



ARP EXECUTIVE COMMITTEE AGENDA PACKAGE

February 14, 2019

9:15 a.m. [NOTE TIME]

Dial-in Info 877-668-4493 or 650-479-3208

Meeting Number 739 278 385

Committee Members

Howard McKinnon, Havana - Chairman

Lynne Tejeda, Key West – Vice Chairwoman

Jody Young, Bushnell

Lynne Mila, Clewiston

Fred Hilliard, Fort Meade

Paul Jakubczak, Fort Pierce

Robert Page, Green Cove Springs

Allen Putnam, Jacksonville Beach

Larry Mattern, Kissimmee

Glenn Spurlock, Leesburg

Bill Conrad, Newberry

Mike Poucher, Ocala

Robert Milner, Starke

Meeting Location

Florida Municipal Power Agency

8553 Commodity Circle

Orlando, FL 32819

(407) 355-7767



MEMORANDUM

TO: FMPA Executive Committee

FROM: Jacob A. Williams, General Manager and CEO

DATE: February 5, 2019

RE: FMPA Executive Committee Meeting
Thursday, February 14, 2019 at 9:15am [NOTE TIME]
 (or immediately following the Board of Directors meeting)

PLACE: Florida Municipal Power Agency
 8553 Commodity Circle, Orlando, FL 32819
 Fredrick M. Bryant Board Room

DIAL-IN: (877) 668-4493 or 650-479-3208, Meeting Number 739 278 385
(If you have trouble connecting via phone or internet, call 407-355-7767)

Chairman Howard McKinnon, Presiding

AGENDA

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***Item also on the Board of Directors Agenda.**

**** Item(s) Subject to Super Majority Vote**

NOTE: 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 (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**

**Executive Committee
February 14, 2019**

AGENDA ITEM 2 – SET AGENDA (By Vote)

**Executive Committee
February 14, 2019**

**AGENDA ITEM 3 – RECOGNITION OF
GUESTS**

**Executive Committee
February 14, 2019**

**AGENDA ITEM 4 –PUBLIC COMMENTS
(INDIVIDUAL COMMENTS TO BE LIMITED
TO 3 MINUTES)**

**Executive Committee Meeting
February 14, 2019**

VERBAL REPORT

**AGENDA ITEM 5 – COMMENTS FROM THE
CHAIRMAN**

**Executive Committee
February 14, 2019**

VERBAL REPORT

**AGENDA ITEM 6 – REPORT FROM THE
GENERAL MANAGER**

**Executive Committee
February 14, 2019**

AGENDA ITEM 7 – CONSENT AGENDA

- a) Approval of Meeting Minutes – Meeting Held January 17, 2019 and ARP Telephonic Rate Workshop Minutes – Workshop Held January 10, 2019**

**Executive Committee
February 14, 2019**

CLERKS DULY NOTIFIEDJANUARY 8, 2019
AGENDA PACKAGES POSTEDJANUARY 8, 2019

MINUTES
EXECUTIVE COMMITTEE
THURSDAY, JANUARY 17, 2019
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819

PARTICIPANTS PRESENT Jody Young, Bushnell (via telephone)
Lynne Mila, Clewiston
Fred Hilliard, Fort Meade
Paul Jakubczak, Fort Pierce
Robert Page, Green Cove Springs
Howard McKinnon, Havana
Allen Putnam, Jacksonville Beach
Lynne Tejeda, Key West
Larry Mattern, Kissimmee
Glenn Spurlock, Leesburg
Bill Conrad, Newberry
Mike Poucher, Ocala

PARTICIPANTS ABSENT Robert Milner, Starke

OTHERS PRESENT John Tompeck, Fort Pierce
Barbara Quiñones, Homestead
George Forbes, Jacksonville Beach
Grant Lacerte, Kissimmee
Jim Williams, Leesburg
Mark White, Purvis Gray & Company
Helen Painter, Purvis Gray & Company
Jennifer Clarke, Bridge Energy Group
Scott Feuerborn, Burns & McDonnell, Inc.
Mike Green, Capital Bank
Robert Szostak, FTN Financial
Rob Taylor, GDS Associates
Nathanial Johnson, J.P. Morgan
Terry Huval, Lafayette, LA
Lynn Sand, Leidos

STAFF PRESENT Jacob Williams, General Manager and CEO
Jody Finklea, General Counsel and CLO
Linda Howard, Chief Financial Officer
Mark McCain, Assistant General Manager, Member Services, Human Resources and Public Relations

Dan O'Hagan, Assistant General Counsel and Regulatory Compliance Counsel
Rich Popp, Treasurer and Risk Director
Sue Utley, Executive Asst. /Asst. Secy. to the Board
Carol Chinn, Chief Information and Compliance Officer
Mike McCleary, Manager of Member Services Development
Cairo Vanegas, Manager of Member Services Development
Chris Gowder, Business Development and Planning Manager
Danyel Sullivan-Marrero, Controller
Edwin Nunez, Assistant Treasurer/Debt
Luis Cruz, Information Technology Manager
Sharon Adams, Human Resources Director
Susan Schumann, Manager of External Affairs and Solar Projects
David Schumann, Power Generation Fleet Director

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

Chairman Howard McKinnon, Havana, called the FMPA Executive Committee Meeting to order at 12:16 p.m. on Thursday, January 17, 2019 in the Frederick M. Bryant Board Room, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with 12 members present out of a possible 13.

ITEM 2 – SET AGENDA (BY VOTE)

Chairman McKinnon said we need to add Item 9e – Finance Committee Structure to the agenda.

MOTION: Mike Poucher, Ocala, moved to set the agenda as amended adding Item 9e – Finance Committee Structure. Paul Jakubczak, Fort Pierce, seconded the motion. Motion carried 12 – 0.

ITEM 3 – RECOGNITION OF GUESTS

None

ITEM 4 – PUBLIC COMMENTS

None

ITEM 5 – COMMENTS FROM THE CHAIRMAN

Chairman McKinnon said it was good to be here after he broke his arm and couldn't attend last month's Executive Committee meeting. He said his arm is healing well and it was a clean break so he did not have to have surgery.

ITEM 6 – REPORT FROM GENERAL MANAGER

Jacob Williams, General Manager, reported on the following items:

Interviews January 21 and 22 for Chief Operating Officer; discussion on upcoming bids for power sales and sales to the Florida Municipal Power Pool.

Jody Finklea gave a report concerning the exercise of delegated authority by the authorized officers to achieve the Vero Beach transaction closing, as required by Resolution 2018-EC1, and Mr. Finklea noted for the Executive Committee that a certificate memorializing those exercises of delegated authority was being executed by the authorized officers.

ITEM 7 – CONSENT AGENDA

Item 7a – Approval of Meeting Minutes – Held December 13, 2018; ARP Telephonic Rate Workshop Minutes – Workshop Held December 11, 2018

Item 7b – Approval of Treasury Reports – As of November 30, 2018

Item 7c – Approval of the Agency and All-Requirements Project Financials as of November 30, 2018

MOTION: Glenn Spurlock, Leesburg, moved approval of the Consent Agenda as presented. Mike Poucher, Ocala, seconded the motion. Motion carried 12 – 0.

ITEM 8 – ACTION ITEMS

Linda S. Howard and Danyel Sullivan-Marrero presented highlights and introduced Mark White and Helen Painter of Purvis Gray and Company who gave a presentation of the highlights of the FY 2018 Annual Audited Financial Report.

Item 8a – Approval of Annual Audited Financial Report (AAFR) for Fiscal Year 2018

MOTION: Larry Mattern, Kissimmee, moved approval of fiscal year ended September 30, 2018 AAFR, and the associated Purvis Gray & Company report and to recover or refund all over or under recovery amounts through the billing true-up process. Glenn Spurlock, Leesburg, seconded the motion. Motion carried 12 – 0.

Item 8b – Approval of FEMA/FDEM Grant Agreement for Hurricane Irma Damage at Stock Island

MOTION: Glenn Spurlock, Leesburg, moved approval of the FEMA/FDEM Grant Agreement, as amended, for Hurricane Irma damage at Stock Island and authorize the CEO & General Manager to execute the same. Lynne Tejada, Key West, seconded the motion. Motion carried 12 – 0.

ITEM 9 – INFORMATION ITEMS:

a. Update on Prepaid Gas

Rich Popp gave an update on prepaid gas transactions and the marketplace.

b. Update on Utilization of LAIR (Load Attraction Incentive Rate)

Chris Gowder gave an update on the utilization of the LAIR. He said there may need to be another exception for Bushnell. George Forbes, Jacksonville Beach, suggested changing the Policy instead of adding exceptions. Larry Mattern, Kissimmee, agreed.

c. Update on Series 2008C Request for Proposals

Linda S. Howard gave an update on the bond Series 2008C refunding request for proposals.

d. Update on Compliance Requirements for U.S. Stay Regulations

Jody Finklea briefed the Board on an update on compliance requirements for U.S. stay regulations, and noted that an action item would be brought to the next meeting.

e. Finance Committee Structure

Linda S. Howard gave an update on combining the Audit and Risk Oversight Committee and the Business Planning and Budget Committee. This will be an action item at the February 2019 meetings.

ITEM 12 – MEMBER COMMENTS:

None

There being no further business, the meeting was adjourned at 12:48 p.m.

Howard McKinnon
Chairperson, Executive Committee

Sue Utley
Assistant Secretary

Approved: _____

Seal

PUBLIC NOTICE SENT TO CLERKS DECEMBER 21, 2018
AGENDA PACKAGES SENT TO MEMBERS.....JANUARY 9, 2019

MINUTES
EXECUTIVE COMMITTEE
ALL-REQUIREMENTS POWER SUPPLY PROJECT
TELEPHONIC RATE WORKSHOP
THURSDAY, JANUARY 10, 2019
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FLORIDA 32819

COMMITTEE MEMBERS PRESENT

Christina Simmons, Bushnell (via telephone)
John Tompeck, Fort Pierce (via telephone)
Bob Page, Green Cove Springs (via telephone)
Lynne Tejeda, Key West (via telephone)
Larry Mattern, Kissimmee (via telephone)
Glenn Spurlock, Leesburg (via telephone)
Bill Conrad, Newberry (via telephone)
Mike Poucher, Ocala (via telephone)

COMMITTEE MEMBERS ABSENT

Lynne Mila, Clewiston
Fred Hilliard, Fort Meade
Allen Putnam, Jacksonville Beach
Howard McKinnon, Havana
Robert Milner, Starke

OTHERS PRESENT

Nina Penick, Fort Pierce (via telephone)

STAFF PRESENT

Jacob Williams, General Counsel and CEO (via telephone)
Sue Utley, Executive Assistant to General Manager and CEO / Asst.
Secy. to the Board
Joe McKinney, Systems Operation Manager (via telephone)
Jason Wolfe, Financial Planning and Analysis Manager
Chris Gowder, Business Development and Planning Manager
Jim Arntz, Senior Accountant / Rates Analyst

Item 1 – Call to Order

Vice Chairwoman Lynne Tejeda, Key West, called the Executive Committee All-Requirements Telephonic Rate Workshop to order at 2:00 p.m. on Thursday, January 10, 2019, via telephone. A speaker telephone for public attendance and participation was located in the 1st Floor Conference Room at Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida.

Item 2 – Information Items

Mr. Wolfe gave a verbal update on the natural gas markets; provided an overview of the December loads; provided a verbal report on Florida Municipal Power Pool Operations for December; and reviewed the December ARP rate calculation.

Item 3 – Member Comments

None

There being no further business, the meeting was adjourned at 2:11 p.m.

Approved

LT/su

AGENDA ITEM 7 – CONSENT AGENDA

- b) Approval of Treasury Reports as of
December 31, 2018**

**Executive Committee
February 14, 2019**



AGENDA PACKAGE MEMORANDUM

TO: FMPA Executive Committee
FROM: Gloria Reyes
DATE: February 5, 2019
ITEM: EC 7(b) – Approval of the All-Requirements Project Treasury Reports as of December 31, 2018

- Introduction
- This report is a quick summary update on the Treasury Department’s functions.
 - The Treasury Department reports for December are posted in the member portal section of FMPA’s website.
-

Debt Discussion

The All-Requirements Project has fixed, variable, and synthetically fixed rate debt. The variable rate bonds and lines of credit portion is 1.41%. The fixed and synthetic fixed rate percentages of total debt are 82.67% and 15.92%, respectively. The estimated debt interest funding for fiscal year 2019 as of December 31, 2018 is \$40,723,005.35. The total amount of debt outstanding is \$929,093,000.¹

Hedging Discussion

The Project has 8 interest rate swap contracts. As of December 31, 2018, the cumulative market value of the interest rate swaps in the All-Requirements Project was (17,828,427).

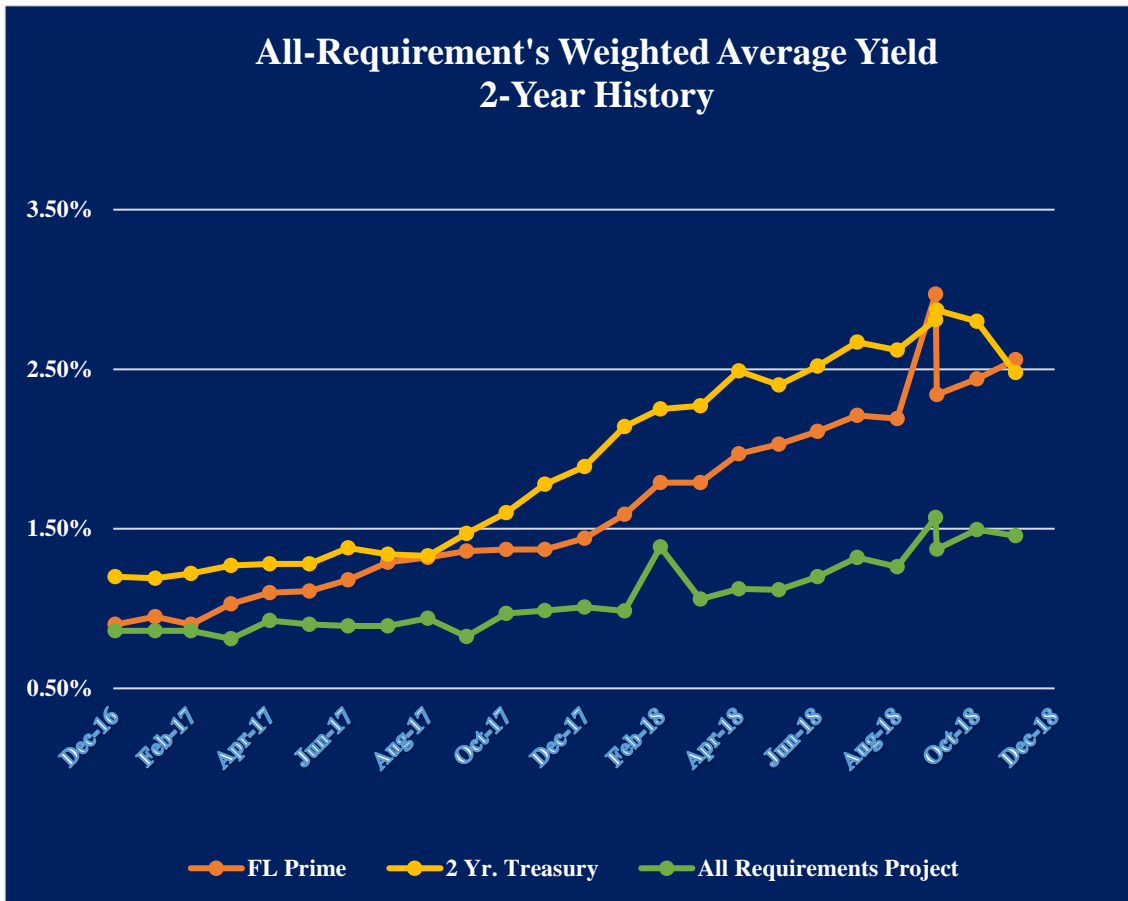
The Swap Valuation Report is a snap shot of the mark-to-market values at the end of the day on December 31, 2018. The report for December is posted in the “Member Portal” section of FMPA’s website.

Investment Discussion

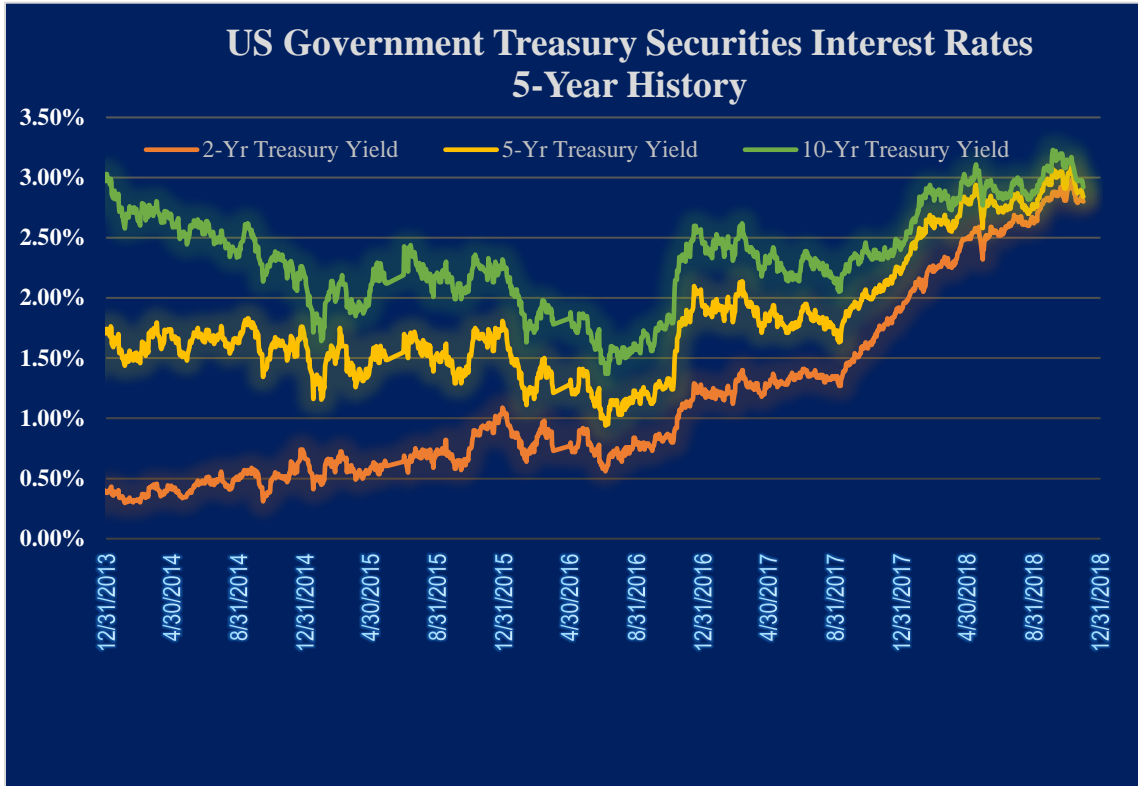
The investments in the Project are comprised of debt from the government-sponsored enterprises such as the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae), as well as investments in U.S. Treasuries, Municipal Bonds, Commercial Paper and Money Market Mutual Funds.

¹ Although still on deposit, the line of credit draw amount of \$5,000,000 is included in the total amount of debt outstanding.

As of December 31, 2018, the All-Requirements Project investment portfolio earned a weighted average rate of return of 1.494%, reflecting the All-Requirements Project need for liquidity given its 60-day cash position. The benchmarks (SBA’s Florida Prime Fund and the 2-year US Treasury Note) and the Project’s yields are graphed below:



Below is a graph of U.S. Treasury yields for the past 5 years.



The Investment Report for December is posted in the “Member Portal” section of FMPA’s website.

Recommended
Motion

Move for approval of the Treasury Reports for December 31, 2018

AGENDA ITEM 7 – CONSENT AGENDA

- c) Approval of the Agency and All-Requirements Project Financials as of December 31, 2018**

**Executive Committee
February 14, 2019**



Linda S. Howard, CPA, CTP
Chief Financial Officer

MEMORANDUM

TO: FMPA Executive Committee
FROM: Linda S. Howard
DATE: February 5, 2019
SUBJECT: EC 7c – Approval of the Agency and All-Requirements Project Financials for the period ended December 31, 2018

Discussion: The summary and detailed financial statements of the Agency and All- Requirements Project for the period ended December 31, 2018 are posted on the Document Portal section of FMPA’s website.

Recommended Motion: Move approval of the Agency and All-Requirements Project Financial reports for the month of December 31, 2018.

LH/GF

AGENDA ITEM 8 – ACTION ITEMS

- a) Approval of the Finance Committee
Structure and Risk Management Policies**

**Executive Committee
February 14, 2019**



EC 8a –Approval of Finance Committee Structure and Risk Management Policies

February 14, 2019

Recap of Earlier Discussions

- Why create a finance committee?
 - Common structure similar to many of the FMPA members
 - Combine functions of the Audit and Risk Oversight (AROC) and Business Planning and Budget Committees
 - Set terms of service similar to our existing committees
 - Recommend a minimum number of members with financial background and expertise
 - Meet quarterly or as needed based on criticality of business decisions

Specific Types of Information

Under Finance Committee Umbrella

- There are several types of financial data that the finance committee would be responsible for including the following:
 - Budget
 - Financial transactions
 - End of Year results
 - Audits (internal and external audit plans and results)
 - Risk review (overall risks and policies)

Approvals Needed

Charter and Policies

- Charter
 - Made changes from last month as follows:
 - Number on the committee changed from a range of 7-11 to a minimum number of 9
 - Increased number of members recommended by Board and Executive Committee Chairpersons to match the minimum of 9
 - Quorum changed from 4 members to 51% (rounded to next whole number)
 - Under major financial transactions, changed phrase from “debt or investment polices” to “debt and investment policies”
- Policies
 - All policies have been updated for committee structure and FMPA title changes

Motions

- Move approval of the finance committee charter, superseding both the AROC and Budget and Planning committee charters
- Move approval of the risk management policies allowing for changes related to the new committee structure and FMPA title changes

FLORIDA MUNICIPAL POWER AGENCY

FINANCE COMMITTEE CHARTER

(as adopted February 14, 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 1a) oversee the administration of the Florida Municipal Power Agency Risk Management Policy, including Appendices A-O, 2b) review significant procurements contemplated by the Agency, 3c) receive regular reports from FMPA staff and members regarding risks and exposures of FMPA activities , 4d) review major items impacting FMPA's budgets, and 5) 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 a minimum of nine~~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 at least three~~four~~ other representatives of the All Requirements Project (ARP) participants. The FMPA ~~Chairperson~~Chairman shall appoint ~~the remaining~~at least three~~four~~ Committee members. Additional members of the committee may be appointed by Executive Committee Chairperson or the Chairman for ARP and non-ARP representatives, respectively.

The appointing officers (Board ~~Chairperson~~Chairman 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~~ 51% (rounded to next whole number) 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~~and 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.

Selection of Professionals: The Committee shall review the selection process for financial professionals including external auditors, depository banks, trustee banks, underwriters, financial advisors, bond counsel, disclosure counsel, and others as deemed appropriate

~~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.

