITIES AND EXCHANGE COMMISSION: The government agency responsible for regulating and supervising the securities industry.

SECURITIES EXCHANGE ACT OF 1934: A federal law for the purpose of protecting the public in the trading of securities on the stock exchanges and the over-the-counter market.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the yield curve.

TWO HIGHEST CREDIT RATING CATEGORIES: For long-term debt the two highest rating categories, namely AAA and AA, without regard to any gradation of that rating by a numerical, symbol or other such modifier however done by any of the different Rating Agencies. See table below. The two highest credit rating categories are highlighted. Likewise, short-term ratings of the two highest categories by rating firm are also highlighted. Table of ratings categories; partial listing of upper portion of complete table as herein needed:

Moody's		**S&P**		**Fitch**	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Aaa	P-1	AAA	A-1+	AAA	F1+
Aa1	P-1	AA+	A-1+	AA+	F1+

Aa2	P-1	AA	A-1+	AA	F1+
Aa3	P-1	AA-	A-1+	AA-	F1+
A1	P-1	A+	A-1	A+	F1
A2	P-1	A	A-1	A	F1
A3	P-2	A-	A-2	A-	F2
Baa1	P-2	BBB+	A-2	BBB+	F2

Please note, the table shown above is just the relevant part of a comprehensive ratings table in order to clarify the Investment Risk Management Policy meaning for the term "two highest credit rating categories."

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than ten years.

TREASURY NOTES: Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms, as well as nonmember broker-dealers in securities, maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Investment Risk Management Policy
Appendix A
Allowable Investments by Project

Agency, All Requirements, St. Lucie, Stanton, Stanton II and Tri-City Projects

Authorized Investments		Credit Rating/Security/Collateral
1.	U.S. Gov. obligations including Federal Agencies unconditionally guaranteed by the U.S. Govt.	Guaranteed by the U. S. Government.
2.	Non-callable bonds or other obligations of any U.S. State, Agency, Instrumentality or local Gov. unit.	Guaranteed by cash or U.S. Gov. securities or rated in the highest category by a nationally recognized bond rating agency.
3.	Bonds, debentures or other indebtedness issued or guaranteed issued by any Agency or Instrumentality of the United States of America.	Issued or guaranteed by any agency or corporation of the U.S. Gov.
4.	New Housing Authority Bonds and Project notes fully secured.	Fully secured by payment agreement with U.S. Gov.
5.	Direct and general obligations of any State, Agency or Instrumentality of the U. S. or any agency, instrumentality or local government.	Rated in either of the two highest credit rating categories.
6.	Obligations of any state agency or instrumentality of the U.S. Gov.	Rated in either of the two highest credit rating categories.
7.	Certificates that evidence ownership of the right to payment as long as those securities are those described above, under 1, and are held by a trust company or bank.	Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.
8.	Certificates that evidence ownership of the right to payment as long as those securities are those described above, under 1, and are held by a trust company or bank.	Guaranteed by the U.S. Gov.
9.	Certificates of deposit and banker's acceptance of the 50 largest banks in the U.S. or commercial paper issued by the parent holding company.	Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.
10.	Commercial Paper other than that issued by a bank holding co.	Rated in the highest rating category or issued by a U.S. Corp. which has an unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.
11.	Repurchase agreements with banks or trust companies.	Banks with combined capital of no less than \$50 million or primary dealer secured by securities described under 1, 3, 4, 9, or 10 above.
12.	Shares of Investment Companies organized under Inv. Co. Act 1940, which invests its assets exclusively in obligations described above, under 1, 6, 9, 10, or 11.	
13.	Local Gov. Surplus Trust Fund of the State of Florida.	
15.	Money Market Funds.	Rated in the highest category of comparable types of obligations.
16.	Investment agreements or guaranteed investment contracts.	Rated in the highest credit rating category.
17	CORPORATE BONDS and NOTES: Public or private corporations and organizations issue corporate bonds and notes for the purpose of funding capital improvements, expansions, acquisitions or debt refinancing. Investors essentially are lending money to the issuer.	Rated A or above

Allowable Investments by Project

(Continued)

Decommissioning Funds - St. Lucie Unit No. 2

	Authorized Investments	Credit Rating/Security/Collateral
1.	Securities or other obligations of the Federal, State government or any agency or instrumentality.	
2.	Time deposits or demand deposits of the Trustee.	Insured by an agency of the Federal Gov.
3.	Forward delivery agreements.	Guaranteed by any agency of the U.S. Gov.
4.	In accordance with instructions from FMPA subject to the provisions of Section 5 of the Trust Fund Agreement.	

Appendix B

Flow of Funds Under the Resolution

Pursuant to the Resolution, all revenues are deposited with FMPA to the credit of the Revenue Fund established under the Bond Resolution. In each month, funds are to be first transferred from the Revenue Fund to the Operation and Maintenance Fund (i) for credit to the Operation and Maintenance account in the amount, if any, required so that the balance credited to said Account shall equal the amount necessary for the payment of Operation and Maintenance Expenses for the succeeding month, (ii) for credit to the Working Capital Account in the amount budgeted therefore, and (iii) for credit to the Rate Stabilization Account in the amount, if any, budgeted therefore. After these transfers from the Revenue Fund, FMPA will make in each month the following deposits from the Revenue Fund in the order of priority set forth below:

First, to the Debt Service Account held by the Trustee, the amount required so that the balance in such Account (excluding capitalized interest on deposit therein in excess of the amount thereof to be applied to pay interest accrued and to accrue on all outstanding Bonds to the end of the then current calendar month) shall equal the Accrued Aggregate Debt Service;

Second, to the Debt Service Reserve Account held by the Trustee (and each sub account therein), after giving effect to any surety bond, insurance policy, letter of credit or other obligation deposited therein pursuant to the terms of the Resolution, the amount required to be deposited into such Account in such month to make up any deficiency in the Debt Service Reserve Requirement;

Third, to the Subordinated Debt Fund held by FMPA for credit to the various accounts therein, including the Offered Securities Account, the amount, if any, required to pay principal or sinking fund installments of and interest on each issue of Subordinated Debt (including the Offered Securities) and reserves therefore, as required by the supplemental Bond Resolution authorizing such issue of Subordinated Debt;

Fourth, to the Reserve and Contingency Fund held by FMPA (a) for credit to the Renewal and Replacement Account, the amount budgeted therefore, and (b) for credit to the Contingency Account the amount required for such account to equal the Contingency Requirement;

Fifth, for deposit to the Decommissioning Fund (which is not pledged to the Offered Securities), the amount budgeted therefore; (applicable for St. Lucie Project) and

Sixth, for credit to the General Reserve Fund held by FMPA, any remaining monies in the Revenue Fund.

Florida Municipal Power Agency Risk Management Reporting Calendar Investment Risk Management Reporting Requirements				
Reporting Item	Frequency Of Report	Responsible Party	Policy Section Reference	Policy Category Reference
Security Ratings Compliance	Monthly	~~Treasurer~~Treasurer and Risk Director	Section 5.0	Authorized and Suitable Investment Securities
Financial Condition	Annually	~~Treasurer~~Treasurer and Risk Director	Section 5.1	Authorized Financial Institutions, Depositories, and Broker/Dealers:
Diversification Percentage	Monthly	~~Treasurer~~Treasurer and Risk Director	Section 5.5	Diversification:
SSAE 16 Report for Trustees and Custodians	Annually	~~Treasurer~~Treasurer and Risk Director	Section 6.0	Custody
Policy Compliance Deviations	As Needed	Agency Risk Manager	Section 8.1	Policy and Procedure Compliance
Investment Reports	EC/BOD meetings	~~Treasurer~~Treasurer and Risk Director	Section 9.0	Reporting
Policy Operation and Effectiveness	Annually	~~AROC~~FC	Section 9.0	Reporting

RISK MANAGEMENT POLICY
APPENDIX D

FLORIDA MUNICIPAL POWER AGENCY

INSURANCE PROGRAM RISK MANAGEMENT POLICY

TABLE OF CONTENTS

INSURANCE PROGRAM RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY

This Insurance Program Risk Management Policy (the "Policy) and any effective subordinate procedures establish the governance, framework, and the controls under which Florida Municipal Power Agency (FMPA) may engage in insurance operations.

1.0 Policy Statement

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms in place, such as those more fully described in this Policy, that will control, transfer or mitigate these risks so that, to the extent possible, there will not be an adverse effect on FMPA's ability to protect its employees and material assets from damage or loss.

It is the Policy of the Board of Directors and Executive Committee that:

- Authority is delegated to the Treasurer and Risk Director~~Financial Planning and Analysis Manager~~ to create procedures and administer this Policy.
- Potential exposures to loss shall be systematically and continuously identified.
- An analysis of the balance of probability of frequency and severity of loss shall guide the selection of an optimal level of insurance coverage.
- Risk exposures shall be reduced, eliminated, or transferred to other parties where appropriate.
- The ~~Agency Risk Manager~~Treasurer and Risk Director shall report deviations and other reports as required in this Policy to the ~~Audit and Risk Oversight~~Finance Committee (~~AROC~~FC).

This Policy serves as a framework that enables the ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director to direct insurance activities by establishing minimum standards to systematically identify potential exposure to risk, measure the possible impact of those risks, and implement strategies to mitigate those risks.

2.0 Scope and Authority

This Policy applies to all aspects of the Agency's business and its Projects.

2.1 Delegation of Authority: The Board of Directors and Executive Committee delegate authority to the ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director to administer this Policy and oversee the day-to-day operation of this Policy. The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director may deviate from this Policy with approval of the General Manager, but must report all deviations to the ~~AROC~~FC within 5 business days.

2.2 Reporting Claims: All claims except workers' compensation shall be reported to and handled by the Risk Management ~~Department~~ Team (Agency Risk Manager and assigned staff) (RM~~D~~T). Claims related to workers' compensation shall be reported to and handled by the Human Resources Department.

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to safeguard the Agency's ability to limit exposure to financial loss events related to employees and material assets. The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall cause procedures to be written that identify the risks noted below and provide ways to measure, control, and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of insurance related risk encountered by FMPA during the normal course of the business cycle, the following provides insight into FMPA's risk exposure.

3.1 Operational Risk: The risk that internal practices, policies, procedures or systems will not perform as intended. An example of operation risk involving insurance might occur if a hurricane damaged the FMPA offices, but there was insufficient insurance to cover losses. This lack of adequate insurance could cause financial loss to FMPA.

3.2 Reputational Risk: The risk that customers or the public will negatively perceive the Agency. An example of reputational risk might occur if an employee is hurt while on the job and the Agency did not have appropriate worker's compensation insurance, resulting in negative public reaction. This negative perception could cause financial or reputation loss to FMPA.

4.0 Potential Exposures to Loss

The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director is responsible for overseeing Agency and FMPA Projects' liability and property insurance activities through the Insurance Program. This shall include a systematic and continuous identification of potential exposure to loss. Insurance needs other than liability and property are the responsibility of the Human Resources Manager.

4.1 Annual Review: The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall cause areas of potential exposure to be reviewed not less than annually. This review shall include, at a minimum, FMPA operations, services and service delivery methods, real and personal property and other exposures. The review shall also include an analysis of losses and loss history trends. An annual review of health and wellness plans is required by the Human Resources Risk Policy, Appendix N of this FMPA Risk Management Policy

4.2 **Exposure Awareness:** The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall cause activities to be conducted that will increase the level of awareness of division and department heads as to risk impact of new programs, projects, procurements, and activities.

4.3 **Reduce or Eliminate Exposure:** The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall cause systematic reviews of identified exposures to be completed and make recommendations to the appropriate manager or governing body as to the reduction or elimination of those exposures where feasible.

4.4 **Transfer Exposures:** All contracts entered into by FMPA that exceed $10,000,000, or other contracts at the discretion of the General Manager, shall be reviewed by the ~~RMD~~TRD to identify and reduce any contractual liability being assumed by FMPA. When determined appropriate by the ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director, FMPA shall transfer risk to persons operating FMPA facilities or performing any operations for or on behalf of FMPA whenever possible.

All contracts for services shall clarify the status of the contractor as an independent contractor, where appropriate. All contact and agreements are to be “Reviewed as to Form” and approved by the General Counsel’s office.

4.5 **Analysis:** The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall cause to be completed an analysis on remaining risk exposures for the probability of frequency and severity of loss, as well as the variety and types of claims and their probable financial impact. This analysis should contribute to the selection of an optimal level of insurance coverage. For risks that cannot be eliminated or transferred, FMPA shall either purchase insurance or self insure and handle claims as an operating cost.

5.0 Internal Controls

The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall cause to be established a system of written internal controls to regulate insurance activities, consistent with this Policy, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director is responsible for the day-to-day transactions undertaken, pursuant to this Policy, and for regulating the activities related to risk management. ~~of the RMD~~.

5.1 Competitive Selection of Insurance Services: The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall cause to be conducted a market review of brokerage and other needed services no less than every five (5) years. The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall review and update the insurance specifications for required coverage, desired forms, deductible options and limits prior to submission to the insurance market. The selection process shall follow the guidelines of the Procurement Policy, Appendix O of this FMPA Risk Management Policy.

5.2 Claims Procedures: The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall develop and implement procedures for the reporting and handling of accidents and losses related to property and liability claims. The Human Resources Manager shall notify FMPA's General Counsel, General Manager, and ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director when a workers' compensation claim has been made.

5.3 Continuing Education: The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director and other appropriate risk management staff are recommended to complete 8 hours of continuing professional education (CPE's), or as required by State Regulations, in subject courses of study related to risk management products and techniques.

6.0 Reporting

The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall make recommendations for levels of insurance and limiting exposures to the ~~AROC~~FC as necessary, but no less than once a year. The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall also provide an annual report to the ~~AROC~~FC no later than January 31 each year. This annual report shall include, but is not limited to, the following:

- Prior year actuals for premiums, claims and losses.
- Cost of insurance coverage.
- Change of coverage limits, amounts, or other material aspects of the policy within the current policy period year.
- Recommend changes to coverage limits, amounts or other material aspects of the policy within a future policy period.
- Any additional coverage purchases within the current or future policy periods.

The ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall cause any deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The ~~AROC~~FC shall cause to be completed an annual report on the operation and effectiveness of this Policy as described in the FMPA Risk Management Policy, Section 7.0. ~~Financial Planning and Analysis Manager~~Treasurer and Risk Director shall report as needed on the current risk environment affecting the insurance program to the General Manager as needed, and engage any necessary discussion before moving items to the ~~AROC~~FC or governing bodies.

APPENDIX A

Florida Municipal Power Agency				
Risk Management Reporting Calendar				
Insurance Program Reporting Requirements				
Reporting Item	**Frequency of Report**	**Responsible Party**	**Policy Reference**	**Policy Reference**
Deviations from Policy	As needed	~~Risk Manager~~ Treasurer and Risk Director	Section 2.1	Scope and Authority
Review of Potential Exposure	Annually	~~Risk Manager~~ Treasurer and Risk Director	Section 4.1	Potential Exposure to Loss
Market Review of Brokerage	Every 5 Years	~~Risk Manager~~ Treasurer and Risk Director	Section 5.1	Competitive Selection of Insurance Services
Worker's Compensation claims	As needed	HR ~~Manager~~ Director	Section 5.2	Claims Procedures
Annual Report	Annually by Jan 31	~~Risk Manager~~ Treasurer and Risk Director	Section 6.0	Reporting
Deviations from Policy	As Needed	~~Risk Manager~~ Treasurer and Risk Director	Section 6.0	Reporting
Policy Operation & Effectiveness	Annually	~~The AROC~~ Finance Committee	Section 6.0	Reporting

~~**APPENDIX B**~~

RISK MANAGEMENT POLICY
APPENDIX E

FLORIDA MUNICIPAL POWER AGENCY

CREDIT RISK MANAGEMENT POLICY

TABLE OF CONTENTS

CREDIT RISK MANAGEMENT POLICY
FLORIDA MUNICIPAL POWER AGENCY

This Credit Risk Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework, and the controls under which Florida Municipal Power Agency (FMPA) may extend credit to counterparties. This Policy is Appendix E of the FMPA Risk Management Policy.

1.0 Policy Statement

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms in place, such as those more fully described in this Policy, that will control, transfer or mitigate these risks so that, to the extent possible, there will not be an adverse effect on FMPA's ability to provide reliable, affordable power to its members.

It is the Policy of the Board of Directors and Executive Committee that:

- Authority is delegated to the ~~Agency~~Treasurer and Risk ~~Manager~~Director to create procedures to administer this Policy.
- This Policy shall apply only to those material transactions as defined herein or to transactions otherwise specified by the ~~Audit and Risk Oversight~~Finance Committee (~~ARO~~FC).
- Material transactions shall be transacted only with qualified counterparties.
- Counterparty transactions shall be approved by the appropriate body or bodies according to the approval threshold levels described herein.

- A list of active approved counterparty transactions shall accompany this Policy in Appendix A, and shall be updated as necessary.
- The ~~Agency Risk Manager~~Treasurer and Risk Director shall report deviations and other reports as required in this Policy to the ~~AROC~~FC.

This Policy serves as a framework that enables the ~~Agency Risk Manager~~Treasurer and Risk Director to minimize the financial impact of unfavorable outcomes of credit risks by establishing minimum standards to systematically identify potential exposure to credit risks and measure the possible impact of those risks.

2.0 Scope and Authority

This Policy applies to all material counterparty transactions (as defined in 2.2 below) in which FMPA extends credit to a counterparty. For this Policy "extends credit" is defined as any agreement where repayment or satisfaction to FMPA of a debt and/or claim to goods and services is deferred to some future date. Material transactions may include, but are not limited to, contracts, reoccurring vendors, purchase power agreements, construction vendors and limited use vendors.

2.1 Authority: The Board of Directors' and Executive Committee's authority to create this Policy is derived from the Interlocal Agreement establishing FMPA. The Board of Directors and Executive Committee have delegated authority to the ~~Risk Management Department~~Team (Treasurer and Risk Director and assigned staff (RM~~D~~T), as the operational arm of the ~~AROC~~FC, to administer this Policy. The RM~~D~~T may deviate from this Policy when deemed necessary but the ~~Agency Risk Manager~~Treasurer and Risk Director must report all deviations to the ~~AROC~~FC within 5 business days.

2.2 Materiality: For this Policy, materiality is defined as any transaction(s) involving a single counterparty where the present value of financial loss potential resulting from the counterparty's non-performance exceeds $10,000,000. All transactions for a single counterparty shall be included in the calculation of financial loss potential. The RM~~D~~T has authority to determine that specific transactions which are less than the materiality threshold but are determined to represent a significant credit risk to the Agency will be governed by this Policy, on a case-by-case basis.

3.0 Types of Credit Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to safeguard the Agency's ability to provide reliable affordable power to its Members. The ~~Agency Risk Manager~~Treasurer and Risk Director shall cause procedures to be written that identify the credit risks noted below and provide ways to measure, control, and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risk encountered by FMPA during the normal course of the business cycle, the following provides insight into FMPA's credit risk exposure.

3.1 Counterparty Risk: The risk that a counterparty will fail to deliver on an obligation. An example of counterparty risk might occur if a Member defaulted on a financial obligation due to FMPA under the terms of a power supply contract. This default would expose FMPA to potential financial loss as well as strategic and reputation risk. The level of concentration of the counterparty in the overall transaction portfolio can compound counterparty risk.

3.2 Transaction Risk: The inherent risk in all transactions that fraud, error, or changes to law, regulation or custom will place the expected performance of the transaction in jeopardy. Transaction risks generally increase as the time between entering into a contract and the delivery of goods and/or services increases. An example of transaction risk might occur if FMPA entered into a prepaid contract with a counterparty for future delivery of natural gas. If the Internal Revenue Service reinterprets their ruling on the legality of such transactions, the prepaid contract may become void and unenforceable. FMPA would then be exposed to the current market price of natural gas, which may or may not be favorable at the time of the non-performance. Again, the level of concentration of the counterparty can compound this transaction risk.

4.0 Evaluation and Approval of Counterparty Transactions

Managers are responsible for nominating counterparty transactions to the RM~~D~~T for evaluation. Upon nomination, Risk Management staff shall calculate the present value of financial loss potential. Transactions determined to be below the materiality threshold are not subject to this Policy. For material transactions, Risk Management staff shall conduct a counterparty credit evaluation and report the results to the nominating manager. The nominating manager shall then submit a formal written plan for managing the identified credit risks to the RM~~D~~T. The ~~Agency Risk Manager~~Treasurer and Risk Director shall cause to be established Credit Risk Procedures to facilitate the completion of the financial loss potential calculation and the credit evaluation.

4.1 Approval Thresholds: The following credit risk management approval thresholds apply to material counterparty transactions:

Present Value of Financial Loss Potential	Authority to Approve Credit
$10 million - $50 million	Risk Management ~~Department~~Team
$50 million - $100 million	~~Audit and Risk Oversight~~Finance Committee

Greater than $100 million	Governing Body (BOD/EC)

All material counterparty transactions and the accompanying credit risk management plan must be presented to the RM~~D~~T for approval. Upon RM~~D~~T approval, transactions greater than $50 million shall be forwarded to the ~~AROC~~FC for approval of the credit risk management plan. Upon ~~AROC~~FC approval, transactions greater than $100 million shall be forwarded to the appropriate governing body for approval of the credit risk management plan. The approvals prescribed here address the credit risk management plan for a counterparty transaction; all transactions are also subject to any applicable FMPA Policies on spending authorities or purchasing requirements.

4.2 Counterparty Transaction List: The ~~Agency Risk Manager~~Treasurer and Risk Director shall cause to be maintained a list of counterparty transactions that have been approved as described in Section 4.0 and are therefore subject to ongoing credit reviews. The Active Counterparty Transaction List is shown in Appendix A of this Policy. Appendix A shall be updated as necessary to reflect changes in active counterparty transactions and approvals by the RM~~D~~T, ~~AROC~~FC, Executive Committee and Board of Directors and is therefore exempt from Section 6.0 of the FMPA Risk Management Policy requiring Board of Director and Executive Committee approval for changes.

5.0 Reporting

The ~~Agency Risk Manager~~Treasurer and Risk Director shall cause a credit file to be maintained for each approved material counterparty transaction. The ~~Agency Risk Manager~~Treasurer and Risk Director shall cause each such file to be continuously monitored, and a formal review conducted every six months. This formal review shall include an analysis of credit extended and current credit balance to determine any credit limit overage. Any credit limit overage shall be documented in the counterparty's credit file and reported to the ROC within 5 business days. The ~~Agency Risk Manager~~Treasurer and Risk Director shall cause any other significant changes to the credit file to be reported to the ~~AROC~~FC as needed.