AGENDA ITEM 8 – ACTION ITEMS

- b) Approval of Resolution 2019-EC1 –
Compliance Requirements for U. S. Stay
Regulations**

**Executive Committee
February 14, 2019**



EC 8b – Resolution 2019-EC1 – Approval of Compliance Requirements for U.S. Stay Regulations

Executive Committee

February 14, 2019

U.S. Stay Regulations

High-Level Summary

- The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), took aim at “too big to fail banks” and their impact on the global economic system.
 - The “U.S. Stay Regulations” refer to those regulations issued by the Board of Governors of the Federal Reserve System (FRB) (12 C.F.R. §§ 252.81-88), the Federal Deposit Insurance Corporation (FDIC) (12 C.F.R. §§ 382.1-7) and the Office of the Comptroller of the Currency (OCC) (12 C.F.R. §§ 47.1-8).
- The U.S. Stay Regulations, adopted pursuant to Dodd-Frank, require that certain terms be included in every qualified financial contract with a global systematically important banking (“GSIB”) organization, to provide for an orderly insolvency proceeding if one of these GSIBs becomes the subject of a bankruptcy proceeding.

U.S. Stay Regulations

FMPA Involvement

- Currently, FMPA is involved in financial transactions with several GSIBs, including:
 - Bank of America,
 - Goldman Sachs,
 - J.P. Morgan,
 - Morgan Stanley, and
 - Wells Fargo.
- In order for FMPA to continue to engage with its GSIB counterparties on the current transactions, FMPA must comply with the U.S. Stay Regulations.
- What's effected? Interest rate swaps, lines of credit and associated revolving credit agreements, direct purchase bonds, etc.

U.S. Stay Regulations

Compliance

- There are four steps that FMPA may take, depending on circumstances, to comply with the U.S. Stay Regulations:
 - for derivative contracts, enter into (or, adhere) to the ISDA 2018 U.S. Resolution Protocol (the “ISDA Stay Protocol”) or an alternative protocol;
 - enter into bilateral amendments to existing agreements to provide for U.S. Stay Regulations requirements;
 - amend existing agreements so that no additional steps need to be take to evidence compliance with the U.S. Stay Regulations; or
 - Make a determination that nothing needs to be done for and existing agreement.

Resolution 2019-EC1

- Section I – recites the authority for the resolution.
- Section II – authorizes FMPA to comply with the U.S. Stay Regulations by taking one of the enumerated actions discussed: (1) adhere to the ISDA Stay Protocol, (2) enter in bilateral amendments for compliance, or (3) enter into amendments to evidence compliance is not required.
 - The ISDA Stay Protocol is attached at the end of the Agenda Package.

Resolution 2019-EC1

- Section III – authorizes Authorized Signatories to enter into documentation to evidence compliance with the U.S. Stay Regulations.
- Section IV – designates the Authorized Signatories:
 - General Manager,
 - CFO, and
 - General Counsel.
- Section V – designates the Authorized Officers:
 - Executive Committee Chairperson, Executive Committee Vice Chairperson, Secretary, and Treasurer, and
 - General Manager, CFO, and General Counsel.

Resolution 2019-EC1

- Section VI – authorizes Authorized Officers to take further actions, as necessary or desirable to assure FMPA’s compliance with the U.S. Stay Regulations.
- Sections VII and VIII – severability and effective date.

Recommendation

- Move approval of Resolution 2019-EC1.

A RESOLUTION OF THE EXECUTIVE COMMITTEE OF FLORIDA MUNICIPAL POWER AGENCY (I) RECITING STATEMENT OF AUTHORITY; (II) AUTHORIZING FLORIDA MUNICIPAL POWER AUTHORITY TO TAKE STEPS NECESSARY TO EVIDENCE COMPLIANCE WITH U.S. STAY REGULATIONS IN CONNECTION WITH QUALIFIED FINANCIAL CONTRACTS; (III) DELEGATING TO AUTHORIZED SIGNATORIES THE AUTHORITY TO ENTER INTO DOCUMENTATION TO EVIDENCE COMPLIANCE WITH U.S. STAY REGULATIONS; (IV) DESIGNATING AUTHORIZED SIGNATORIES (V) DESIGNATING AUTHORIZED OFFICERS; (VI) PROVIDING FOR THE TAKING OF CERTAIN OTHER ACTIONS; (VII) PROVIDING FOR SEVERABILITY; AND (VIII) PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE EXECUTIVE COMMITTEE OF THE FLORIDA MUNICIPAL POWER AGENCY (“FMPA”) THAT:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This resolution (the “Resolution”) is adopted pursuant to the provisions of Chapter 361, Part II, Florida Statutes, as amended, Section 163.01, Florida Statutes, as amended, and Chapter 166, Part II, Florida Statutes, as amended.

SECTION 2. AUTHORIZATION TO TAKE STEPS NECESSARY TO EVIDENCE COMPLIANCE WITH U.S. STAY REGULATIONS IN CONNECTION WITH QUALIFIED FINANCIAL CONTRACTS. In order to enter into future qualified financial contracts or to terminate, modify or transfer qualified financial contracts, in each case involving financial institutions that are subject to the regulations issued by the Board of Governors of the Federal Reserve System (the “FRB”) (12 C.F.R. §§ 252.81-88), the Federal Deposit Insurance Corporation (the “FDIC”) (12 C.F.R. §§ 382.1-7) and the Office of the Comptroller of the Currency (the “OCC”) (12 C.F.R. §§ 47.1-8) (collectively, the “U.S. Stay Regulations”), FMPA is authorized to evidence compliance with the U.S. Stay Regulations with respect to qualified financial contracts to be entered into or with respect to qualified financial contracts to be terminated, modified or transferred, in each case involving such financial institutions by any of the following approaches: (i) enter into the ISDA 2018 U.S. Resolution Stay Protocol (the “ISDA U.S. Stay Protocol”) or an alternative protocol, (ii) enter into bilateral contracts with financial institutions that are subject to the U.S. Stay Regulations, and (iii) amend existing contracts with financial institutions that are subject to the U.S. Stay Regulations in a manner so that the steps mentioned in clause (i) and clause (ii) above are not necessary to evidence FMPA’s compliance with the U.S. Stay Regulations.

SECTION 3. DELEGATING TO AUTHORIZED SIGNATORIES THE AUTHORITY TO ENTER INTO DOCUMENTATION TO EVIDENCE COMPLIANCE WITH U.S. STAY REGULATIONS. Each Authorized Signatory is hereby authorized to enter into any documentation determined to be necessary or appropriate by such Authorized Signatory to evidence compliance by FMPA with the U.S. Stay Regulations, including, but not limited to, the ISDA U.S. Stay Protocol, a form of which is attached as Exhibit A hereto.

SECTION 4. DESIGNATION OF AUTHORIZED SIGNATORIES. The General Manager and CEO of FMPA, the Chief Financial Officer of FMPA, and the General Counsel and Chief Legal Officer of FMPA are each hereby designated as Authorized Signatories and are authorized to execute and deliver any documentation determined to be necessary or appropriate by any such Authorized Signatory to evidence FMPA’s compliance with the U.S. Stay Regulations.

SECTION 5. DESIGNATION OF AUTHORIZED OFFICERS. The Chairperson of the Executive Committee, the Vice Chairperson of the Executive Committee, the Secretary, the elected Treasurer of FMPA, the General Manager and CEO of FMPA, any Assistant Secretary, the Chief Financial Officer of FMPA and the General Counsel and Chief Legal Officer of FMPA are each hereby designated as Authorized Officers.

SECTION 6. FURTHER ACTIONS. Each Authorized Officer designated hereunder is hereby authorized and empowered to take all further actions as may be necessary or desirable in carrying out the terms and provisions of this Resolution and each of the documents referred to herein.

SECTION 7. SEVERABILITY. If one or more provisions of this Resolution should be determined by a court of competent jurisdiction to be contrary to law, such provisions shall be deemed to be severable from the remaining provisions hereof, and shall in no way affect the validity or enforceability of such remaining provisions.

SECTION 8. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

This Resolution 2019-EC1 is hereby approved and adopted by the Executive Committee of the Florida Municipal Power Agency on February 14, 2019.

Chairperson, Executive Committee

[Remainder of page intentionally left blank]

I HEREBY CERTIFY that, on February 14, 2019, the above Resolution 2019-EC1 was approved and adopted by the Executive Committee of the Florida Municipal Power Agency, and that this is a true and conformed copy of Resolution 2019-EC1.

ATTEST:

Secretary or Assistant Secretary

SEAL



International Swaps and Derivatives Association, Inc.

ISDA 2018 U.S. RESOLUTION STAY PROTOCOL

published on July 31, 2018
by the International Swaps and Derivatives Association, Inc.

The International Swaps and Derivatives Association, Inc. (**ISDA**) has published this ISDA 2018 U.S. Resolution Stay Protocol (this **Protocol**) to enable parties to Protocol Covered Agreements (as defined below) to amend the terms of each such Protocol Covered Agreement to contractually recognize the cross-border application of special resolution regimes applicable to certain financial companies and support the resolution of certain financial companies under the United States Bankruptcy Code.

Accordingly, a party may adhere to this Protocol and be bound by its terms by completing and delivering a letter substantially in the form of Exhibit 1 to this Protocol (an **Adherence Letter**) to ISDA, as agent, as described below (each such party, an **Adhering Party**).

1. Adherence to and Effectiveness of the Protocol

(a) If an Adhering Party is an Entity Subject to U.S. Regulations or has a branch or agency that is an Entity Subject to U.S. Regulations and identifies itself as a Regulated Entity in its Adherence Letter, it shall be a **Regulated Entity** for purposes of this Protocol.

(b) By adhering to this Protocol in the manner set forth in this paragraph 1, each Adhering Party agrees that (i) the terms of each Covered Agreement between such Adhering Party and any Regulated Entity or provided by one to the other and (ii) the terms of each Covered Credit Enhancement between such Adhering Party and any Regulated Entity or provided by one to the other will, in each case, be amended in accordance with the terms and subject to the conditions set forth in the Attachment hereto.

(c) Adherence to this Protocol will be evidenced by the execution and online delivery, in accordance with this paragraph, to ISDA, as agent, of an Adherence Letter (in accordance with subparagraphs 1(c)(i) through 1(c)(iii) below). ISDA shall have the right, in its sole and absolute discretion, upon thirty calendar days' notice on the "ISDA 2018 U.S. Resolution Stay Protocol" section of its website at www.isda.org (or by other suitable means), to designate a closing date of this Protocol (such closing date, the **Cut-off Date**). After the Cut-off Date, ISDA will not accept any further Adherence Letters to this Protocol.

(i) Each Adhering Party will access the Protocol Management section of the ISDA website at www.isda.org to enter information online that is required to generate its form of Adherence Letter. Each Adhering Party that is an Entity Subject to U.S. Regulations or has a branch or agency that is an Entity Subject to U.S. Regulations and that wishes to be treated as a Regulated Entity for purposes of this Protocol shall identify itself as a Regulated Entity in section 1 of its Adherence Letter. Either by directly downloading the populated Adherence Letter from the Protocol Management system or upon receipt via e-mail of the populated Adherence Letter, each Adhering Party will print, sign and upload the signed Adherence Letter as a PDF (portable document format) attachment into the Protocol Management system. Once the signed Adherence Letter has been approved and accepted by ISDA, such Adhering Party will receive an e-mail confirmation of the Adhering Party's adherence to the Protocol.

- (ii) A conformed copy of each Adherence Letter containing, in place of each signature, the printed or typewritten name of each signatory will be published by ISDA so that it may be viewed by all Adhering Parties. Each Adhering Party agrees that, for evidentiary purposes, a conformed copy of an Adherence Letter certified by the General Counsel (or other appropriate officer) of ISDA will be deemed to be an original.
- (iii) Each Adhering Party agrees that the determination of the date and time of acceptance of any Adherence Letter will be determined by ISDA in its absolute discretion.
- (d) As between an Adhering Party and a Regulated Entity (including, for the avoidance of doubt, any two Regulated Entities), the agreement to make the amendments contemplated by this Protocol, on the terms and conditions set forth in this Protocol, will be effective on the Implementation Date and the amendments shall be made on the later of (i) the Implementation Date and (ii) the Compliance Date.
- (i) The **Compliance Date** with respect to a Protocol Covered Agreement shall be determined as follows:—
- (A) if each party to such Protocol Covered Agreement is an Entity Subject to U.S. Regulations, 1 January 2019;
- (B) if each party to such Protocol Covered Agreement (other than the Entity Subject to U.S. Regulations) is a Financial Counterparty that is not an Entity Subject to U.S. Regulations, 1 July 2019; and
- (C) if a party to such Protocol Covered Agreement (other than the Entity Subject to U.S. Regulations) is not described in clause (A) or (B) or if, notwithstanding (B), a party to such Protocol Covered Agreement (other than the Entity Subject to U.S. Regulations) is a Small Financial Institution, 1 January 2020.
- (ii) The **Implementation Date** with respect to any Adhering Party and a Regulated Entity shall be the date of acceptance by ISDA, as agent, of an Adherence Letter (in accordance with paragraph 1(c) above) from the later of such two Adhering Parties to adhere. Acceptance by ISDA of a subsequent or revised Adherence Letter from either such Adhering Party will not have the effect of changing such Implementation Date.
- (e) This Protocol is intended for use without negotiation, but without prejudice to any amendment, modification or waiver in respect of a Protocol Covered Agreement that the parties may otherwise effect in accordance with the terms of that Protocol Covered Agreement.
- (i) In adhering to this Protocol, an Adhering Party may not specify additional provisions, conditions or limitations in its Adherence Letter.
- (ii) Any purported adherence that ISDA, as agent, determines in good faith is not in compliance with this Protocol will be void and ISDA will inform the relevant party of such fact as soon as reasonably possible after making such determination.
- (f) Each Adhering Party acknowledges and agrees that adherence to this Protocol is irrevocable, except that an Adhering Party may deliver to ISDA, as agent, a notice substantially in the form of Exhibit 2 to this Protocol that is effective (determined pursuant to paragraph 3(f) below) on any Protocol Business Day during the Annual Revocation Period (a **Revocation Notice**) to designate the next Annual

Revocation Date as the last date on which (i) any counterparty may adhere to this Protocol in respect of any Covered Agreement between the counterparty and such Adhering Party or (ii) any provider of credit support to, or recipient of credit support from, such Adhering Party pursuant to any Credit Enhancement may adhere to this Protocol with respect to such Credit Enhancement.

(i) Upon the effective designation of the next Annual Revocation Date by an Adhering Party, this Protocol will not amend any (A) Covered Agreement between that Adhering Party and an Adhering Party which adheres to this Protocol after that Annual Revocation Date occurs or (B) Credit Enhancement by that Adhering Party in favor of a party which adheres to this Protocol after that Annual Revocation Date occurs, or by such a party in favor of that Adhering Party, and such Covered Agreement or Credit Enhancement will not be a Protocol Covered Agreement. The foregoing is without prejudice to any amendment effected pursuant to this Protocol to any Protocol Covered Agreement between two Adhering Parties (or by one Adhering Party in favor of another Adhering Party) that each adhered to this Protocol on or before the day on which that Annual Revocation Date occurs or is deemed to occur, regardless of the date on which such Protocol Covered Agreement is entered into, and any such amendment shall be effective notwithstanding the occurrence or deemed occurrence of such Annual Revocation Date.

(ii) Each Revocation Notice must be delivered by the means specified in paragraph 3(f) of this Protocol below.

(iii) Each Adhering Party agrees that, for evidentiary purposes, a conformed copy of a Revocation Notice certified by the General Counsel or an appropriate officer of ISDA will be deemed to be an original.

(iv) Any purported revocation that ISDA, as agent, determines in good faith is not in compliance with this paragraph 1(f) will be void.

2. Representations and Undertakings

(a) As of the date on which an Adhering Party adheres to this Protocol in accordance with paragraph 1 above, such Adhering Party represents to each other Adhering Party with which it has entered into a Protocol Covered Agreement, or to which it has provided or from which it has received a Protocol Covered Agreement, each of the following matters:

(i) **Status.** It is, if relevant, duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing or, if it otherwise represents its status in or pursuant to the Protocol Covered Agreement, has such status.

(ii) **Powers.** It has the power to execute and deliver the Adherence Letter and to perform its obligations under the Adherence Letter and the Protocol Covered Agreement as amended by the Adherence Letter and this Protocol (including the Attachment hereto), and has taken all necessary action to authorize such execution, delivery and performance.

(iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

(iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to the Adherence Letter and the Protocol Covered Agreement, as amended by the Adherence Letter and this Protocol (including the Attachment hereto), have been obtained and are in full force and effect and all conditions of any such consents have been complied with.

(v) **Obligations Binding.** Its obligations under the Adherence Letter and the Protocol Covered Agreement, as amended by the Adherence Letter and this Protocol (including the Attachment hereto), constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(vi) **Credit Support.** Its adherence to this Protocol and any amendment contemplated by this Protocol (other than any amendments affecting when rights in respect of a Credit Enhancement or Third Party Credit Enhancement may be exercised) will not, in and of itself, adversely affect the enforceability, effectiveness or validity of any obligations owed, whether by it or by any third party, under any Credit Enhancement or Third Party Credit Enhancement in respect of its obligations relating to the Protocol Covered Agreement as amended by the Adherence Letter and this Protocol (including the Attachment hereto).

(b) Each Adhering Party agrees with each other Adhering Party with which it has entered into a Protocol Covered Agreement, or to which it has provided a Protocol Covered Agreement that is a Covered Credit Enhancement, that each of the foregoing representations will be deemed, in the case of a Protocol Covered Agreement that is an ISDA Master Agreement, to be a representation for purposes of Section 5(a)(iv) and in the case of any other Protocol Covered Agreement, to be a representation for purposes of any analogous provisions of each such Protocol Covered Agreement, that is made by each Adhering Party as of the later of (A) the date on which such Adhering Party adheres to this Protocol in accordance with paragraph 1 above and (B) the date of such Protocol Covered Agreement.

(c) **Undertakings in respect of Covered Agreements and Credit Enhancements with Third Party Credit Enhancements.** With respect to Covered Agreements and Credit Enhancements with Third Party Credit Enhancements that expressly require the consent, approval, agreement, authorization or other action of a Third Party to be obtained, each Adhering Party whose obligations under such arrangements are secured, guaranteed or otherwise supported by such Third Party undertakes to each other Adhering Party with which it has entered into such arrangements that it has obtained the consent (including by way of paragraph 2(d) below), approval, agreement, authorization or other action of such Third Party and that it will, upon demand, deliver evidence of such consent, approval, agreement, authorization or other action to such other Adhering Party.

(d) **Deemed Third Party Consent.** Each Adhering Party which is also a Third Party in relation to a Third Party Credit Enhancement is hereby deemed to have consented to the amendments imposed by this Protocol on the Covered Agreement and/or Credit Enhancement supported by such Third Party Credit Enhancement.

3. Miscellaneous

(a) **Entire Agreement; Restatement; Survival.**

(i) This Protocol constitutes the entire agreement and understanding of the Adhering Parties with respect to its subject matter and supersedes all oral communication and prior writings (except as otherwise provided herein) with respect thereto. Each Adhering Party acknowledges

that in adhering to this Protocol it has not relied on any oral or written representation, warranty or other assurance (except as provided for or referred to elsewhere in this Protocol or in the Attachment) and waives all rights and remedies which might otherwise be available to it in respect thereof, except that nothing in this Protocol will limit or exclude any liability of an Adhering Party for fraud.

(ii) Except for any amendment deemed to be made pursuant to this Protocol in respect of any Protocol Covered Agreement, all terms and conditions of each Protocol Covered Agreement will continue in full force and effect in accordance with its provisions as in effect immediately prior to the date on which it first becomes subject to this Protocol. Except as explicitly stated in this Protocol, nothing herein shall constitute a waiver or release of any rights of any Adhering Party under any Protocol Covered Agreement to which such Adhering Party is a party or a provider or recipient of credit support. This Protocol will, with respect to its subject matter, survive, and any amendments deemed to be made pursuant to this Protocol will form a part of each Protocol Covered Agreement between the Adhering Parties, notwithstanding any statements in a Protocol Covered Agreement to the effect that such Protocol Covered Agreement constitutes the entire agreement and understanding between the parties to such Protocol Covered Agreement with respect to the subject of such Protocol Covered Agreement.

(b) **Exclusion of Agreements.** Notwithstanding anything in Section 1(b) hereof, with respect to any agreement between Adhering Parties, if the parties to such agreement have expressly stated in such agreement or otherwise agreed in writing that this Protocol shall not apply then such agreement shall not be a Protocol Covered Agreement.

(c) **Amendments.** An amendment, modification or waiver in respect of the matters contemplated by this Protocol will only be effective in respect of a Protocol Covered Agreement if made in accordance with the terms of the Protocol Covered Agreement and then only with effect between the parties to that Protocol Covered Agreement (and will only be effective to amend or override the provisions set forth in this Protocol and the Attachment if it expressly refers in writing to this paragraph 3(c) of this Protocol).

(d) **Headings.** The headings used in this Protocol and any Adherence Letter are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Protocol or any Adherence Letter.

(e) **Governing Law.** This Protocol and each Adherence Letter will, as between two Adhering Parties and in respect of each Protocol Covered Agreement between them or provided by one of them to the other, be governed by and construed in accordance with the law of the State of New York, without reference to choice of law doctrine, provided that the amendments to each Protocol Covered Agreement shall be governed by and construed in accordance with the law specified to govern that Protocol Covered Agreement and otherwise in accordance with the applicable choice of law doctrine.

(f) **Notices.** Any Revocation Notice must be in writing and delivered as a locked PDF (portable document format) attachment to an email to ISDA at isda@isda.org and will be deemed effectively delivered on the date it is delivered unless on the date of that delivery ISDA's London office is closed or that communication is delivered after 5:00 p.m., London time, in which case that communication will be deemed effectively delivered on the next day ISDA's London office is open.

(g) **Ability of an Agent to Adhere to the Protocol on Behalf of a Client.**

(i) An Agent may adhere to this Protocol:

(A) on behalf of all Clients listed in each Protocol Covered Agreement (or other agreement which deems a Protocol Covered Agreement to have been created) between such Agent (as agent) and each Regulated Entity, provided by such Agent (as agent) to each Regulated Entity or received by such Agent (as agent) from each Regulated Entity (in which case such Agent need not identify each Client through an online platform available generally to the industry, including, for example, the ISDA Amend platform provided by IHS Markit); or

(B) on behalf of each Client represented by such Agent that is specifically named or identified through an online platform available generally to the industry, including, for example, the ISDA Amend platform provided by IHS Markit; or

(C) on behalf of all Clients listed in each Protocol Covered Agreement (or other agreement which deems a Protocol Covered Agreement to have been created) between such Agent (as agent) and each Regulated Entity, provided by such Agent (as agent) to each Regulated Entity or received by such Agent (as agent) from each Regulated Entity, except any Client that such Agent specifically names or identifies as excluded from adherence through an online platform available generally to the industry, including, for example, the ISDA Amend platform provided by IHS Markit; or

(D) solely for the purpose of amending one or more Agent Protocol Covered Agreements entered into with, provided by or received from Regulated Entities on behalf of principals that are not Clients at the time of such adherence and to which New Clients may be added pursuant to paragraph 3(h), in which case the Agent may adhere but not identify any Clients at the time of such adherence;

provided, in each case, that such adherence shall only be effective with respect to Protocol Covered Agreements entered into, provided to or received by such Agent on behalf of any such Client and only to designate any such Client as an Adhering Party but not a Regulated Entity.