The ~~Agency Risk Manager~~Treasurer and Risk Director shall cause any deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be completed by the ~~AROC~~FC as described in Section 7.0 of the FMPA Risk Management Policy. Managers shall report as needed on the current risk environment affecting a proposed or current counterparty to the RM~~D~~T, and engage any necessary discussion before moving related items to the ~~Finance Advisory Committee or~~ ~~AROC~~FC.

APPENDIX A

ACTIVE COUNTERPARTY TRANSACTIONS LIST

This list contains the material counterparty transactions approved by the ~~Risk Management Department~~Team, ~~Risk Oversight Committee,~~ Executive Committee or Board of Directors on or after the effective date of this Policy. These active counterparty transactions have a credit file and are subject to ongoing credit review.

- AEGIS
- Bank of America
- Bank of New York
- Credit Agricole
- Citicorp
- Dexia
- Energy Mutual Insurance
- Florida Gas Transmission
- Florida Gas Utility
- Florida Power and Light
- FM Global
- Goldman Sachs
- Hartford
- JP Morgan Chase
- JP Morgan Ventures Energy
- Lakeland Electric
- Morgan Stanley
- Orlando Utilities Commission
- Quincy, City of
- SG Resources Mississippi, LLC
- Southern Company – Florida, LLC
- SunTrust
- Tampa Electric Company (Peoples Gas)
- The Energy Authority
- Transco
- UBS
- Wells Fargo

Updated August 19, 2011

APPENDIX B

Florida Municipal Power Agency
Risk Management Reporting Calendar
Credit Risk Reporting Requirements

Reporting Item	Frequency of Report	Responsible Party	Policy Reference	Link to Policy Reference
Counterparty Evaluation	As needed	~~Risk Manager~~ Treasurer and Risk Director	Section 4.0	Evaluation and Approval of Counterparty Transactions
Credit File Review	Every 6 months	~~Risk Manager~~ Treasurer and Risk Director	Section 5.0	Reporting
Credit Limit Overages	As needed	~~Risk Manager~~ Treasurer and Risk Director	Section 5.0	Reporting
Deviations from Policy	As needed	~~Risk Manager~~ Treasurer and Risk Director	Section 5.0	Reporting
Policy Operation & Effectiveness	Annually	~~The AROC~~ Finance Committee	Section 5.0	Reporting

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX F

CONTRACT MANAGEMENT POLICY

TABLE OF CONTENTS

CONTRACT MANAGEMENT RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Contract Management Policy (the “Policy”) and any effective subordinate procedures establish the governance, framework and controls under which Florida Municipal Power Agency (“FMPA”) may engage in activities to identify, measure and minimize future business risk resulting from the negotiation and execution of contracts or agreements as defined in Section 2.0 of this Policy. This Policy is Appendix F of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee (“EC”) and Board of Directors (“BOD”) of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Section 5.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the reliability of power supply, financial position or reputation of the Agency.

The following summarizes the Policy of the EC and BOD:

- FMPA shall follow all applicable federal, state and local laws concerning the negotiation and execution of contracts or agreements (Section 4.3).
- Authority is delegated to the General Manager to create procedures and ensure their administration pursuant to this policy (Section 3.0).
- Contracts are subject to the requirements of FMPA Risk Management Policies related to contract management, including but not limited to Appendix E Credit Risk Management Policy and the approved FMPA Procurement Policy (Section 4.0).
- All new contracts committing a financial or operational obligation upon the Agency with a term equal to or greater than seven years shall be approved by the appropriate governing body before being executed (Section 4.5).
- Terms and conditions of all contracts in force shall be monitored on an ongoing basis by the respective responsible Executive Officer for which the contract pertains. Each

respective Officer shall also keep the Office of the Chief Legal Officer informed regularly on all contract matters (Section 5.0).

- Deviations from this Policy shall be reported to the ~~Audit and Risk Oversight~~Finance Committee ("~~AROC~~FC") as prescribed in Section 4.1 of the FMPA Risk Management Policy (Section 8.0).

2.0 Scope

The Interlocal Agreement establishing the Agency grants FMPA the authority to enter into any contract or agreement necessary, including, but not limited to, contacts or agreements for the purchase, sale, prepayment, exchange, interchange, wheeling, pooling, transmission, distribution or storage of 1) electrical capacity or energy from any source, 2) all generation related fuel, and 3) any contracts or agreements establishing a financial or commodity transaction pursuant to a risk mitigation strategy/program approved by the applicable governing body. FMPA may also enter into contracts or agreements in its own name to employ agents or contractors, to acquire, construct, manage, maintain or operate buildings, works or improvements, and to acquire, hold, or dispose of property.

The By-Laws of the Agency state that within the constraints of the Agency budget the BOD may authorize any officer, employee, or agent of FMPA to enter into any contract, or execute and deliver any instrument in the name of and on behalf of the Agency. The By-Laws of the EC state that the EC may authorize any officer, representative, or agent of the Agency to enter into any contract, or execute and deliver any instrument in the name of and on behalf of the All-Requirement Power Supply Project. The General Manager or applicable Executive Officer, as approved by the BOD or the EC, may execute contracts on behalf of FMPA and affix the Seal of the Agency. The administration and monitoring of contracts and/or agreements with a term of one year or longer are the focus of this FMPA Risk Management Policy. The administration and monitoring of contracts and/or agreements of a shorter term duration are the responsibility of the Manager responsible for the function/purpose for which the contract/agreement was executed to the extent not specifically addressed by FMPA's Risk Management Policy. The General Manager, in consultation with the Chief Legal Officer, has ultimate responsibility for the administration of FMPA's contract management policies.

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels under which FMPA may enter into and administer contracts. The General Manager, in consultation with the Chief Legal Officer, will cause procedures to be written that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the following provides insight into the major areas of risk exposure related to contract management for FMPA.

3.1 Operational Risk

The risk that internal practices, policies, or systems will not perform as intended. An example of operational risk would be if a failure in FMPA's system of internal controls that allowed a contract to be negotiated and executed without the involvement of all affected or required areas of responsibility within FMPA. This failure in the control system could cause physical, financial and/or reputational harm to FMPA.

3.2 Legal Risk

The risk that the Agency may enter into an unauthorized deviation from any legal commitments bound through legislation or contract. An example of legal risk would be for FMPA entering into a contract that is later found to be illegal or in conflict with the governing documents of the Agency. This unlawful contract could lead the counterparty to bring legal action against FMPA, or result in legal action from other parties. Such an event would expose the Agency to financial and/or reputational damage.

3.3 Reputational Risk

The risk that Members and/or the public will negatively perceive the Agency. An example of reputation risk would be for FMPA entering into a contract with terms and conditions that were detrimental to the Agency based on what was known at the time of execution. A negative perception resulting from the execution of this contract by Members and/or the public could cause reputational and/or financial harm.

4.0 Contract Execution Approval

All FMPA contracts are subject to the requirements of this Policy, regardless of the department or division of origination with the exception of FMPA approved Policies that specifically state otherwise such as agreements associated with generator maintenance. This includes adhering to the requirements of the Credit Risk Policy and approved FMPA Procurement Policy.

4.1 Office of the Chief Legal Officer

FMPA's Chief Legal Officer has the responsibility for the legal review and approval of all contracts, agreements and other legally binding instruments for FMPA. Staff shall consult with the Office of the Chief Legal Officer before and/or during contract negotiations with any third party. The Chief Legal Officer shall be kept informed of all negotiations and will participate in such negotiations as appropriate. No proposed contract, nor any proposed contract amendment, may be submitted to the EC or BOD for approval prior to receiving "sign-off" from the Office of the Chief Legal Officer, in final or substantive form.

4.2 Enabling Agreements

Master Agreements or enabling agreements establish the general terms and conditions that govern any subsequent commodity or derivative product transaction with a counterparty. These Master Agreements are a prerequisite for doing business in today's commodity marketplace. They, by their very nature, only define general terms and conditions and do not commit FMPA to any form of financial of physical obligation. As such, FMPA is authorized to execute these types of enabling agreements without individual EC approval. However, these agreements must be reviewed and approved for legal content by the Office of the Chief Legal Officer prior to the execution of any such Master Agreement. Types of these enabling agreements include utility interchange agreements, NAESB form contracts, EEI form contracts, and ISDA form contracts.

4.3 Governing Authority

All contracts/agreements must adhere to the terms and conditions of the following FMPA governing authorities:

- Applicable federal laws and regulations (FERC, NERC, etc.)
- Florida State Statute
- FMPA's Interlocal Agreement
- The By-Laws of the EC and BOD

4.4 Negotiation

Favorable business parameters and requirements should be discussed internally by staff (including, as appropriate, the Office of the Chief Legal Officer) before negotiating with third parties. Contract negotiations shall be led by the appropriate Executive Officer with support from the Office of the Chief Legal Officer. The Executive Officer may designate staff to represent FMPA in any contract, agreement or Master Agreement negotiation. The following are required support functions for contract negotiations:

4.4.1 Audit Rights

~~Contract Compliance~~ Audit staff shall review contracts concerning full or partial ownership of assets to ensure needed of audit rights are addressed and any impacts relating to existing contract audit rights are identified. The ~~Contract Compliance Audit and~~Agency Risk Manager shall be consulted as to any needed audit right parameters.

4.4.2 Risk Management

The Agency Risk Manager shall be made aware of negotiations for any contract/agreement with a base term equal to or greater than 7 years or with a notional value in excess of $1.0 million regardless of term.

4.4.3 Insurance Requirements

Some types of contracts or other forms of agreements may require ensuring that the Agency is adequately protected in the event of accident, equipment failure, or other forms of incidents that might result in an FMPA liability, financial loss or claim. It is the responsibility of the negotiating staff member(s) to consult with the ~~Contract Compliance Audit and~~ Agency Risk Manager to ensure adequate indemnity and/or insurance requirements are stipulated in the terms and conditions of such agreements. No such agreement or contract shall be submitted for approval or executed without review of such indemnity and/or insurance requirements.

4.5 Approval and Execution

Upon the completion of negotiations, the responsible staff member shall complete the approval and execution process. All contracts, agreements, and/or Master Agreement will be reviewed and approved by the Office of the Chief Legal Officer prior to execution. Contracts/agreements with a term equal to or greater than 7 years or exceeding the parameters defined in Section 4.1 of the Origination Risk Policy must be presented to the appropriate governing body for approval. Contracts/agreements that obligate the Agency to pay more than the respective total non-fuel Operations and Maintenance Budget and total Project Capital Budget require governing body approval. Non budgeted items over the GM's then current approved spending authority must be reported to the appropriate governing body.

5.0 Contract Administration

Each Executive Officer shall cause all executed contracts within their respective purview to be monitored on an ongoing basis and maintain a list of all executed and unexpired contracts with a term of one year or longer. The listing will include all Master Agreements and identify the type and counterparty of each. All Non-Disclosure/Confidentiality agreements will also be included in this listing. This list shall include any date specific obligations of either FMPA or counterparty and identify which entity is accountable for such obligation. This listing is to be updated annually at a minimum. Monitoring will also include maintaining awareness of existing contractual relationships, terms and conditions, termination clauses, collateral posting obligations and any relevant current events which may impact the contract and/or related obligations.

This listing will be provided to the ~~Contract Compliance Audit and~~ Agency Risk Manager at the beginning of each fiscal year.

6.0 Internal Controls

The General Manager, in consultation with the Office of the Chief Legal Officer, shall cause to be established a system of documented internal controls by which FMPA may enter into and administer contracts, agreements and Master Agreements, pursuant with this Policy and in accordance with all policies and procedural guidelines established in FMPA's Risk Management Policy, all governing authorities and any other associated procedures established. .

6.1 Records Retention

All original contracts must be retained in accordance with the Records Management Policy, Appendix L of the FMPA Risk Management Policy. Each Executive Officer shall cause originals of executed contracts within their respective purview to be appropriately and safely retained.

6.2 Contract Compliance

The ~~Contract Compliance Audit and~~ Agency Risk Manager shall maintain a list of contracts containing audit rights. This list shall be reviewed annually for completeness. Annual audit plans should consider these audit rights to ensure that adequate reviews of contract compliance are completed and consistent with each respective right.

6.3 Policy Compliance

Each Executive Officer with executed contracts within their respective purview shall advise the Agency Risk Manager any compliance issues when discovered. Any compliance issues that remain unresolved in excess of forty- five days will be presented to the ~~AROC~~FC by the Agency Risk Manager at the next regularly scheduled meeting.

7.0 Reporting

7.1 Operation and Effectiveness Report

An annual report on the operation and effectiveness of this Policy shall be presented to the ~~AROC~~FC as described in Section 7.0 of the FMPA Risk Management Policy.

7.2 Manager Risk Environment Reporting

Each manager shall report on the current risk environment affecting FMPA's contracts and/or agreements to the Risk Management Department, as needed, and conclude any necessary discussions before presenting items to the ~~AROC~~FC or respective governing body.

7.3 Master Agreement Listing

On an annual basis as an attachment to the Operation and Effectiveness Report referenced in Section 7.1, a report will be included in the Agenda Packet of the ~~AROC~~FC that lists all Master Agreements with which a commodity transaction can be confirmed.

8.0 Oversight Structure

The Agency Risk Manager shall cause any material deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. Each manager responsible or Executive Officer responsible for negotiating/executing contracts/agreements affecting FMPA's risk exposure shall report on such current risk environment to the Risk Management ~~Department~~team and conclude any necessary discussion before presenting items to the appropriate governing body for approval.

Appendix A

Florida Municipal Power Agency Risk Management Reporting Calendar Contract Administration Policy				
Reporting Item	Frequency of Report	Responsible Party	Policy Section Reference	Policy Category Reference
Contracts Presented for Approval	As Needed	Respective Responsible Manager	Section 4.5	Approval and Execution
Update Executed Contracts List	Annually	Respective Responsible Executive Officer	Section 5.0	Contract Administration
Review of Audit Rights	As Needed/Annually	~~Contract Compliance Audit and~~ Agency Risk Manager	Section 6.2	Contract Compliance
~~Policy~~ Operation and Effectiveness	Annually	Agency Risk Manager	Section 7.1	~~**Error! Reference source not found.**~~Reporting
Master Agreement Listing	Annually	Agency Risk Manager	Section 7.3	Master Agreement Listing
Deviations from Policy	As Needed	Agency Risk Manager	Section 8.0	Oversight Structure

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY
APPENDIX G

STATUTORY AND REGULATORY MATTERS POLICY

TABLE OF CONTENTS

STATUTORY AND REGULATORY MATTERS RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Statutory and Regulatory Matters Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency (FMPA) may engage in activities to identify, measure and minimize future business risk resulting from existing statutory and regulatory matters as well as future changes in the statutory and regulatory environment. This Policy is Appendix G of the FMPA Risk Management Policy.

1.0 Policy Statement

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Section 5.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the financial position or reputation of the Agency.

It is the Policy of the Board of Directors and Executive Committee that:

- FMPA will follow all applicable federal, state and local laws.
- Authority is delegated to the General Counsel to create procedures to administer this policy.
- General Counsel shall be directly responsible for the handling of all legislative matters and regulatory proceedings involving the state legislature and Congress, and state and federal agencies, including but not limited to the Florida Department of Revenue (DOR), the Florida Public Service Commission (PSC), the Florida Department of Environmental Protection (DEP), US Department of Energy (DOE), US Environmental Protection Agency (EPA), and the Federal Energy Regulatory Commission (FERC).

- General Counsel shall have responsibility to direct staff of any department as needed to meet the needs of the Agency in responding to or participating in any legislative or regulatory matter as necessary to represent the interests of the Agency.
- The Director of Regulatory Affairs shall be responsible for the technical aspects of any regulatory proceedings and assist the General Counsel in administering such proceedings. The Director shall also be the case manager on all FERC legislative measures relating to the delivery of power to the FMPA and ARP members.
- The Regulatory Compliance Officer shall oversee all NAESB, NERC and FRCC compliance measures.
- Deviations from this Policy shall be reported to the ~~Audit and Risk Oversight~~Finance Committee (~~AROC~~FC).

2.0 Scope

FMPA has the authority to represent itself and its members on statutory and regulatory issues. All FMPA activities shall meet FERC, NERC, DOE, EPA, DEP, DOR, FPSC, and FRCC requirements.

The General Counsel has ultimate responsibility for administration of FMPA's statutory and regulatory matters policies.

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to ensure the effective and efficient generation of electric power. The General Counsel will cause procedures to be written that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risk encountered by FMPA during the normal course of the business cycle, the following provides insight into the major areas of statutory and regulatory risk exposure for FMPA.

3.1 Regulatory Risk: The risk of a potential adverse impact on FMPA from an action and direction from an administrative body such as FERC, DOE, EPA, DOR, or DEP. The risk is that a regulatory or legislative matter harms FMPA. For instance, legislative or regulatory action could make it impossible for FMPA to participate in base load generation projects to serve its All-Requirements Power Supply Project participants. Regulatory risk occurs at the local, state and federal level and could have direct impact on FMPA's strategic, operational or financial decisions.

3.2 Environmental Risk: The risk of potential losses associated with a generating or other facilities not complying with federal environmental or other regulations. Examples of environmental non-compliance include emissions violations and toxic spills. When a generating facility is in violation, there is the potential that generating output could be lost. FMPA must replace these generating units with other units or purchase the power at spot market prices that may exceed the cost expected from the failed generator. Substantial damage could also be incurred to the reputation of FMPA.

4.0 Statutory and Regulatory Oversight

The General Counsel, Director of Regulatory Affairs, and Regulatory Compliance Officer are responsible for overseeing regulatory and legislative matters as described in Section 1.0. This oversight includes the following functions:

4.1 Maintaining Records: All documentation of compliance measures taken by the Agency shall be maintained according to regulatory requirements and the Records Management Risk Management Policy.

4.2 Reporting: The General Counsel shall report at least annually to Executive Committee and Board of Directors an update on regulatory or legislative matters affecting the Agency. Regulatory or legislative matters that affect the risk exposure of the Agency shall be reported to the ~~Audit and Risk Oversight~~Finance Committee (~~AROC~~FC) as needed.

4.3 Violations: Any violation notices or any other notification of non-compliance with regulatory or legislative matters shall be reported to the Risk Management Department upon receipt and to the ~~AROC~~FC within 5 working days.

5.0 Internal Controls and Ethics

The General Counsel shall cause to be established a system of written internal controls to ensure compliance with all statutory and regulatory requirements, consistent with this Policy and Statutory and Regulatory Matters Procedures, and in accordance with all policies and procedural guidelines established in the Risk Management Policy.

5.1 Continuing Education: The ~~Assistant General Manager, Power Resources~~Chief Operating Officer and General Counsel shall ensure that appropriate staff maintains current knowledge regarding the statutory and regulatory matters.

5.2 Policy Compliance: Risk Management staff shall assist General Counsel in monitoring compliance with this Policy and associated Procedures.

6.0 Reporting

The General Counsel shall cause any deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The ~~Audit and Risk Oversight~~Finance Committee shall cause to be completed an annual report on the operation and effectiveness of this Asset Management and Operations Policy as described in the FMPA Risk Management Policy, Section 7.0. The General Counsel shall notify the Agency Risk Manager of the current statutory and regulatory risk environment affecting FMPA as appropriate.

Appendix A

Florida Municipal Power Agency
Risk Management Reporting Calendar
Statutory and Regulatory Reporting Requirements

Reporting Item	Frequency of Report	Responsible Party	Policy Reference	Policy Reference
Update to governing bodies	Annually	General Counsel	Section 4.2	Updates
Violations	As needed	General Counsel	Section 4.3	Violations
Deviations from Policy	As needed	General Counsel	Section 6.0	Reporting
Policy operation and effectiveness	Annually	~~AROC~~FC	Section 6.0	Reporting

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX H~~K~~

POWER SUPPLY AND RESOURCE PLANNING POLICY

TABLE OF CONTENTS

POWER SUPPLY AND RESOURCE PLANNING
RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY

This Power Supply and Resource Planning Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and controls under which Florida Municipal Power Agency ("FMPA") may engage in activities to identify, measure, and minimize future business risk resulting from planning long-term power supply resources. This Policy is Appendix H of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee (EC), as members of the All Requirements Power Supply Project (ARP), of FMPA recognizes that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Section 5.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the ability of the Agency to provide reliable and affordable power.

The following summarizes the Policy of the EC:

- FMPA shall follow all applicable federal, state and local laws or regulations concerning the planning of power supply resources.
- Planning for long-term resources to meet electrical load requirements shall consider all available reasonable alternatives and result in business strategies designed to achieve a highly reliable and economic power supply portfolio.
- An Integrated Resource Planning ("IRP") process shall be conducted, and the results presented to the EC no less than every other year.
- Authority is delegated to the Chief Operating Officer to create procedures in support of and to administer this policy.

- v Deviations from this Policy shall be reported to the ~~Audit and Risk Oversight~~Finance Committee (~~AROC~~FC).

2.0 Scope

The Interlocal Agreement forming FMPA states that the Agency may among other things undertake financing, acquiring, constructing, managing, operating, utilizing and owning capacity and energy supply resources, either with or without the participation of other electric utilities or any other joint electric supply project. The Agency is also empowered to investigate the desirability of and necessity for additional sources and supplies of electrical energy and associated fuel and delivery options without limitation. The planning of Agency power supply resources is conducted by the Power Resources Division.

For this Policy, “long-term resources” shall mean power supply resources where the need is projected to occur three years or greater into the future from the start of the planning period. Staff, under the direction of the Business Development and Planning Manager, shall coordinate with staff under the direction of the System Operations Manager for those power supply resources that are required within three years of the planning period. This Policy addresses long-term resource planning. The acquisition of short-term resources is addressed in the Origination Policy, Appendix ~~K~~H of this FMPA Risk Management Policy.

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to ensure effective planning for affordable and reliable power. The Chief Operating Officer will cause procedures to be written that identify risks in the areas noted below and provide ways to measure, control, and mitigate FMPA’s exposure to any identified risks. While not intended to be an all-inclusive listing of risks that may be encountered by FMPA during the normal course of its business cycle, the following provides insight into the major areas of long-term resource planning related risk exposure for FMPA and the ARP.

3.1 Operational Risk

The potential risk of loss resulting from inadequate or failed internal processes, people and/or systems, or events from external sources. An example of operational risk would be the FMPA planned long-term power supply resources were not adequate to meet forecasted electricity demand. This resource shortfall could cause the Agency to meet future electricity demands by less economical means than what could have been planned. This type of planning failure could also lead to financial and reputation harm.

3.2 Strategic Risk

The risk that the policies and actions of management and/or governing bodies do not promote the successful attainment of organization goals and objectives. An example of strategic risk might occur if the power supply alternatives considered during the planning process do not match the goals set by the Agency and/or the ARP. Such a mismatch of alternatives to goals and objectives could result in the Agency's failure to achieve the strategic goals of the ARP. Such a strategic failure could also lead to economic and reputation harm.