(ii) Where an Agent adheres to this Protocol on behalf of a Client by executing and delivering an Adherence Letter on behalf of such Client in accordance with paragraph 1 and this paragraph 3(g), references to the Adhering Party for purposes of this Protocol (including the Attachment hereto) and the Adherence Letter shall be interpreted to refer to such Client.

(h) ***Clients Added to an Agent Protocol Covered Agreement after the Implementation Date.*** In respect of any Client added to an Agent Protocol Covered Agreement between an Agent and a Regulated Entity, or provided or received by the Agent to or from such Regulated Entity, after the Implementation Date (a **New Client**), the Agent and such Regulated Entity agree that the terms of such Agent Protocol Covered Agreement as between such Regulated Entity and any New Client will be subject to the amendments effected by this Protocol, unless otherwise agreed between such Agent and such Regulated Entity.

(i) ***Adhering Party that is an Agent with respect to a Protocol Covered Agreement.*** An Adhering Party that executes a Protocol Covered Agreement (including an annex thereto) as agent with respect to that Protocol Covered Agreement, shall not for purposes of this Protocol be considered to be a party to or to have entered into such Protocol Covered Agreement solely by acting as agent with respect to that Protocol Covered Agreement.

(j) ***Agent Representation.*** If an Agent adheres to this Protocol on behalf of one or more Clients pursuant to paragraph 3(g)(i)(B), 3(g)(i)(C) or 3(g)(i)(D) or adds New Clients pursuant to paragraph 3(h),

it must communicate the identity of each such Client to each Regulated Entity with, to or from which the Agent has entered into, provided or received one or more Protocol Covered Agreements on behalf of such Client. When an Agent communicates the identity of a Client to a Regulated Entity in accordance with paragraph 3(g) and this paragraph 3(j), it is deemed to represent to such Regulated Entity that the Agent has communicated the identity of the Client to each other Regulated Entity with, to or from which the Agent has entered into, provided or received one or more Protocol Covered Agreements on behalf of such Client.

4. Definitions

References in this Protocol and the Attachment to the following terms shall have the following meanings:

Adherence Letter has the definition given to such term in the introductory paragraphs hereof.

Adhering Party has the definition given to such term in the introductory paragraphs hereof.

Agent means an entity that enters into, or provides or receives the benefit of, a Protocol Covered Agreement and executes and delivers an Adherence Letter with respect to this Protocol on behalf of, and as agent for, one or more clients, investors, funds, accounts and/or other principals. With respect to paragraph 3(h), Agent also means an entity that enters into, or provides or receives the benefit of, a Protocol Covered Agreement and executes and delivers an Adherence Letter pursuant to subparagraph 3(g)(i)(D) solely for purposes of amending such agreements to which New Clients may be added under paragraph 3(h).

Agent Covered Credit Enhancement means any Credit Enhancement that is an In-Scope QFC that is entered into between, or provided by or to, an Agent, in each case on behalf of or for the benefit of a Client, with, to or from a Regulated Entity prior to the date of receipt by ISDA of an Adherence Letter from the later of such Regulated Entity or such Agent, provided that an Excluded Agreement shall not be an Agent Covered Credit Enhancement.

Agent Covered Agreement means any In-scope QFC other than an Excluded Agreement or a Credit Enhancement that is signed by an Agent and a Regulated Entity prior to the date of receipt by ISDA of an Adherence Letter from the later of such Regulated Entity or such Agent.

Agent Protocol Covered Agreement means an Agent Covered Credit Enhancement or an Agent Covered Agreement.

Annual Revocation Date means, with respect to each calendar year, December 31 of such calendar year. If December 31 in any calendar year is not a day on which ISDA's London office is open, the Annual Revocation Date with respect to such calendar year will be deemed to occur on the next day that ISDA's London office is open.

Annual Revocation Period means the period between October 1 and October 31 of any calendar year.

BHCA Affiliate has the meaning given to the term "affiliate":—

- (a) with respect to a Covered Bank, in the OCC Regulation; or
- (b) with respect to a Covered Entity, in the FRB Regulation; or
- (c) with respect to a Covered FSI, in the FDIC Regulation,

and shall be interpreted in accordance with such regulation.

CCP has the meaning given to the term “central counterparty (CCP)” in the FRB Regulation.

Client means a client, investor, fund, account and/or other principal on whose behalf an Agent acts.

Compliance Date has the meaning given to such term in subparagraph 1(d)(i).

Covered Affiliate Credit Enhancement means a Covered Credit Enhancement to which a Covered Bank, Covered Entity or Covered FSI is the obligor.

Covered Agreement means, with respect to an Adhering Party and a Regulated Entity, subject to an Adhering Party’s right to deliver a Revocation Notice pursuant to paragraph 1(f) above:—

(a) an In-scope QFC, other than a Credit Enhancement, between such Adhering Party and such Regulated Entity, provided by such Regulated Entity to such Adhering Party or provided by such Adhering Party to such Regulated Entity, in each case, entered into by the Adhering Parties on or prior to the Implementation Date (and including all outstanding transactions thereunder);

(b) an In-scope QFC, other than a Credit Enhancement, that is an ISDA Master Agreement entered into at any time after the Implementation Date and prior to the Cut-off Date by execution by such Adhering Party and such Regulated Entity of a confirmation pursuant to which such Adhering Party and such Regulated Entity are deemed to have entered into such ISDA Master Agreement until such time as an ISDA Master Agreement has been executed by such Adhering Party and such Regulated Entity, provided that if:

(i) any consent, approval, agreement, authorization or other action of any Third Party is expressly required, under the terms of a Third Party Credit Enhancement or such ISDA Master Agreement, to amend or otherwise modify such ISDA Master Agreement; or

(ii) such Third Party Credit Enhancement or such ISDA Master Agreement includes express terms to the effect that any amendment or modification of such ISDA Master Agreement without the consent, approval, agreement, authorization or other action of any such Third Party would void, impair or otherwise adversely affect existing or future obligations owed under such Third Party Credit Enhancement; or

(iii) such ISDA Master Agreement, if amended or modified in accordance with this Protocol without the consent, approval, agreement, authorization or other action of any such Third Party would void, impair or otherwise adversely affect existing or future obligations owed under such Third Party Credit Enhancement,

then such ISDA Master Agreement shall not be a Covered Agreement unless such consent, approval, agreement, authorization or other action has been obtained or is deemed to have been given under paragraph 2(d) above; and

(c) an Agent Covered Agreement signed by the Agent and the Regulated Entity prior to adherence by both the Regulated Entity and the Agent on behalf of the relevant Client (and including all outstanding transactions thereunder and outstanding Credit Enhancements entered into in connection therewith),

provided that an Excluded Agreement shall not be a Covered Agreement.

Covered Bank has the meaning given to the term “covered bank” in the OCC Regulation and shall be interpreted in accordance with such regulation.

Covered Credit Enhancement means, subject to an Adhering Party’s right to deliver a Revocation Notice pursuant to paragraph 1(f) above any (a) Credit Enhancement that is an In-Scope QFC executed by two Adhering Parties or entered into by such Adhering Parties on or prior to the Implementation Date or (b) Credit Enhancement that is an In-Scope QFC executed by an Adhering Party and provided to another Adhering Party on or prior to the Implementation Date, or in the case of an Agent Covered Credit Enhancement, executed by the Agent and an Adhering Party, or by the Agent and provided to an Adhering Party or by an Adhering Party and provided to the Agent, prior to adherence by both the Adhering Party and the Agent on behalf of the relevant Client provided that if:—

(a) any consent, approval, agreement, authorization or other action of a Third Party is expressly required under the terms of such Credit Enhancement or a Third Party Credit Enhancement, to amend or otherwise modify such Credit Enhancement; or

(b) such Credit Enhancement or a Third Party Credit Enhancement includes express terms to the effect that any amendment or modification of such Credit Enhancement without the consent, approval, agreement, authorization or other action of a Third Party would void, impair or otherwise adversely affect existing or future obligations owed under such Credit Enhancement or such Third Party Credit Enhancement; or

(c) such Credit Enhancement, if amended or modified in accordance with this Protocol without the consent, approval, agreement, authorization or other action of a Third Party would void, impair or otherwise adversely affect existing or future obligations owed under a Third Party Credit Enhancement,

then such Credit Enhancement shall not be a Covered Credit Enhancement unless such consent, approval, agreement, authorization or other action has been obtained or is deemed to have been given under paragraph 2(d) above, provided further that an Excluded Agreement shall not be a Covered Credit Enhancement.

Covered Entity has the meaning given to the term “covered entity” in the FRB Regulation and shall be interpreted in accordance with such regulation.

Covered FSI has the meaning given to the term “covered FSI” in the FDIC Regulation and shall be interpreted in accordance with such regulation.

Credit Enhancement has the meaning specified for such term in the Attachment hereto.

Credit Support Document means, in respect of an Adhering Party and a Protocol Covered Agreement, any document in effect on the Implementation Date, which by its terms secures, guarantees or otherwise supports such Adhering Party’s obligations under such Protocol Covered Agreement from time to time, whether or not such document is specified as such therein or in the Protocol Covered Agreement.

Cut-off Date has the meaning given to such term in subparagraph 1(c).

Default Right has the meaning given to such term in the Attachment.

Entity Subject to U.S. Regulations means a Covered Bank, Covered Entity or Covered FSI.

Excluded Agreement means any:—

- (a) In-scope QFC to which (1) a CCP is a party or (2) each party (other than the Entity Subject to U.S. Regulations) is an FMU;
- (b) Excluded Foreign Bank Agreement;
- (c) Excluded Investment Advisory Contract; and
- (d) Excluded Warrant.

Excluded Foreign Bank Agreement means a Foreign Bank Agreement that does not permit agreements or transactions to be booked at:—

- (a) with respect to a Covered Bank, a “Federal branch” or “Federal agency,” each of which has the meaning given to such term in the OCC Regulation; or
- (b) with respect to a Covered Entity, a “U.S. branch” or “U.S. agency,” each of which has the meaning given to such term in the FRB Regulation.

Excluded Investment Advisory Contract means any contract or agreement:—

- (a) with respect to a Covered Bank, described in section 47.8(c)(1) of the OCC Regulation; or
- (b) with respect to a Covered Entity, described in section 252.88(c)(1) of the FRB Regulation; or
- (c) with respect to a Covered FSI, described in section 382.7(c)(1) of the FDIC Regulation.

Excluded Warrant means any warrant:—

- (a) with respect to a Covered Bank, described in section 47.8(c)(2) of the OCC Regulation; or
- (b) with respect to a Covered Entity, described in section 252.88(c)(2) of the FRB Regulation; or
- (c) with respect to a Covered FSI, described in section 382.7(c)(2) of the FDIC Regulation.

FDIC Regulation means 12 C.F.R. §§ 382.1-7.

Financial Counterparty has the meaning given to the term “financial counterparty” in the FRB Regulation.

FMU has the meaning given to the term “financial market utility (FMU)” in the FRB Regulation.

Foreign Bank means an entity that is not organized under the laws of the United States of America or of a State that has:—

- (a) a “Federal branch” or “Federal agency,” each of which has the meaning given to such term in the OCC Regulation, that is a Covered Bank; or
- (b) a “U.S. branch” or “U.S. agency,” each of which has the meaning given to such term in the FRB Regulation, that is a Covered Entity.

Foreign Bank Agreement means an In-scope QFC that is between:—

- (a) (i) Foreign Bank; or
- (ii) a branch or agency (including a non-U.S. branch or agency) of a Foreign Bank; and
- (b) an Adhering Party that is not an Entity Subject to U.S. Regulations.

FRB Regulation means 12 C.F.R. §§ 252.2, 252.81-88.

Implementation Date has the meaning given to such term in subparagraph 1(d)(ii).

In-scope QFC means a Qualified Financial Contract that explicitly:—

- (a) restricts the transfer of a Qualified Financial Contract (or any interest or obligation in or under, or any property securing, the Qualified Financial Contract) from an Entity Subject to U.S. Regulations; or
- (b) provides one or more Default Rights with respect to a Qualified Financial Contract that may be exercised against an Entity Subject to U.S. Regulations.

ISDA Master Agreement means a 2002 ISDA Master Agreement, 1992 ISDA Master Agreement (Multicurrency – Cross Border), 1992 ISDA Master Agreement (Local Currency – Single Jurisdiction), 1987 ISDA Interest Rate and Currency Exchange Agreement or 1987 ISDA Interest Rate Swap Agreement, in each case as published by ISDA, in each case, including any Credit Support Annex (as defined or specified therein) forming a part thereof.

New Client has the meaning given to such term in subparagraph 3(h).

OCC Regulation means 12 C.F.R. §§ 47.1-8.

Protocol has the meaning given to such term in the introductory paragraphs hereof.

Protocol Business Day means a day on which commercial banks and foreign exchange markets are generally open to settle payments in both London and New York.

Protocol Covered Agreement means a Covered Agreement or a Covered Credit Enhancement.

Qualified Financial Contract has the same meaning as in section 210(c)(8)(D) of Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. § 5390(c)(8)(D)).

Regulated Entity has the meaning given to such term in subparagraph 1(a).

Revocation Notice has the meaning given to such term in subparagraph 1(f).

Section 1 Excluded Agreement means a Protocol Covered Agreement:—

- (a) that designates the U.S. Special Resolution Regime – FDIA and U.S. Special Resolution Regime – OLA as part of the law governing the Protocol Covered Agreement by:
 - (i) explicitly providing that the Protocol Covered Agreement is governed by the laws of the United States of America or a State; and
 - (ii) not explicitly providing that one or both of the U.S. Special Resolution Regime – FDIA and U.S. Special Resolution Regime – OLA, or a broader set of laws that includes the U.S.

Special Resolution Regime – FDIA or U.S. Special Resolution Regime – OLA, is excluded from the laws governing the Protocol Covered Agreement; and

- (b) where each party to such Protocol Covered Agreement other than the Entity Subject to U.S. Regulations is:
- (i) an individual that is domiciled in the United States of America, including in any State; or
 - (ii) a company that is incorporated in or organized under the laws of the United States of America or any State; or
 - (iii) a company the principal place of business of which is located in the United States of America, including any State; or
 - (iv) with respect to a Protocol Covered Agreement that is entered into with or provided to or by a Covered Bank, a “U.S. branch” or “U.S. agency,” each of which has the meaning given to such term in the OCC Regulation; or
 - (v) with respect to a Protocol Covered Agreement that is entered into with or provided to or by a Covered Entity, a “U.S. branch” or “U.S. agency,” each of which has the meaning given to such term in the FRB Regulation; or
 - (vi) with respect to a Protocol Covered Agreement that is entered into with or provided to or by a Covered FSI, a “U.S. branch” or “U.S. agency,” each of which has the meaning given to such term in the FDIC Regulation.

Section 2 Excluded Agreement means a Protocol Covered Agreement that:—

- (a) does not explicitly provide any Default Right with respect to the Protocol Covered Agreement that is related, directly or indirectly, to a BHCA Affiliate of the Entity Subject to U.S. Regulations becoming subject to a receivership, insolvency, liquidation, resolution, or similar proceeding; and
- (b) does not explicitly prohibit the transfer of a Covered Affiliate Credit Enhancement, any interest or obligation in or under the Covered Affiliate Credit Enhancement, or any property securing the Covered Affiliate Credit Enhancement to a transferee upon or following a BHCA Affiliate of the Entity Subject to U.S. Regulations becoming subject to a receivership, insolvency, liquidation, resolution, or similar proceeding, or would prohibit such a transfer only if the transfer would result in the supported party being the beneficiary of the Covered Affiliate Credit Enhancement in violation of any law applicable to the supported party.

Small Financial Institution has the meaning given to the term “small financial institution” in the FRB Regulation.

State means any state, commonwealth, territory, or possession of the United States of America, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, or the United States Virgin Islands.

Third Party means, in relation to an agreement supported by a Third Party Credit Enhancement, any party to such Third Party Credit Enhancement other than either of the Adhering Parties which are parties to the agreement.

Third Party Credit Enhancement means, with respect to an Adhering Party and a Protocol Covered Agreement, any Credit Support Document which is executed by one or more Third Parties (whether or not an Adhering Party is a party thereto), whether or not such document is specified as a Third Party Credit Enhancement or as a Credit Support Document therein or in the Protocol Covered Agreement.

U.S. Special Resolution Regime – FDIA has the meaning given to such term in the Attachment.

U.S. Special Resolution Regime – OLA has the meaning given to such term in the Attachment.

EXHIBIT 1
to the ISDA 2018 U.S. RESOLUTION STAY PROTOCOL

Form of Adherence Letter

[Letterhead of Adhering Party]

[Date]

International Swaps and Derivatives Association, Inc.

Ladies and Gentlemen,

ISDA 2018 U.S. RESOLUTION STAY PROTOCOL

The purpose of this letter is to confirm our adherence to the ISDA 2018 U.S. Resolution Stay Protocol as published by the International Swaps and Derivatives Association, Inc. (**ISDA**) on July 31, 2018 (the **Protocol**). By submitting this Adherence Letter, we confirm that we are an **Adhering Party** to the Protocol. This letter constitutes, as between each other Adhering Party and us, an Adherence Letter as referred to in the Protocol. The definitions and provisions contained in the Protocol are incorporated into this Adherence Letter, which will supplement and form part of each Covered Agreement and Covered Credit Enhancement between us and each other Adhering Party, by us in favor of each other Adhering Party or in favor of us by each other Adhering Party.

1. Regulated Entity Identification

Regulated Entity.

By checking this box we acknowledge and agree that for purposes of this Protocol, we are: (1) an Adhering Party and (2) an Entity Subject to U.S. Regulations or have a branch or agency that is an Entity Subject to U.S. Regulations and wish to be treated as a Regulated Entity for purposes of this Protocol.

We acknowledge and agree that for each Protocol Covered Agreement between us and each other Regulated Entity, by us in favor of each other Regulated Entity or in favor of us by each other Regulated Entity, Sections 2 and 3 of this Adherence Letter, and the Protocol, shall apply to us both as an Adhering Party and as a Regulated Entity (with each other Regulated Entity treated as an Adhering Party with respect to us).

2. Adhering Party Specified Terms

As an Adhering Party for purposes of this Protocol, as between each Regulated Entity and us, we acknowledge and agree that the amendments in the Attachment to the Protocol shall apply to each Protocol Covered Agreement to which we are a party, or with respect to which we receive or provide credit support, in accordance with the terms of the Protocol and this Adherence Letter. We understand that the terms of this Protocol apply to both Covered Agreements and Covered Credit Enhancements between us and each Regulated Entity, by us in favor of each Regulated Entity or in favor of us by each Regulated Entity.

3. **Regulated Entity Specified Terms**

As a Regulated Entity for purposes of this Protocol, as between each Adhering Party and us, we acknowledge and agree that the amendments in the Attachment to the Protocol shall apply to each Protocol Covered Agreement to which we are a party, or with respect to which we receive or provide credit support, in accordance with the terms of the Protocol and this Adherence Letter. We understand that the terms of this Protocol apply to both Covered Agreements and Covered Credit Enhancements between us and each Adhering Party, by us in favor of each Adhering Party or in favor of us by each Adhering Party.

4. **Appointment as Agent and Release**

We hereby appoint ISDA as our agent for the limited purposes of the Protocol and accordingly we waive any rights and hereby release ISDA from any claims, actions or causes of action whatsoever (whether in contract, tort or otherwise) arising out of or in any way relating to this Adherence Letter or our adherence to the Protocol or any actions contemplated as being required by ISDA.

5. **Payment**

Each Adhering Party must submit a one-time fee of U.S. \$500 to ISDA at or before the submission of this Adherence Letter.

6. **Contact Details**

Our contact details for purposes of this Adherence Letter are:

Name:

Address:

Telephone:

Fax:

E-mail:

We consent to the publication of a conformed copy of this letter by ISDA and to the disclosure by ISDA of the contents of this letter.

Yours faithfully,

[ADHERING PARTY]¹

¹ Specify legal name of Adhering Party.

If you are an Agent and act on behalf of multiple Clients, you may sign the Adherence Letter using one of the options below.

First, if you have the authority to adhere to this Protocol as Agent on behalf of all Clients, you may indicate the following in the signature block: “acting on behalf of each fund, account or other principal (each, a “Client”) listed in each Protocol Covered Agreement (or other agreement which deems a Protocol Covered Agreement to have been created) between it (as agent) and each Regulated Entity, provided by it (as agent) to each Regulated Entity or received by it (as agent) from each Regulated Entity and any New Clients added to each such Protocol Covered Agreement in the future” or such other language that indicates the Clients to which this letter is applicable. If such a signature block is used, a separate Adherence Letter for

By:

Name:
Title:
Signature:

each Client does not need to be submitted to ISDA and no specific names of Clients must be identified through an online platform available generally to the industry, including, for example, the ISDA Amend platform provided by IHS Markit.

Second, if you have the authority to adhere to this Protocol as Agent on behalf of Clients, you may indicate the following in the signature block: “acting on behalf of each fund, account or other principal (each, a “Client”) (a) identified through an online platform available generally to the industry, including, for example, the ISDA Amend platform provided by IHS Markit, in each case, with respect to each Protocol Covered Agreement (or other agreement which deems a Protocol Covered Agreement to have been created) between it (as agent) and each Regulated Entity, provided by it (as agent) to each Regulated Entity or received by it (as agent) from each Regulated Entity or (b) identified as New Clients in the future.” You will be responsible for identifying the relevant Clients on whose behalf you are adhering. If you cannot or do not wish to name such Clients, then provided that you can identify the adhering Clients by way of specific identifiers which will be known and recognized by all Regulated Entities with, to and from which the relevant Clients have entered into, provided and received Protocol Covered Agreements, you may identify such Clients using specific identifiers and without including any names. If you are able to do so, you may, if you wish, identify Clients by using both names and specific identifiers but this is optional provided you supply, at least, either names or specific identifiers. Choosing not to provide both does not affect the legal validity and binding nature of this Protocol.

Third, if you adhere to this Protocol as an agent on behalf of no current Clients, you may indicate the following in the signature block: “acting to amend each Protocol Covered Agreement (or other agreement which deems a Protocol Covered Agreement to have been created) between it (as agent) and each Regulated Entity, provided by it (as agent) to each Regulated Entity or received by it (as agent) from each Regulated Entity with respect to New Clients to be identified in the future.”

EXHIBIT 2
to the ISDA 2018 U.S. RESOLUTION STAY PROTOCOL

Form of Revocation Notice

[Letterhead of Adhering Party]

[Date]

International Swaps and Derivatives Association, Inc.

Send to: isda@isda.org

Ladies and Gentlemen,

ISDA 2018 U.S. RESOLUTION STAY PROTOCOL – Designation of Annual Revocation Date

The purpose of this letter is to notify you that we wish to designate this year’s Annual Revocation Date as the last date on which any party may adhere to the ISDA 2018 U.S. Resolution Stay Protocol as published by the International Swaps and Derivatives Association, Inc. (**ISDA**) on July 31, 2018 (the **Protocol**) in respect of any Protocol Covered Agreement between us, or provided by us in favor of such party or by such party in favor of us.

This letter constitutes a Revocation Notice as referred to in the Protocol.

We consent to the publication of the conformed copy of this notice by ISDA on and after the Annual Revocation Date and to the disclosure by ISDA of the contents of this letter.

Yours faithfully,

[ADHERING PARTY]²

² Specify legal name of Adhering Party.

If you are an Agent and act on behalf of multiple Clients, you may sign a Revocation Notice using one of the options below. Alternatively, you may submit one Revocation Notice per Client.

First, if you have the authority to deliver a Revocation Notice for this Protocol as Agent on behalf of all Clients, you may indicate the following in the signature block: “acting on behalf of each fund, account or other principal (each, a “Client”) listed in each Protocol Covered Agreement (or other agreement which deems a Protocol Covered Agreement to have been created) between it (as agent) and each Regulated Entity, provided by it (as agent) to each Regulated Entity or received by it (as agent) from each Regulated Entity” or such other language that indicates the Clients to which this letter is applicable. If such a signature block is used, a separate Revocation Notice for each Client does not need to be submitted to ISDA and no specific names of Clients must be identified through an online platform available generally to the industry, including, for example, the ISDA Amend platform provided by IHS Markit.

Second, if you have the authority to deliver a Revocation Notice for this Protocol as Agent on behalf of Clients, you may indicate the following in the signature block: “acting on behalf of each fund, account or

By:

Name:
Title:
Signature:

other principal (each, a “Client”) (a) identified through an online platform available generally to the industry, including, for example, the ISDA Amend platform provided by IHS Markit, in each case, with respect to each Protocol Covered Agreement (or other agreement which deems a Protocol Covered Agreement to have been created) between it (as agent) and each Regulated Entity, provided by it (as agent) to each Regulated Entity or received by it (as agent) from each Regulated Entity.” If you cannot or do not wish to name such Clients, then provided that you can identify the revoking Clients by way of specific identifiers which will be known and recognized by all Regulated Entities with, to and from which the relevant Clients have entered into, provided and received Protocol Covered Agreements, you may identify such Clients using specific identifiers and without including any names.

ATTACHMENT
to the ISDA 2018 U.S. RESOLUTION STAY PROTOCOL

Each Protocol Covered Agreement shall be modified as follows.

The following text shall be added to the Protocol Covered Agreement:

1. Exercise of Default Rights upon Resolution

(a) **Scope of Application.** The terms of this Section 1 shall not apply to any Protocol Covered Agreement that is a Section 1 Excluded Agreement.

(b) **Opt-in to Identified Regimes.**

(i) **Counterparty in Resolution.** If a Regulated Entity party to a Covered Agreement becomes subject to Resolution under an Identified Regime (a “**Party in Resolution**”):—

(A) **Exercise of Default Rights in Respect of a Covered Agreement.** Notwithstanding any provision of the Covered Agreement, or any other agreement, the other Adhering Party to the Covered Agreement (the “**Section 1(b)(i) Stayed Party**”) shall be entitled to exercise Default Rights in respect of the Covered Agreement only to the same extent that it would be entitled to do so under such Identified Regime in respect of an Equivalent Agreement;

(B) **Exercise of Default Rights by the Section 1(b)(i) Stayed Party in Respect of a Covered Credit Enhancement.** Notwithstanding any provision of a Covered Credit Enhancement entered into between the parties to the Covered Agreement, a Covered Credit Enhancement in respect of the Covered Agreement entered into between the Section 1(b)(i) Stayed Party and a Related Entity (that is an Adhering Party) of the Party in Resolution or a Covered Credit Enhancement in respect of the Covered Agreement provided to the Section 1(b)(i) Stayed Party by the Party in Resolution or a Related Entity (that is an Adhering Party) of the Party in Resolution, or any other agreement, the Section 1(b)(i) Stayed Party shall be entitled to exercise Default Rights in respect of the Covered Credit Enhancement only to the same extent that it would be entitled to do so under such Identified Regime in respect of an Equivalent Credit Enhancement;

(C) **Exercise of Default Rights by a Related Entity of the Section 1(b)(i) Stayed Party in Respect of a Covered Credit Enhancement.** Notwithstanding any provision of a Covered Credit Enhancement entered into between a Related Entity (that is an Adhering Party) of the Section 1(b)(i) Stayed Party and the Party in Resolution, or provided by the Related Entity (that is an Adhering Party) of the Section 1(b)(i) Stayed Party to the Party in Resolution, or any other agreement, the Related Entity shall be entitled to exercise Default Rights in respect of the Covered Credit Enhancement only to the same extent that it would be entitled to do so under such Identified Regime in respect of an Equivalent Credit Enhancement.

(D) **Transfers of a Covered Agreement.** A transfer, pursuant to such Identified Regime, of the Covered Agreement (and any interest and obligation in or under, and any property securing, the Covered Agreement) to a successor of the Party in Resolution shall be effective to the same extent that a transfer of an Equivalent Agreement (and any interest and obligation in or under, and any property securing, the Equivalent Agreement)

would be effective pursuant to such Identified Regime, notwithstanding any provision of the Covered Agreement, or any other agreement, purporting to prohibit, condition or void such a transfer;

(E) *Transfers of a Covered Credit Enhancement.* A transfer, pursuant to such Identified Regime, of a Covered Credit Enhancement (and any interest and obligation in or under, and any property securing, the Covered Credit Enhancement) entered into between the parties to the Covered Agreement, or provided by a party to the Covered Agreement in respect of the Covered Agreement, to a successor of the Party in Resolution shall be effective to the same extent that a transfer of an Equivalent Credit Enhancement (and any interest and obligation in or under, and any property securing, the Equivalent Credit Enhancement) would be effective pursuant to such Identified Regime, notwithstanding any provision of the Covered Credit Enhancement, or any other agreement, purporting to prohibit, condition or void such a transfer; and

(F) *Transfers of a Related Entity Covered Credit Enhancement.* A transfer, pursuant to such Identified Regime, of a Covered Credit Enhancement (and any interest and obligation in or under, and property securing, the Covered Credit Enhancement) entered into between a Related Entity (that is an Adhering Party) of the Section 1(b)(i) Stayed Party and the Party in Resolution, or provided by the Related Entity (that is an Adhering Party) of the Section 1(b)(i) Stayed Party in respect of the Covered Agreement, to a successor of the Party in Resolution shall be effective to the same extent that a transfer of an Equivalent Credit Enhancement (and any interest and obligation in or under, and any property securing, the Equivalent Credit Enhancement) would be effective pursuant to such Identified Regime, notwithstanding any provision of the Covered Credit Enhancement, or any other agreement, purporting to prohibit, condition or void such a transfer.

(ii) *Related Entity in Resolution.* If a Related Entity of a Regulated Entity becomes subject to Resolution under an Identified Regime (a “**Related Entity in Resolution**”):—

(A) *Exercise of Default Rights in Respect of a Covered Agreement.* Notwithstanding any provision of the Covered Agreement, or any other agreement, the other Adhering Party to a Covered Agreement (the “**Section 1(b)(ii) Stayed Party**”) shall be entitled to exercise Default Rights in respect of the Covered Agreement only to the same extent that it would be entitled to do so under such Identified Regime in respect of an Equivalent Agreement;

(B) *Exercise of Default Rights in Respect of a Covered Credit Enhancement.*

(I) Notwithstanding any provision of a Covered Credit Enhancement between the parties to the Covered Agreement, or provided to the Section 1(b)(ii) Stayed Party in respect of the Covered Agreement, or any other agreement, the Section 1(b)(ii) Stayed Party shall be entitled to exercise Default Rights in respect of the Covered Credit Enhancement only to the same extent that it would be entitled to do so under such Identified Regime in respect of an Equivalent Credit Enhancement;

(II) Notwithstanding any provision of a Covered Credit Enhancement entered into between the Related Entity in Resolution (that is an Adhering Party) or another Related Entity (that is an Adhering Party) of such Regulated Entity party

to the Covered Agreement and the Section 1(b)(ii) Stayed Party, or provided by the Related Entity in Resolution (that is an Adhering Party) or such other Related Entity (that is an Adhering Party) in respect of the Covered Agreement, or any other agreement, the Section 1(b)(ii) Stayed Party shall be entitled to exercise Default Rights in respect of the Covered Credit Enhancement only to the same extent that it would be entitled to do so under such Identified Regime in respect of an Equivalent Credit Enhancement;

(C) *Exercise of Default Rights by a Related Entity of a Section 1(b)(ii) Stayed Party in Respect of a Covered Credit Enhancement.* Notwithstanding any provision of a Covered Credit Enhancement entered into between a Related Entity (that is an Adhering Party) of the Section 1(b)(ii) Stayed Party and the counterparty of the Section 1(b)(ii) Stayed Party under the Covered Agreement, or provided by the Related Entity (that is an Adhering Party) of the Section 1(b)(ii) Stayed Party to such counterparty in respect of the Covered Agreement, or any other agreement, the Related Entity of the Section 1(b)(ii) Stayed Party shall be entitled to exercise Default Rights in respect of the Covered Credit Enhancement only to the same extent it would be entitled to do so under such Identified Regime in respect of an Equivalent Credit Enhancement; and

(D) *Transfers of a Covered Credit Enhancement.* A transfer, pursuant to such Identified Regime, of a Covered Credit Enhancement (and any interest and obligation in or under, and any property securing, the Covered Credit Enhancement) entered into between the Related Entity in Resolution (that is an Adhering Party) and the Section 1(b)(ii) Stayed Party, or provided by the Related Entity in Resolution (that is an Adhering Party), to a successor of the Related Entity in Resolution shall be effective to the same extent that:

(I) A transfer of an Equivalent Credit Enhancement (and any interest and obligation in or under, and any property securing, the Equivalent Credit Enhancement) would be effective pursuant to such Identified Regime, notwithstanding any provision of the Covered Credit Enhancement, or any other agreement, purporting to prohibit, condition or void the transfer; and

(II) A transfer of an Equivalent Credit Enhancement (and any interest and obligation in or under, and any property securing, the Equivalent Credit Enhancement) supporting an Equivalent Agreement would be effective pursuant to such Identified Regime, notwithstanding any provision of the Covered Agreement, or any other agreement, purporting to prohibit, condition or void the transfer.

(iii) Sections 1(b)(i) and (ii) shall apply with respect to each Regulated Entity or Related Entity of such Regulated Entity subject to Resolution and each Identified Regime under which each such Regulated Entity or Related Entity is subject to Resolution.

(c) ***Events and Conditions Deemed Not Occurring.*** For so long as any Default Right is not exercisable under a Covered Agreement or a Covered Credit Enhancement as a consequence of the application of an Identified Regime under Section 1(b), any event of default, termination event or similar event, as defined therein, that gave rise to such Default Right shall be deemed not to be occurring, existing or continuing for purposes of determining under any other agreement whether a default, termination event or similar event has occurred or is continuing under such Covered Agreement or Covered Credit Enhancement, as applicable, but only to the extent that such Identified Regime would

render such default, termination event or similar event under such other agreement unenforceable were such Covered Agreement or Covered Credit Enhancement governed by the law of the jurisdiction of such Identified Regime.

(d) ***Maintenance of Perfection and Priority.*** If (i) an Identified Regime under which a Regulated Entity or its Related Entity is, as applicable, a Party in Resolution or a Related Entity in Resolution, or other applicable law, would preserve by operation of law the interests of the Section 1 Stayed Party in any property serving as security for obligations under an Equivalent Agreement or Equivalent Credit Enhancement, including the attachment, enforceability, perfection or priority thereof, notwithstanding the transfer thereof pursuant to such Identified Regime, and (ii) the Section 1 Stayed Party, as a party to or beneficiary of a Covered Agreement or Covered Credit Enhancement transferred pursuant to such Identified Regime, does not benefit from such preservation by operation of law by virtue of such Identified Regime applying to such Section 1 Stayed Party as a result of the Protocol, then if the relevant transferee does not promptly cause the equivalent preservation of such interests, the Section 1 Stayed Party shall be entitled to exercise any Default Rights it may have without regard to Section 1(b). This Section 1(d) shall be without prejudice to any contractual arrangement in respect of the preservation of the Section 1 Stayed Party's interest in property serving as security for obligations under such a Covered Agreement or Covered Credit Enhancement.

2. Limitation on Exercise of Default Rights upon U.S. Insolvency Proceedings

(a) ***Scope of Application.*** The terms of this Section 2 shall not apply to any Protocol Covered Agreement that is a Section 2 Excluded Agreement.

(b) ***Affiliate in U.S. Insolvency Proceedings (Not a Credit Enhancement Provider).*** Notwithstanding any provision of a Covered Agreement between a Regulated Entity (the "**Direct Party**") and another Adhering Party (the "**Section 2 Stayed Party**") or a related Credit Enhancement, if an Affiliate of the Direct Party becomes subject to U.S. Insolvency Proceedings (such Affiliate, a "**Party in U.S. Proceedings**"), and such Party in U.S. Proceedings is not a Credit Enhancement Provider with respect to the Covered Agreement, the Section 2 Stayed Party shall, subject to Section 2(f), be entitled to exercise only Performance Default Rights or Unrelated Default Rights in respect of the Covered Agreement or such a related Credit Enhancement, but shall not be entitled to exercise any other Default Rights in respect of the Covered Agreement or such a related Credit Enhancement.

(c) ***Credit Enhancement Provider in Chapter 11 Proceedings.*** Notwithstanding any provision of a Covered Agreement between the Direct Party and the Section 2 Stayed Party or a related Credit Enhancement, if the Party in U.S. Proceedings is a Credit Enhancement Provider with respect to the Covered Agreement, and such Party in U.S. Proceedings is subject to Chapter 11 Proceedings (such Party in U.S. Proceedings, the "**Party in Chapter 11 Proceedings**"), the Section 2 Stayed Party shall, subject to Section 2(f), be entitled to exercise only Performance Default Rights or Unrelated Default Rights in respect of the Covered Agreement or such a related Credit Enhancement, but shall not be entitled to exercise any other Default Rights in respect of the Covered Agreement or such a related Credit Enhancement.

(i) ***When Section 2(c) Default-Right Overrides Apply.*** The limitations on the exercise of Default Rights in Section 2(c) are applicable:—

(A) During the Stay Period; and

(B) Thereafter, only if the Party in Chapter 11 Proceedings files either a Transfer Motion or a DIP Motion before the expiration of the Stay Period, in which case only for so long as the conditions in Sections 2(c)(ii) or 2(c)(iii), as applicable, are satisfied.

(ii) *Transfer Conditions.* If the Party in Chapter 11 Proceedings files a Transfer Motion, with respect to a Transferee identified in such Transfer Motion, a Section 2 Stayed Party and the Covered Agreement between such Section 2 Stayed Party and the Direct Party:—

(A) During the Stay Period, such Transferee:—

(I) Is not subject to receivership, insolvency, liquidation, resolution or similar proceedings; and

(II) Satisfies all of its material payment and delivery obligations, if any, to each of its creditors;

(B) Upon the expiration of the Stay Period:—

(I) An order has been entered in respect of the Transfer Motion providing for all or substantially all of the assets of the Party in Chapter 11 Proceedings (or the net proceeds therefrom), excluding any assets reserved for the payment of costs and expenses of administration in the Chapter 11 Proceedings in respect of such Party in Chapter 11 Proceeding, to be transferred or sold, as soon as practicably possible, to the Transferee identified therein; and

(II) The Transfer Stay Conditions have been satisfied; and

(C) Following the Stay Period:—

(I) The Direct Party is and continues to be duly registered with and licensed by the regulatory body or bodies with principal supervisory authority over its business relating to transactions under Eligible Agreements and similar agreements;

(II) If the Transferee is a party other than a Bankruptcy Bridge Company, such Transferee satisfies and continues to satisfy all financial covenants and other terms applicable to the Credit Enhancement Provider under the Covered Agreement and each Credit Enhancement in respect thereof; and

(III) With respect to each Credit Enhancement (and any interest and obligation in or under, and any property securing, such Credit Enhancement) provided by the Party in Chapter 11 Proceedings with respect to Covered Agreements between the Direct Party and the Section 2 Stayed Party and the Direct Party and any Affiliate of the Section 2 Stayed Party that are transferred to the Transferee during the Stay Period, the Transferee continues to satisfy all provisions and covenants in such Credit Enhancements regarding the attachment, enforceability, perfection or priority of any security interest in property securing the obligations pursuant to such Credit Enhancements.

(iii) *U.S. Parent DIP Conditions.* If the Party in Chapter 11 Proceedings files a DIP Motion:—

- (A) The Party in Chapter 11 Proceedings is a U.S. Parent;
- (B) Upon the expiration of the Stay Period, the DIP Stay Conditions are satisfied with respect to the Section 2 Stayed Party; and
- (C) Following the Stay Period, the Direct Party is and continues to be duly registered with and licensed by the regulatory body or bodies with principal supervisory authority over its business relating to transactions under Eligible Agreements and similar agreements.

(d) ***Exercise of Default Rights Based on Payment Failure of U.S. Parent Credit Enhancement Provider to Other Section 2 Stayed Parties.*** With respect to a U.S. Parent that is a Party in Chapter 11 Proceedings and that has filed a DIP Motion, if a Section 2 Stayed Party's ability to exercise Default Rights in respect of a Covered Agreement with a Direct Party would be stayed pursuant to Sections 2(c)(i) and 2(c)(iii), such Section 2 Stayed Party may nevertheless exercise such Default Rights if:—

- (i) Such Direct Party fails to pay or deliver any Close-out Amount when due, in accordance with the terms of any Covered Agreement between such Direct Party and any other Section 2 Stayed Party; and
- (ii) The Party in Chapter 11 Proceedings fails to satisfy its obligations, when due, in accordance with the terms of any Credit Enhancement in respect of such Covered Agreement.

(e) ***Credit Enhancement Provider in FDIA Proceedings.*** Notwithstanding any provision of a Covered Agreement between the Direct Party and the Section 2 Stayed Party or a related Credit Enhancement, if the Party in U.S. Proceedings is a Credit Enhancement Provider with respect to the Covered Agreement, and such Party in U.S. Proceedings is subject to FDIA Proceedings, the Section 2 Stayed Party shall, subject to Section 2(f), be entitled to exercise only Performance Default Rights or Unrelated Default Rights in respect of the Covered Agreement or such a related Credit Enhancement, but shall not be entitled to exercise any other Default Rights in respect of the Covered Agreement or such a related Credit Enhancement.

(i) ***When Section 2(e) Default-Right Overrides Apply.*** The limitations on the exercise of Default Rights in Section 2(e) are applicable:—

- (A) During the FDIA Stay Period; and
- (B) Thereafter, only if the Credit Enhancement (and any interest and obligation in or under, and any property securing, such Credit Enhancement) between the Credit Enhancement Provider and the Section 2 Stayed Party or provided by the Credit Enhancement Provider in respect of such Covered Agreement has been transferred by the FDIC in accordance with the FDIA QFC Transfer Provisions.

(ii) ***Suspension of Performance.*** During such FDIA Proceedings, the Section 2 Stayed Party may exercise any contractual rights to suspend performance with respect to its obligations under the Covered Agreement between such Section 2 Stayed Party and the Direct Party to the same extent it would be entitled to do so as if the Covered Agreement were a Qualified Financial Contract with the Credit Enhancement Provider and were treated in the same manner as the Credit Enhancement.

(f) ***Override of Unexercised Default Rights.*** If an Affiliate of a Direct Party becomes subject to U.S. Insolvency Proceedings, then for so long as a Section 2 Stayed Party may not exercise Default Rights in respect of a Covered Agreement with such Direct Party or related Credit Enhancement as a consequence of Sections 2(b), 2(c) or 2(e), the Section 2 Stayed Party may not exercise any Default Right in respect of such Covered Agreement or related Credit Enhancement, other than any Performance Default Right, that exists at or prior to the time of commencement of U.S. Insolvency Proceedings but (i), in the case of a Covered Agreement, that has not resulted, prior to the commencement of such U.S. Insolvency Proceedings, in the occurrence of or designation by a Section 2 Stayed Party of an early termination date (including an “Early Termination Date”, as defined in the Covered Agreement) with respect to such Covered Agreement or otherwise resulted in the acceleration or termination of such Covered Agreement or transactions thereunder, or (ii) in the case of a related Credit Enhancement, that has not been exercised prior to the commencement of such U.S. Insolvency Proceedings.

(g) ***Override of Transfer Restrictions.*** No provision of a Covered Agreement or Credit Enhancement shall prevent the transfer of such Credit Enhancement (and any interest and obligation in or under, and any property securing, such Credit Enhancement) to a Transferee pursuant to Section 2(c)(ii) or to a transferee in accordance with the FDIA QFC Transfer Provisions; provided that this Section 2(g) will not apply if a transfer of such Credit Enhancement would result in the Section 2 Stayed Party being the beneficiary of a Credit Enhancement in violation of any law applicable to the Section 2 Stayed Party (including without limitation, the violation of the laws of any country in which payment or delivery pursuant to such Credit Enhancement or compliance with the terms thereof is required).

(h) ***Events and Conditions Deemed Not Occurring.*** For so long as any Default Right is not exercisable under a Covered Agreement or Credit Enhancement as a consequence of Section 2(b), 2(c) or 2(e), as applicable, any event of default, termination event or similar event, as defined therein, that gave rise to such Default Right shall be deemed not to be occurring, existing or continuing for purposes of determining under any other agreement that is not a Covered Agreement whether a default, termination event or similar event has occurred or is continuing under such Covered Agreement or Credit Enhancement, as applicable.

(i) ***Rights not Subject to Section 2.*** This Section 2 is without prejudice to any Default Right in respect of a Covered Agreement or any other agreement with or in favor of a Section 2 Stayed Party not specifically addressed herein, including without limitation, Default Rights that have resulted in the occurrence or designation of an “Early Termination Date” (as defined in the Covered Agreement or other agreement) or otherwise resulted in the acceleration or termination of such Covered Agreement or transactions thereunder prior to an Affiliate of a Direct Party entering U.S. Insolvency Proceedings.

(j) ***Burden of Proof.*** For purposes of determining whether a Section 2 Stayed Party is entitled to exercise a Default Right pursuant to Sections 2(b), 2(c) or 2(e), the Section 2 Stayed Party bears the burden of establishing that such Default Right may be exercised.

(k) ***Multiple Affiliates in U.S. Insolvency Proceedings.*** If more than one Affiliate of a Direct Party is subject to U.S. Insolvency Proceedings, Section 2 shall apply with respect to each such Affiliate that is a Party in U.S. Proceedings.