4.0 Long-Term Planning

At FMPA, long-term resource planning is an ongoing process conducted in accordance with prudent utility practice and policies or standards set by the Florida Public Service Commission and the Florida Reliability Coordinating Council (FRCC). Long-term planning considers appropriate supply and demand resources within the context of federal, state, and local goals and objectives. Staff, under the direction of the Business Development and Planning Manager, may utilize a variety of computer modeling and forecasting techniques and/or utilize third-party resources to assist in completing all required planning activities.

4.1 Reliability Standard

For planning purposes, reserve margins must be maintained at a minimum of 15% for each year of the planning period.

4.2 IRP

An Integrated Resource Planning (IRP) is a process by which the Agency sets long-term supply and demand strategies for the ARP. The IRP process shall provide a plan for an optimal mix of power supply and demand-side resources which provides a highly reliable least cost alternative to the Agency for meeting forecasted future load demand over the next 20 year period. The IRP process shall, at a minimum, consider the mix of needed resources, the size of those needed resources, the rate impact of resource alternatives, and current and/or potential legal and environmental requirements.

At a minimum, the Business Development and Planning Manager shall present the various supply-side and demand-side resource options developed during the IRP process to the EC for their review and approval.

4.3 Legal Filings

FMPA shall file a 10-Year Site Plan with the Florida Public Service Commission annually by April 1. FMPA shall comply with any and all other long-term planning requirements, whether at the local, state, or federal level.

5.0 Internal Controls

The Chief Operating Officer shall cause to be established a system of written internal controls to ensure effective planning for economic and reliable power supplies, consistent with this Policy and any associated Planning Procedures; all in accordance with procedural guidelines and policies of the FMPA Risk Management Policy.

5.1 Continuing Education

The Chief Operating Officer shall ensure that all applicable staff maintain current skills and knowledge regarding the long-term planning of power resources.

5.2 NERC Compliance

The Chief Information and Compliance Officer is responsible for ensuring compliance with North American Electric Reliability Corporation ("NERC") standards, including those standards which impact the planning process.

5.3 Policy Compliance

Risk Management team~~staff~~ shall monitor compliance with this Policy and all associated Procedures. Any unresolved compliance issues will be presented to the ~~AROC~~FC by the Agency Risk Manager.

6.0 Reporting

6.1 Power Resources

The Chief Operating Officer is responsible for causing the completion of the following reporting requirements:

6.1.1 IRP Reporting

The Business Development and Planning Manager shall present the following IRP related information to the EC:

6.1.1.0 Major Assumptions

Any major assumptions changes used in the IRP prior to the presentation of any dependent resource alternatives contained in the study. Appendix B illustrates the process and procedures that are followed.

6.1.1.1 IRP Study

The various supply-side and demand-side resource addition options developed during the IRP process for review and approval.

6.1.2 Ten Year Site Plan

The Business Development and Planning Manager shall present the filed 10-Year Site Plan as an information item to the Executive Committee at its May meeting or the first meeting thereafter.

6.2 Operation and Effectiveness Report

An annual report on the operation and effectiveness of this Policy shall be presented to the ~~AROC~~FC as described in Section 7.0 of the FMPA Risk Management Policy.

7.0 Oversight Structure

Agency Risk Manager shall cause any material deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The Business Development and Planning Manager shall report on the current risk environment affecting planning for long-term power supply resources to the Risk Management Team~~Department~~ as needed, and engage any necessary discussion before presenting items to the ~~AROC~~FC or governing bodies.

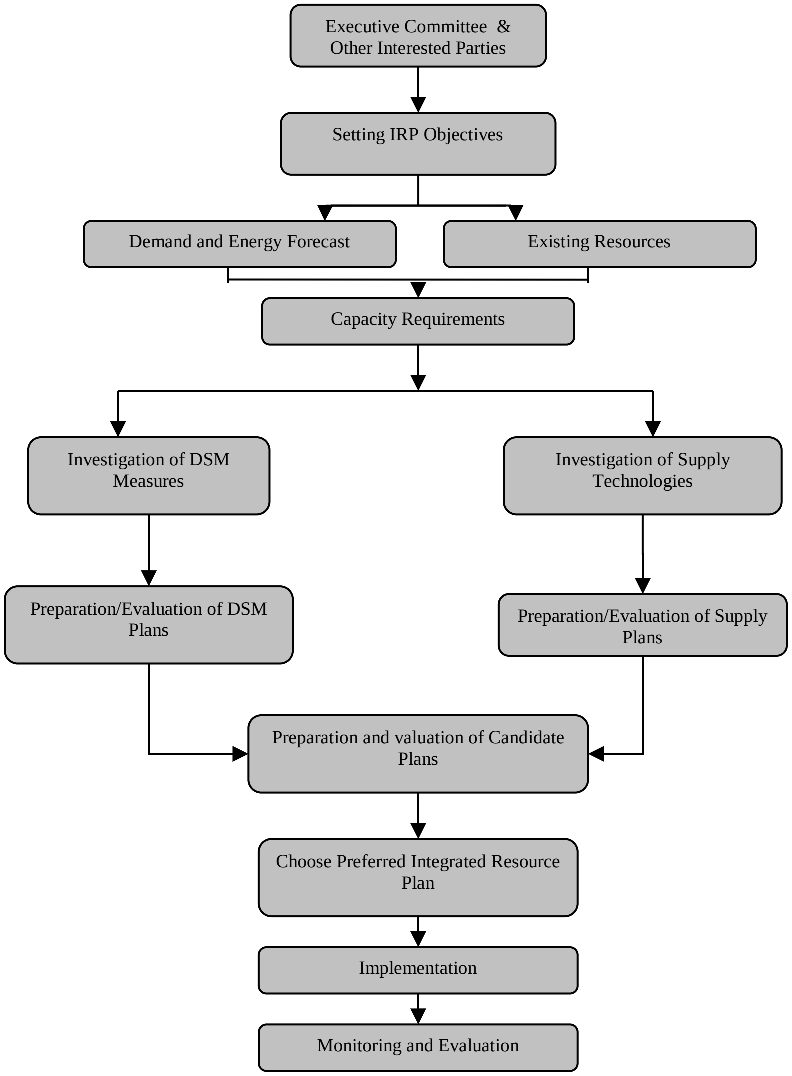
Appendix A

Florida Municipal Power Agency **Risk Management Reporting Calendar** **Power Supply and Resource Planning Reporting Requirements**				
Reporting Item	Frequency of Report	Responsible Party	Policy Section Reference	Policy Category Reference
IRP Major Assumptions	As needed	Business Development and Planning Manager	Section 6.1.1.0	Major Assumptions
IRP Study	Annually	Business Development and Planning Manager	Section 6.1.1.1	IRP Study
10 Year Site Plan	Annually	Business Development and Planning Manager	Section 6.1.2	Ten Year Site Plan
Policy Operation & Effectiveness	Annually	Agency Risk Manager	Section 6.2	Operation and Effectiveness Report
Deviations from Policy	As Needed	Agency Risk Manager	Section 7.0	Oversight Structure

Appendix B

FMPA Integrated Resource Planning Process & Procedure
Version 1, October 20, 2009

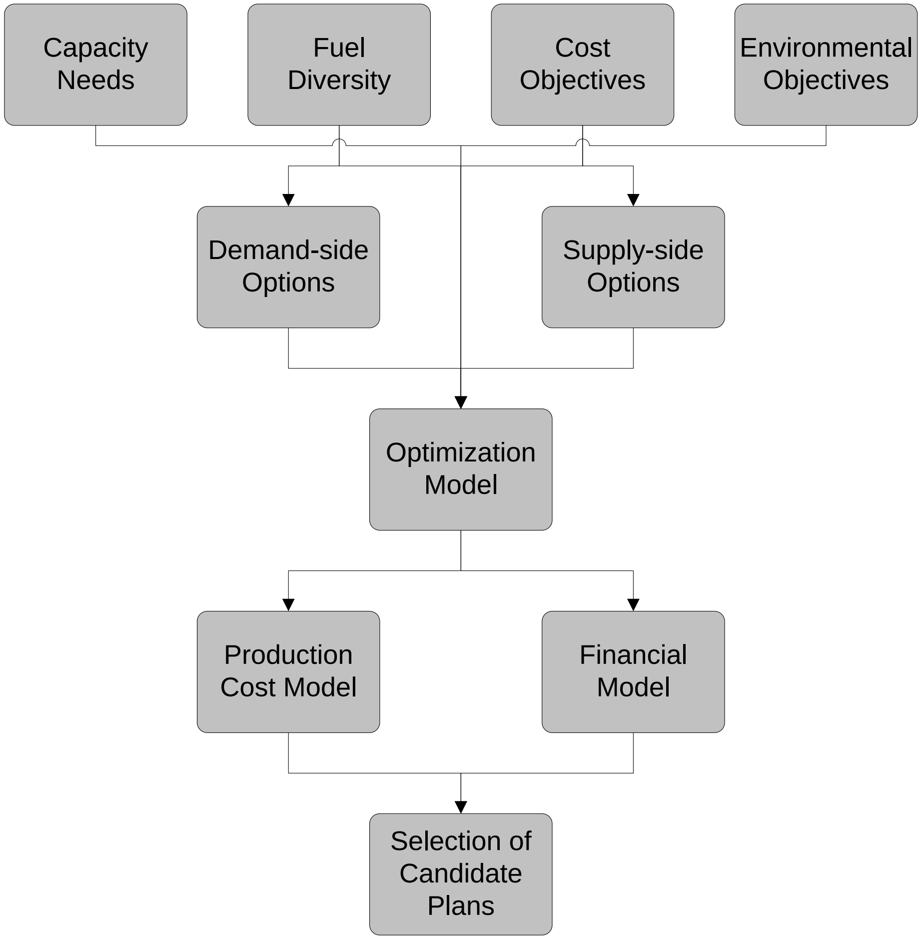
Integrated Resource Planning Process:



Appendix B

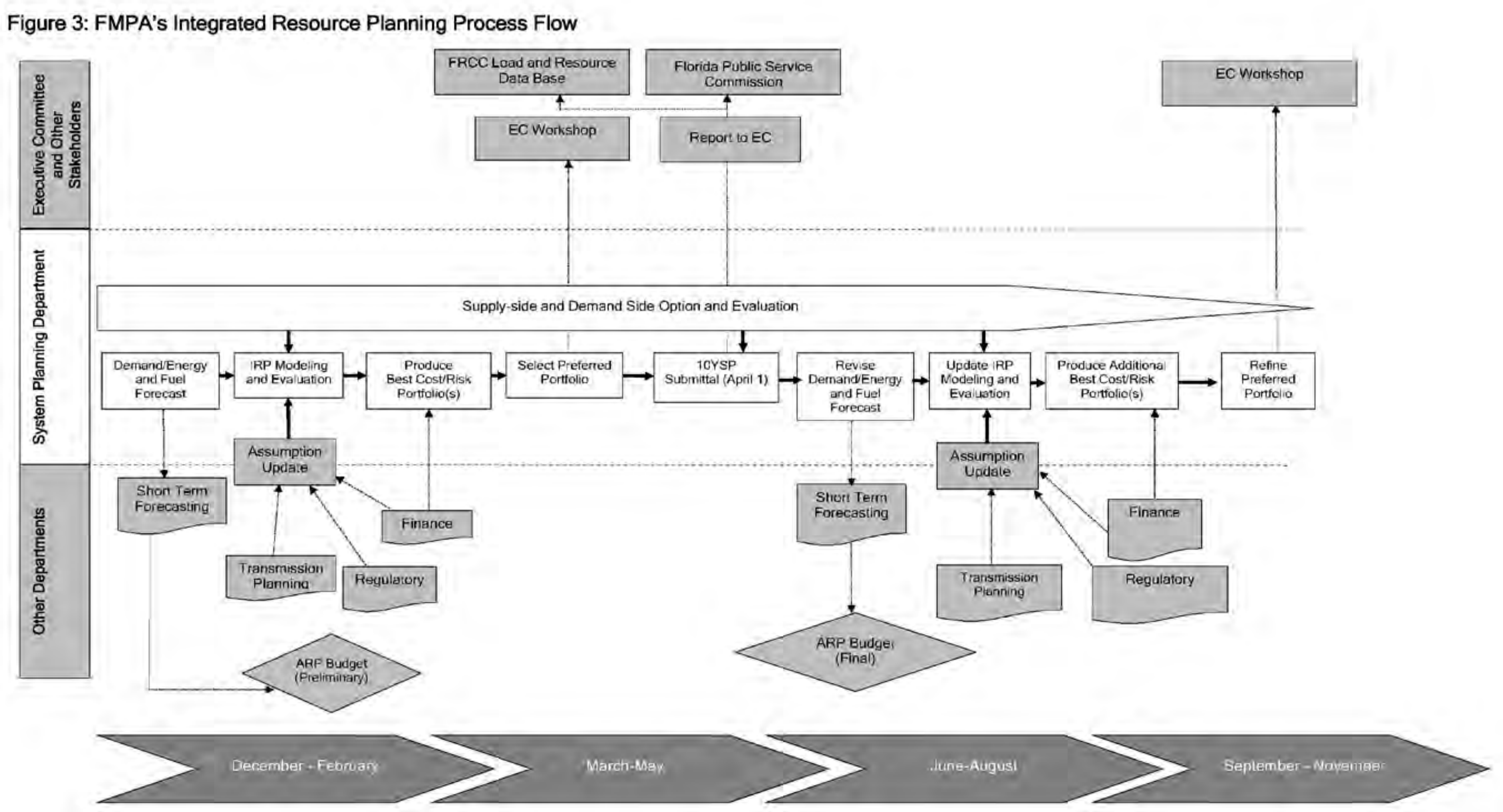
FMPA Integrated Resource Planning Process & Procedure
Version 1, October 20, 2009

Evaluation Process for Candidate Plans:



Appendix B

FMPA Integrated Resource Planning Process & Procedure
Version 1, October 20, 2009



FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX I

ASSET MANAGEMENT AND OPERATIONS POLICY

TABLE OF CONTENTS

ASSET MANAGEMENT AND OPERATIONS RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Asset Management and Operations Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and controls under which Florida Municipal Power Agency ("FMPA") may engage in activities to identify, measure and minimize future business risk resulting from the operation and maintenance of electric power generating units for which FMPA has operational oversight and control, referred to as ARP Generation (ie. Cane Island Power Park, 0Treasure Coast Energy Center, and Stock Island Generating Station). The operation & maintenance function at the above ARP Generation sites is outsourced to third parties referred to in this Policy as O&M Agents (ie. Kissimmee Utility Authority, Fort Pierce Utility Authority, and Keys Energy Services). This Policy is Appendix I of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee ("EC") of FMPA recognizes that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Sections 4 and 5 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the reliability of the All Requirements Project's ("ARP") generation assets or on the financial position or reputation of the Agency.

The following summarizes the Policy of the EC:

- FMPA shall follow all applicable federal, state and local laws concerning the operation and maintenance of electric power generating units.
- FMPA shall follow all applicable rules (i.e. NERC Standards, Environmental Standards, etc.) related to the operation and maintenance of electric power generating units and shall strive to maintain an environmental record of zero Notices of Violation ("NOVs") and/or fine assessments. (Section 5.1).
- Authority is delegated to the Chief Operating Officer (COO) to create procedures, as required, and to administer this policy. (Section 3.0)

- FMPA shall endeavor to achieve goals for each asset class as described in Section 4.3 herein.
- FMPA shall annually test the heat rates of non-peaking ARP generation units during the summer months. (Section 4.1.1)
- FMPA shall test ARP Generation peaking units when economically feasible but, as a minimum, at least every two years as described in Section 4.1.2 herein.
- FMPA shall perform an economic impact analysis for any materially significant deferred maintenance. (Section 4.2.1)
- FMPA shall communicate minimum safety standards for ARP Generation to each respective O&M Agent which support the goal of zero recordable safety incidents. (Section 4.4)
- Deviations from this Policy shall be reported to the Audit and Risk Oversight Committee ("AROC"). (Section 8.0)

2.0 Scope and Authority

FMPA has the authority to own or contract for the provision of electric power generation. This Policy applies only to those ARP owned generation facilities where FMPA has operational control and oversight, referred to in this Policy as "ARP Generation". FMPA is responsible for overseeing the operation and maintenance ("O&M") functions at ARP Generation facilities and must coordinate these activities effectively so as to ensure reliable system operation and optimization of the ARP's assets. O&M functions at ARP Generation facilities are currently outsourced to and conducted by O&M Agents pursuant to the respective governing O&M agreement between the Agent and FMPA.

The COO will coordinate efforts to maintain all ARP power supply resources to balance regulatory requirements, operational reliability, and maintenance to achieve an optimal economic solution using prudent utility practice and all applicable provisions of FMPA's Risk Management Policy. The Power Generation Fleet Director has responsibility to initiate and complete the selected solutions in accordance with this Policy. Pursuant to the governing O&M Agent Agreement, all O&M Agents are responsible for working with the Power

Generation Fleet Director for implementing selected solutions and following FMPA's guidelines as an integral part of meeting the goals established by the EC.

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to ensure the effective and efficient generation of electric power. COO will cause processes to be documented, as deemed appropriate, that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. The FMPA Risk Management Policy identifies ten risks comprising FMPA's common risk framework. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the following provides insight into the major areas of risk exposure for FMPA. The following selected framework risks are those risks normally encountered with generation management.

3.1 Volumetric Risk:

The potential adverse impact of unanticipated changes in demand (requiring the dispatch of either more or less generation) or availability of generating resources. FMPA faces fuel supply risk when there is uncertainty associated with the availability of generating units which may require the dispatch of less efficient units (higher heat rate). When generating units fail, the ARP must replace the lost MWs with other generation or spot market MWh purchases, resulting in higher costs than anticipated had the generating unit not failed.

Dynamic changes in weather can significantly impact demand. Reacting to these changes in demand can require changes to the dispatch of units thereby changing (either positively or negatively) the fuel requirements of the ARP. During periods of excessively hot or cold weather, ARP Member demand will increase. In Florida, there is also an ongoing threat of extreme weather (hurricanes or tornados), which could result in transmission and/or distribution outages. This could result in an interruption in the delivery of power to members and or their customers. Either situation can lead to an excess in fuel supply that must be sold into the market when prices are falling or an insufficient supply quantity that must be purchased when prices are rising. Either circumstance will cause an adverse financial impacts to the ARP.

3.2 Operational Risk:

The potential economic loss resulting from ineffective or inefficient operation of generation or the loss of generating assets, transmission, fuel supply facilities or other related assets. An example would be a sudden forced outage of a generating unit or station accident that results in the loss of power generation. When such a loss of generation occurs, additional energy (and possibly capacity) may be required by dispatching another (potentially less economic) generating unit or through the purchase of any needed capacity and energy from the spot market. Such action may increase costs and result in an adverse financial impact to the ARP. While both volumetric and operational risk may relate to generator outages, operational risk is concerned with system reliability implications, whereas volumetric risk would relate to the cost of replacement energy.

3.3 Environmental Risk:

The potential environmental impact associated with a failure to comply with federal or state environmental regulations or approved facility specific permits. Examples of environmental non-compliance include emission violations and/or toxic spills. When a generating station or other facility is in violation, there is the potential of fines being imposed and generating output lost. Any lost resource(s) would require replacement from other units or the purchase the power at spot market prices. Either action could cause result in an adverse financial impact to the ARP. Any environmental penalty could also result in an adverse public perception and damage the reputation of FMPA.

3.4 Regulatory Risk:

The potential adverse impact of an action or direction from a regulatory body such as, but not limited to, FERC, DOE, or EPA. An example would be if a legislative or regulatory action could make it impossible for FMPA to economically operate its generation assets to reliably serve the load of ARP members. Regulatory risk occurs at the local, state and federal level and could have a direct impact on FMPA's strategic, operational or financial decisions.

4.0 Generation Asset Operations and Maintenance

FMPA shall maintain effective operations and maintenance procedures to ensure that the ARP Generation assets maintain the desired level of efficiency based upon their respective operating profile in an economically appropriate manner. For example, a unit that is nearing its useful life and nearing a major maintenance recommendation to be performed, the associated expense may not be economically justified.

4.1 Operations:

FMPA shall follow Original Equipment Manufacturer (OEM) specifications for the operation of all non-peaking gas and steam turbine units over the economic life of the generation asset. The determination of the unit's economic life will be a collective effort of staff with the COO, or his designee, presenting staff's recommendation to the EC for approval, supported by economic and development models provided by System Planning. The OEM specifications differ between generation units and are updated as deemed necessary by the manufacturer. The latest individual unit OEM documentation can be found by referencing OEM publications such as the following or their equivalent:

- Technical Information Letters — TIL
- GE Reference — GER
- GE Requirements – GEK
- Performance Answer Case – PAC

Another sources of recommended maintenance can be obtained from other unit owners sharing their experiences through OEM User Groups.

4.1.1 Non-Peaking Unit Testing:

The Power Generation Fleet Director shall direct each O&M Agent to annually test the capacity and heat rate of each non-peaking unit during the summer months in order to document each unit's operating efficiency. The PI Historian will collect relevant data necessary for determining the heat rates of these units as well as other key operating parameters. Capacity testing is performed in compliance with NERC standards.

4.1.2 Peaking Unit Testing:

The Power Generation Fleet Director shall direct each O&M Agent to test the heat rate of each peaking unit as economically feasible, in order to document each such unit's operating efficiency. Such testing will be performed, as a minimum, at least every two years. Capacity testing is performed in compliance with NERC standards.

4.1.3 Fuel Oil Testing

All dual fuel capable units shall be tested to operate on fuel oil at least once per year. Results of all such tests shall be reported to the Agency Risk Manager and the System Operations Manager.

4.2 Maintenance:

FMPA shall follow prudent maintenance practices, following OEM specifications, for maintaining combustion turbines and steam turbines for all non-peaking units. When a generating asset is nearing the end of its economic life, the COO must prudently determine whether OEM specified maintenance is economically justified to perform. If not so justified, FMPA is authorized not to follow OEM specifications.

4.2.1 Deferment of Maintenance:

The Power Generation Fleet Director must coordinate any decision to delay/defer maintenance with the System Operations Manager to ensure adequate reserve margins are maintained. The Senior Financial Analyst will also be consulted to determine any adverse rate impacts upon ARP members resulting from such delay/deferment.

Any decision to defer/or not perform staff identified or OEM recommended maintenance must be reviewed and approved by the COO. If deferred, economically justified OEM recommended maintenance will be performed during the next regularly scheduled maintenance activity. The Power Generation Fleet Director shall then notify the Agency Risk Manager of any pending maintenance deferral along with supporting documentation prior to the submitting deferment plan to the General Manager for final approval. Concerns related to the future availability of capital parts and adverse impacts to related warranties will not be considered without supporting documentation.