3. Proceedings under Section 1 and Section 2

(a) ***Direct Party Subject to Identified Regime Proceedings.*** If an Affiliate of a Direct Party becomes a Party in U.S. Proceedings subject to Section 2 and the Direct Party is or becomes a Party in Resolution subject to Section 1, then, notwithstanding anything to the contrary in Section 2, a Section 2 Stayed Party:—

- (i) May only exercise a Performance Default Right in respect of a Covered Agreement or related Credit Enhancement to the extent it would be entitled to do so pursuant to Section 1; and
 - (ii) May not exercise any other Default Right in respect of such Covered Agreement with such Direct Party or related Credit Enhancement unless it would be entitled to do so under both Section 1 and Section 2.
- (b) ***Affiliate Subject to Identified Regime Proceedings.*** If an Affiliate of a Direct Party becomes a Party in U.S. Proceedings subject to Section 2 and another Affiliate of such Direct Party becomes a Party in Resolution subject to Section 1, a Section 2 Stayed Party may not exercise any Default Right in respect of a Covered Agreement with such Direct Party or related Credit Enhancement unless it would be entitled to do so under both Section 1 and Section 2.
- (c) ***Section 1 Applicable to Party in U.S. Proceedings.*** Subject to Section 5388 of Title 12 of the United States Code, and any implementing regulations and measures, as the same may be amended from time to time, if an Affiliate of a Direct Party becomes a Party in U.S. Proceedings subject to Section 2 and such Party in U.S. Proceedings is or becomes a Party in Resolution subject to Section 1, the provisions of Section 1 will prevail; provided, however, that if such Party in U.S. Proceedings is subject to FDIA Proceedings and is also a Party in Resolution subject to Section 1, a Section 1 Stayed Party or a Section 2 Stayed Party, as applicable, may not exercise a Default Right in respect of a Covered Agreement or related Credit Enhancement unless it would be entitled to do so under both Section 1 and Section 2.

4. Effectiveness

(a) ***Single-party Election Provisions.***

(i) *Section 1 Opt-outs.*

(A) ***SRR Regulatory Restrictions.*** If a Regulated Entity (“X”) is not subject to SRR Regulatory Restrictions with respect to an Identified Regime by January 1, 2018, then any other Adhering Party (“Y”) shall be entitled, by written notice to X and X’s Primary Regulators, to elect that such Identified Regime will not, as between X and Y, constitute an Identified Regime with respect to X or its Related Entities. Such an election will remain effective until withdrawn by written notice from Y. For the avoidance of doubt, each Entity Subject to U.S. Regulations shall be deemed to have been subject to SRR Regulatory Restrictions with respect to the U.S. Special Resolution Regime – FDIA and U.S. Special Resolution Regime – OLA by January 1, 2018.

(B) ***Amendments to Identified Regimes.*** If an Adhering Party (“X”) determines in good faith that an amendment to an Identified Regime subsequent to the First Adherence Date relating to the length of any applicable stay (or the imposition of a stay), the obligations of parties during the pendency of a stay, the treatment of netting or setoff arrangements or the priority of claims (other than any amendment relating to a bank that gives priority to the depositors of such bank over general unsecured creditors of such bank) materially and adversely affects the ability to exercise Default Rights in respect of Eligible Agreements or related Credit Enhancements, X shall be entitled, by written notice (an “**Identified Regime Notice**”) to another Adhering Party (“Y”) eligible for resolution under such Identified Regime, and Y’s Primary Regulators, to elect that such Identified Regime will not, as between them, constitute an Identified Regime with respect to Y or its Related Entities for those Eligible Agreements with respect to which X’s ability to exercise Default Rights has been materially and adversely affected. In the case

of an Identified Regime Notice with respect to U.S. Special Resolution Regime – FDIA, Section 2(e) will be inapplicable as between X and Y. Any such election will remain effective until withdrawn by written notice from X.

(ii) *Opt-outs limited.* The Section 1 Opt-outs under this section 4(a) are only effective to the extent that the Covered Agreements and Covered Credit Enhancements affected by an Adhering Party's election hereunder would continue to meet the requirements of the FDIC Regulation, FRB Regulation and OCC Regulation, as applicable.

(iii) *Timing of Elections and Opt-outs.* An Adhering Party may not make any elections pursuant to the provisions of this Section 4(a), with respect to another Adhering Party upon or following such other Adhering Party or any of its Affiliates becoming a Party in Resolution, Related Entity in Resolution or Party in U.S. Proceedings, as applicable.

(b) ***Condition on Opt-in to Japanese Special Resolution Regime.*** Notwithstanding anything in this Attachment to the contrary, the provisions of Section 1(b) of this Attachment with respect to the Japanese Special Resolution Regime shall not apply with respect to a Covered Agreement unless, upon the commencement of Resolution, the Japanese Resolution Authority, Prime Minister or Minister of State for Financial Services issues a public statement announcing either that:—

(i) the Covered Agreement and any related Credit Enhancements, as applicable, will be transferred to a successor; or

(ii) the duration of any temporary stay on Default Rights imposed by the Japanese Resolution Authority with respect to the Covered Agreement and any related Credit Enhancements, as applicable, will not exceed two Business Days in Japan.

5. Miscellaneous

(a) ***Acknowledgement of the Parties.*** Each Adhering Party acknowledges and agrees that Default Rights and transfer restrictions in a Covered Agreement, Covered Credit Enhancement or another agreement between the parties, or provided in favor of an Adhering Party, may be limited, temporarily or permanently stayed or rendered unenforceable under certain circumstances to the extent provided under this Attachment and each applicable Identified Regime.

(b) ***Delivery of Notices.***

(i) Any notice deliverable under Section 4 by one Adhering Party to a Covered Agreement to another Adhering Party to the Covered Agreement may be effected by delivering such notice in accordance with the notice provisions of the Covered Agreement.

(ii) Any notice deliverable under Section 4 by one Adhering Party to a Covered Agreement to the Credit Enhancement Provider of another Adhering Party to the Covered Agreement, the obligations of which are supported by such Credit Enhancement Provider, may be effected by delivering such notice to such other Adhering Party in accordance with the notice provisions of such Covered Agreement.

(c) ***Clearing Organization Rules and Regulations.*** Solely with respect to Cleared Client Transactions, no provision of Section 1 or 2 shall apply to a Covered Agreement or related Credit

Enhancement if the application thereof violates the rules or regulations of any applicable clearing organization, provided that such rules and regulations are enforceable under applicable law.

(d) ***Applicability of Other Laws.*** Modifications with respect to Covered Agreements or Covered Credit Enhancements pursuant to the Protocol shall be without prejudice to the effect of any law to which an Adhering Party may be subject.

(e) ***Amendment to Certain Foreign Bank Agreements.***

(i) With respect to a Foreign Bank Agreement that is an ISDA Master Agreement, if under such ISDA Master Agreement the “Offices,” as defined therein, specified for the purposes of Section 10(b) of the ISDA Master Agreement do not include:

(A) with respect to a Covered Bank, a “Federal branch” or a “Federal agency,” each of which has the meaning given to such term in the OCC Regulation or

(B) with respect to a Covered Entity, a “U.S. branch” or “U.S. agency,” each of which has the meaning given to such term in the FRB Regulation,

then the parties agree that “Transactions,” as defined in such ISDA Master Agreement, will not be permitted to be booked at such Federal branch, Federal agency, U.S. branch or U.S. agency, as applicable.

(ii) With respect to a Foreign Bank Agreement that is not an ISDA Master Agreement, if such agreement:

(A) does not explicitly provide that agreements or transactions thereunder may be booked at:

(I) with respect to a Covered Bank, a “Federal branch” or “Federal agency,” each of which has the meaning given to such term in the OCC Regulation, or

(II) with respect to a Covered Entity, a “U.S. branch” or “U.S. agency,” each of which has the meaning given to such term in the FRB Regulation,

(B) does not explicitly list any such Federal branch, Federal agency, U.S. branch or U.S. agency, as applicable, in the agreement (as an office or otherwise) and

(C) does not explicitly identify any such Federal branch, Federal agency, U.S. branch or U.S. agency, as applicable, as a party to the agreement,

then the parties agree that they will not be permitted to book agreements or transactions thereunder at such Federal branch, Federal agency, U.S. branch or U.S. agency, as applicable.

6. Definitions

As used in this Attachment:

“*Affiliate*” means, in relation to any entity (“X”):—

(a) Any other entity that is Controlled, directly or indirectly, by X, any entity that Controls, directly or indirectly, X, or any entity directly or indirectly under common Control with X; and

(b) Any other entity that would be an Affiliate of X under clause (a) but for a transfer of the direct or indirect ownership of such entity or X pursuant to a resolution under an Identified Regime or pursuant to U.S. Insolvency Proceedings.

“Bankruptcy Bridge Company” means an entity organized for the purpose of becoming a transferee of assets of a Party in Chapter 11 Proceedings, the ultimate economic interest in which accrues to or for the benefit of the estate of such Party in Chapter 11 Proceedings, but that is not, or after giving effect to the transactions contemplated by a Transfer Motion will not be, Controlled by a Party in Chapter 11 Proceedings or creditors of, or Affiliates of, such Party in Chapter 11 Proceedings.

“BRRD” means Directive 2014/59/EU of the European Parliament and the Council of 15 May 2014.

“Business Day” means, with respect to a jurisdiction, a day on which commercial banks in such jurisdiction are open for general business (including dealings in foreign exchange and foreign currency deposits).

“Chapter 7 Proceedings” means, with respect to an Affiliate of a Direct Party, proceedings under Chapter 7 of the U.S. Bankruptcy Code, as amended from time to time, that commence upon the voluntary filing for Chapter 7 of such Affiliate, or, in the case of an involuntary filing for Chapter 7 of such Affiliate, upon the entry of an order for relief with respect to such Affiliate.

“Chapter 11 Proceedings” means, with respect to an Affiliate of a Direct Party, proceedings under Chapter 11 of the U.S. Bankruptcy Code, as amended from time to time, that commence upon the voluntary filing for Chapter 11 of such Affiliate, or, in the case of an involuntary filing for Chapter 11 of such Affiliate, upon the entry of an order for relief with respect to such Affiliate.

“Cleared Client Transaction” means a transaction, forming a part of a Covered Agreement, with respect to which a related cleared transaction exists between one party, acting as a Clearing Member, and a clearing organization.

“Clearing Member” means an Adhering Party that is a member of a clearing organization that clears a transaction related to a Cleared Client Transaction through such clearing organization.

“Close-out Amount” means the amount due under a Covered Agreement, including any credit support or other property deliverable, as a result of the acceleration, termination or other close-out of such Covered Agreement in accordance with the terms thereof.

“Close-out Stay” has the definition given to such term in the definition of “Creditor Safeguards”.

“Control” means, with respect to an entity, ownership of a majority of the voting power of the entity; provided that, with respect to a Bankruptcy Bridge Company, an owner of a majority of the voting power of the Bankruptcy Bridge Company shall not have Control if the ability to exercise such majority voting power lies with a fiduciary or third party not Controlled by such owner.

“Credit Enhancement” means, with respect to an Eligible Agreement, any credit enhancement or credit support arrangement provided by a party to the Eligible Agreement, or an Affiliate thereof, in connection with the Eligible Agreement, including any guarantee, collateral arrangement in support of obligations pursuant to the Eligible Agreement (including any pledge, charge, mortgage or other security interest in

collateral or title transfer arrangement), trust or similar arrangement, letter of credit, transfer of margin or any similar arrangement, in each case, only to the extent such credit enhancement relates to the Eligible Agreement, and with respect to an Eligible Agreement that is an ISDA Master Agreement, any 1995 Credit Support Deed (Bilateral Form – Security Interest).

“Credit Enhancement Provider” means an obligor or transferor with respect to a Credit Enhancement in support of a Covered Agreement.

“Creditor Protection Order” means, with respect to a U.S. Parent that is a Party in Chapter 11 Proceedings and that has filed a DIP Motion, a Direct Party, a Section 2 Stayed Party and a Covered Agreement, a court order that:—

(a) Grants administrative expense status to such Section 2 Stayed Party’s claims arising from the obligations of such Party in Chapter 11 Proceedings under any Credit Enhancement in respect of such Covered Agreement that have accrued and remain unsatisfied prior to or that become due following the commencement of Chapter 11 Proceedings with respect to such Party in Chapter 11 Proceedings; provided that the Creditor Protection Order may provide that the administrative expense claims of such Section 2 Stayed Party in respect of the obligations of such Party in Chapter 11 Proceedings under such Credit Enhancement will be subordinated in payment to administrative expense claims not arising under a Credit Enhancement, including by providing that such administrative expense claims of the Section 2 Stayed Party may be paid in cash only after (i) some or all other administrative expense claims have been paid or provided for in cash in full, and (ii) the Party in Chapter 11 Proceedings, after satisfying clause (i), has available cash sufficient to pay the credit support claims;

(b) Provides that, if such Direct Party fails to meet any of its material obligations to the Section 2 Stayed Party under the Covered Agreement or if the Party in Chapter 11 Proceedings fails to meet any of its material obligations to the Section 2 Stayed Party pursuant to any Credit Enhancement supporting such Covered Agreement between the Direct Party and the Section 2 Stayed Party, in each case, in accordance with the terms thereof, the Section 2 Stayed Party may terminate such Covered Agreement and exercise any rights with respect to any right of setoff or netting, any collateral or any other credit support pursuant to such Covered Agreement or Covered Credit Enhancement immediately without seeking the approval of the U.S. Bankruptcy Court, and the Party in Chapter 11 Proceedings shall, subject to clause (a) above, be authorized to perform its obligations under such Credit Enhancement; and

(c) Provides that, if (i) the Direct Party fails to pay or deliver any Close-out Amount when due, in accordance with the terms of any Covered Agreement between such Direct Party and any other Section 2 Stayed Party, and (ii) the Party in Chapter 11 Proceedings fails to satisfy its obligations, when due, under any Credit Enhancement in respect of such Covered Agreement, then the Section 2 Stayed Party may exercise any rights with respect to any right of setoff or netting, any collateral or any other credit support pursuant to the Covered Agreement between such Section 2 Stayed Party and the Direct Party or any Credit Enhancement provided by the Party in Chapter 11 Proceedings supporting such Covered Agreement immediately without seeking the approval of the U.S. Bankruptcy Court and the Party in Chapter 11 Proceedings shall, subject to clause (a) above, be authorized to perform its obligations under such Credit Enhancement.

“Creditor Safeguards” means the creditor protections in the context of a Resolution that provide:

(a) Creditors, with respect to Eligible Agreements and Credit Enhancements, are not treated differently from each other or from other creditors in respect of Covered Agreements and Covered Credit Enhancements, or similar agreements or obligations, on the basis of nationality, the location or domicile of creditors or the jurisdiction in which claims are payable; and

(b) Resolution-based Default Rights are, or at the discretion of the administrative authority may be, temporarily or permanently stayed, nullified, invalidated or otherwise overridden with respect to Covered Agreements and Covered Credit Enhancements with the failed financial company (“**Close-out Stay**”), provided that:—

(i) With respect to a temporary Close-out Stay:—

(A) The duration of any such temporary Close-out Stay does not exceed two Business Days; and

(B) During the pendency of any such temporary Close-out Stay, such laws include either or both of the following requirements:—

(I) All payment and delivery obligations of the failed financial company under such Covered Agreements and Covered Credit Enhancements are required to be satisfied; or

(II) All payment and delivery obligations of both parties under such Covered Agreements and Covered Credit Enhancements are deferred until the expiration of such Close-out Stay; and

(ii) With respect to any Close-out Stay:—

(A) All rights, whether contractual or otherwise (including, without limitation, rights incorporated by reference to any other contract, agreement or document, and rights afforded by statute, civil code, regulation and common law), to net or set off obligations relating to transactions documented under such Covered Agreements (including obligations arising from related credit support arrangements) and relating to Covered Credit Enhancements (including obligations arising from related credit support arrangements) remain in full force and effect;

(B) The failed financial company or a transferee remains obligated in respect of such Covered Agreements and Covered Credit Enhancements to the extent the failed financial company was obligated immediately prior to becoming subject to the exercise of powers under such laws;

(C) If all or substantially all of the assets of the failed financial company are transferred by the administrative authority to a transferee, Resolution-based Default Rights may be exercised in respect of any such Covered Agreements and Covered Credit Enhancements that are not transferred to such transferee;

(D) The failed financial company or, if such Covered Agreements and Covered Credit Enhancements are transferred by the administrative authority to a transferee, its transferee, (1) maintains all material regulatory licenses and registrations necessary under applicable law for the continued operation of its business and, if applicable, is in good standing, (2) has balance sheet assets that exceed its balance sheet liabilities, (3) is able to satisfy its obligations with respect to such Covered Agreements and Covered Credit Enhancements when due and (4) is at least as creditworthy as the failed financial company was immediately prior to the start of resolution proceedings;

(E) If such Covered Agreements and Covered Credit Enhancements are transferred, (1) any rights to net or set off thereunder, contractual or otherwise, are enforceable substantially to the same extent under the laws and regulations applicable to the transferee as under those applicable to the transferor and (2) the limitations on Resolution-based Default Rights under any financial company resolution laws and regulations applicable to the transferee are not substantially greater than those applicable to the transferor; and

(F) Such Close-out Stay does not apply with respect to Default Rights (1) that are not Resolution-based Default Rights or (2) that arise from subsequent and independent resolution proceedings.

“Default Right” means, with respect to a Covered Agreement or Credit Enhancement, any:—

(a) Right of a party, whether contractual or otherwise (including, without limitation, rights incorporated by reference to any other contract, agreement or document, and rights afforded by statute, civil code, regulation and common law), to liquidate, terminate, cancel, rescind or accelerate such agreement or transactions thereunder, set off or net amounts owing in respect thereto (except rights related to same-day payment netting), exercise remedies in respect of collateral or other credit support or property related thereto (including the purchase and sale of property), demand payment or delivery thereunder or in respect thereof (other than a right or operation of a contractual provision arising solely from a change in the value of collateral or margin or a change in the amount of an economic exposure), suspend, delay or defer payment or performance thereunder, modify the obligations of a party thereunder or any similar rights; and

(b) Right or contractual provision that alters the amount of collateral or margin that must be provided with respect to an exposure thereunder, including by altering any initial amount, threshold amount, variation margin, minimum transfer amount, the margin value of collateral or any similar amount, that entitles a party to demand the return of any collateral or margin transferred by it to the other party or a custodian or that modifies a transferee’s right to reuse collateral or margin (if such right previously existed), or any similar rights, in each case, other than a right or operation of a contractual provision arising solely from a change in the value of collateral or margin or a change in the amount of an economic exposure;

provided that, with respect to Section 2, the term “Default Right” does not include any right under a contract that allows a party to terminate the contract on demand or at its option at a specified time, or from time to time, without the need to show cause.

References to the “exercise” of a Default Right or the entitlement “to exercise” a Default Right shall include the automatic or deemed exercise of a Default Right.

“DIP Motion” means, with respect to a U.S. Parent of a Direct Party that becomes a Party in Chapter 11 Proceedings, a motion filed by such U.S. Parent that causes the U.S. Parent to remain obligated with respect to Credit Enhancements supporting one or more Covered Agreements to the same extent as such U.S. Parent was obligated with respect to such Credit Enhancements immediately prior to becoming a Party in Chapter 11 Proceedings.

“DIP Stay Conditions” means, with respect to a Direct Party, a Party in Chapter 11 Proceedings that is a U.S. Parent of such Direct Party and has filed a DIP Motion and a Section 2 Stayed Party:—

(a) An order has been entered under which such U.S. Parent of a Direct Party remains obligated with respect to each Credit Enhancement it provides in support of Covered Agreements between such Direct Party and the Section 2 Stayed Party and each Covered Agreement between such Direct Party and each Affiliate of such Section 2 Stayed Party to the same extent as such U.S. Parent was obligated immediately prior to becoming a Party in Chapter 11 Proceedings; and

(b) A Creditor Protection Order with respect to each Credit Enhancement described in clause (a) above has been entered for the benefit of such Section 2 Stayed Party and each such Affiliate.

“Direct Party” has the definition given to such term in Section 2(b).

“Eligible Agreement” means a Qualified Financial Contract that is not an Excluded Agreement.

“Equivalent Agreement” means, with respect to a Covered Agreement and a Resolution under an Identified Regime, an Eligible Agreement with the same terms as the Covered Agreement but governed by the laws of the jurisdiction of such Identified Regime, provided that:—

(a) If the jurisdiction of such Identified Regime is the United Kingdom, such governing law shall be the laws of England and Wales; and

(b) If the jurisdiction of such Identified Regime is the United States of America, such governing law shall be the law of the State of New York.

“Equivalent Credit Enhancement” means, with respect to a Covered Credit Enhancement and a Resolution under an Identified Regime, a Credit Enhancement with the same terms as the Covered Credit Enhancement but governed by the laws of the jurisdiction of such Identified Regime, provided that:—

(a) If the jurisdiction of such Identified Regime is the United Kingdom, such governing law shall be the laws of England and Wales; and

(b) If the jurisdiction of such Identified Regime is the United States of America, such governing law shall be the law of the State of New York.

“FDIA” means the Federal Deposit Insurance Act, and any implementing regulations and measures, as the same may be amended from time to time.

“FDIA Proceedings” means with respect to an Affiliate of a Direct Party, proceedings under the FDIA that commence upon the FDIC being appointed as receiver for such Affiliate.

“FDIA QFC Transfer Provisions” means FDIA Sections 11(e)(9) and (10), and any implementing regulations and measures, as the same may be amended from time to time.

“FDIA Stay Period” means, with respect to a Party in U.S. Proceedings that is in FDIA Proceedings, the period of time during which a party to a Qualified Financial Contract with such Party in U.S. Proceedings may not exercise any right that such party has to terminate, liquidate, or net such Qualified Financial Contract, in accordance with FDIA Section 11(e), and any implementing regulations and measures, as the same may be amended from time to time.

“FDIC” means the Federal Deposit Insurance Corporation.

“First Adherence Date” means the first date on which ISDA has accepted an Adherence Letter with respect to the Protocol from any Adhering Party.

“French Special Resolution Regime” means, other than any Ring-fence Provisions, Articles L. 613-34 to L. 613-63 and R. 613-40 to R. 613-79 of the French Monetary and Financial Code, and their implementing regulations and measures, as the same may be amended from time to time, except for Article L. 613-45-1, I. of the French Monetary and Financial Code insofar as it refers to the provisions of Articles L. 511-41-3, L. 511-41-5, L. 612-32, L. 612-33, L. 612-34, L. 613-36, L. 613-41 to L. 613-43-1, and L. 613-48 to L. 613-48-5 of the French Monetary and Financial Code but including Article L. 613-45-1, I. of the French Monetary and Financial Code insofar as it refers to the exercise of powers to write down or convert relevant capital instruments referred to in Article L. 613-48, I. of the French Monetary and Financial Code where exercised in the circumstances described in Article 59.1(b) of the BRRD.