4.2.2 Reliability Centered Maintenance ("RCM"):

FMPA will maintain the balance of plant and auxiliary equipment in accordance with RCM, not including transformers. RCM establishes safe minimum levels of maintenance, changes to operating procedures and strategies, and the establishment of capital maintenance regimes and plans based on historic operational data and maintenance history.

FMPA shall strive to ensure that long-lead critical items for base load gas and steam turbine units can be obtained within six month time frame from within the ARP fleet, provided through the OEM, or through a partnership fleet arrangement. The following items are excluded from this six month requirement: Iso-phase bus, disconnect switches, switchgear, and CTPT metering units.

4.2.3 Budget Review:

All capital/maintenance items costing in excess of $1 million that are being considered for inclusion during the annual budgeting process shall be presented to the Generation Review & Assessment ("GR&A") Group, as defined in Section 5.1 of the Fuel Portfolio Management Policy, Appendix A of the FMPA Risk Management Policy, for an economic review. The GR&A Group shall facilitate the determination that these projects are prudent and/or economically justified and should be included in the budget proposal submitted to the EC for approval.

The GR&A Group is composed of, at a minimum, the Agency Risk Manager, a Risk Analyst, the System Operations Manager and the Power Generation Fleet Director. The System Planning Manager will also participate as a member of the GR&A Group during these reviews. Other delegates may be assigned/removed as deemed appropriate by the General Manager.

4.2.4 Budget and Spending Authority:

Staff shall budget all necessary maintenance to ensure that reliability goals are appropriately established and achieved. The resulting ARP budget will be comprised of two primary categories for O&M, expenses and capitalized expenses. Once the ARP budget is approved, funds may not be shifted from either category for use in the other without obtaining prior approval by the applicable governing body.

The General Manager is granted the authority to approve budgeted capital items and budgeted non-fuel related O&M expenditures pursuant with existing contractual obligations. The General Manager also has authority to approve capital items or O&M expenditures which exceed the specified amounts in the approved budget, but is not authorized to exceed the aggregated total budget category for either capital or O&M expenses. When the General Manager exercises such granted spending authority for a non-budgeted expenditure pursuant to a new contractual obligation exceeding $200,000 for the term of such contract, this action must be reported to the EC at the next regularly scheduled meeting.

4.3 Generation Unit Availability Metrics:

The Power Generation Fleet Director shall present, on an annual basis, a report which details operating availability and reliability metrics of all ARP units. These metrics will be compared to related industry metric averages as a benchmark of FMPA’s overall maintenance program and in meeting the organization’s strategic and departmental goals as documented at the time.

Examples of the types of metrics that may be used are as follows:

- Equivalent Availability Factor or EAF
- Maintenance Outage Hours or MOH
- Planned Outage Hours or POH
- Forced Outage Hours or FOH
- Equivalent Forced Derated Hours or EFDH

4.4 Safety:

FMPA shall strive to prevent and/or eliminate all accidents at ARP Generation facilities and maintain a safe working environment. FMPA employees who are authorized to have unrestricted access to ARP Generation facilities will follow the most current APPA Safety Manual.

4.4.1 O&M Agent Safety:

Each respective O&M Agent is responsible for the safety of their employees working at each ARP generating facility and enforce their own respective safety standards. To the extent possible under the terms and conditions of each respective Agent O&M Agreement, FMPA shall encourage each Agent to utilize the most current APPA Safety Manual and communicate the minimum safety requirements that support a goal of zero reportable safety incidents. FMPA will also encourage each O&M Agent to comply with all aspects of the Occupational Safety and Health Act (“OSHA”) and any associated rules.

4.4.2 Safety Training:

Annual safety training of plant personnel is the obligation of the respective O&M Agent. In support of the O&M Agent safety training obligations, the Power Generation Fleet Director will communicate FMPA’s training goals and expectations for the coming Fiscal Year as an integral aspect of the respective Agent’s Operating Plan.

4.4.3 Accident Reporting:

All accidents must be reported immediately to the Agency Risk Manager. The Power Generation Fleet Director shall ensure that each ARP Generation facility provide, at a minimum, a quarterly statistical report to the Risk Management Department which details reportable accidents. For this Policy, accidents are defined as OSHA reportable lost time accidents and incidents of property damage.

4.5 Regulatory Adherence:

The COO shall ensure that all relevant NERC and CIP guidelines are followed and appropriate documentation exists to ensure compliance with any regulatory audits.

5.0 Environmental

FMPA recognizes that efficient resource use and concurrent protection of the environment are vital to provide benefit to FMPA members, surrounding communities and for the continued success of the ARP. FMPA shall strive to act as a responsible steward of the environment and shall take responsibility for achieving and maintaining compliance with environmental regulations, be responsive to local environmental needs, and where no regulations exist, shall implement appropriate standards.

5.1 Compliance:

ARP Generation facilities shall comply with Federal and State laws, rules and regulations for the environment. FMPA shall strive to achieve zero Notices of Violations (NOVs) or fines. The Power Generation Fleet Director is responsible for ensuring that all filings are complete, accurate and timely, and shall report any NOVs to the Agency Risk Manager upon receipt. When so notified, the Agency Risk Manager shall report the NOV at the next scheduled ~~AROC~~Finance Committee (FC) meeting.

In the event that FMPA discovers a possible violation and submits a "self-report" of the discovery, all such self-report submittals shall be reported to the Agency Risk

Manager prior to submittal and to the ~~AROC~~ FC at the next regularly scheduled meeting by the Power Generation Fleet Director.

5.2 Emission Allowances:

Allowance credits shall be managed by the Power Generation Fleet Director. Such activity shall include an annual evaluation of the expected allowance needs for the upcoming year with the Agency Risk Manager. At the end of each fiscal year, ARP Generation allowances must meet the anticipated needs for the next fiscal year. Staff may purchase allowances to achieve this level, as appropriate. Excess credits shall be reviewed for possible sale to third parties. The General Manager must approve any sale of excess credits prior to execution.

6.0 Internal Controls

The COO shall maintain evidence of a system of internal controls, as deemed necessary, to ensure the safe and efficient operation and maintenance of the ARP generation assets, consistent with this Policy and associated procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. FMPA shall use a cost-benefits analysis when making decisions regarding the implementation of internal controls.

6.1 Continuing Education:

The COO shall ensure that appropriate staff maintains current knowledge regarding the operation and maintenance of electric power generating units related to the ARP generating assets.

6.2 Policy Compliance:

The Agency Risk Manager shall monitor compliance with this Policy and associated procedures and report such on an annual basis.

Any unresolved compliance issues will be presented to the ~~ARO~~FC, as needed, by the Agency Risk Manager.

7.0 Reporting

The COO is responsible for causing the completion of the following reporting requirements:

7.1 O&M Report:

The Power Generation Fleet Director shall report to the ~~AROF~~C annually a review of ARP Generation for the prior fiscal year. This report shall include, at a minimum, for each ARP Generation asset:

- Material maintenance deferrals approved by the General Manager
- Net heat rate
- Net generation
- Generation Availability Metrics
- Number of reportable accidents

7.2 Environmental Report:

The Power Generation Fleet Director shall annually report to the ~~AROF~~C on the ARP's environmental compliance for the prior year. This report shall include, at a minimum, the emissions for each ARP Generation asset as compared to regulatory and permit allowances.

8.0 Oversight Structure

The Agency Risk Manager shall cause any material deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be presented to the ~~Audit and Risk Oversight~~Finance Committee as described in Section 7.0 of the FMPA Risk Management Policy. The Power Generation Fleet Director shall report on the current risk environment affecting FMPA's generation assets to the Risk Management ~~Department~~Team as needed, and engage any necessary discussion before moving items to the appropriate governing body.

Appendix A

Table will be conformed once the Policy Content is finalized.

Florida Municipal Power Agency Risk Management Reporting Calendar Asset Management and Operations Policy				
Reporting Item	Frequency of Report	Responsible Party	Policy Section Reference	Policy Category Reference
Generation Unit Testing	Annual	Power Generation Fleet Director	Section 4.1	Operations:
Spending Authority Use Activity	As Needed	General Manager	Section 4.2.4	Budget and Spending Authority:
Generation Unit Availability	Annual	Power Generation Fleet Director	Section 4.3	Generation Unit Availability Metrics:
Accidents at Generation Facilities	As Needed	Power Generation Fleet Director	Section 4.4.3	Accident Reporting:
Statistical Safety Report	Quarterly	Power Generation Fleet Director	Section 4.4.3	Accident Reporting:
Known Regulatory Issues	As Needed	COO	Section 4.5	Regulatory Adherence:
All regulatory Self-Reports	As Needed	Power Generation Fleet Director	Section 5.1	Compliance:
Environmental Notice of Violation	As Needed	Agency Risk Manager	Section 5.1	Compliance:
Policy Compliance	As Needed	Agency Risk Manager	Section 6.2	Policy Compliance:
O&M Report	Annual	COO	Section 7.1	O&M Report:
Environmental Report	Annual	COO	Section 7.2	Environmental Report:
Policy Operation and Effectiveness	Annual	Agency Risk Manager	Section 8.0	Oversight Structure

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX J

ACCOUNTING AND INTERNAL CONTROLS POLICY

TABLE OF CONTENTS

ACCOUNTING AND INTERNAL CONTROLS RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Accounting and Internal Controls Risk Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency ("FMPA") may engage in activities to identify, measure, and minimize future business risk resulting from accounting processes and asset control. This Policy is Appendix J of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee ("EC") and Board of Directors ("BOD") of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA staff is hereby authorized to put mechanisms into place, such as those more fully described in Sections 4.0 through 6.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the financial position of the Agency.

The following summarizes the Policy of the EC and BOD:

- All funds, property and securities of the Agency shall be recorded in accordance with prudent utility practice, generally accepted accounting principles, and all requirements set forth by law and/or regulation as required in Section 2.0.
- An independent external audit of the Agency's financial statements shall be completed each year by a certified public accountant as detailed in Section 5.0.
- Authority is delegated to the Chief Financial Officer ("CFO") to establish a system of documented internal controls to safeguard assets and assure reliability of financial reporting and compliance with applicable laws and regulations as detailed in Section 6.0.

- Authority is delegated to the CFO to create procedures to facilitate the management of all accounting functions and to implement this Policy as described in Section 3.0.
- The CFO shall render to each regular meeting of the EC and BOD a report on the financial condition of the Agency as detailed in Section 0.
- The ~~Agency Risk~~Audit Manager shall report deviations from the requirements of this Policy to the ~~Audit and Risk Oversight~~Finance Committee ("~~ARO~~FC").

2.0 Scope

This Policy creates a framework that enables the CFO to cause full and accurate records of all transactions of the Agency to be maintained in accordance with all applicable accounting standards, general laws, regulations, bond covenants and other standards or requirements as set forth in the Agency's Interlocal Agreement and/or By-laws.

The CFO manages the Finance Division within FMPA and is responsible for causing this Policy to be adhered to throughout the Division.

This Policy applies to all material accounting transactions into which FMPA enters. Transactions include, but are not limited to, all project and member revenue billings, sales for resale, accounts receivable, inventory, fixed assets, expenditures, and accounts payable.

The materiality standard for this Policy is FASB Statement of Financial Accounting Concepts No. 8, Qualitative Characteristics of Accounting Information. It states: "The omission or misstatement of an item is material if, in the light of the surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item."

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to safeguard the Agency's assets. The CFO will cause procedures to be written that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. The FMPA Risk Management Policy identifies ten risks that compose FMPA's common risk framework. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the framework provides insight into the major areas of risk exposure for FMPA. The following selected risks in the framework are those risks presented by typical financial and contractual transactions.

3.1 Administrative Risk:

The potential of financial loss due to deficiencies in internal control structure and management reporting due to human error, fraud or system failure. An example of administrative risk that would affect financial transactions might occur when a failure in the system of controls allows a single employee to falsify or misrepresent a transaction, or other types of fraud. This failure in the control system could cause financial and/or reputation loss to FMPA.

3.2 Reputational Risk:

The potential losses incurred when stakeholders or the public negatively perceive an organization. An example of reputational risk might occur if a prior year's audit report is restated due to a material misstatement. Such a restatement could cause negative perception of the Agency by stakeholders such as member cities, bondholders and credit rating agencies, which could result in a financial loss.

4.0 Accounting Department

The Accounting Department is responsible for ensuring that all funds, property and securities of the Agency are recorded in accordance with prudent utility practice, generally accepted accounting principles, and all requirements set forth by law and/or regulation. These activities will be governed by accounting procedures and the following practices.

4.1 Basis of Accounting:

FMPA has chosen to follow accounting pronouncements as set forth in the Governmental Accounting Standards Board (GASB). All FMPA Projects' general ledgers and subsidiary ledgers are to be maintained with the Uniform System of

Accounts of the Federal Energy Regulatory Commission and in conformity with generally accepted accounting principles using the accrual basis of accounting.

The Agency has elected to follow the accounting methods for regulatory operations of GASB 62. This accounting guidance, referred to herein as "GASB 62", relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process.

The Controller shall present all current and any new proposed GASB 62 transactions for approval by the ~~AROC~~FC prior to the end of each fiscal year.

4.2 Accounting Cycle:

As established in Article I, Section 4 of the Interlocal Agreement, FMPA's fiscal year will commence October 1 and end September 30. During the fiscal year-end processing, the year-end closing time will be extended to facilitate the financial statement audit.

After the last day of the month, Accounting staff shall begin month end processing to close out all accounts and prepare any required month end reports and financial statements. Accounting staff will complete month end closing no later than 30 days after the last day of the previous month.

4.3 Inventory:

- The ~~Agency Risk~~Audit Manager shall cause a physical count of inventory to be conducted at least every other year at ARP generation facilities under FMPA control. Such count shall include a review for obsolescence.
- The Power Generation Fleet Director shall maintain procedures which detail the following for material assets: setting of minimum and maximum inventory levels and appropriate turnover ratios, and controls over changing such levels.

- Allowable inventory levels for natural gas and fuel oil storage are set in the Fuel Portfolio Risk Management Policy, Appendix A of the FMPA Risk Management Policy.

4.4 Accounts Payable:

- FMPA shall strive to pay all presented invoices by the due date.
- Spending authority levels for all staff are approved during the annual budget process.
- All invoices shall be routed through an electronic A/P system,
- Invoices showing a credit only shall also be approved by the appropriate manager.
- Monthly financial statements presented to any governing body shall include a list showing any outstanding invoices greater than 60 days past receipt of invoice in A/P system and also include a brief description of the cause for any invoices greater than 90 days past receipt of invoice.

4.5 Accounts Receivable:

- The Credit Risk Policy and Contract Management Risk Policy, Appendix E and F respectively, of the FMPA Risk Management Policy define responsibilities for contract initiation and management.
- The Accounting Department is responsible for the collection process of accounts receivable but not the administration and management of contracts.
- The Accounting Department is responsible for Project Participant and power sales billing.
- The Controller will issue Project Participant invoices by the 10th calendar day of each month, using estimates if necessary to ensure adherence to the respective Bond Resolution requirements of receiving payment by the 25th day of the billing month.
- Monthly financial statements presented to any governing body shall include a list showing any outstanding accounts receivable greater than 60 days past due

and also include a brief description of the cause for any accounts receivable greater than 90 days due.

- Accounts receivable greater than 12 months old at year-end shall be evaluated for potential write-off. All write-offs must be approved by the General Manager and CEO. Write-offs above the General Manager's spending authority level must also be approved by the appropriate governing body prior to write-off.

5.0 External Audit:

Article VI, Section 5 of the Interlocal Agreement states: "The EC and BOD, as appropriate, shall at least once per year cause an independent external audit to be made of the Agency's books and accounts by a certified public accountant." This Policy further requires that the audit be performed by a CPA firm licensed to practice within the State of Florida.

The purpose of the audit is to determine if the Agency's financial statements and associated disclosures fairly present, in all material respects, the financial position and results of operations for the year then ended, in conformity with accounting standards generally accepted in the United States.

5.1 Auditor Qualification:

The selected audit firm shall have a well-established audit practice with adequate technical training and proficiency to perform the required audit, as defined in the Statements on Auditing Standards No. 1.

5.2 Selection of Auditor:

Qualified accounting firms will be invited to submit a proposal for audit services to be considered for selection. The proposal must document the firm's qualifications, applicable experience, and fee structures. The CFO shall provide submitted proposals to the ~~AROC~~FC. The ~~AROC~~FC shall select a firm to be recommended to the EC and BOD for final approval. The CFO will present the recommendation to the EC and BOD for approval.

The selected firm shall provide services for no more than one five-year base term. The selected firm may provide services beyond the base term for no more than two individual one-year extensions. At the end of any contract term (either base or extension), the incumbent firm will not be precluded from submitting a proposal for the subsequent competitive selection process.

5.3 Auditor Communications:

The auditor selected is required to conduct an entrance conference with the ~~AROC~~FC prior to commencing the fiscal year-end audit. The entrance conference should include observations made during the interim audit and their anticipated audit plan for year-end.

The selected auditor is required to conduct an exit conference with the ~~AROC~~FC to provide results of the year-end audit prior to the presentation of such results to the governing bodies.

At the discretion of the ~~AROC~~FC, an entrance and exit conferences can be conducted as executive sessions, meaning that FMPA staff can be excused from the conference by the ~~AROC~~FC Chairperson.

6.0 Internal Controls:

The CFO shall cause to be established a system of documented internal controls to safeguard assets, assure reliability of financial reporting, and assure compliance with applicable accounting laws and regulations, consistent with this Policy and associated Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. FMPA shall use a cost-benefits analysis when making decisions regarding the implementation of internal controls.

The ~~Agency Risk~~Audit Manager shall be responsible to review all documented internal controls and procedures established to ensure they comply with the FMPA Risk Management Policy and adequately mitigate all applicable risks. If, after review, the ~~Agency Risk~~Audit

Manager identifies areas of concern, the documented internal controls weakness(s) will be communicated to the CFO and ~~AROC~~FC as appropriate.

6.1 System of Controls

The system of internal controls includes the Employee Manual issued by the Agency to all employees. The FMPA Employee Manual includes an Executive Code of Ethics, employee conduct standards, outside employment guidelines, conflict of interest rules, and the Whistle Blower Act.

Further internal controls shall be established in accounting procedures to address separation of transaction authority from accounting and record-keeping, limitations on expenditures beyond budget authorizations, and safekeeping of records. Operational controls to prevent unauthorized access to financial and accounting computer systems shall include password controls and reviews of authorized users, as detailed in the Information Technology Risk Management Policy, Appendix O of the FMPA Risk Management Policy.

6.2 Policy and Procedure Compliance:

The Agency Risk Manager shall cause compliance with this Policy and associated procedures to be monitored on an annual basis. Any unresolved compliance issues will be presented to the ~~AROC~~FC by the ~~Agency Risk~~Audit Manager.

6.3 Procurement Review:

The Agency Risk Manager shall cause an annual review of FMPA's Procurement Policy requirements, including Agency issued credit cards. Any findings will be reported to FMPA's CFO and General Manager and CEO.~~,~~ At the sole discretion of the Agency Risk Manager, the findings may be reported directly to the Chairman of the ~~AROC~~FC if deemed appropriate.

6.4 Continuing Education:

Accounting managers and other appropriate staff shall complete at least 8 hours of continuing education annually (each fiscal year) or more as required by State

Regulations, in subject courses of study related to accounting, auditing and/or finance.

7.0 Reporting

The CFO is responsible for causing completion of the following reporting requirements:

7.1 Annual Report on Late Fees:

The Controller shall report to the EC during December of each year the amount of interest paid for late fees during the preceding fiscal year, if any.

7.2 Financial Statements:

In accordance with Article IV, Section 5 of the Interlocal Agreement creating FMPA and Article IV Section 7 of the Second Revised and Restated By-Laws of FMPA ("FMPA Bylaws"), the CFO shall cause to be provided to the EC and BOD, at regular meetings or other times as directed, a statement of the financial condition of the Agency and a report of the financial transactions of the Agency. These financial statements shall include the items required by Section 4.4 and 4.5 of this Policy.

In accordance with Article VIII of the FMPA Bylaws, the General Manager shall, no later than the annual BOD meeting normally scheduled in July, present a full and accurate report of the operation of the Agency during the preceding fiscal year, a statement of the assets and liabilities of the Agency as of the end of such fiscal year, and any other information having a significant bearing on the condition and operation of the Agency. This Policy delegates responsibility to the CFO to cause financial statements and accompanying notes to be presented for approval no later than the January EC and BOD meetings. Approved annual reports shall be posted on FMPA's public facing website.

In compliance with the Agency's bond covenants, insurance, swaps and other related debt documents, the CFO shall cause to be filed an annual report within 180 days after the close of the fiscal year to applicable bond trustees. The submittal should include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets for the year then ended, and a Statement of Cash Flows for each

Project. In addition to the basic financial statements and accompanying elucidatory notes, the annual report may also present supplemental information.

7.3 Management Letter Comments:

The CFO shall cause to be reported to the ~~AROC~~FC no later than August 31st of each year the status of management's response to any Management Letter Comments provided by the external auditor in the prior fiscal year's annual audit report.

7.4 Oversight Structure

The Agency Risk Manager shall cause any material deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be presented to the ~~AROC~~FC as described in Section 7.0 of the FMPA Risk Management Policy. Finance Division directors/managers shall report on the current risk environment affecting FMPA's material financial transactions to the Risk Management ~~Department~~Team and conclude any necessary discussion before moving items to the appropriate governing body.

Appendix A

Florida Municipal Power Agency **Risk Management Reporting Calendar** **Accounting and Internal Controls Reporting Requirements**				
Reporting Item	Frequency of Report	Responsible Party	Policy Section Reference	Policy Category Reference
GASB 62 Transactions	Annually	~~Accounting Manager~~Controller	Section 4.1	Basis of Accounting
Accounts Payable Past Due	Monthly as needed	~~Accounting Manager~~ Controller	Section 4.4	Accounts Payable
Accounts Receivable Past Due	Monthly as needed	~~Accounting Manager~~ Controller	Section 4.5	Accounts Receivable
Entrance/Exit Conference	Annually	CFO/External Auditor	Section 5.3	Auditor Communications
Procurement and Credit Card Review	Annually	Agency Risk Manager	Section 6.3	Procurement Review
Late Fees Report	Annually	~~Accounting Manager~~Controller	Section 7.1	Annual Report on Late Fees
Financial Statements	Regular EC/BOD meetings	CFO	Section 7.2	Financial Statements
Audited Annual Financials	Annually by January	CFO	Section 0	Financial Statements
Annual Bond Trustee Report	Annually	CFO	Section 7.2	Financial Statements
Management Letter Comments Status	Annually	CFO	Section 7.3	Management Letter Comments
Deviations from Policy	As Needed	Agency Risk Manager	Section 7.4	Oversight Structure
Policy Operation and Effectiveness	Annually	~~AROC~~FC	Section 7.4	Oversight Structure

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX K

ORIGINATION TRANSACTION POLICY

TABLE OF CONTENTS

ORIGINATION TRANSACTION RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Origination Transaction Risk Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and controls under which Florida Municipal Power Agency ("FMPA") may engage in activities for the All Requirements Power Supply Project ("ARP") to identify, measure and minimize future business risk resulting from the origination of Commodity transactions as defined in Section 2.0 of this Policy. This Policy is Appendix K of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee (EC) of FMPA recognizes that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby granted authority to put mechanisms into place, such as those more fully described in Section 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the ability of the Agency to provide reliable and affordable power.

The following summarizes the Policy of the EC:

- FMPA shall follow all applicable laws and/or regulations concerning the origination of Commodity transactions. (Section 5.0)
- Authority is delegated to the Executive Officer of Power Resources to create procedures and to administer this policy. (Section 2.0)
- FMPA shall utilize a natural gas fuel Agent for daily physical natural gas trading and scheduling functions subject to the Agent's policies regarding such activities. (Section 2.5.1)
- FMPA shall utilize a dispatch Agent for electricity trading and tagging functions up to 8 calendar days into the future subject to the Agent's policies regarding such activities. (Section 2.5.2)

- FMPA shall not commit to any firm electric commodity transaction which would reduce its capacity reserve levels below 10% of projected capacity requirements at the time of commitment. (Section 4.3.1)
- When initiating electric origination transactions, FMPA shall strive to maintain capacity reserve levels above 15%. (Section 4.3.2)
- FMPA shall maintain a sufficient level of natural gas pipeline capacity entitlements in an economically prudent manner to maintain reliable operations. Such capacity entitlements shall, at a minimum, support the monthly daily average forecast need to serve the ARP Net Energy Load (NEL) and other firm energy obligations, if any. Any excess capacity entitlement above the forecast monthly daily average need may be released with or without recall rights. (Section 4.3.3)
- Deviations from this Policy shall be reported to the ~~Audit and Risk Oversight~~Finance Committee ("~~AROC~~FC"). (Section 7.0)

2.0 Scope

This Policy creates a framework that enables the Executive Officer of Power Resources to facilitate a process for commodity transactions of the Agency. This Policy applies to commodity transactions not specifically addressed in any other Risk Management Policy.

2.1 Commodity Defined:

For the purposes of this Policy, the term **Commodity** shall mean products that are traded in bulk on a commodity exchange or in a spot market and consist of any of the following:

- Natural gas and fuel oil used as fuel for generating electricity
- Electric energy, power capacity, ancillary services, and transmission capacity, firm and/or interruptible
- Natural gas pipeline and storage capacity, firm and/or interruptible
- Emissions, allowances, energy credits, etc.
- For the purposes of this Policy, the term Commodity shall mean any of the products listed above.

2.2 Delegated Authority:

EC grants authority for staff, in accordance with Section 4.1, to initiate Commodity origination and trading transactions which provide opportunities to lock in net revenue or reduce cost. Commodity transactions shall only be authorized if supported by an analysis projecting benefits with no adverse impact on reliable power delivery.

2.3 Enabling Agreements:

Master Agreements or enabling agreements establish the general terms and conditions that govern any subsequent commodity or derivative product transaction with a counterparty. These Master Agreements are a prerequisite for doing business in today's commodity marketplace. They, by their very nature, only define general terms and conditions and do not commit FMPA to any form of financial of physical obligation. As such, FMPA is authorized to execute these types of enabling agreements without individual EC approval and their execution is governed pursuant to the Contract Management Risk Policy. Types of these enabling agreements include utility interchange agreements, NAESB form contracts, EEI form contracts, and ISDA form contracts~~.~~.

2.4 Functional Distinction:

The term **Trading** shall mean the process of buying, selling, or exchanging commodities at a wholesale level with a term of up to three years. The term Origination is defined as those commodity transactions with a term of greater than three years. Staff, under the direction of the Executive Officer of Power Resources, is responsible for the implementation of origination and trading transactions pursuant to this Policy. Power and energy transactions that fulfill resource needs beyond three years into the future are addressed in the Power Supply and Resource Planning Policy, Appendix H of this FMPA Risk Management Policy.

2.5 Outsourcing Authority:

FMPA may outsource trading and/or origination activities to a third party.

2.5.1 Short Term Natural Gas

FMPA has partnered with a Gas Agent for transacting physical natural gas trading activities. These trading activities are subject to the policies and procedures established such Agent. All trading activity is limited to daily transactions without prior approval from FMPA.

2.5.2 Short Term Energy

FMPA has outsourced electricity trading activities to an energy dispatch Agent. These trading activities are subject to the policies and procedures established by such Agent. All trading activity is limited to not exceed 8 calendar days into the future. Any outsourcing of functions as described above includes granting the Agent the authority to either utilize an associated FMPA agreement or the Agent's agreement and thereby obligate FMPA to the terms and conditions of the transactions and corresponding financial expenditure of funds for such transactions.

2.5.3 Longer Term Transactions

Transactions with a term in excess of those specified in Sections 2.5.1 or Section 2.5.2 may be done by either a designated Agent or by FMPA, as deemed appropriate pursuant to Section 4.1 herein.

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to ensure the effective and efficient origination and trading of commodity transactions. The Executive Officer of Power Resources will cause processes to be documented, as deemed appropriate, that identify risks in the areas noted below and ways to measure, control and mitigate FMPA's exposure to these risks. The FMPA Risk Management Policy identifies ten risks that comprise FMPA's common risk framework. While not intended to be a comprehensive listing of risks potentially encountered by FMPA during the normal course of its business cycle, the framework provides insight into the major areas of risk exposure for FMPA. The following selected framework risks are those risks presented by typical commodity transactions.

3.1 Volumetric Risk:

The potential adverse impact of unanticipated changes in fuel/energy supply and/or demand of resources and/or obligations. An example of volumetric risk might be if the actual volume of natural gas required during a particular period of time is greater than the volume of natural gas purchased through commodity transactions or scheduled for deliver for such period of time. This resulting deficiency of supply could result in FMPA having to buy natural gas at disadvantageous market prices to meet the need for the additional volume.

3.2 Credit Risk:

The potential of financial loss due to the failure of counterparties to fulfill the terms of a contract on a timely basis and/or adverse changes to credit ratings of an organization. An example of credit risk might occur if a counterparty defaults on a commodity delivery obligation due FMPA under the terms of a trading/origination transaction. This default would expose FMPA to potential financial loss as well as operational risk when replacing the quantity of the delivery obligation. Too much reliance upon a single counterparty in the overall trading/origination portfolio can compound the potential exposure to this form of credit risk.

4.0 Origination of Commodity Deals

For all the transmission commodity transactions approved in accordance with Section 4.1, the Executive Officer of Power Resources has delegated the transmission commodity transaction processes not outsourced to third parties to the System Operations Manager. For all other types of commodity transactions approved in accordance with Section 4.1, the Executive Officer of Power Resources will delegate trading/origination transactions not outsourced to third parties to a designated Manager as appropriate. Commodity transactions are also subject to the requirements of the Credit Risk Policy and the Contract Administration Policy, Appendices E and F respectively of this FMPA Risk Management Policy. These Policies provide guidelines for the approval of counterparties and the negotiation and execution of contracts. All commodity transactions shall be entered into in good faith and must be for a legitimate business purpose (economic, reliability, risk-reducing, etc.) and must comply with other applicable aspects of the FMPA Risk Management Policy.

4.1 Approval Thresholds:

When not otherwise required under the above Policies or other policies and/or resolutions of the governing body to seek approval for spending authority or contract execution, the following approval thresholds shall apply to all commodity transactions:

Transaction Term	Authority to Approve	Risk/GFM Review	EC Approval
Less than or equal to three months	Executive Officer Designated Manager, or Approved Agent	No ≤ 1 Month Yes > 1 Month	Required if notional value is over $5 million
Less than or equal to three years	Executive Officer of Power Resources	Yes	Required if notional value is over $25 million
Less than seven years	General Manager	Yes	Required if notional value is over $50 million
Greater than or equal to seven years	Executive Committee	Yes	Required

- The Executive Officer designated Manager is authorized to approve trading transactions with a term no more than three months in duration with a notional value not to exceed $5 million.
- The Executive Officer of Power Resources is authorized to approve trading/origination transactions less than or equal to three years in duration and a notional value not to exceed $25 million.
- The General Manager is authorized to approve trading/origination commodity transactions less seven years in duration with a notional value not to exceed $50 million.
- All trading/origination commodity transactions equal to or greater than seven years in duration or with a notional value in excess $50 million must be approved by the EC.

4.2 Transaction Review Requirement:

All commodity transactions exceeding three (3) months in duration or $5 Million of notional value must be presented to the Generation Review & Assessment ("GR&A") Group as defined in Section 5.1 of the Fuel Portfolio Management Policy, Appendix A of the FMPA Risk Management Policy for a risk review of financial and operational impacts prior to commitment and/or agreement execution. The Agency Risk Manager may delay execution of the transaction until identified impact issues are presented to and resolved by General Manager.

4.3 Reliability Standard:

FMPA shall strive at all times to maintain reliable wholesale power delivery operations pursuant to the standards defined in this Section. Origination transactions with a term greater than three years must maintain reliability standards for long-term planning as detailed in Section 4.1 of the Power Supply and Resource Planning Policy, Appendix H of this FMPA Risk Management Policy.

4.3.1 Trading Capacity Reserves

FMPA shall not commit to any firm electric commodity trading transaction which would result in its capacity reserve levels falling below 10% of projected capacity requirements at the time of commitment.

4.3.2 Origination Capacity Reserves

When initiating electric origination transactions, FMPA shall strive to maintain capacity reserve levels above 15%.

4.3.3 Natural Gas Pipeline Capacity

Natural gas trading/origination transactions shall not be committed to which would result in pipeline capacity entitlement levels falling below the monthly daily average forecast natural gas burn. Any excess natural gas capacity entitlement above the monthly daily average forecast need to serve NEL and other firm energy obligations, if any, may be released without recall rights.

4.4 Book of Record

FMPA shall internally maintain the official book of record for trading/origination transactions greater than thirty one days in duration if such is not maintained by the applicable Agent. Such transactions shall be maintained through an electronic deal ticket system when applicable to the transaction. The book of record shall be maintained by a department external to Power Resources. This maintenance includes validating, tracking and reporting of transactions as required.

4.5 Settlement and Invoicing:

The System Operations Department is responsible for confirmation with the counterparty on final delivered quantity and price for those transactions not done by a designated Agent. The responsible manager of each respective transaction shall coordinate with the System Operations Department and forward all invoicing information to the Accounting Department to be entered into the accounts payable/receivable ledgers, as applicable.

5.0 Internal Controls

The Executive Officer of Power Resources shall maintain evidence of a system of internal controls necessary to ensure origination transactions adhere to and are consistent with this Policy and applicable Origination Procedures, if any, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. FMPA shall use a cost-benefits analysis when making decisions regarding the implementation of internal controls.

5.1 Ethical Standards:

FMPA shall not engage in any activity which would amount to market abuse, manipulation, or fraud, nor relay information known to be false or misleading. The trading/origination of commodity transactions shall comply with the Federal Energy Regulatory Commission ("FERC") Code of Conduct.

5.2 Segregation of Duties:

The Executive Officer of Power Resources or the assigned designee is responsible for entering into origination transactions and reporting all such transactions to the individual(s) responsible for maintaining the official book of record. The individual entering into origination transactions shall not have the ability to directly change the book of record or resulting reports. Any modifications to the book of record must be verified by a person outside of Power Resources.

5.3 Continuing Education:

Each Manager with responsibilities related to trading/origination activity shall ensure that appropriate staff develop and maintain an applicable level of knowledge regarding the trading/origination of commodity transactions.

6.0 Reporting

6.1 Power Resources

The Executive Officer of Power Resources is responsible for causing the completion of the following reporting requirements:

6.1.1 Reserve Levels:

The System Operations Manager shall cause current relevant reserve levels to be reported to at least each regular meeting of the ~~AROC~~FC.

6.1.2 Origination Transaction Report:

The Agency Risk Manager shall coordinate a~~n~~ ~~AROC~~FC report of all FMPA staff committed trading/origination transactions, if any, in the prior year that had a term greater than three (3) months. This report shall be attached to the annual report relating to the operation and effectiveness of this Policy pursuant to Section 6.2.

6.2 Operation and Effectiveness Report

An annual report on the operation and effectiveness of this Policy shall be presented to the ~~AROC~~FC as described in Section 7.0 of the FMPA Risk Management Policy.

7.0 Oversight Structure

The Agency Risk Manager shall cause any material deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. Each Manager responsible for trading/origination activities shall report on the current risk environment affecting the origination of commodity transactions to the ~~Risk Management Department~~Risk Management Team as needed, and engage any necessary discussion before moving items to the ~~AROC~~FC or governing bodies.

Appendix A

Florida Municipal Power Agency Risk Management Reporting Calendar Origination Transaction Policy				
Reporting Item	Frequency of Report	Responsible Party	Policy Section Reference	Policy Category Reference
Reserve levels	Each ~~AROC~~FC	System Operations Manager	Section 6.1.1	Reserve Levels:
Annual transactions report	As required	Agency Risk Manager	Section 6.1.2	Origination Transaction Report
Policy Operation & Effectiveness	Annually	Agency Risk Manager	Section 6.2	Operation and Effectiveness Report
Deviations from Policy	As Needed	Agency Risk Manager	Section 7.0	Oversight Structure

RISK MANAGEMENT POLICY
APPENDIX L

FLORIDA MUNICIPAL POWER AGENCY

RECORDS MANAGEMENT RISK MANAGEMENT POLICY

TABLE OF CONTENTS

RECORDS MANAGEMENT
RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY

This Records Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and controls under which Florida Municipal Power Agency ("FMPA") may engage in activities to identify, measure and minimize future business risk resulting from the potential loss of records. Records in this context include written documents, electronic versions of documents, and email. This Policy is Appendix L of the FMPA Risk Management Policy.

1.0 Policy Statement

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Section 5.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the financial or legal position of the Agency.

It is the Policy of the Board of Directors and Executive Committee that:

- The records of the Agency be stored, managed, and retained according to applicable laws.
- The General Manager exercises overall responsibility for FMPA's records management system.
- The General Manager shall cause procedures to be created to implement this Policy.
- Deviations from this Policy shall be reported to the ~~Audit and Risk Oversight~~Finance Committee.

2.0 Scope

This Policy applies to all business records of the Agency including contracts, correspondence (including emails and other electronic communications), and any other corporate records.

The General Manager exercises overall responsibility for FMPA's records management system. Each employee of the Agency is responsible for complying with records retention regulations. The Records Management staff in the Information Systems Department is responsible for managing all centrally stored physical and electronic records of the Agency. The Agency has adopted an electronic records management system to reduce legally required records to an electronic format which are stored in the system for easy retrieval. Presently, the Agency follows two Records Retention Schedules established by the State of Florida – GS1-L and GS14.

Records are destroyed only after the retention period established by either GS1-L or GS14 has been satisfied. Records may be retained longer than the state mandated retention period if beneficial to FMPA.

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to safeguard the Agency's assets. The General Manager shall cause procedures to be created that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risk encountered by FMPA related to Records Management, the following provides insight into the major areas of records management risk exposure for FMPA.

3.1 Operational Risk: The risk that the Agency will not be able to conduct business as needed. An example of operational risk would be if the executed original of a power supply contract was lost and the Agency was unable to enforce a clause in the contract. Operational risk is mitigated if the documents are protected and copied electronically with off-site back-up of the copy.

3.2 Regulatory Risk: The risk of potential adverse impact of an action or direction from an administrative body such as FERC, DOE, or Treasury Department. The State of Florida, FRCC, and the IRS require that certain documents be retained and available on demand. Should those documents not be available the Agency could suffer negative financial or other consequences.

3.3 Legal Risk: The risk of financial or economic losses incurred by an organization through an unauthorized deviation from any legal obligations imposed by laws, rules, regulations, ordinances, or contracts. As a public agency, FMPA is required to retain certain documents for specific periods of time. Failure to do so is a violation of state or other laws.

4.0 Records Management

The General Manager is designated as the First Assistant Secretary to the Board of Directors and Executive Committee in the Agency's By-Laws. As First Assistant Secretary, the General Manager has the responsibility to ensure that all books, documents, and papers of the Agency are kept in accordance with standard record keeping practice for utilities, and as may also be required by law, rule or regulation.

Employees shall use the Florida Records Retention Schedules GS1-L and GS14 as a reference for the minimum maintenance requirements and disposal guidelines for records. The Schedules are available on FMPA's Intranet. The Agency's legal counsel shall provide a final opinion in cases where an employee requests clarification of the Records Retention Schedules.

The Agency utilizes an electronic records management system. The Manager of Information Systems shall ensure that all employees are assigned access rights to the electronic records management system appropriate to their position and department. In addition to electronic records, physical copies of some vital business records are kept at the Agency's headquarters in the vault, a secure fire-resistant location. Access to the vault shall be restricted to appropriate staff members.

Each employee is responsible for ensuring documents under their control are properly retained either electronically or physically. Managers and supervisors are responsible for their subordinates' adherence to this Policy. When a subordinate is no longer employed by the Agency, the immediate supervisor is responsible for safeguarding in accordance with this Policy all records that were in the former employee's control, until such time as responsibility for those records is transferred to another employee.

5.0 Internal Controls

The General Manager shall cause to be established a system of written internal controls to safeguard the Agency's business records, consistent with this Policy and Records Management Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. The controls shall be designed to meet the requirements of all applicable laws, including all applicable Florida records retention schedules. FMPA shall use a cost-benefits analysis when making decisions regarding the implementation of internal controls.

5.1 System of Controls: The system of internal controls includes the Employee Manual issued by the Agency to all employees. The FMPA Employee Manual includes guidelines for the Public Records Law Policy. Further internal controls shall be established to govern the input of documents into the records management system and the destruction of documents that have fulfilled the state mandated retention period.

5.2 Ongoing Training: The Manager of Information Systems shall ensure that technical training on the proper use of the electronic records management system is conducted at least biennially for all employees. The Human Resources Department shall ensure that all new employees receive records retention training during orientation,~~–~~and shall arrange for FMPA's legal counsel to present formal records retention training annually to all employees. Sufficient records shall be maintained in personnel files to show compliance with these training requirements.

5.3 Policy Compliance: Risk Management ~~staff~~team shall cause ~~monitor~~ compliance with this Policy to be monitored, which at a minimum shall include performing an annual review of staff usage of the electronic records management system. Results of such annual reviews shall be reported to the ~~Risk Oversight Committee~~Finance Committee.

6.0 Reporting

The General Manager shall cause any deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The ~~Audit and Risk Oversight~~Finance Committee shall cause to be completed an annual report on the operation and effectiveness of this Policy as described in the FMPA Risk Management Policy, Section 7.0. Managers shall report as needed on the current risk environment affecting records management to the Risk Management ~~Department~~team, and engage any necessary discussion before moving related items to ~~Advisory or Board~~Finance Committee~~s~~.

Appendix A

Florida Municipal Power Agency
Risk Management Reporting Calendar
Records Management Reporting Requirements

Reporting Item	Frequency of Report	Responsible Party	Policy Reference	Policy Reference
Records Management Training	Every two years	Manager of Information Systems	Section 5.2	Ongoing Training
Records Retention Training	Annually	FMPA's legal counsel	Section 5.2	Ongoing Training
Policy Compliance	Annually	Risk Management team	Section 5.3	Policy Compliance
Deviations from Policy	As Needed	General Manager	Section 6.0	Reporting
Policy Operation & Effectiveness	Annually	**~~The AROC~~ Finance Committee**	Section 6.0	Reporting

RISK MANAGEMENT POLICY
APPENDIX M

FLORIDA MUNICIPAL POWER AGENCY

CONTINGENCY PLANNING RISK MANAGEMENT POLICY

TABLE OF CONTENTS

CONTINGENCY PLANNING
RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY

This Contingency Planning Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency ("FMPA") may engage in activities to identify, measure and minimize future business risk resulting from a range of natural and man-made disasters including hurricane, tropical storm, tornado, fire and flood (each an "Event"). In this context an Event is one of the above or another disaster that causes the facilities of the Agency to be partially or completely unusable for FMPA's business purposes. This Policy is Appendix M of the FMPA Risk Management Policy.

1.0 Policy Statement

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Section 5.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the operations and financial position of the Agency.

It is the Policy of the Board of Directors and Executive Committee that:

- Necessary plans be in place for the continued operation of the Agency during (if applicable) and following an Event.
- Necessary plans be in place to address human resources needs during and after an Event.
- The plans for Event scenarios shall be tested via drills or other simulations at least once every two years.

- The General Manager and CEO exercises overall responsibility for FMPA's contingency planning and disaster preparedness.
- Deviations from this Policy shall be reported to the ~~Audit and Risk Oversight~~Finance -Committee.

2.0 Scope and Responsibilities

This Policy applies to all business critical function of the Agency and specifically addresses Information Technology, Accounting, Treasury and Facilities.

The Information Technology Department is responsible for the partial or full re-building of the Agency computer network and data following an Event. Information Technology is also responsible for taking reasonable precautionary steps to protect the computer network and data against foreseeable effects of an Event.

The Accounting and Treasury Departments are responsible for coordinating efforts and preplanning so that the ability to make payments can be restored within 48 hours after an Event.

The Storm Team, which includes Facilities staff, is responsible for overall coordination of employees in preparing the Agency for Events such as a hurricane or tropical storm and overall coordination of employees following an Event.

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to safeguard the Agency's assets during and after Events. The General Manager delegates authority to the Assistant General Manager of Public Relations & Member Services to cause procedures to be written that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risk that could be encountered by FMPA during and after an Event, the following provides insight into the major areas of business continuity risk exposure for FMPA.

3.1 Operational Risk: The risk that the Agency will not be able to conduct business as needed. An example of operational risk would be if a hurricane caused sufficient damage to make the FMPA offices unusable for FMPA's business purposes for an extended period of time, which could affect the operating abilities of the Agency. Operational risk is mitigated if plans are in place to allow staff to quickly react and recover from an Event.

3.2 Reputation Risk: The risk that the Agency will be negatively perceived by Members or the public. An example of reputation risk would be if staff was unable to access financial systems due to an Event and was therefore unable to pay bills on time, which could cause non-compliance with bond resolutions or other financial loss resulting in a negative perception by Members or the public. Reputation risk is mitigated if Events are properly planned for and the effects of Events are promptly and effectively communicated to all constituents.