“German Special Resolution Regime” means, other than any Ring-fence Provisions, (a) the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*), (b) the German Credit Institutions Reorganization Act (*Kreditinstitute-Reorganisationsgesetz*), and (c) Section 36a in conjunction with Sections 30 through 36 of the German Covered Bonds Act (*Pfandbriefgesetz*), and each of their implementing regulations and measures, each as the same may be amended from time to time; provided that the German Special Resolution Regime shall not include Sections 82 through 84, 144, and 169 of the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*) to the extent that they relate to the exercise of “crisis prevention measures” (*Krisenpräventionsmaßnahme*) as defined in Section 2(3) no. 37 of the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*) other than the exercise of powers to write down or convert relevant capital instruments that are exercised in the circumstances described in Article 59.1(b) of the BRRD. For the avoidance of doubt, the provisions of Section 1(b) of the Attachment will not apply with respect to the imposition of a moratorium on payments and dispositions within the meaning of Section 46(1), sentence 2, number (4) of the German Banking Act (*Kreditwesengesetz*), if applicable, in respect of Covered Agreements or Covered Credit Enhancements to Adhering Parties from the entity subject to Resolution.

“Identified Regime” means, subject to Section 4(a), the French Special Resolution Regime, the German Special Resolution Regime, the Japanese Special Resolution Regime, the Swiss Special Resolution Regime, the U.K. Special Resolution Regime, the U.S. Special Resolution Regime – FDIA and the U.S. Special Resolution Regime – OLA.

“Identified Regime Notice” has the definition given to such term in Section 4(a)(i)(B).

“Japanese Special Resolution Regime” means, other than any Ring-fence Provisions, the provisions of the Deposit Insurance Act (Act No. 34 of 1971, as amended), and its implementing regulations and measures, as the same may be amended from time to time.

“Parent” means, with respect to an Adhering Party, the ultimate parent entity organized under the laws of any Identified Regime applicable to such Adhering Party, and if different, the ultimate parent entity of such Adhering Party.

“Party in Chapter 11 Proceedings” has the definition given to such term in Section 2(c).

“Party in Resolution” has the definition given to such term in Section 1(b)(i).

“Party in U.S. Proceedings” has the definition given to such term in Section 1(b).

“Performance Default Right” means any Default Right in respect of a Covered Agreement or related Credit Enhancement (including any Default Right that exists at the time of commencement of U.S. Insolvency Proceedings but (i) in the case of a Covered Agreement, that has not resulted, prior to the commencement of such U.S. Insolvency Proceedings, in the occurrence of or designation by a Section 2 Stayed Party of an early termination date (including an “Early Termination Date”, as defined in the Covered Agreement) with respect to such Covered Agreement or otherwise resulted in the acceleration or termination of such Covered Agreement or transactions thereunder (ii) in the case of a related Credit Enhancement, that has not been exercised prior to the commencement of such U.S. Insolvency Proceedings) that arises as a result of:—

- (a) The Direct Party entering receivership, insolvency, liquidation, resolution or similar proceedings; or
- (b) The failure by the Direct Party to satisfy a payment or delivery obligation to the Section 2 Stayed Party pursuant to the Covered Agreement (including for the avoidance of doubt, pursuant to a Credit Support Annex forming a part thereof), Credit Enhancement or any Related Contract between such parties in accordance with the terms thereof; or
- (c) The failure by a Credit Enhancement Provider under the Covered Agreement, or any successor thereto, to satisfy a payment or delivery obligation to the Section 2 Stayed Party pursuant to the Credit Enhancement of such Covered Agreement in accordance with the terms of such Credit Enhancement.

“Primary Regulator” means, with respect to a Regulated Entity, the regulatory body or bodies with principal supervisory authority over the Parent of such entity, and, if different, the regulatory body or bodies with principal supervisory authority over such entity.

“Related Contract” means, with respect to a Direct Party and a Section 2 Stayed Party, any contract under which the occurrence of a default, event of default or similar condition or event (however described) gives rise to a Default Right in a Covered Agreement between such parties (including, for example, contracts identified in an ISDA Master Agreement as a “Specified Transaction” or “Specified Indebtedness”, as defined in such ISDA Master Agreement).

“Related Entity” means, with respect to an Adhering Party and a Covered Agreement or Covered Credit Enhancement, (i) each Parent of the Adhering Party, and (ii) any Affiliate that (A) is identified as a “Credit Support Provider” in the Covered Agreement or otherwise provides a Credit Enhancement in respect of the Adhering Party’s obligations under the Covered Agreement or Covered Credit Enhancement or (B) is identified as a “Specified Entity” or is otherwise designated (including as part of a category of designated entities) in a Covered Agreement or a Covered Credit Enhancement for the purpose of defining when a Default Right may be exercised under the Covered Agreement or Covered Credit Enhancement.

“Related Entity in Resolution” has the definition given to such term in Section 1(b)(ii).

“Resolution” means, with respect to a Regulated Entity or a Related Entity of such Regulated Entity, the exercise of authority under an Identified Regime to address the failure or potential failure of such Regulated Entity or Related Entity.

“Resolution Authority” means, with respect to an Identified Regime, each administrative authority that is designated as responsible for exercising powers under such Identified Regime.

“Resolution-based Default Right” means any Default Right that arises directly or indirectly by reason of:—

- (a) The financial condition or insolvency of an entity or an affiliate of such entity; or
- (b) An entity or an affiliate of such entity becoming subject to an insolvency or resolution regime or the exercise of powers or authority thereunder; or
- (c) The appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official with respect to an entity or an affiliate of such entity; or
- (d) The transfer of assets or liabilities of an entity or an affiliate of an entity to a successor.

“Ring-fence Provisions” means any laws of a jurisdiction that:—

- (a) Provide for the liquidation of one or more branches or offices of an entity that operates through multiple branches or offices separately from other branches or offices of such entity; or
- (b) Provide for the resolution (but not liquidation) of one or more branches or offices of an entity that operates through multiple branches or offices separately from other branches or offices of such entity and that do not comply fully with each element of the Creditor Safeguards.

“Section 1(b)(i) Stayed Party” has the definition given to such term in Section 1(b)(i)(A).

“Section 1(b)(ii) Stayed Party” has the definition given to such term in Section 1(b)(ii)(A).

“Section 1 Stayed Party” means a Section 1(b)(i) Stayed Party and a Section 1(b)(ii) Stayed Party, as applicable.

“Section 2 Stayed Party” has the definition given to such term in Section 2(b).

“SIPA Proceedings” means with respect to an Affiliate of a Direct Party, proceedings under the Securities Investor Protection Act, as amended from time to time (“SIPA”), in respect of such Affiliate.

“SRR Regulatory Restrictions” means, with respect to an Adhering Party and an Identified Regime, any law, regulation or other binding measure that, at a minimum, has the effect of then (i) prohibiting, directly or indirectly, the Regulated Entity from entering into any transactions documented under such agreement, if such agreement is not governed by the laws of the jurisdiction(s) of the Identified Regimes applicable to such Regulated Entity or Related Entity, unless its counterparty to that agreement agrees to restrict the exercise of its Resolution-based Default Rights to the same extent as its exercise of such rights would be restricted under the applicable Identified Regime(s) with respect to similar transactions with the Regulated Entity governed by the laws of the jurisdiction(s) of the applicable Identified Regime(s), or (ii) requiring, directly or indirectly, the Regulated Entity in respect of any transactions documented under such agreement, if such agreement is not governed by the laws of the jurisdiction(s) of the applicable Identified Regime(s) of such Regulated Entity or Related Entity, to procure agreement and/or acknowledgement by its counterparty to that agreement to restrict the exercise of its Resolution-based Default Rights to the same extent as its exercise of such rights would be restricted under the applicable Identified Regime(s) with respect to similar transactions with the Regulated Entity governed by the laws of the jurisdiction(s) of the applicable Identified Regime(s).

“Stay Period” means, with respect to a Party in Chapter 11 Proceedings, the period of time beginning upon the commencement of the related Chapter 11 Proceedings and ending at the later of (a) 5 PM (Eastern Time) on the next Business Day in the jurisdiction of such Chapter 11 Proceedings and (b) 48 hours after the commencement of such Chapter 11 Proceedings.

“Swiss Special Resolution Regime” means, other than any Ring-fence Provisions, (a) Art. 24 and section eleven (*Massnahmen bei Insolvenzgefahr*) of the Swiss Federal Law on Banks and Savings Banks of 8 November 1934 (*Bundesgesetz über die Banken und Sparkassen; SR 952.0*); and (b) the Ordinance of the Swiss Financial Market Supervisory Authority on the Insolvency of Banks and Securities Dealers of 30 August 2012 (*Verordnung der Eidgenössischen Finanzmarktaufsicht über die Insolvenz von Banken und Effekthändlern; SR 952.05*); and (c) chapter eight (*Insolvenzrechtliche Bestimmungen*) of the second title of the Swiss Financial Market Infrastructure Act of 19 June 2015 (*Bundesgesetz über die Finanzmarktinfrastrukturen und das Marktverhalten im Effekten- und Derivatehandel*), and each of their implementing regulations and measures, as the same may be amended from time to time.

“Transfer Motion” means a motion filed by a Party in Chapter 11 Proceedings specifying that all or substantially all of the assets of such Party in Chapter 11 Proceedings (or the net proceeds therefrom), excluding any assets reserved for the payment of costs and expenses of administration in the Chapter 11 Proceedings, will be transferred or sold, as soon as practicably possible, to a Bankruptcy Bridge Company or to a third party that is not an Affiliate of the Party in Chapter 11 Proceedings (such Bankruptcy Bridge Company or third party, the **“Transferee”**).

“Transfer Stay Conditions” means, with respect to an Affiliate of a Direct Party that has filed a Transfer Motion, a Transferee identified in such Transfer Motion, a Section 2 Stayed Party and a Covered Agreement between such Section 2 Stayed Party and such Direct Party:—

- (a) All of the direct and indirect ownership interests held by the Affiliate, if any, in the Direct Party that is a party to such Covered Agreement with such Section 2 Stayed Party are transferred to the Transferee;
- (b) All Credit Enhancements (and any interest and obligation in or under, and any property securing, such Credit Enhancements) provided by the Affiliate in respect of each Covered Agreement between such Direct Party and the Section 2 Stayed Party are transferred to such Transferee, and such Transferee remains obligated in respect of such Credit Enhancements to the same extent as the Affiliate of the Direct Party immediately prior to becoming a Party in Chapter 11 Proceedings; and
- (c) All Credit Enhancements (and any interest and obligation in or under, and any property securing, such Credit Enhancements) provided by the Affiliate in respect of each Covered Agreement, if any, between such Direct Party and each Affiliate of the Section 2 Stayed Party are transferred to such Transferee, and such Transferee remains obligated in respect of such Credit Enhancements to the same extent as the Affiliate of the Direct Party immediately prior to becoming a Party in Chapter 11 Proceedings.

“Transferee” has the definition given to such term in the definition of “Transfer Motion”.

“U.K. Special Resolution Regime” means, other than any Ring-fence Provisions, the provisions of Part I of the U.K. Banking Act 2009, as amended, and their implementing instruments and measures, as the same may be amended from time to time, provided that U.K. Special Resolution Regime shall not include sections 48Z, 70A, 70B, 70C and 70D of the U.K. Banking Act 2009, as amended, to the extent that they relate to any “crisis prevention measure” as defined in section 48Z(1) of the U.K. Banking Act 2009, as

amended, other than the exercise of powers to write down or convert relevant capital instruments that are exercised in the circumstances described in Article 59.1(b) of the BRRD.

“U.S. Bankruptcy Code” means Title 11 of the United States Code.

“U.S. Insolvency Proceedings” means Chapter 7 Proceedings, Chapter 11 Proceedings, FDIA Proceedings and SIPA Proceedings.

“U.S. Parent” means, with respect to an Adhering Party, the ultimate parent entity organized under the laws of the United States of America or any state or territory thereof having direct or indirect Control of such Adhering Party.

“U.S. Special Resolution Regime – FDIA” means, other than any Ring-fence Provisions, the receivership provisions of the U.S. Federal Deposit Insurance Act, and its implementing regulations and measures, as the same may be amended from time to time.

“U.S. Special Resolution Regime – OLA” means, other than any Ring-fence Provisions, Title II of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and its implementing regulations and measures, as the same may be amended from time to time.

“Unrelated Default Right” means, with respect to a Covered Agreement between the Direct Party and a Section 2 Stayed Party or a related Credit Enhancement:—

(a) Any Default Right in respect of such Covered Agreement or related Credit Enhancement that, both:—

(i) Is not based solely on an Affiliate of the Direct Party becoming a Party in U.S. Proceedings; and

(ii) Can be shown by clear and convincing evidence to be not related, directly or indirectly, to an Affiliate of the Direct Party becoming a Party in U.S. Proceedings, to any transfers to a Transferee contemplated by a Transfer Motion, or to a DIP Motion; and

(b) If a U.S. Parent of such Direct Party is not a Party in U.S. Proceedings, any Default Right in respect of such Covered Agreement or related Credit Enhancement that is based solely on an Affiliate of the Direct Party becoming subject to insolvency or resolution proceedings other than U.S. Insolvency Proceedings.

AGENDA ITEM 8 – ACTION ITEMS

- c) Approval of Resolution 2019-EC2 –
Termination of Swaps Related to the ARP
Series 2008C Bonds in Conjunction with
the Use of the Vero Beach Proceeds and
Results of the 2019A RFP**

**Executive Committee
February 14, 2019**



**8c-Executive Committee –Approval of Resolution 2019-EC2 -
Termination of Swaps Related to the ARP Series 2008C Bonds in
Conjunction with the Use of Vero Beach Proceeds and Results of the
2019A Request for Proposals (RFP)**

February 14, 2019

The Plan

- Staff had originally planned to utilize a portion of the Vero Beach proceeds as part of a single, larger debt transaction
 - Would redeem a portion of the 2008C Bonds and pay off all swap termination fees
 - One transaction would lower the overall administrative cost to FMMPA
- A Request for Proposals was posted to FMMPA's website and sent directly to known banks in December
- Proposals were received from 10 firms

Great Market Interest in FMPA

Various Options Submitted

- Types of options considered:
 - Private placement bank loans – fixed rate
 - Publicly offered bonds - fixed or variable
 - Publicly offered floating rate notes – fixed or variable
- Options eliminated due to time and cost considerations
 - Variable rate options
 - Publicly offered bonds or floating rate notes

Elimination of Options

Rationale for Eliminated Options

- Variable rate options introduce some remarketing risk and unknown issues surrounding LIBOR. These efforts are contrary to our goal of de-risking the portfolio
- Publicly offered transactions would require development of an official statement and new rating from credit rating agencies, which would require extensive work effort and time, as well as, additional costs. This option would result in a high likelihood of missing our internal deadline, with no appreciable financial advantages

Top Choice - Private Placement Bank Loan

- Top 3 fixed rate options were analyzed further with the following findings:
 - Swap termination amount rose by \$3 million since the RFP was issued
 - Negative NPV due to high swap termination amount (\$17 million)
 - Going forward with the refunding plan using fixed rate debt was not economically feasible

Overview of Vero Beach Proceeds

- As a condition of the sale of its electric system to FPL, Vero Beach was to pay the ARP \$108 million based on an anticipated closing date of October 1, 2018
 - \$76 million to cover the cost of Vero's FMPA Project entitlements, which were assigned and transferred to the ARP, above market
 - \$32 million to cover Vero's Section 29(c) withdrawal costs, and to compensate the ARP for additional risks
- Due to 2 ½ month delay, FMPA received \$105.4 million based on actual closing date of December 17, 2018 (\$2.6 million less), in accordance with the Transfer Agreement terms
- Staff is reporting on the planned use of the proceeds, including how the delayed closing impacted the original debt restructuring plan

Original Planned Use of Vero Beach Proceeds (from December 2017)

- ~\$78 million to be used to pay down ARP Bonds and swaps
 - ~\$69 million to redeem all principal amounts of ARP Series 2008C Bonds maturing between 10/1/19 and 10/1/24
 - ~\$9 million to pay off associated swaps based on then-current termination value
- ~\$30 million to be used to establish a new Rate Protection Account to hold ARP harmless from costs of Vero Project entitlements > market price of power

Staff Plan: Reduce the Debt-Related Usage to Account for Reduced Proceeds

Good News: We Get Similar Net Result as Before!

- At least \$67 million to be used to pay down ARP Bonds and swaps
 - Redeem all principal amounts of ARP 2008C Bonds maturing between 10/1/19 and 10/1/23
 - Pay off associated swaps based on the current termination value
- No less than \$30 million to Rate Protection Account (\$30 million in original plan)
- Remaining \$8.4 million will be used to reduce debt or other ARP related costs

Motions

- Move approval of Resolution 2019-EC2 authorizing termination of interest rate swaps related to the Series 2008C Bonds and payment of related swap termination fees
- Move approval to reject all bids for the 2019A RFP and evaluate economic feasibility at a later date



QUESTIONS

A RESOLUTION OF THE EXECUTIVE COMMITTEE OF FLORIDA MUNICIPAL POWER AGENCY (I) RECITING STATEMENT OF AUTHORITY; (II) AUTHORIZING THE TERMINATION, IN WHOLE OR IN PART, OF ANY QUALIFIED SWAPS ENTERED INTO BY FLORIDA MUNICIPAL POWER AGENCY RELATING TO FLORIDA MUNICIPAL POWER AGENCY ALL-REQUIREMENTS POWER SUPPLY PROJECT VARIABLE RATE DEMAND REFUNDING REVENUE BONDS SERIES 2008C AND THE PAYMENT OF ANY SWAP TERMINATION FEES PAYABLE IN CONNECTION WITH THE TERMINATION OF ANY SUCH QUALIFIED SWAPS; (III) DELEGATING TO AUTHORIZED SIGNATORIES THE AUTHORITY TO TERMINATE THE QUALIFIED SWAPS IN COMPLIANCE WITH THE PARAMETERS SET FORTH HEREIN; (IV) DESIGNATING AUTHORIZED SIGNATORIES (V) DESIGNATING AUTHORIZED OFFICERS; (VI) PROVIDING FOR THE TAKING OF CERTAIN OTHER ACTIONS; (VII) PROVIDING FOR SEVERABILITY; AND (VIII) PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE EXECUTIVE COMMITTEE OF THE FLORIDA MUNICIPAL POWER AGENCY (“FMPA”) THAT:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This resolution (the “Resolution”) is adopted pursuant to the provisions of Chapter 361, Part II, Florida Statutes, as amended, Section 163.01, Florida Statutes, as amended, and Chapter 166, Part II, Florida Statutes, as amended.

SECTION 2. AUTHORIZATION OF TERMINATION OF ANY QUALIFIED SWAPS RELATING TO FLORIDA MUNICIPAL POWER AGENCY ALL-REQUIREMENTS POWER SUPPLY PROJECT VARIABLE RATE DEMAND REFUNDING REVENUE BONDS SERIES 2008C AND THE PAYMENT OF ANY SWAP TERMINATION FEES PAYABLE IN CONNECTION WITH THE TERMINATION OF ANY SUCH QUALIFIED SWAPS. The City of Vero Beach (“Vero Beach”) made a payment of \$105.4 million to FMPA on December 17, 2018 in connection with the sale of Vero Beach’s retail electric utility system to Florida Power & Light Company. These monies shall be deposited in the General Reserve Fund under the All-Requirements Power Supply Project Revenue Bond Resolution adopted by FMPA on March 22, 1985, as amended and restated in its entirety on May 23, 2003, as supplemented and amended to the date hereof (the “Bond Resolution”). FMPA shall hold no less than \$30 million of such monies for the needs of the All-Requirements Power Supply Project and intends to use the remainder of the monies for the redemption of certain of the maturities of FMPA’s All-Requirements Power Supply Project Variable Rate Demand Refunding Revenue Bonds Series 2008C (the “Series 2008C Bonds”) and the termination (and the payment of any amounts owed in connection therewith), in whole or in part, of the Qualified Swaps entered into by FMPA and relating to the Series 2008C Bonds. FMPA is hereby authorized to terminate, in whole or in part, the Qualified Swaps entered into by FMPA and relating to the Series 2008C Bonds in compliance with the parameters of this Section 2 and through the delegation established in Section 3 herein and to make any payments related thereto. Capitalized terms used and not defined herein shall have the meanings for those terms provided in the Bond Resolution.

SECTION 3. DELEGATING TO AUTHORIZED SIGNATORIES THE AUTHORITY TO TERMINATE THE QUALIFIED SWAPS IN COMPLIANCE WITH THE PARAMETERS SET FORTH IN SECTION 2 HEREIN. The Authorized Signatories are hereby authorized to terminate the Qualified Swaps, in whole or in part, entered into by FMPA and relating to the Series 2008C Bonds in compliance with the parameters set forth in Section 2 herein and to execute and deliver a certificate certifying compliance with the parameters in Section 2.

SECTION 4. DESIGNATION OF AUTHORIZED SIGNATORIES. The (i) Chairperson of the Executive Committee and the Vice Chairperson of the Executive Committee and (ii) the General Manager and CEO of FMPA and the Chief Financial Officer of FMPA, are each hereby designated as Authorized Signatories and one person from clause (i) and one person from clause (ii), along with the General Counsel and Chief Legal Officer of FMPA (with respect to approval as to form and legality) are authorized to execute and deliver any confirmations of the termination of the Qualified Swaps referred to in Section 3 herein.

SECTION 5. DESIGNATION OF AUTHORIZED OFFICERS. The Chairperson of the Executive Committee and the Vice Chairperson of the Executive Committee and the Secretary, elected Treasurer of FMPA, General Manager and CEO of FMPA, any Assistant Secretary, the Chief Financial Officer of FMPA and the General Counsel and Chief Legal Officer of FMPA are each hereby designated as Authorized Officers as defined in Section 101 of the Bond Resolution for the purpose of executing and delivering the documents set forth herein and taking any other actions authorized by this Resolution in connection with the termination of the Qualified Swaps, in whole or in part, entered into by FMPA and relating to the Series 2008C Bonds.

SECTION 6. FURTHER ACTIONS. Each Authorized Officer designated hereunder is hereby authorized and empowered to take all further actions as may be necessary or desirable in carrying out the terms and provisions of this Resolution and each of the documents referred to herein.

SECTION 7. SEVERABILITY. If one or more provisions of this Resolution should be determined by a court of competent jurisdiction to be contrary to law, such provisions shall be deemed to be severable from the remaining provisions hereof, and shall in no way affect the validity or enforceability of such remaining provisions.

SECTION 8. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

This Resolution 2019-EC1 is hereby approved and adopted by the Executive Committee of the Florida Municipal Power Agency on February 14, 2019.

Chairperson, Executive Committee

[Remainder of page intentionally left blank]

I HEREBY CERTIFY that, on February 14, 2019, the above Resolution 2019-EC2 was approved and adopted by the Executive Committee of the Florida Municipal Power Agency, and that this is a true and conformed copy of Resolution 2019-EC2.