4.0 Contingency Plans

FMPA's Business Continuity Statement and Disaster Response Manual outline the processes and procedures for preparing for and recovering from an Event. The Assistant General Manager of Public Relations & Member Services shall cause the Business Continuity Statement and Disaster Response Manual to be updated at least once each year prior to the beginning of hurricane season. The Business Continuity Statement is available to the public on FMPA's website. The Manual is available to all employees on the FMPA intranet. Each department with responsibilities assigned in the Disaster Response Manual shall establish procedures to complete the assigned duties during and after an Event.

4.1 Human Resources: FMPA shall strive to maintain the safety of all employees before, during, and after an Event. Employees with duties assigned in the Disaster Response Manual shall communicate with management to ensure those required duties are fulfilled in case of an Event.

4.1.1 Post-Event Employment: If an Event causes sufficient damage to the FMPA offices so as to significantly disrupt normal operations (as determined in the sole discretion of the General Manager), the Agency will continue to pay all employees at their pre-Event pay rate until such time, but not to exceed two months, that normal operations are resumed and the employee's position is available or has been reassigned by the General Manager. The General Manager has sole discretion to grant salaried employees overtime pay of time and one-half for hours in excess of 40 hours per week worked due to Post-Event recovery. FMPA shall maintain documentation showing time worked, nature of work, and supervisor approval.

4.1.2 Working From Home: Each ~~Assistant General Manager~~Senior Leadership team member, with the approval of the General Manager, has discretion to allow an employee who, due to the Event, is unable to report to the FMPA office (or temporary office location) to work from home for a limited period of time following an Event. Such approved exceptions shall last no more than one week, after which time the exception must either be extended one week by the appropriate ~~Assistant General Manager~~Senior Leadership team member and

General Manager, or the employee must return to the FMPA office or temporary office location.

4.2 Communications: The Assistant General Manager of Public Relations & Member Services is responsible for coordinating all public communications following an Event. This includes communications to rating agencies and responses to press inquiries or information requests from Members regarding the Agency's recovery, financial situation, and status of employees. As determined appropriate, the Assistant General Manager of Public Relations & Member Services may authorize other members of management to make public statements in regard to the Event.

4.3 Emergency Spending: As described in the Procurement Policy, purchases made in times of emergency (as determined in the sole discretion of the General Manager) are not subject to the requirements of the Procurement Policy. The General Manager or designee must declare a state of emergency within 5 days of an Event to the chairpersons of the Executive Committee and Board of Directors. The General Manager or designee may then direct emergency spending with no limit. A report of emergency expenditures shall be made to the Executive Committee and Board of Directors at their next regular meeting. The General Manager may request authorization for further emergency spending as needed.

5.0 Internal Controls

The Assistant General Manager of Public Relations & Member Services shall cause to be established a system of written internal controls to safeguard assets during and after and Event. FMPA shall use a cost-benefits analysis when making decisions regarding the implementation of internal controls.

5.1 System of Controls: The system of internal controls includes the Employee Manual issued by the Agency to all employees. The FMPA Employee Manual includes guidelines for severe weather or emergency closing of the Agency. Further internal controls are established in the Disaster Response Manual to address the requirements of various positions in the Agency for preparation and response to an Event. The Assistant General Manager of Public Relations & Member Services shall coordinate with the Agency Risk Manager to conduct tests of Event scenarios at least once every two years. This includes tests of the ability of the Information Technology Department to restore critical financial data and the ability of the Finance Division to access the restored data.

5.2 Continuing Education: The Agency Treasurer and Risk ~~Manager~~Director shall ensure that appropriate staff maintains current knowledge of disaster recovery and business contingency planning, to include FEMA regulations, mutual aid agreements, and insurance requirements.

5.3 Policy Compliance: Agency Risk Manage~~ment~~r ~~staff~~ shall monitor compliance with this Policy and associated Procedures. Any unresolved compliance issues will be presented to the ~~Audit and Risk Oversight~~Finance Committee (~~ARO~~FC) by the ~~Agency Risk~~Audit Manager.

6.0 Reporting

If an Event occurs, the Board of Directors and Executive Committee shall be notified within 5 days of the following information by the General Manager or designee: (1) the extent of the damage to the building; and, (2) an estimate of the time when full operations of the Agency will be restored. The Assistant General Manager of Public Relations & Member Services shall cause the results of any completed tests of Event scenarios to be reported to the AROC at their next regularly scheduled meeting.

The General Manager shall cause any deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The ~~ARO~~FCC shall cause to be completed an annual report on the operation and effectiveness of this Policy as described in the FMPA Risk Management Policy, Section 7.0. Managers shall report as needed on the current risk environment affecting disaster recovery plans or business continuity to the Treasurer and Risk ~~Management~~ Team~~Department~~, and engage any necessary discussion before moving related items to ~~Advisory or~~ Board Committees.

Appendix A

Florida Municipal Power Agency
Risk Management Reporting Calendar
Contingency Planning Reporting Requirements

Reporting Item	Frequency of Report	Responsible Party	Policy Reference	Policy Reference
Update Business Continuity Manual	Annually	AGM of Public Relations & Human Resources	Section 4.0	Business Continuity Manual
Event Scenario Tests	Every two years	AGM of Public Relations & Human Resources and Agency Risk Manager	Section 5.1	Internal Controls
Policy and Procedure Compliance	As Needed	~~Risk Management~~Agency Risk Manager	Section 5.3	Policy Compliance
Post Event Report	As Needed	General Manager	Section 6.0	Reporting
Deviations from Policy	As Needed	General Manager	Section 6.0	Reporting
Policy Operation & Effectiveness	Annually	The ~~AROC~~ FC	Section 6.0	Reporting

RISK MANAGEMENT POLICY
APPENDIX N

FLORIDA MUNICIPAL POWER AGENCY

HUMAN RESOURCES RISK MANAGEMENT POLICY

TABLE OF CONTENTS

HUMAN RESOURCES RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY

This Human Resources Risk Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency (FMPA) may engage in activities to identify, measure and minimize future business risk resulting from employment practices. This Policy is Appendix N of the FMPA Risk Management Policy.

1.0 Policy Statement

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Section 5.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on FMPA's legal or financial standing.

It is the Policy of the Board of Directors and Executive Committee that:

- Functions of the Human Resources (HR) Department shall comply with all applicable laws and regulations, and Board or Executive Committee approved policies.
- The HR Department shall oversee employee benefits and compensation and strive to maintain a competitive and cost-effective program.
- The HR Department shall coordinate with management to oversee and guide the recruitment, hiring, and termination of personnel.
- Authority is delegated to the Human Resource Director to create procedures to implement this Policy.
- Deviations from this Policy shall be reported to the ~~Audit and Risk Oversight~~Finance Committee.

This Policy serves to create a framework that enables the Human Resource Director to document controls that will minimize FMPA's exposure to risk and enable compliance with established employment and payroll laws and regulations, as well as all Board or Executive Committee approved policies.

2.0 Scope

This Policy applies to all personnel management practices of the Agency, regardless of the normal office location of the employee. As used in this Policy, references to "employee" shall mean any full-time, part-time, casual part-time, or intern staff member employed directly by the Agency. This Policy does not apply to consultants or other professionals engaged by the Agency.

Authority for day-to-day actions is hereby granted to the Human Resource Director, under the direction of the Assistant General Manager of Public Relations & Human Resources. The Human Resource Director is responsible for ensuring that all minimum standards and procedures regarding personnel management are in compliance with federal and state laws, rules, and regulations.

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to safeguard the Agency's personnel and assets. The Human Resource Director will cause procedures to be created that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risk encountered by FMPA during the normal course of the business cycle, the following provides insight into the major areas of personnel management risk exposure for FMPA.

3.1 Operational Risk: The risk that internal practices, policies, procedures or systems will not perform as intended. An example of operational risk would be if a failure in internal control processes in the HR Department resulted in the processing of inaccurate or fraudulent payroll. This type of failure in the payroll process could cause financial and reputation loss to the Agency.

3.2 Legal Risk: The risk of financial or economic losses incurred by an organization through an unauthorized deviation from any legal obligations imposed by law, rules, regulations, ordinances, or contracts. An example of legal risk would be violating federal or state regulations concerning discrimination in the workplace. Such a violation could cause financial and reputation loss to the Agency.

3.3 Strategic Risk: The risk that the actions of management or the governing body do not promote the successful attainment of organization objectives. An example of strategic risk might occur if FMPA's Compensation Policy is not applied consistently across the Agency. Such a failure could lead to employee dissatisfaction, increased turnover, or an inability to attract qualified personnel which could impede the Agency in meeting its goals.

4.0 Personnel Management

FMPA's HR Department is responsible for maintaining all personnel records, coordinating the hiring, orientation, and termination processes, administering benefits and compensation programs, and coordinating personnel related activities such as performance evaluations, wellness programs and professional development opportunities. The Employee Manual addresses many of these responsibilities. The following provides further risk-related detail for significant areas within the HR Department.

4.1 Payroll: The Agency's payroll function is completed by the HR Department. Sufficient segregation of duties shall be in place to ensure that payroll entries are approved at appropriate levels and verified for accuracy. The Agency currently uses a professional third-party vendor to process payroll, which mitigates risk of noncompliance with tax laws and federal filing requirements.

The HR Department must maintain adequate backup documentation to support time worked by employees, to record employee absences due to vacation, sick leave or other leave, and to document payments for overtime worked or other pay types (such as retroactive pay or bonuses). The HR Department shall cooperate with reviews of these controls conducted by internal or external auditors.

Additional guidelines regarding employee payroll and leave during specific Events are located in the Contingency Planning Policy, Appendix M of this FMPA Risk Management Policy.

4.2 Benefits Administration: All employee health and wellness records shall be maintained per Health Insurance Portability and Accountability Act ("HIPAA") regulations. The HR Department is responsible for securing all employee information regarding personal health and wellness as required by HIPAA. The Human Resource Director shall cause to be completed employee enrollment in eligible benefits. The HR Department shall also ensure that benefit eligibility records are properly maintained for all employees.

The Human Resource Director shall cause an annual review of FMPA's health and wellness plans to be conducted to assess competitiveness and cost effectiveness of the benefits program.

4.3 Compensation: FMPA's Compensation Policy is contained within the Employee Manual. The Compensation Policy can only be modified by approval of the Board of Directors. The HR Department is responsible for enforcing consistent application of the Compensation Policy across the Agency.

Salary ranges are reviewed and may be adjusted to market during the annual budget process. As required in the Compensation Policy in the Employee Manual, the Human Resources Manager shall cause to be completed on a biennial basis a professional third-party review of salary ranges. Such a review shall be conducted by a national firm who shall determine maximum and minimum salary range points based on a statistically validated range. In the alternating year, any proposed salary range adjustment shall be based on the Consumer Price Index year change announced in the month of March.

The HR Department is also responsible for ensuring that all personnel are classified correctly and that all payroll laws and regulations are followed, as required in the Fair Labor Standards Act ("FLSA"). The HR Department shall also strive to ensure that the Agency's compensation structure remains competitive with industry standards.

4.4 Employment: The HR Department shall ensure that all employment laws and regulations are followed consistently and fairly. This includes, but is not limited to, FLSA, Americans with Disabilities Act ("ADA"), Family Medical Leave Act ("FMLA"), HIPAA, Consolidated Omnibus Budget Reconciliation Act ("COBRA"), and Equal Opportunity Employment ("EEO") requirements. The Human Resource Director and FMPA's labor law attorney, in consultation with General Counsel, shall cause to be implemented legal requirements and advise management to ensure compliance with applicable employment laws.

4.5 Succession Planning: The HR Department shall provide support to management in the recruitment and development of employees, so that employees are prepared for advancement within the organization. The HR Department shall assist management in identifying and preparing suitable employees for succession opportunities. Succession planning shall ensure that existing employees are prepared for new leadership opportunities and the Agency's operations are not adversely impacted by the departure of key personnel. If a key management position will be vacated through a planned retirement, a placement in advance of the expected departure date is desirable to minimize the risks of an ineffective succession.

5.0 Internal Controls

The Human Resources Manager shall cause to be established a system of written internal controls to safeguard the Agency's personnel and financial assets, consistent with this Policy and Human Resources Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. The controls shall be designed to meet the requirements of applicable legal regulations. FMPA shall use a cost-benefits analysis when making decisions regarding the implementation of internal controls.

5.1 System of Controls: The system of internal controls includes the Employee Manual issued by the Agency to all employees. The FMPA Employee Manual includes guidelines for complying with legal requirements, recruitment and employment practices, compensation, employee conduct, benefits, and a variety of Agency procedures. Further internal controls are established in the HR Department governing the separation of payroll duties.

5.2 Ongoing Training: The Human Resource Director shall ensure that all employees receive any training as required by law or regulation. Records must be maintained by the Human Resource Director sufficient to show compliance with training requirements.

The Human Resource Director and other appropriate human resource staff shall be required to complete annually (each fiscal year) 4 hours of continuing professional education in subject courses of study related to personnel management.

5.3 Policy Compliance: Risk Management staff shall monitor compliance with this Policy, to include recommendation to the ~~Audit and Risk Oversight~~Finance Committee (~~AROC~~FC) for external legal compliance reviews when determined necessary. Results of such reviews shall be reported to the Risk Management Department and ~~AROC~~FC.

6.0 Reporting

The Human Resource Director shall cause any deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The ~~Audit and Risk Oversight~~Finance Committee shall cause to be completed an annual report on the operation and effectiveness of this Human Resources Policy as described in the FMPA Risk Management Policy, Section 7.0. Managers shall report as needed on the current risk environment affecting human resource management to the Risk Management~~ Department~~Team, and engage any necessary discussion before moving related items to Advisory or Board Committees.

Appendix A

Florida Municipal Power Agency
Risk Management Reporting Calendar
Human Resource Management Reporting Requirements

Reporting Item	Frequency of Report	Responsible Party	Policy Reference	Link to Policy Reference
Review of Health and Wellness Plans	Annually	Human Resources ~~Manager~~ Director	Section 4.2	Benefits Administration
Review of Salary Ranges	Biennially	Human Resources ~~Manager~~ Director	Section 4.3	Compensation
Policy Compliance	As Needed	Risk Management Team	Section 5.3	Policy Compliance
Deviations from Policy	As Needed	Human Resources ~~Manager~~ Director	Section 6.0	Reporting
Policy Operation & Effectiveness	Annually	~~The AROC~~ FC	Section 6.0	Reporting

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY
APPENDIX O

INFORMATION TECHNOLOGY RISK MANAGEMENT POLICY

TABLE OF CONTENTS

INFORMATION TECHNOLOGY RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY

This Information Technology Risk Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency ("FMPA") may engage in activities to identify, measure and minimize future business risk resulting from the use of information technology ("IT") assets and resources. This Policy is Appendix O of the FMPA Risk Management Policy.

1.0 Policy Statement

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its governing bodies. FMPA staff is hereby authorized to put mechanisms into place, such as those more fully described in Section 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse effect on FMPA's ability to utilize its IT assets and resources.

The following summarizes the Policy of the Board of Directors and Executive Committee:

- Information technology management shall conform to applicable regulatory and legal requirements.
- Authority is delegated to the Information Technology Manager ("ITSC") to create procedures to facilitate the management of IT and administer this Policy.
- The ITSC shall recommend procedures and operational policies for specific IT activities as specified in Section 4.2.

- FMPA's ITSC shall present all recommendations to the General Manager for approval as required in Section 4.2.
- The Information Technology Manager shall report on ITSC activities as required in Section 6.0 of this Policy.
- The Agency Risk Manager shall report deviations from this Policy to the ~~Audit and Risk Oversight~~Finance Committee ("~~AROC~~FC").

2.0 Scope

This Policy applies to all IT assets utilized by FMPA whether at office or generation asset locations, except those IT assets defined as Critical Cyber Assets under NERC CIP standards which shall be governed by policies or procedures established by the Regulatory Compliance Officer. For this Policy "information technology assets and resources" are defined as the staff, software, hardware, phone systems and facilities that are used to electronically store, retrieve and/or manipulate business information at FMPA.

The Records Management Risk Management Policy (Appendix L of the FMPA Risk Management Policy) addresses management of the Agency's business records, except where superseded by NERC/FERC regulations.

All users of FMPA's IT assets and resources are responsible for the proper care and use of IT assets and resources under their direct control as defined in this Policy, the Employee Manual and all associated policies and procedures.

3.0 Types of Information Technology Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to ensure effective and efficient operation of information technology assets and resources. The IT Manager will cause procedures to be created that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. The FMPA Risk Management Policy identifies ten risks composing FMPA's common risk framework. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the framework provides insight into the major areas of risk exposure for FMPA. The following selected framework risks are those risks presented by typical information technology activities.

3.1 Regulatory Risk: The potential adverse impact of an action or direction from a regulatory body. An example of regulatory risk impacting IT assets might occur if regulatory standards are issued which require a higher level of IT security than currently in place. Non-compliance to such standards could expose FMPA to fines or other regulatory action.

3.2 Administrative Risk: The potential of financial loss due to deficiencies in internal control structure and management reporting due to human error, fraud or a system failure. An example of administrative risk for IT assets would be if unauthorized system changes were made to a financial information system. Such changes could allow fraud or financial misstatement to occur, resulting in financial loss to FMPA. Not being able to detect such unauthorized changes would make this risk more pronounced.

3.3 Strategic Risk: The risk that the policies and actions of a governing body or management do not promote the successful attainment of strategic goals and objectives. An example of strategic risk related to IT assets would be if decisions regarding implementation of new software were not tied to FMPA's strategic goals. This lack of coordination could result in separate business decisions which do not support the achievement of FMPA's goals, resulting in financial and/or reputation loss.

4.0 Information Technology Management

This Policy establishes broad measures to secure FMPA's IT assets and resources against theft, fraud, malicious or accidental damage, and/or breach of integrity.

4.1 Information Technology Ownership: A custodian is responsible for IT assets or resources under their control as described below.

The IT Manager is custodian of the infrastructure of all Agency-wide systems, including all hardware, software, and voice and data networks associated with such systems. This includes items such as, but not limited to, email and network servers, internet connections, firewalls and virus protection.

Managers are custodians of all applications and systems under each manager's direct control. The ITSC shall maintain a list of current application and system owners, in accordance with procedures established as prescribed in Section 4.2.

All Staff are custodians of computing systems or telecommunication devices issued for their exclusive use, regardless of length of time of use. This includes, but is not limited to, desktop and laptop computers, cell phones, and storage media. The Employee Manual further addresses staff responsibilities and disciplinary actions resulting from misconduct.

4.1.1 Security Breaches: All custodians are responsible for notifying the IT Manager of security breaches that require actions beyond the custodian's ability or authority. A security breach is defined for this Policy as data or actions which intentionally or unintentionally violate this Policy. The IT Manager shall log all such reported breaches and provide a monthly summary report (if breaches occur) to the Agency Risk Manager.

4.1.2 Software Licenses: All staff are responsible for complying with applicable copyright laws and with the terms and conditions of any contract or software licenses for purchased, leased, or acquired software. ITSC procedures regarding software approval and installation shall be followed by all staff prior to installing, distributing or copying software.

4.2 Information Technology Steering Committee (ITSC): The ITSC is an FMPA staff group that shall review and collaborate on strategic issues related to the IT assets and resources of the Agency. The ITSC shall review and make recommendations regarding software initiatives, IT policies and procedures, IT budget development, standards and overall IT performance, and coordination of priorities between IT and Agency departments.

The ITSC Charter maintained by the IT Manager further details the duties, voting structure and meeting organization of the group.

At a minimum, the ITSC should recommend policies and/or procedures supportive of this Policy to include:

- User access approval process
- Software patching
- System, application and network logging
- Application and network security standards
- Change management processes
- Database administration and management
- Software approval and installation

The IT Manager, as Chairperson of the ITSC, shall present all ITSC recommendations to the General Manager for approval prior to implementation.

The ITSC shall at a minimum consist of the following members:

- IT Manager (Chairperson)
- ~~Assistant General Manager Power Resources~~Chief Operating Officer
- ~~Assistant General Manager, Finance and Information Technology and~~ CFO
- Assistant General Manager, Member Services, Human Resources, and Public Relations
- Regulatory Compliance Officer
- Other members as deemed necessary by Chairperson or General Manager
- Risk ~~Department~~Team representative as a non-voting member

4.3 System Availability and Integrity: The Continuity Planning Policy (Appendix M of the FMPA Risk Management Policy) contains the current minimum restoration times for key applications. The IT Manager shall comply with those Policy requirements along with applicable results from biennial disaster recovery tests in determining the maximum allowable downtime for Agency-wide systems.

At a minimum, FMPA shall utilize a co-location facility for off-site data storage and back-up that is sufficient to meet the timeframes established by the standards above. Preference shall be given to locations with SAS 70 audit compliance.

The IT Manager shall coordinate with the Regulatory Compliance Officer to ensure compliance with applicable NERC standards (see Statutory and

Regulatory Policy, Appendix G of the FMPA Risk Management Policy). The IT Manager and/or other designated staff should participate in the FRCC Critical Infrastructure Protection Committee or its subcommittees, working groups or task forces, as permitted by regulations.

4.4 Security and Privacy Standards: Protective measures shall be taken by all custodians to ensure compliance to any applicable regulations and to maintain the integrity of FMPA's IT assets and resources. Satisfactory controls shall be directed at reducing probable high impact risk events, such as preventing access of unauthorized users.

The ITSC may recommend to the General Manager operating policies and procedures which expand on the following minimum privacy and security standards:

4.4.1 Physical security: Server rooms or other sensitive IT asset and resource locations shall maintain the following minimum safeguards against unauthorized access:

- Doors shall remain locked when not occupied by authorized personnel.
- Non-IT Department persons shall not be granted access without IT Dept staff present.
- Sites without IT Department staff on-site shall have a staff person designated as the IT asset custodian. Only authorized personnel may access and/or modify IT assets and resources. Access to IT assets and resources shall be monitored as determined by guidelines to be established by the ITSC.

4.4.2 User Access:

- Requirements for passwords shall be determined by the risk level of each system or application, as shown in the table below:

Risk Level	Password Complexity
High	64-bit information entropy
Low	32-bit information entropy

- Risk levels shall be assigned to each application or system as prescribed in applicable ITSC procedures.
- It is recommended that unique user names be utilized.
- Inactivity periods must be enforced on all FMPA computing assets. The system must automatically suspend the session after a maximum of 15 minutes of inactivity, and re-establishment of the session shall only be allowed upon resubmission of the password.
- The Human Resources Director is responsible for notifying IT of access changes required prior to cease of employment of any staff.
- Managers must follow the "Access Control Procedures" (as recommended by ITSC and approved by General Manager) to request staff access changes to systems or applications, including new hires.
- Manager owners shall perform annual user access reviews for systems under their control, as defined in "Access Control Procedures". The IT Manager shall annually provide each owner with applicable user access reports to facilitate such a review.