ATTEST:

Secretary or Assistant Secretary

SEAL

AGENDA ITEM 9 – INFORMATION ITEMS

- a) Update on Prepaid Gas**

**Executive Committee
February 14, 2019**



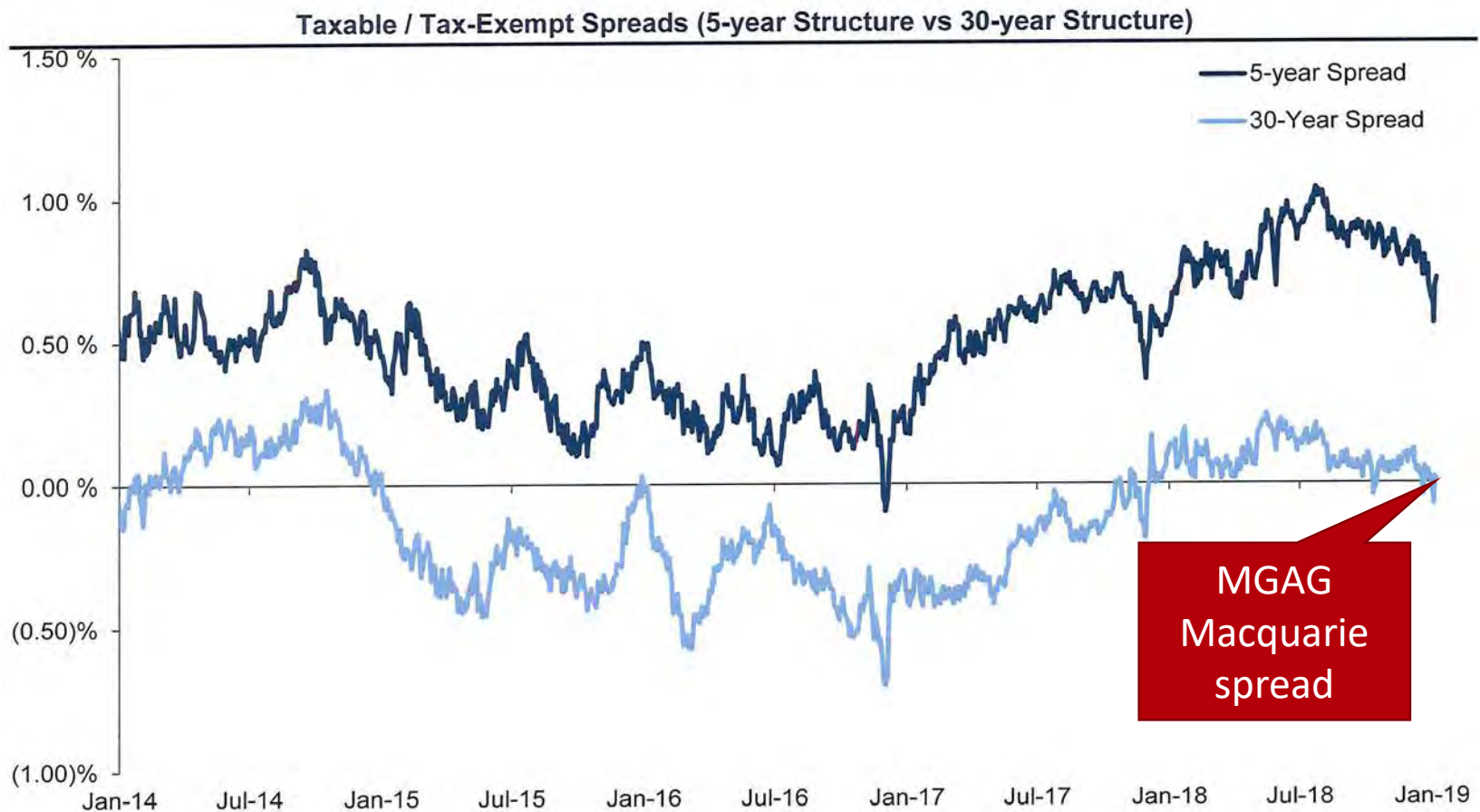
9a- Update on Prepaid Gas

FMIPA Executive Committee

February 5, 2019

Narrowing Interest Spread Between Tax/Muni

5 Year Put Continues To Be More Optimal



Flat Spread Hurting MGAG Macquarie Deal

Want Better Spread for 30 Year Lock

- Target was a minimum of 30¢ per MMBtu before going to market.
 - Two marketing dates between December and January, deal did not settle
 - Cut back size of transaction to create an over-subscribed transaction
 - In a watch and wait mode

5 Year “Put” Current Sweat Spot

Deals Going to Market Are Focused Here

- FMIPA/FGU moving with two other Issuers
 - Black Belt Energy
 - 5 Year Put / 30 Year Term
 - Minnesota Municipal Gas Authority (MMGA)
 - 5 Year Put / 30 Year Term

Black Belt Energy Very Active in Prepay Issuer

Minimum Discount



- Net 30¢ to Participants
- Repricing min. 20¢

Status



- Going to market end of March / April
- FMPPA/FGU Gas Supply comments in their court
- Expected gas flows in October 2019

MMGA Located in High Tax State

This Adds Value to the Discount

Minimum Discount



Net 30¢ to Participants

Repricing min. 20¢

Status



Going to market end of March / April

FMPPA/FGU Gas Supply comments in their court



QUESTIONS

VERBAL REPORT

AGENDA ITEM 9 – INFORMATION ITEMS

b) Update on Sales of Capacity and Energy

**Executive Committee
February 14, 2019**

AGENDA ITEM 9 – INFORMATION ITEMS

c) Annual Debt Report

**Executive Committee
February 14, 2019**



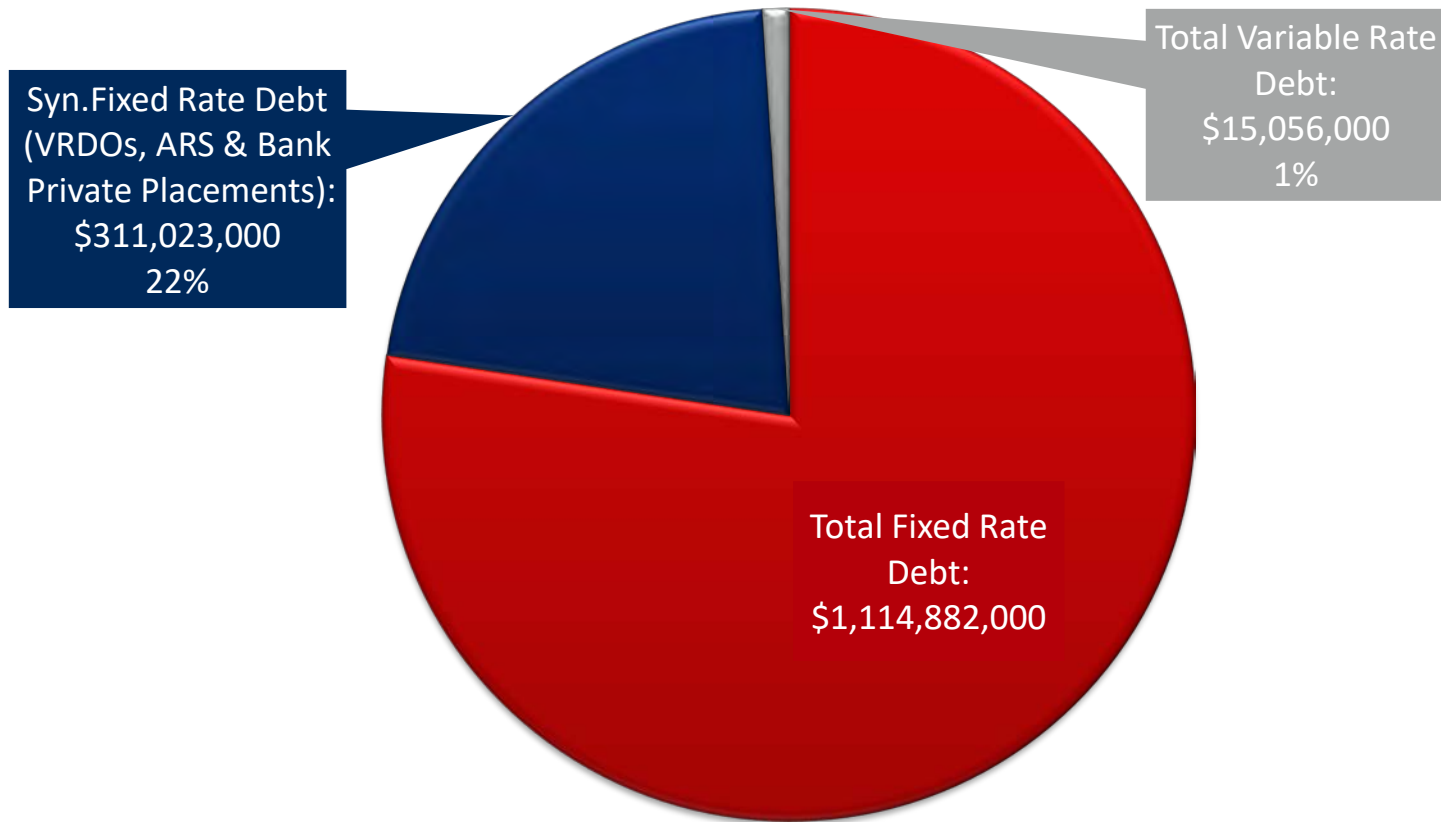
Annual Debt Report As of 9/30/2018

FMIPA Board of Directors – 9a
and Executive Committee – 9c

February 14, 2019

77% of All Project Debt is Fixed

3% Higher Than Last Year



Includes All of FMPA Debt

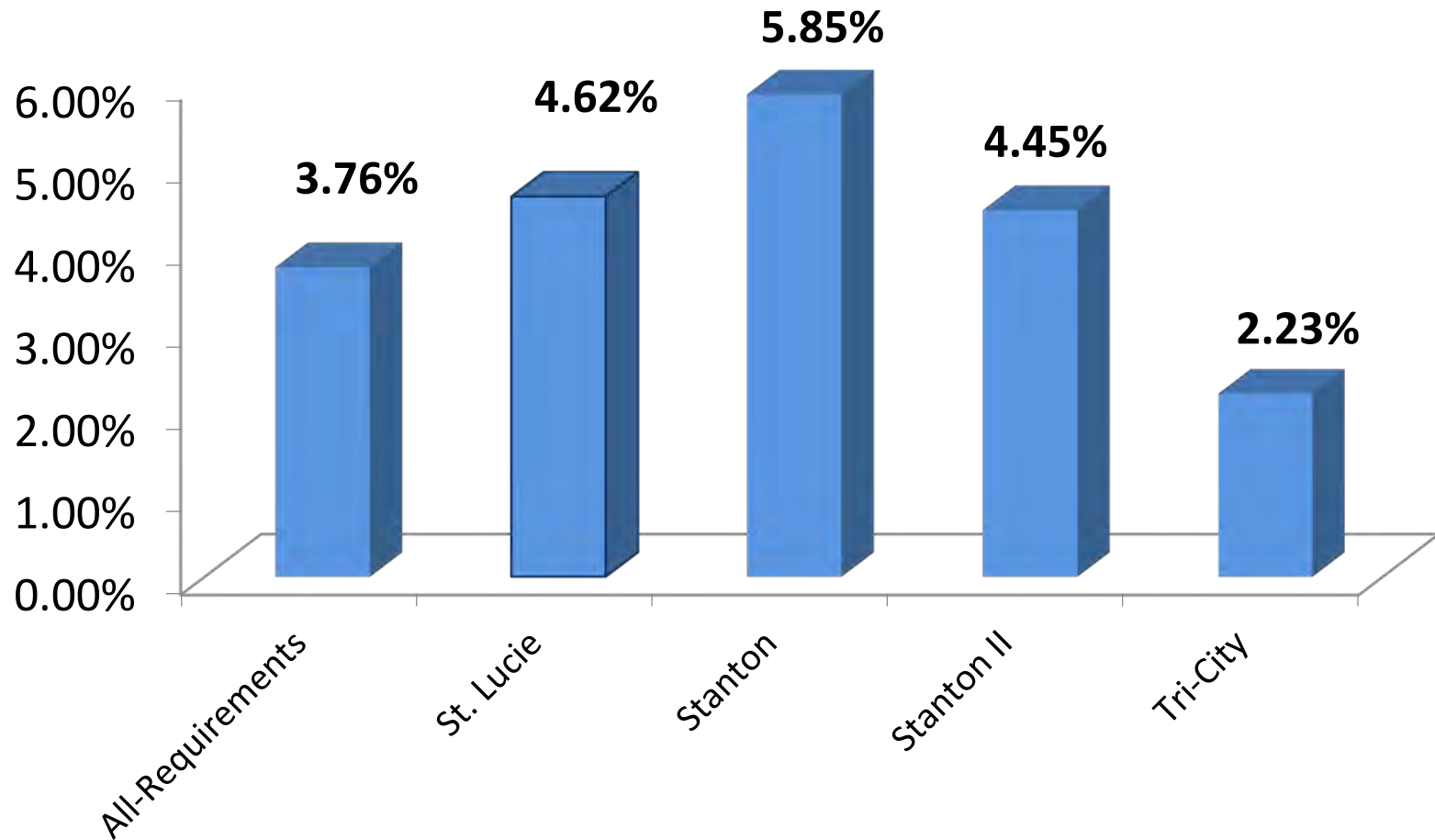
FMPA Reduces Debt by \$66.2M in 2018

\$8.6 Million Increase over 2017

Project	9/30/18 \$'s in 000's	9/30/17 \$'s in 000's	Debt Reduction
Agency	\$220	\$430	\$210
All-Requirements	979,473	1,028,888	49,415
St. Lucie	304,125	314,305	10,180
Stanton	17,324	25,256	7,932
Stanton II	133,314	128,662	<4,652>
Tri-City	6,505	9,653	3,148
Total	\$1,440,960	\$1,507,194	\$66,233

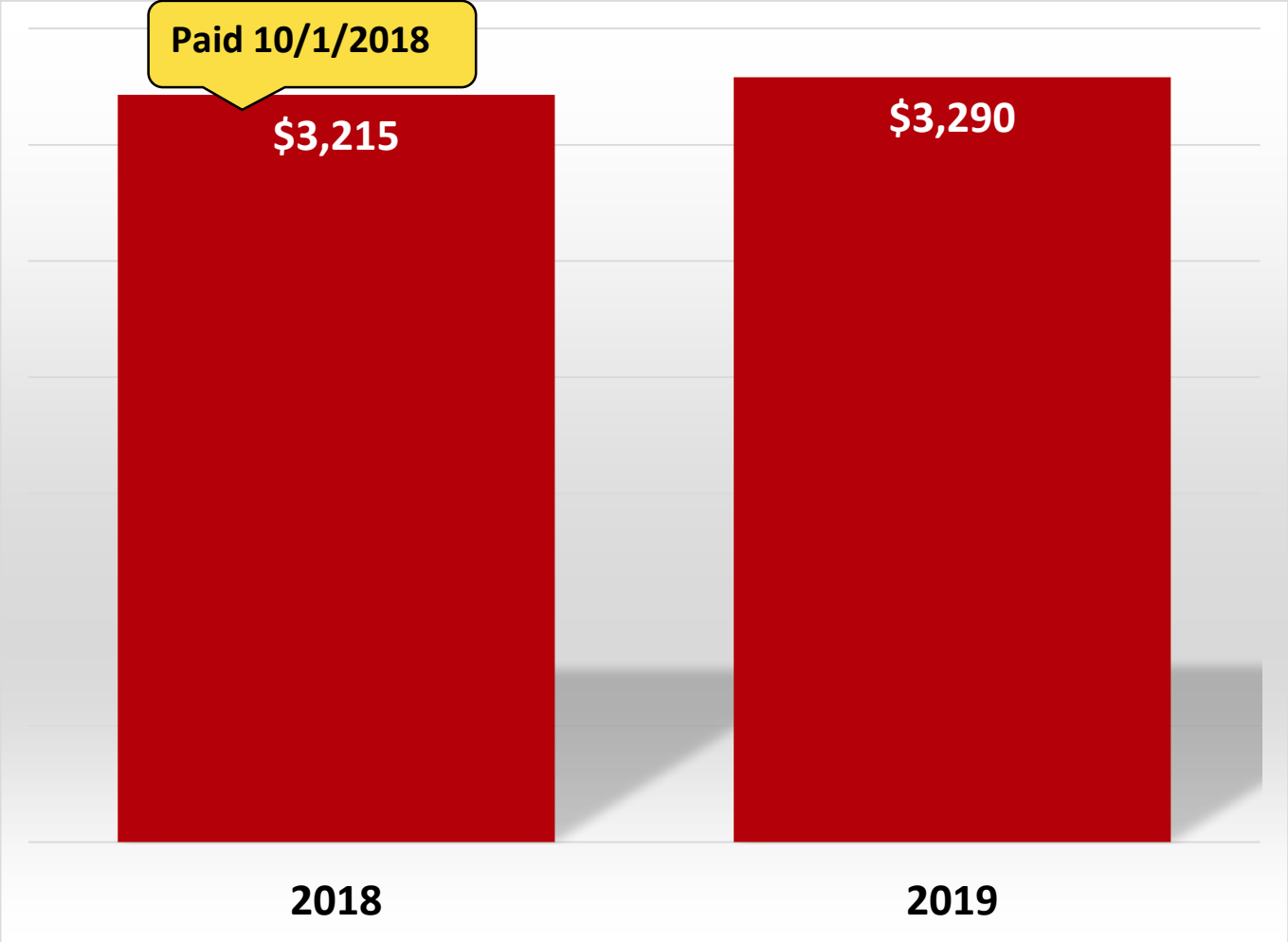
True Interest Cost of Debt by Project

Includes Swap, Bank, and Remarketing Fees



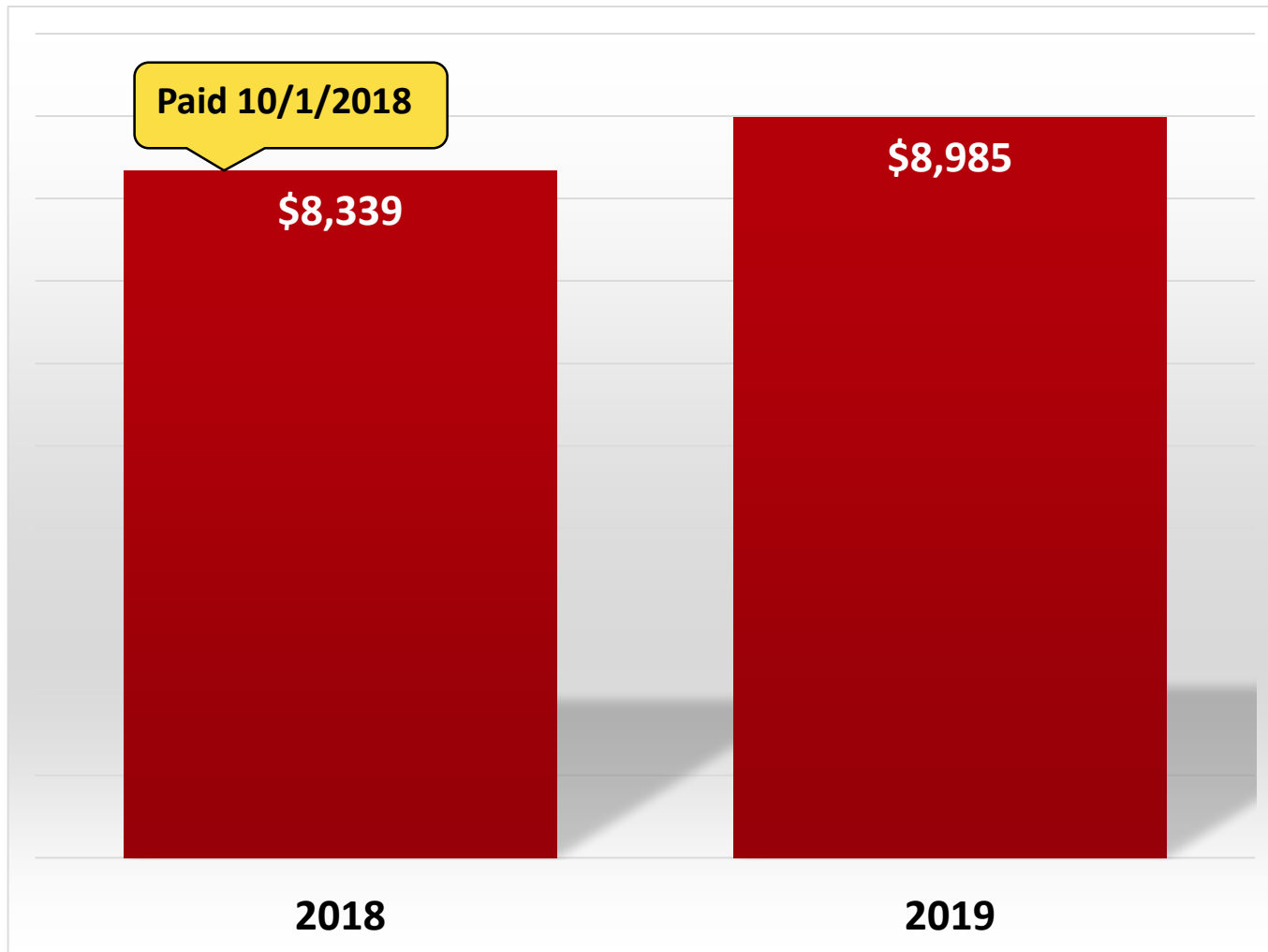
Only One (1) Payment Remaining

Tri-City Project (\$'s in 000's)