4.4.3 Virus Protection:

- The IT Manager shall maintain anti-virus software on all vulnerable systems. The IT Manager shall maintain documentation for any systems that are not current with anti-virus software with rationale for such status.

- At a minimum such anti-virus software should attempt to check all software, data and attachments for viruses, provide software tools to detect and remove viruses, and isolate infected items quickly to allow for removal.
- The IT Manager shall cause to be conducted a market review of anti-virus software no less than every three years to verify that existing software meets then current industry standards. Results shall be reported to the ITSC for consideration in the budget development process.

4.4.4 Firewalls:

- The IT Manager shall coordinate and document an annual internal review of the firewall ruleset to ensure it is reasonably restrictive, limiting access to only necessary ports and protocols.
- The IT Manager is responsible for documenting the business need for each rule within the firewall configuration
- FMPA shall maintain a system which documents changes to firewall rulesets.

4.4.5 Change Management:

- FMPA shall maintain a representative test environment which allows appropriate testing for compatibility before additions to or updates of systems or applications.
- The ~~Assistant General Managers (AGMs)~~Senior Leadership Team have discretion to approve modifications in applications/systems for which their respective division managers are custodians. The AGMs must comply with the ITSC Charter.

4.4.6 System, Application and Network Logging:

- The IT Manager shall ensure that logging is taking place for all critical Windows, border router, and application events by maintaining a centralized application and network log aggregation, monitoring, and alerting solution.
- Logs should be aggregated from key business applications, servers and network devices including firewalls and routers.
- The IT Manager shall maintain such logs in accordance with the Records Management Policy.

5.0 Internal Controls

The IT Manager shall cause to be established a system of written internal controls to manage IT assets and resources, consistent with this Policy and associated Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy.

5.1 Policy and Procedure Compliance: The Agency Risk Manager shall cause compliance with this Policy and associated procedures to be monitored on an annual basis. Any unresolved compliance issues will be presented to the ~~AROC~~FC by the Agency Risk Manager. Violations involving personnel issues shall be handled through FMPA's standard disciplinary process.

5.2 Internal Controls: Establishment of internal controls within the IT Department will be addressed by the policies identified in Section 4.4 and any associated procedures. The acceptable level of internal controls may change with the Agency's IT assets and resources. The IT Department will strive to maintain a segregation of duties between system administrators and programmers. To the extent such segregation of duties is not possible, compensating controls shall be established and documented by the IT Manager.

5.3 Staff Training: New employees shall be notified of this Policy during orientation. The IT Manager shall develop an ongoing user training program to address common security topics. These topics may include:

- Viruses, worms, Trojan horses
- Social engineering attacks
- Mobile device security
- Strong password construction
- Safe computing habits

Staff training may be conducted through formal training, written communications, or web-hosted training materials.

5.4 Continuing Education: The IT Manager and other appropriate IT Department staff are recommended to complete at least 8 hours of continuing education annually in subject courses of study related to IT assets, system management, and/or security as it pertains to job duties.

6.0 Reporting

The IT Manager is responsible for completion of the following reporting requirements:

6.1 Report to ITSC: An annual report to the ITSC on the activities of the IT Department during the past year. The ITSC shall review the report and provide an analysis of any problems and solutions for inclusion in the annual ~~AROC~~FC report described below. The ITSC annual report shall at a minimum include the following:

1. Summary of system downtimes (planned and unplanned outages)
2. Support tickets resolved and outstanding
3. Rationale for non-current anti-virus software (4.4.3)
4. Summary of firewall ruleset changes (4.4.4)
5. Unresolved ITSC agenda items

6.2 Report to ~~AROC~~FC: An annual report at the September ~~AROC~~FC meeting on the activities of the ITSC during the previous year. Such report shall at a minimum include the following:

1. Security breaches
2. ITSC approved exceptions as allowed by Policy

3. List of General Manager approved IT policies and procedures
4. Significant changes to IT risks since last report
5. ITSC analysis of problems and solutions, as applicable

The Agency Risk Manager shall cause any deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be presented to the ~~AROC~~FC as described in Section 7.0 of the FMPA Risk Management Policy. The IT Manager shall report on the current risk environment affecting FMPA's information technology to the Risk Management Department as needed and engage any necessary discussion before recommending action to the appropriate governing body.

Appendix A

Florida Municipal Power Agency **Risk Management Reporting Calendar** **Information Technology Reporting Requirements**				
Reporting Item	**Frequency of Report**	**Responsible Party**	**Policy Reference**	**Policy Reference**
Security Breaches to Risk Manager	Monthly	IT Manager	Section 4.1.1	Security Breaches
User access reports to Managers	Annually	IT Manager	Section 4.4.2	User Access
AROC annual report	Annually	IT Manager	Section 6.0	Reporting
ITSC annual report	Annually	IT Manager	Section 6.0	Reporting
Policy Operation & Effectiveness	Annually	~~The AROC~~ The FC	Section 6.0	Reporting

AGENDA ITEM 7 – Information Items

d) Annual Insurance Report

Audit and Risk Oversight Committee Meeting
January 17, 2019

Rich Popp
Treasurer and Risk Director

AGENDA PACKAGE MEMORANDUM

TO: Audit and Risk Oversight Committee

FROM: Richard Popp

DATE: January 8, 2019

ITEM: AROC 7c – Annual Insurance Report

Executive Summary

This information reported is required by section 6.0 of the Insurance Program Risk Management Program as detailed below.

Insurance Program changes since January 2018

The only insurance coverage changes for 2018 was to increase the Excess Liability coverage with AEGIS from $35 million to $50 million. At the same time, coverage with Energy Insurance Mutual (EIM) for Excess Liability Coverage was terminated. EIM provided $15 million of Excess Liability coverage above the prior AEGIS cap of $35 million. The total Excess Liability coverage limits remain the same at $50 million. This change resulted in the same coverage terms at a lower cost to FMPA. This change saved the Agency slightly over $24 thousand.

At the end of Fiscal Year 2018, FMPA has fully funded the EC approved self-insurance fund at $2.7 million. The fund was last used to cover the deductible related to the 2015 Cane Island Unit 2 event.

Staff is expecting one significant change during fiscal year 2019/2020 renewals, the loss of FM Global's membership credit. The high number of catastrophic natural disasters for the past two years, resulted in FM Global not meeting performance goals and therefore membership credits will not be issued upon renewal. This change applies to all customers who have been with FM for longer than 5 years, customers who have shorter terms are not entitled to membership credits. The loss of the membership credit will increase FMPA's net premium for property coverage by $196,000, 10% of policy premium.

Review of 2018 Insurance coverage

Insurance Coverage and Costs

Actual premiums for renewal year 2018/2019, for all lines, were essentially flat from the 2017/2018 period. The major drivers of premium changes were:

- Property insurance for ARP generation increased by $18,070. This increase is due to higher plant inventory and property values.
- Excess Liability Coverage decreased by $24,297. This decrease was due to AEGIS offering coverage up to $50 million allowing FMPA to eliminate the higher cost carrier EIM. EIM offered coverage about $35 million, AEGIS prior maximum coverage.

The coverage limits, premiums, and claims are shown below for the coverage period of May 1, 2018 – May 1, 2019.

Coverage	Limit	Premium	Claims
Automobile	$1,000,000	$5,189	None
Directors & Officers Liability	$20,000,000	$128,795	None
Crime	$10,000,000	$18,998	None
Excess Liability:			
AEGIS	$35,000,000	$254,003	None
Professional Lawyer's Liability	$5,000,000	$15,204	None
Property:			
ARP owned generation	$850,000,000	$1,771,011	None
Additional flood – Keys (FEMA)	$6,000,000	$16,698	None
Additional flood >20M - Keys	$5,000,000	$37,725	None
Workers Compensation/ Employers' Liability	Statutory/ $1,000,000	$31,795	None
	Total:	$2,279,418	

Self-insurance Fund

The self-insurance fund, part of the ARP General Reserve fund, is fully funded to the approved Executive Committee target of $2,700,000. The purpose of the fund is to cover the highest deductibles of ARP's large combined cycles.

Renewal Year 2019/20

Staff believes the May renewals will show an increase due to property rates increasing and the loss of the FM Global membership credits. Staff does not believe lower rates can be achieve by marketing the property program due this increase being an industry wide trend. Most other coverages are expected to be within ± 5%.

During the next budget process, staff will bring forward cyber coverage for both generation and Agency operations. FMPA has coverage for cyber events causing property damage. However, we do not have coverage for any other cyber related events. Staff will price coverage between $5-$10 million and does not expect this coverage to exceed $75,000.

Recommended Action

Information item only. No action requested.

7c – Annual Insurance Report

FMPA AROC

January 17, 2019

Insurance Update

Loss of FM Global's Membership Credit

- Flat Year over Year Price Change for all coverages
- No claims last year
- Increased AEGIS Excess Liability Coverage to $50 million. Savings $24k
- Next Renewal Expect Increase of at least 10% for Property Coverage. Loss of Membership Credit, $196,000
- Other Coverages +/- 5%

FMPA MUNICIPAL POWER

Exploring Additional Cyber Insurance

Only have Cyber Coverage for Property Losses

Property Insurance only covers cyber losses to equipment/hard assets

No cyber coverage for third-party liability

Seeing bids for up to $10 million in coverage

Estimated to be between $50-75k per year

FMPA
MUNICIPAL POWER

Information only. No action required.

AGENDA ITEM 7 – Information Items

e) Risk Management Policy Reviews

Audit and Risk Oversight Committee Meeting
January 17, 2019

7d – Risk Management Policy Reviews

Audit and Risk Oversight Committee

January 17, 2019

Summary of Policy Review Process

The FMPA Risk Management Policy requires that each included appendix Policy be reviewed annually for operation and effectiveness. The Risk Management Department (“Risk Department”) reviews all policies on a staggered basis throughout the year. The compliance review forms completed since the last AROC meeting are included for your review.

The Risk Department expects the policy reviews to result in increased awareness and compliance with approved policies and improved risk management procedures, as well as to serve as a tool for revision of policies as necessary.

Policies Covered This Cycle

The policies reviewed this cycle

Records Management	Human Resource	IT Policy	Debt Policy
No deviations were found in Records Management Policy review for the period of Nov, 2017 to Oct, 2018	No deviations were found in Human Resource Policy review for the period of Dec, 2017 to Nov, 2018	No deviations were found in IT Policy review for the period of Nov, 2017 to Oct, 2018	No deviations were found in the Debt Policy review for the period of Dec, 2017 to Nov, 2018

FMPA MUNICIPAL POWER

Discussion

FMPA Risk Management Department

Policy Compliance Review

Debt Risk Management Policy (Appendix B)

This Policy compliance review is conducted by the Risk Management Department to assess the status of risk management practices for the time period noted below. The Risk Management Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate Assistant General Manager and the General Manager prior to being presented to the Audit and Risk Oversight Committee as an information item.

Review period **December 2017 to November, 2018**

Responsible Manager(s): Rich Popp, Treasurer

Policy Compliance: Indicate whether the following items required in the Debt Risk Management Policy were completed during the review period.

REQUIREMENT	YES	NO	EXPLANATION
Financial Advisor provided written recommendations to the appropriate governing bodies prior to execution of debt. (Section 2.0)	X		Recommendations were contained in the respective Agenda Memos presented for approval.
The CFO caused Treasury Procedures to be established. (Section 6.0)	X		
CFO presented all Debt Financing Team (DFT) recommendations to General Manager. (Section 4.1)	X		All DFT recommendations become formal Agenda items which are set and approved by the GM
Debt Financing Team explained risks of any proposed structure or transaction to the appropriate governing body. (Section 4.3)	X		
Debt portfolio mix levels were measured at time of debt issuance, and any deviations approved by appropriate governing body. (Section 4.3)	X		Only fixed rate debt that is in the respective Agenda Memos presented for approval.
Policy requirements were met for any refunding bonds issued. (Section 4.9)	X		
Derivatives were entered into only with the approval of the appropriate governing body. (Section 5.0)			N/A - None transacted during review period.
CFO, in consulting with Debt Financing Team, ensured active management of interest rate hedging program. (Section 5)	X		Swap Advisor is a regular participant in scheduled DFT Meetings
External entities were advised as required per Policy before entering into swap agreements. (Section 5.2)			N/A - None transacted during review period.
Treasurer notified Debt Financing Team (DFT) of any collateral calls or collateral returns within 1 business day. (Section 5.3)			N/A – None occurred during review period

Debt Risk Management Policy (Appendix B)

Policy Compliance continued:			
REQUIREMENT	**YES**	**NO**	**EXPLANATION**
Hedging counterparties had long-term bond ratings of A-1/A+ or higher at time of execution. (Section 5.3)			N/A - None transacted during review period.
CFO reported interest rate swap transaction defaults to the Debt Financing Team, GM, and governing body chairs within 1 business day. (Section 5.3)			N/A – No occurrence during review period
CFO reported to the AROC when more than 35% of a Project's total debt was hedged with any one provider. (Section 5.5)			N/A – There was no swap counterparties.
Appropriate governing body approved any optional interest rate swap terminations. (Section 5.6)			N/A – There was no swap counterparties.
Treasurer completed all post-issuance reporting and compliance requirements. (Section 6.2)	X		Was completed in July 10, 2018 through EC.
CFO caused posted collateral to be reported to each AROC with a strategy for handling related risk level. (Section 5.7)			N/A – None occurred during review period
Debt Portfolio reports were issued as required. (Section 7.1)	X		Report presented during February 2018 EC and BOD meeting
Post-closing reports were issued as required. (Section 7.2)	X		Post closing reports issued at EC/BOD meeting following debt transactions in Feb 2018.

Internal Control Assessment: Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.					
OBJECTIVE	**1**	**2**	**3**	**4**	**EXPLANATION**
Controls are in place to identify and assess risks related to issuance of debt.			X		
Debt portfolio contributes to at least an A- or A3 credit rating.			X		
The cost and benefit of all aspects of proposed debt structures are fully considered.			X		
Debt service coverage remains at levels to comply with bond covenants.			X		

Debt Risk Management Policy (Appendix B)

Internal Control Assessment: continued					
OBJECTIVE	**1**	**2**	**3**	**4**	**EXPLANATION**
Controls are in place to identify and assess risks related to interest rate swap transactions.			X		
Hedging transactions have authorized business purposes and measured risk.			X		
Sufficient segregation of duties is maintained.			X		
Off-balance sheet obligations are reported to the AROC or higher governing body.			X		None known by Treasury.

Are there any concerns related to debt risk management which should be brought to the attention of the General Manager as part of this review? Yes ☐ No ☒ If yes, describe below.

Are there internal control concerns related to debt risk management which require immediate attention? Yes ☐ No ☒ If yes, describe below including any change to risk inventory controls score.

Rate the overall functioning of debt risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
☐	☐	☒	☐	

Debt Risk Management Policy (Appendix B)

Additional comments from responsible Manager(s):

Are there any emerging risks or environmental changes which impact debt risk management?

Yes ☐ No ☐ If yes, describe below including any proposed changes to risk inventory.

Other comments:

Risk Management Reviewer

Date 12/27/2018

Responsible Manager Signature

Date 12/27/2018

Responsible Executive Officer Signature

Date 1/2/2019

Rating scale for Policy compliance reviews:

1 = Risk management practices not in place.

2 = Risk management practices in place are not effective in meeting Policy requirements.

3 = Risk management practices in place meet Policy requirements.

4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

FMPA Risk Management Department
Policy Compliance Review
Human Resources Policy (Appendix N)

This Policy compliance review is conducted by the Risk Management Department to assess the status of risk management practices for the time period noted below. The Risk Management Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate Assistant General Manager and the General Manager prior to being presented to the Audit and Risk Oversight Committee as an information item.

Review period: **December 2017 to November 2018**

Responsible Manager(s): Sharon Adams, Human Resources Director

Policy Compliance: Indicate whether the following items required in the Human Resources Policy were completed during the review period.

REQUIREMENT	YES	NO	EXPLANATION
HR Manager caused procedures to be established (Section 3.0)	X		
HR Department cooperated with reviews of payroll controls by internal or external auditors. (Section 4.1)	X		
Employee health and wellness records were maintained per HIPAA regulations. (Section 4.2)	X		
An annual review of health and wellness plan was conducted by HR Department. (Section 4.2)	X		The health and wellness plan was reviewed in August, 2018
HR Department enforced consistent application of the Compensation Policy across the Agency. (Section 4.3)	X		
During the budget process, either (in alternating years) a third party review of salary ranges was conducted or the CPI year change announced in March was used for proposed range changes. (Section 4.3)	X		A comprehensive Compensation study was done by a consulting firm and completed February 2018
HR Department ensured employment laws and regulations were followed consistently and fairly. (Section 4.4)	X		
HR Manager caused a system of internal controls to be established. (Section 5.0)	X		
HR Manager ensured all employees received required training and maintained records of such. (Section 5.2)	X		EEOC Training – Oct 25th Public Records – June 13th
HR Manager and appropriate staff completed 4 hours of professional education related to personnel management. (Section 5.2)	X		HR Manager attended training May 2018

FMPA Risk Management Department
Policy Compliance Review
Human Resources Policy (Appendix N)

Internal Control Assessment: Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.					
OBJECTIVE	**1**	**2**	**3**	**4**	**EXPLANATION**
Controls are in place to identify and assess risks related to personnel management activities.			X		
Employee benefits and compensation are competitive and cost-effective.			X		
Appropriate segregation of duties is maintained related to the payroll function.			X		
Employees are enrolled in eligible benefits and eligibility records are maintained.			X		ADP Electronic Benefit Management System
Personnel are correctly classified and all payroll laws and regulations are followed.			X		As a result of the compensation study there were some employees that were reclassified
Succession planning is sufficiently supported and implemented across the Agency.			X		HR maintains an active succession plan in performance management system (Halogen).
External legal compliance reviews are conducted as deemed necessary by the Audit and Risk Oversight Committee.			X		No recommendations made by the AROC

Are there any concerns related to human resources risk management which should be brought to the attention of the General Manager as part of this review?
Yes ☐ No ☒ If yes, describe below.

Are there internal control concerns related to human resources risk management which require immediate attention?
Yes ☐ No ☒ If yes, describe below including any change to risk inventory controls score.

FMPA Risk Management Department
Policy Compliance Review
Human Resources Policy (Appendix N)

Rate the overall functioning of human resources risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
☐	☐	☒	☐	

Additional comments from responsible Manager(s):
Are there any emerging risks or environmental changes which impact human resources risk management?
Yes ☐ No ☒ If yes, describe below including any proposed changes to risk inventory.

Other comments:

12/27/2019
Risk Management Reviewer **Date**

1-7-19
Responsible Manager Signature **Date**

Jacob A. Williams 1/2/19
Responsible GM Signature **Date**

Rating scale for Policy compliance reviews:

1 = Risk management practices not in place.

2 = Risk management practices in place are not effective in meeting Policy requirements.

3 = Risk management practices in place meet Policy requirements.

4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

FMPA Risk Management Department
Policy Compliance Review
Information Technology Risk Management Policy (Appendix O)

This Policy compliance review is conducted by the Risk Management Department to assess the status of risk management practices for the time period noted below. The Risk Management Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate Assistant General Manager and the General Manager prior to being presented to the Audit and Risk Oversight Committee as an information item.

Review period: November, 2017 to October, 2018

Responsible Manager(s): Luis Cruz, IT Manager

Policy Compliance: Indicate whether the following items required in the Information Technology Risk Management Policy were completed during the review period.

REQUIREMENT	YES	NO	EXPLANATION
IT Manager caused procedures to be established. (Section 3.0)	X		Procedures continue to be formalized and refined
ITSC maintained list of current applications/systems owners. (Section 4.1)	X		Maintained as part of the IT budget development process and in SharePoint
IT Manager logged reported security breaches and provided monthly report to Agency Risk Manager. (Section 4.1.1)	X		No known breaches.
All ITSC recommendations were approved by General Manager prior to implementation. (Section 4.2)	N/A		None during period.
Minimum standards for restoration times and off-site data storage were followed. (Section 4.3)	X		In order to mitigate disaster related risks, all critical IT systems have been permanently moved to the co-location facility.
Server rooms met minimum safeguards against unauthorized access. (Section 4.4.1)	X		
Password strength for systems and applications was set per the assigned risk level. (Section 4.4.2)	X		The Agency has adopted new password guidelines from the NIST SP 800-63 standard. 90-day expirations were removed and a lookup to a "known bad password" database was implemented to ensure weak passwords are not used.
Inactivity periods were enforced. (Section4.4.2)	X		
User access changes followed ITSC procedures. (Section 4.4.2)	X		
Manager owners performed annual user access reviews. (Section 4.4.2)	X		

Anti-virus software was maintained per policy requirements. (Section 4.4.3)	X		

Policy Compliance continued:

REQUIREMENT	YES	NO	EXPLANATION
Market review of anti-virus software conducted every three years. (Section 4.4.3)	X		Current market review based upon Gardner Survey of November, 2018
IT Manager maintained and reviewed the firewall rule set per policy requirements. (Section 4.4.4)	X		
FMPA maintained a test environment. (Section 4.4.5)	X		
IT Manager ensured logging and maintained logs per policy requirements. (Section 4.4.6)	X		
User training program was completed per policy requirements. (Section 5.3)	X		Bi-monthly security training provided for all of staff
IT staff completed a minimum of 8 hours of education. (Section 5.3)	X		
IT Manager completed annual reporting requirements. (Section 6.0)	X		Presented at the November 2018 AROC

Internal Control Assessment: Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.

OBJECTIVE	1	2	3	4	EXPLANATION
Internal controls in place to secure IT assets from theft, fraud, damage, or breach of integrity.			X		
Custodians are responsible for IT assets under their control.			X		
Security breaches are reported to Risk Manager.			X		
All staff comply with copyright laws, contracts, and software licenses.			X		
Appropriate segregation of duties is maintained within the IT Department.			X		

Information Technology Risk Management Policy (Appendix O)

Are there any concerns related to information technology risk management which should be brought to the attention of the General Manager as part of this review? Yes ☐ No ☒ If yes, describe below.

Are there internal control concerns related to information technology risk management which require immediate attention? Yes ☐ No ☒ If yes, describe below including any change to risk inventory controls score.

Rate the overall functioning of information technology risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
☐	☐	☒	☐	

Additional comments from responsible Manager(s):

Are there any emerging risks or environmental changes which impact information technology risk management?

Yes ☐ No ☒ If yes, describe below including any proposed changes to risk inventory.

Information Technology Risk Management Policy (Appendix O)

Other comments:

____

____

____

____

Risk Management Reviewer — Date: 12/12/2018

Responsible Manager Signature — Date: 12-12-18

Responsible Executive Officer Signature — Date: 12/21/18

Rating scale for Policy compliance reviews:

1 = Risk management practices not in place.

2 = Risk management practices in place are not effective in meeting Policy requirements.

3 = Risk management practices in place meet Policy requirements.

4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

FMPA Risk Management Department
Policy Compliance Review
Records Management Policy (Appendix L)

This Policy compliance review is conducted by the Risk Management Department to assess the status of risk management practices for the time period noted below. The Risk Management Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate Assistant General Manager and the General Manager prior to being presented to the Audit and Risk Oversight Committee as an information item.

Review period: November, 2017 to October, 2018

Responsible Manager(s): Luis Cruz, IT Manager; and Sharon Adams, Human Resource Director

Policy Compliance: Indicate whether the following items required in the Records Management Policy were completed during the review period.

REQUIREMENT	YES	NO	EXPLANATION
General Manager caused procedures to be created. (Section 3.0)	X		
Record retention schedules GS1-L and GS14 are posted on the Intranet. (Section 4.0)	X		
Manager of IS assigned staff appropriate access rights to the electronic records management system. (Section 4.0)	X		
Manager of IT conducted technical training at least biennially for all employees. (Section 5.2)	N/A		Record retention is discussed during the annual training on the Sunshine Law. The training is completed in June 13, 2018.
The HR Department ensured all new employees received records retention training during orientation. (Section 5.2)	X		
The HR Department coordinated with legal counsel to present formal records retention training to all employees annually. (Section 5.2)	X		Public Record Law & Sunshine Law training is completed in June 13, 2018
Risk Management staff performed annual review of staff usage of the electronic records management system. (Section 5.3)	N/A		No longer applicable with current systems

FMPA Risk Management Department
Policy Compliance Review
Records Management Policy (Appendix L)

Internal Control Assessment: Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.					
OBJECTIVE	**1**	**2**	**3**	**4**	**EXPLANATION**
Controls are in place to identify and assess risks related to the security of the Agency's business records.				X	Controls relate to the use of FMPA's Co-Lo facility.
Agency records are retained in compliance with legal requirements and Agency policy.			X		
Access to the vault is restricted to appropriate staff members.			X		
Managers are held responsible for their subordinates' compliance with records retention policies.			X		

Are there any concerns related to records management risk management which should be brought to the attention of the General Manager as part of this review?
Yes ☐ No ☒ If yes, describe below.

Are there internal control concerns related to records management risk management which require immediate attention?
Yes ☐ No ☒ If yes, describe below including any change to risk inventory controls score.

Rate the overall functioning of records management risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
☐	☐	☒	☐	

Records Management Policy (Appendix L)

Additional comments from responsible Manager(s):

Are there any emerging risks or environmental changes which impact records management risk management?

Yes ☐ No ☒ If yes, describe below including any proposed changes to risk inventory.

Other comments:

Risk Management Reviewer — Date: 12/27/2019

Responsible Manager Signature — Date: 1-7-19

Responsible Manager Signature — Date: 1-7-19

Responsible AGM Signature — Date: 1/2/19

Responsible GM Signature — Date: 1/2/19

Rating scale for Policy compliance reviews:

1 = Risk management practices not in place.

2 = Risk management practices in place are not effective in meeting Policy requirements.

3 = Risk management practices in place meet Policy requirements.

4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

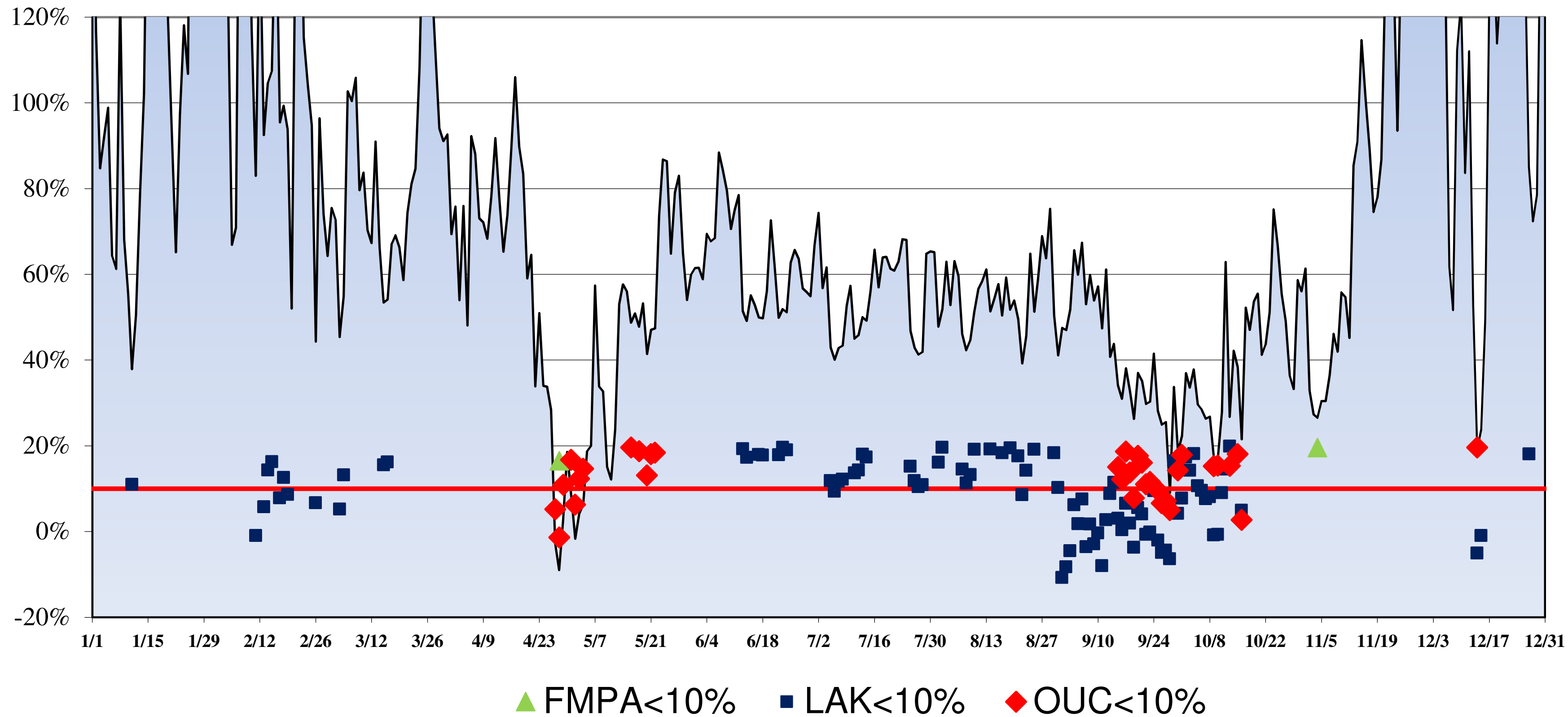
AGENDA ITEM 8 – Reports

a) **Capacity Reserve Level Report (Joe McKinney)**

Audit and Risk Oversight Committee Meeting
January 17, 2019

FMPP Daily Reserve Margins

January 2019 through December 2019



Date Printed: 12/11/2018 2:59 PM

AGENDA ITEM 8 – Reports

b) FGU Storage Management Report

Audit and Risk Oversight Committee Meeting
January 17, 2019

FMPA Storage Management Report

Florida Gas Utility

December 2018

Executive Summary – December 2018 Activity

During the month of December 2018, FGU conducted limited physical storage transactions but extensive financial transactions to address market conditions and hedge expirations. These are outlined in more detail below. FMPA's optimized storage position, as of December 31, 2018 is long 467,785 Dths of gas in inventory and short a total of 467,500 Dths of financial hedges (short 12,500 Dths/day, or 362,500 Dths total, of January daily 'swing swap' futures for days 3-31, and short 105,000 Dths total of February 2019 futures). These financial positions are housed in FGU's clearing account with Rosenthal Collins Group (RCG) with associated margining requirements. FMPA's net optimized storage position increased in value by $4,784 during the month of December 2018, due primarily to the physical optimization activity. In December, FGU performed one withdrawal of 5,000 Dths for an intraday sale and injected a total of 30,000 Dths in late December to take advantage of mild weather and soft cash prices relative to NYMEX.

For the financial positions hedging FMPA's storage inventory, below is a summary of the activity that took place relating to the expiration of the short swap position on the JP Morgan ISDA.

- Short JP Morgan ISDA January 2019 position (442,500 Dths) expired on 12/27/2018 at $3.642/Dth with a realized loss of $283,200 ($0.64/Dth loss)
- New short positions established, with net effective prices[1], as follows:
  - 387,500 Dths (12,500 Dths/day) of January 2019 'swing swap' settling daily (days 1-31) against the Henry Hub Gas Daily Average at a net price of $3.657/Dth
  - 50,000 Dths of short February 2019 futures contracts at a net price of $3.554/Dth

Because the new hedge positions were executed as spreads the week prior to expiration, and the NYMEX market continued to fall after the spreads were entered into, FGU did realize a loss on the expiration of the January 2019 related spreads in an amount of $43,457.50 (the total realized loss of $43,592.50 for the January 2019 contract on FGU's clearing account includes a separate FMPA hedge for the 5,000 Dth withdrawal in December). However, this spread related loss is offset but a like dollar amount of additional mark-to-market (MtM) gain in the short January 2019 swing-swap and February 2019 futures positions. The difference in the actual and net execution prices shown below translates into the offsetting MtM gain.

- January swing swap (387,500 Dths) – actual sale $3.746 vs net sale of $3.657 ($34,332.50)
- February futures (50,000 Dths) – actual sale $3.736 vs net sale of $3.5535 ($9,125)

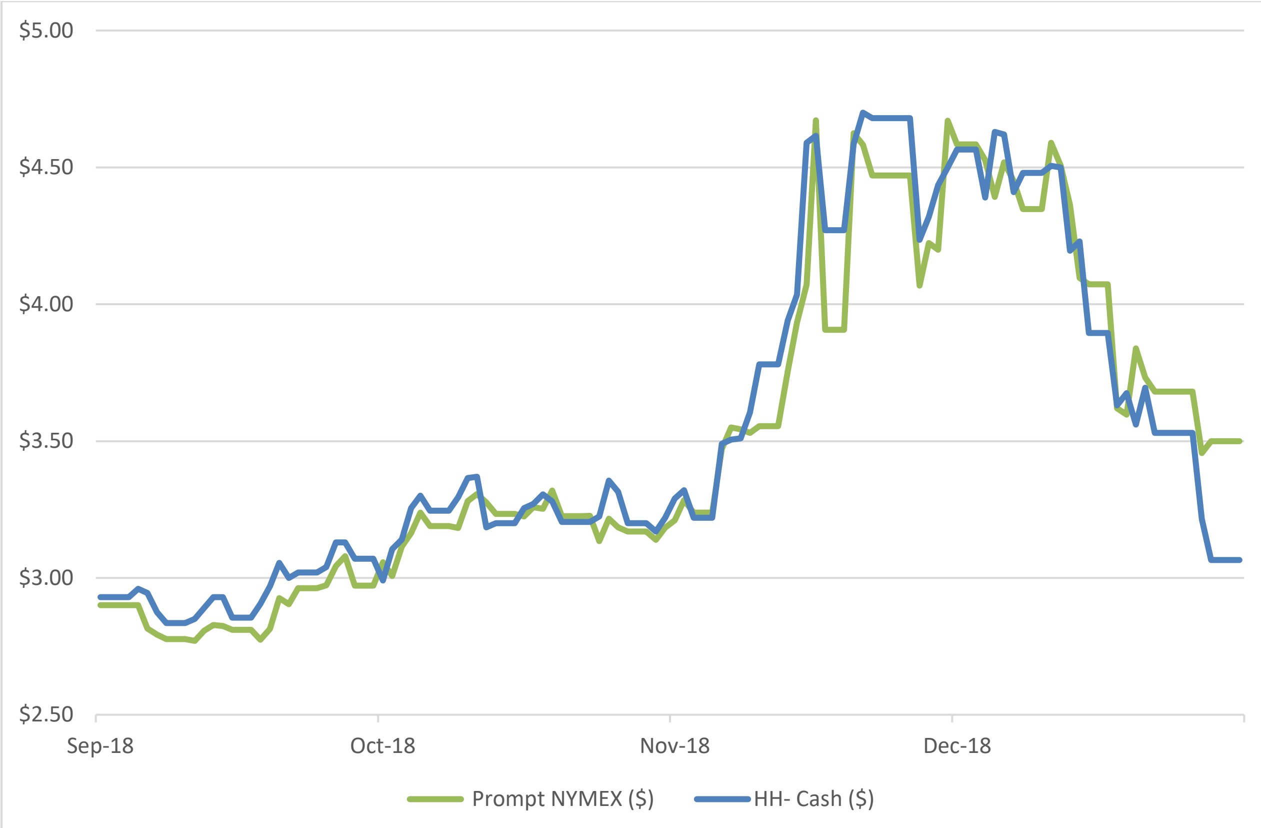
As the 12,500 Dths/day of January 2019 daily 'swing swap' futures expire, to ensure a balanced physical and financial storage position FGU will either (i) withdraw 12,500 Dths/day of storage inventory for FMPA's use (or for sale), or (ii) add a replacement short hedge, likely in the February 2019 futures contract, for the expiring 12,500 Dths/day, whichever makes the most sense financially after accounting for risk.

Following the execution of the JP Morgan ISDA replacement hedges, FGU added 30,000 Dths of short February futures to hedge additional injections, and another short 25,000 Dths of short February futures to hedge the expiration of days 1-2 of the January swing swap when no withdrawals were warranted.

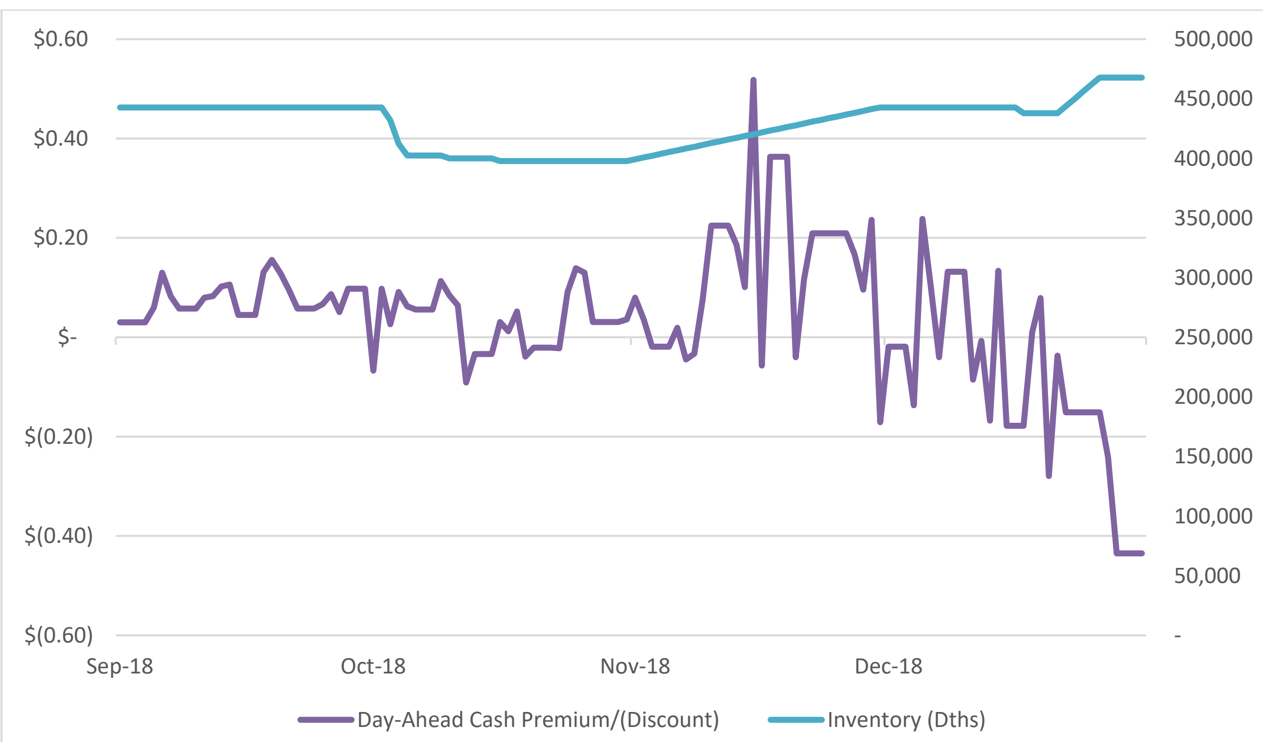
---

[1] *Net effective prices reflect the price spread traded to move from the January futures contract (i.e., the JP Morgan ISDA position) with those spreads then added/subtracted to the final January 2019 expiration price*

Henry Hub Cash Market vs NYMEX Prompt-Month Futures



Cash Market Spread to NYMEX Prompt-Month vs FMPA Storage Inventory Level



Summary of Existing Physical Inventory Position (12/31/2018)

Total Inventory Volume	Total Inventory Cost	Inventory WACOG	Market Value	Marked to Market	Unrealized Gain/(Loss)
467,785	$1,371,261	$2.93	$2.98	$1,393,999	$22,738

Summary of Existing Financial and Forward Physical Risk Management Positions (12/31/2018)

Delivery Month	Net Position	Realized Gain/(Loss) to Date	Open Equity	Total Value
Jan-19	(362,500)	($326,793)	$310,770	($16,023)
Feb-19	(105,000)	$0	$70,053	$70,053
Mar-19	0	$0	$0	$0
Apr-19	0	$0	$0	$0
May-19	0	$0	$0	$0
Jun-19	0	$0	$0	$0
Jul-19	0	$0	$0	$0
Aug-19	0	$0	$0	$0
Sep-19	0	$0	$0	$0
Oct-19	0	$0	$0	$0
Nov-19	0	$0	$0	$0
Dec-19	0	$0	$0	$0
Jan-20	0	$0	$0	$0
Feb-20	0	$0	$0	$0
Mar-20	0	$0	$0	$0
Apr-20	0	$0	$0	$0
May-20	0	$0	$0	$0
Jun-20	0	$0	$0	$0
Jul-20	0	$0	$0	$0
Aug-20	0	$0	$0	$0
Sep-20	0	$0	$0	$0
Oct-20	0	$0	$0	$0
Nov-20	0	$0	$0	$0

Summary of Historical Value - Physical and Financial (December 2009 through December 2018)

Optimization Activity	Net Position (Dths)	Total Realized Gain/(Loss)	Unrealized Gain/(Loss)	Total Storage Net Benefit
Current Physical/Financial Positions (12/31/2018)	285	$2,160,632	$403,561	$2,564,193
Fees & Commissions		($38,226)		$2,525,967
NJRES Capacity Release		$477,598		$3,003,565
Sale of Call Options (Jan 2015)		$26,000		$3,029,565

Schedule of FMPA Gas and Cash Flows Related to FGU Storage Services

Month	Actual Injection Cost/ NYMEX Curve (1/2/19)	Actual/ Anticipated Cash Flow ($)	Net Injection Volume (Dths)	Net Withdrawal Volume (Dths)	Running Inventory Balance at End of Month (Dths)	Running Inventory Cost Balance ($)	WACOG ($/Dth)
Oct-18	**$0.00**	**($128,564.89)**	**0**	**45,052**	**397,785**	**$1,135,155**	**$2.8537**
Nov-18	**$3.26**	**$146,589.42**	**45,000**	**0**	**442,785**	**$1,281,744**	**$2.8947**
Dec-18	**$3.58**	**$89,517.18**	**25,000**	**0**	**467,785**	**$1,371,261**	$2.9314
Jan-19	$3.64	($439,708.79)	0	150,000	317,785	$931,552	$2.9314
Feb-19	$2.96	($586,278.39)	0	200,000	117,785	$345,274	$2.9314
Mar-19	$2.83	($197,868.96)	0	67,500	50,285	$147,405	$2.9314
Apr-19	$2.63	$394,050.00	150,000	0	200,285	$541,455	$2.7034
May-19	$2.61	$257,895.00	99,000	0	299,285	$799,350	$2.6709
Jun-19	$2.65	$0.00	0	0	299,285	$799,350	$2.6709
Jul-19	$2.68	$0.00	0	0	299,285	$799,350	$2.6709
Aug-19	$2.68	$0.00	0	0	299,285	$799,350	$2.6709
Sep-19	$2.65	$397,800.00	150,000	0	449,285	$1,197,150	$2.6646
Oct-19	$2.68	$0.00	0	0	449,285	$1,197,150	$2.6646
Nov-19	$2.73	$0.00	0	0	449,285	$1,197,150	$2.6646
Dec-19	$2.88	$0.00	0	0	449,285	$1,197,150	$2.6646
Jan-20	$2.99	($532,913.43)	0	200,000	249,285	$664,237	$2.6646
Feb-20	$2.93	($399,685.07)	0	150,000	99,285	$264,552	$2.6646
Mar-20	$2.76	$0.00	0	0	99,285	$264,552	$2.6646
Apr-20	$2.50	$0.00	0	0	99,285	$264,552	$2.6646
May-20	$2.45	$0.00	0	0	99,285	$264,552	$2.6646
Jun-20	$2.48	$495,800.00	200,000	0	299,285	$760,352	$2.5406
Jul-20	$2.51	$0.00	0	0	299,285	$760,352	$2.5406
Aug-20	$2.51	$0.00	0	0	299,285	$760,352	$2.5406
Sep-20	$2.50	$436,625.00	175,000	0	474,285	$1,196,977	$2.5237
Oct-20	$2.52	$0.00	0	0	474,285	$1,196,977	$2.5237
Nov-20	$2.58	$0.00	0	0	474,285	$1,196,977	$2.5237
Dec-20	$2.75	$0.00	0	0	474,285	$1,196,977	$2.5237
Jan-21	$2.88	($504,749.91)	0	200,000	274,285	$692,227	$2.5237

Winter months

Bold = actual data

- Negative values reflect withdrawals of storage gas that have already been paid for.
- Positive values reflect charges to FMPA for gas purchases to be injected into storage.
- Months above reflect the period of storage activity and the actual charge/credit from FGU would occur the following month.

AGENDA ITEM 9 – Comments

Audit and Risk Oversight Committee Meeting
January 17, 2019

AGENDA ITEM 10 – Adjournment

Audit and Risk Oversight Committee Meeting
January 17, 2019