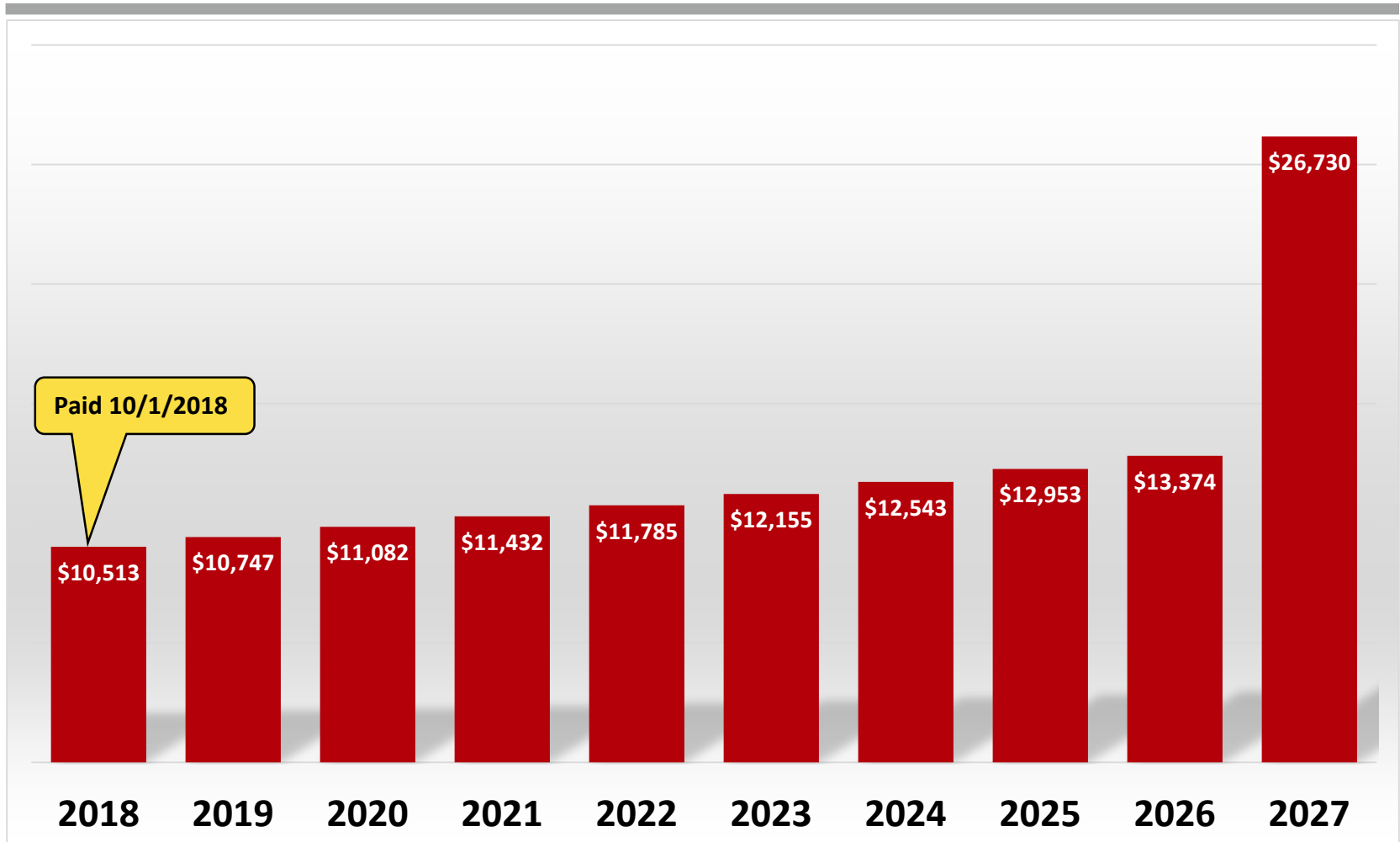
Only One (1) Payment Remaining

Stanton Project (\$'s in 000's)



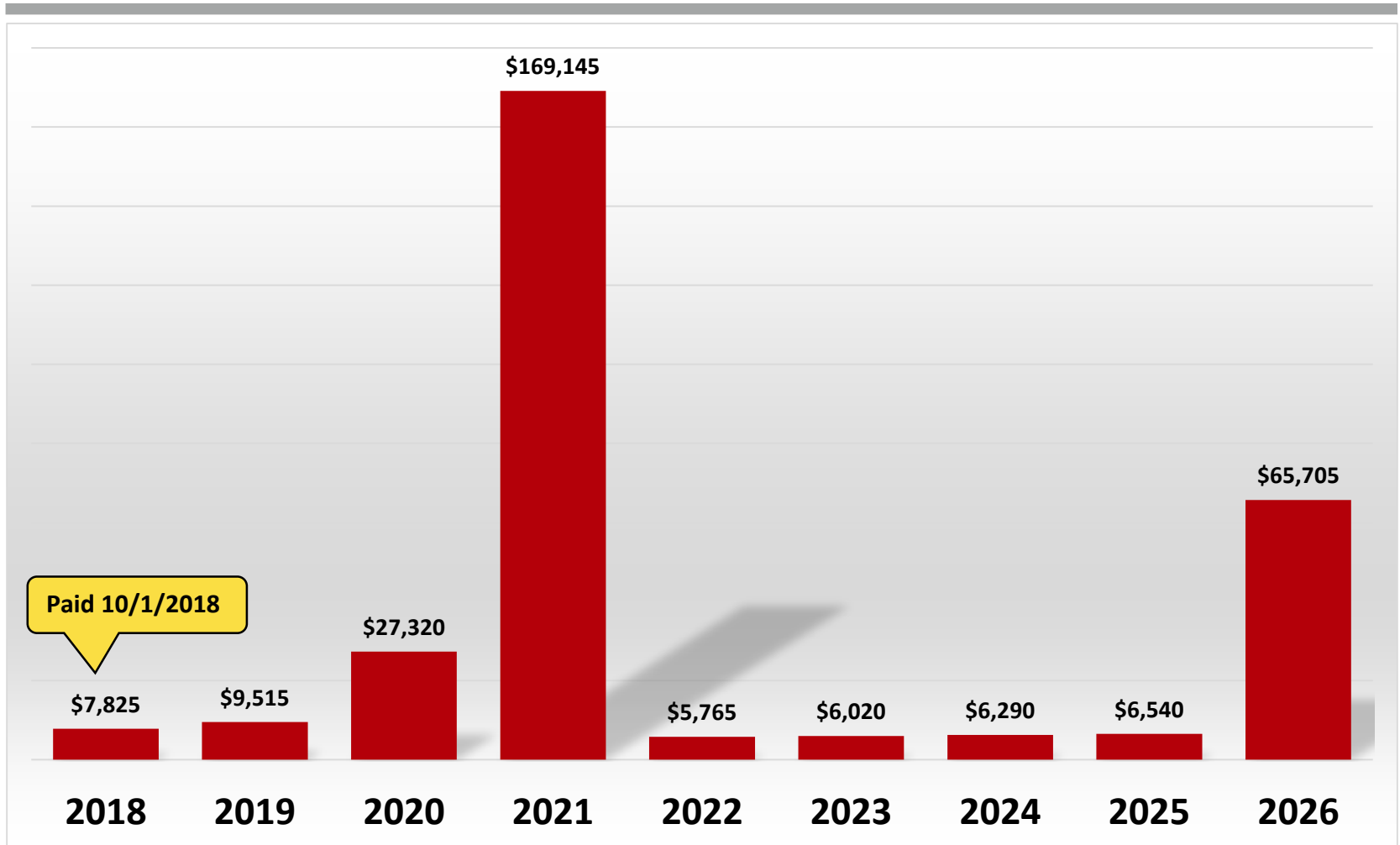
2027 Payment Already Funded

Stanton II (\$'s in 000's)



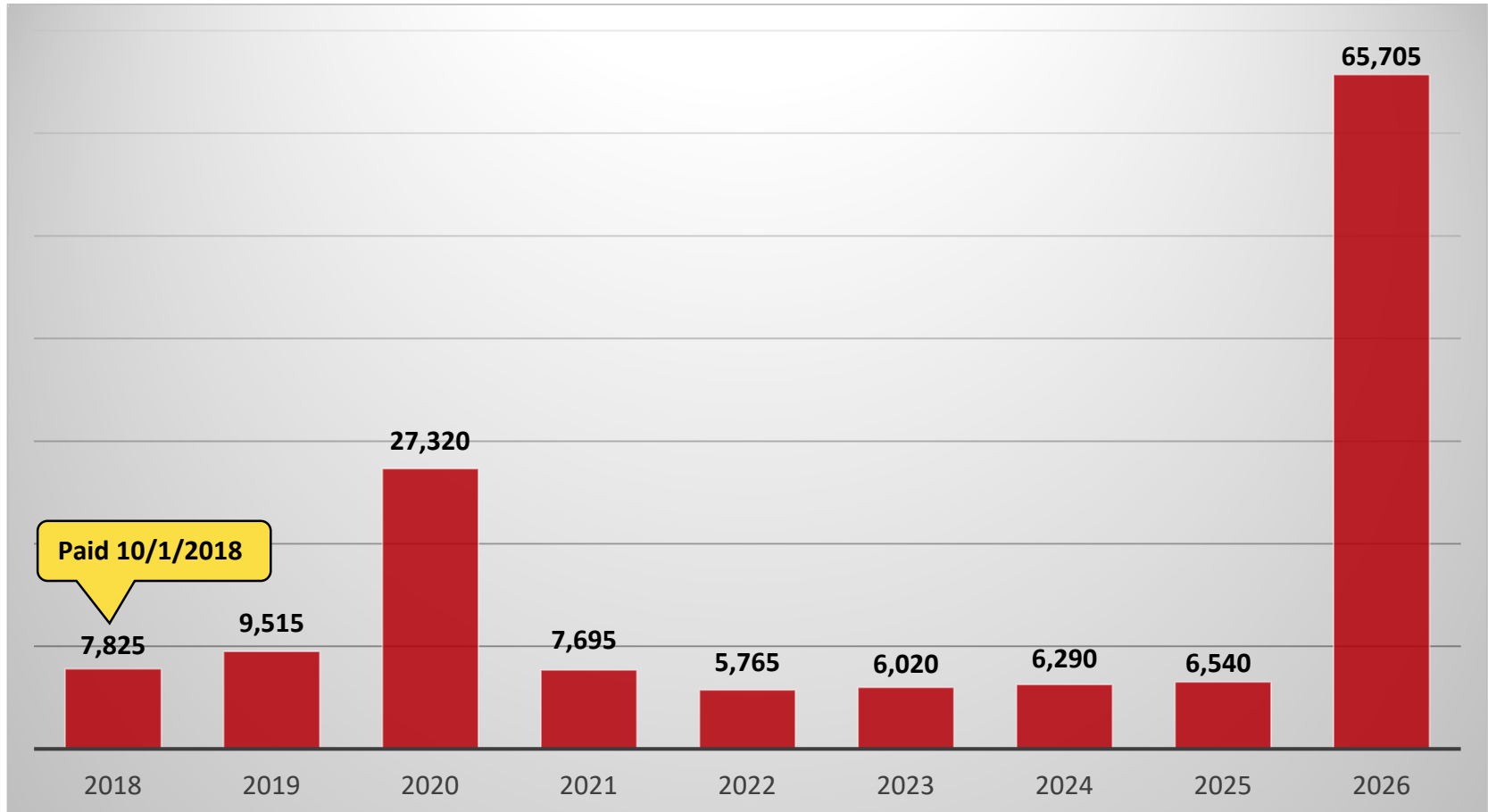
\$214M Investments Held For Balloons

St. Lucie Project (\$'s in 000's)



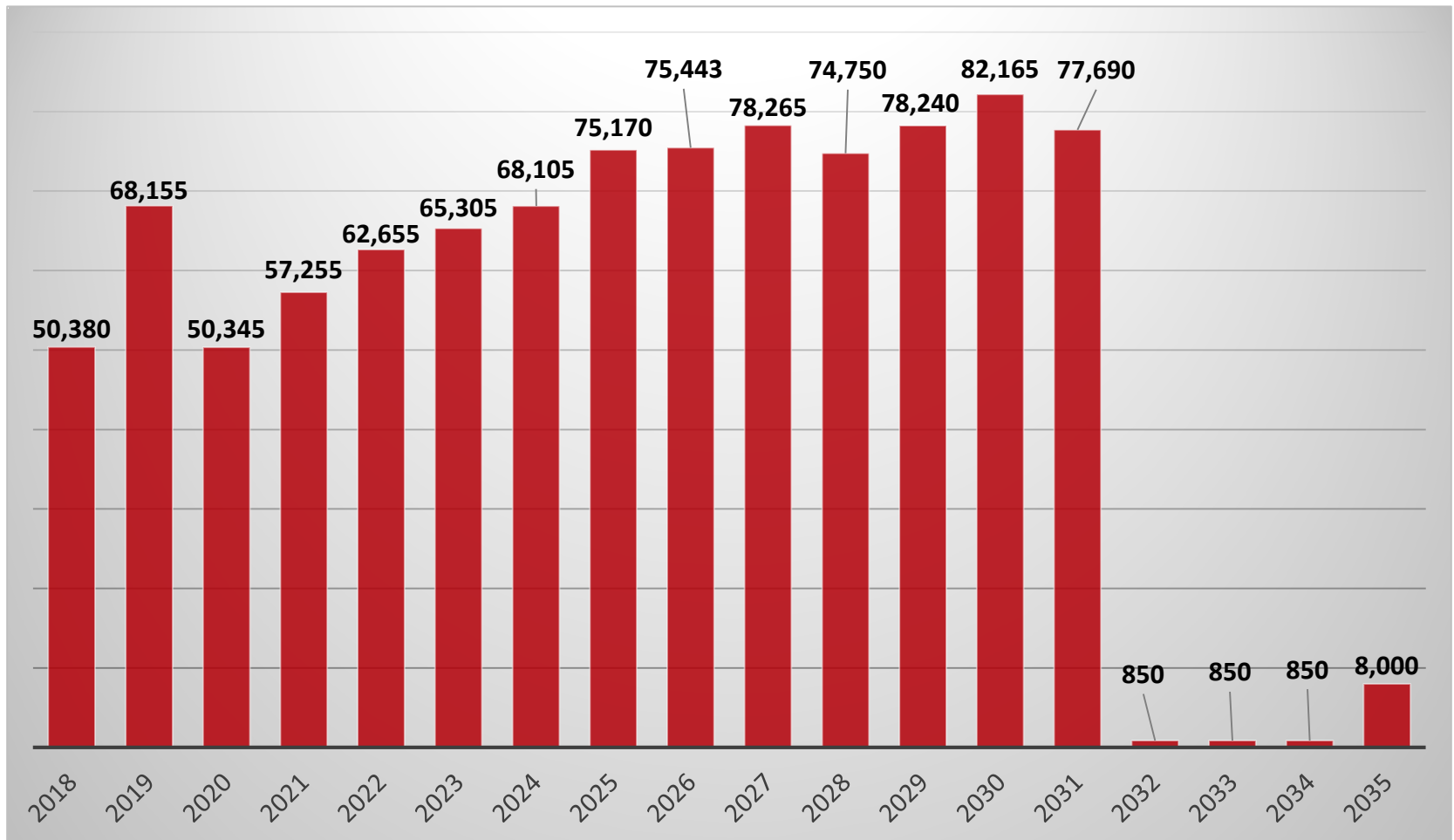
\$161.45M Debt Paid Down 12/2018

All To 2021 Principal



Debt Before Vero Beach Payment

All-Requirement Project (\$'s in 000's)



Swap Diversification Meets Policy*

All Requirements Project

Dealer	Notional Amount (\$'s in 000)	Percentage
Bank of America/Merrill Lynch	\$33,180	3%
Goldman Sachs	33,180	3%
JPMorgan Chase	13,958	1%
Morgan Stanley	33,180	3%
UBS	17,025	2%
Wells Fargo	19,050	2%
Unswapped Debt	829,900	85%
Total Debt Outstanding	\$979,473	100%

*Policy requires no counterparty exceed 35% of total Project debt



QUESTIONS

Exhibit 1
ARP Bonds
Purpose of Bonds Summary

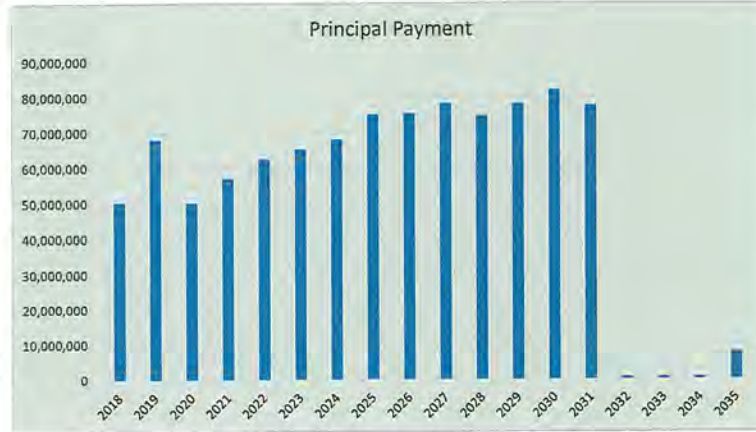
	Total Amount Issued (millions)	Purpose	Amount Outstanding as of 9/30/2018
ARP 2008A	\$509,555,000	Financing Cane Island 4, Wachovia Loans - Cane Island 3, Stanton and Stanton II Brine Plant Facilities. Partial refund 2006C and 2006B bonds. Refund 2003B-1 and 2003B-2 bonds. Refund Pooled Loan Program for Treasure Coast Energy Center #1 and Cane Island 4 Turbine Option	\$64,490,000
ARP 2008B	\$74,885,000	Financing Public Gas Partners #1 and Cane Island spare parts	\$10,285,000
ARP 2008C	\$154,565,000	Partial refund 2006B bonds. Refund 2000 bonds	\$149,573,000
ARP 2009A	\$154,480,000	Financing Cane Island 4 new money	\$10,440,000
ARP 2009B	\$15,235,000	Financing Public Gas Partners capital improvements	\$15,235,000
ARP 2013A	\$15,000,000	PGP capital needs	\$9,605,000
ARP 2015B	\$115,770,000	Pay off 100% of the Taylor Swap termination fees and draws under the credit agreement	\$110,385,000
ARP 2016A	\$424,120,000	Refunded portion of 2008A and 2009A bonds	\$424,120,000
ARP 2017A	\$69,625,000	Refund 2011A-1, 2011B and interest rate swaps associated with the bonds	\$69,625,000
ARP 2017B	\$52,925,000	Refund 2011A-2 and interest rate swap associated with the bond	\$52,925,000
ARP 2018A	\$57,790,000	Refund all outstanding 2008A Bonds maturing on and after October 1, 2020	\$57,790,000
Total	<u>\$1,643,950,000</u>		<u>\$974,473,000</u>

Exhibit 2
Non-ARP Bonds
Purpose of Bonds Summary

Series	Total Amount Issued (millions)	Purpose	Amount Outstanding as of 9/30/2018
St Lucie 2000	\$17,150,000	Partial refund of the 1992 bonds.	\$16,650,000
St Lucie 2002	\$244,850,000	Refund the 1992 bonds.	\$144,800,000
St Lucie 2009	\$37,820,000	Refinance the loan from the Pooled Loan Program and finance capital improvements.	\$15,640,000
St Lucie 2010	\$20,500,000	Finance capital improvements.	\$8,310,000
St Lucie 2011A	\$34,870,000	Partial refund of the 2002 bonds and swaps	\$23,345,000
St Lucie 2011B	\$24,305,000	Finance capital improvements and pay costs of issuance	\$24,305,000
St Lucie 2012A	\$58,870,000	Partial refund of the 2000 and 2002 bonds with swaps	\$58,870,000
St Lucie 2013A	\$24,305,000	Finance capital improvements	\$12,205,000
Stanton 2008	\$37,905,000	Refund the 1997, 2000 and 2002 bonds	\$14,605,000
Stanton 2009A	\$24,305,000	Refinance the loan from the Pooled Loan Program and finance capital improvements	\$2,565,000
Stanton II 2009A	\$6,615,000	Refinance the loan from the Pooled Loan Program and finance capital improvements	\$4,905,000
Stanton II 2012A	\$77,520,000	Refund 2002. Partial refund of the 2000 and 2004 w/swaps. Finance capital improvements	\$56,260,000
Stanton II 2017A	\$21,888,000	Refund 2000 auction rate securities and swaps	\$21,888,000
Stanton II 2017B	\$50,019,000	Refund 2004 auction rate securities and swaps	\$50,019,000
Tri-City 2009A	\$2,790,000	Refinance the loan from the Pooled Loan Program and finance capital improvements	\$745,000
Tri-City 2013A	\$16,460,000	Refund 2003A bonds and finance capital improvements	\$5,705,000
Total	<u>\$700,172,000</u>		<u>\$460,817,000</u>

ARP - CALCULATION BASED ON AVERAGE FY18 BILLING DEMAND

	Average Monthly Billing Demand (MW) FY 2018	Bonds, Notes and Loans Outstanding as of 9/30/2018 ¹	
		% of Total	
Bushnell	5.1	0.5%	4,929
Clewiston	16.5	1.6%	15,944
Fort Meade	7.2	0.7%	6,989
Fort Pierce	79.7	7.9%	77,174
Green Cove Springs	19.3	1.9%	18,718
Havana	4.2	0.4%	4,083
Jacksonville Beach	130.9	13.0%	126,798
KUA	282.1	28.0%	273,250
Key West	110.4	11.0%	106,906
Lake Worth	0.0	0.0%	0
Leesburg	90.7	9.0%	87,900
Newberry	6.7	0.7%	6,513
Ocala	242.7	24.1%	235,099
Starke	10.5	1.0%	10,170
Vero Beach	0.0	0.0%	0
Total	1,006.0	100.0%	974,473

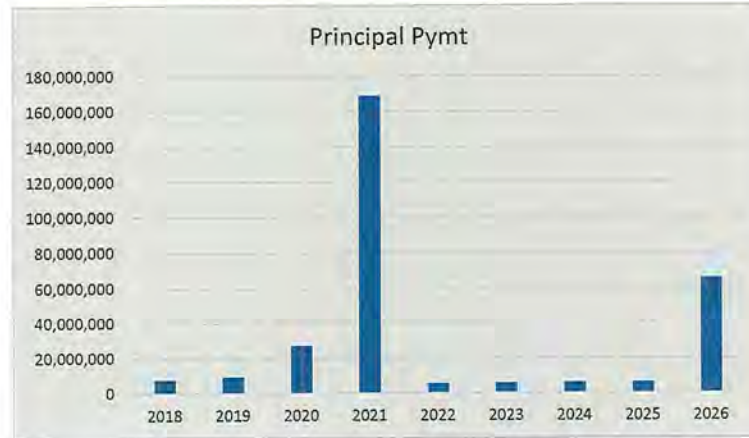


Payment October 1	Principal Payment
2018	50,380,000
2019	68,155,000
2020	50,345,000
2021	57,255,000
2022	62,655,000
2023	65,305,000
2024	68,105,000
2025	75,170,000
2026	75,443,000
2027	78,265,000
2028	74,750,000
2029	78,240,000
2030	82,165,000
2031	77,690,000
2032	850,000
2033	850,000
2034	850,000
2035	8,000,000
	974,473,000

Footnote: ARP Participants' percent share of ARP debt payments varies monthly based on their monthly peak demand (less Excluded Resource capacity, if any) during the hour of the ARP system peak. Due to weather and other factors, such allocations can vary significantly from month to month. Additional factors such as varying levels of load growth among the Participants would also impact the allocations over time. Amounts shown are for illustrative purposes only and are based on each Participant's average monthly ARP billing demand during Fiscal Year 2018. It is important to note that this calculation is not the same as the calculation of outstanding ARP debt that each Participant would be required to pay in the event it exercised its right to withdraw from the ARP pursuant to Section 29 of the ARP Contract

ST. LUCIE - Entitlement share by participant

Entitlement Share %	Bonds, Notes and Loans Outstanding as of 9/30/2018 ¹	FY2018 Debt Service Related Budget ^{2,3,4}
	(\$000)	(\$000)
ALACHUA	1,311	122
CLEWISTON	6,697	621
FORT MEADE	1,022	95
FORT PIERCE	46,245	4,290
GREEN COVE SPRINGS	5,343	496
HOMESTEAD	25,148	2,333
JAX BEACH	22,289	2,068
KISSIMMEE	28,603	2,653
LEESBURG	7,074	656
LAKE WORTH	75,636	7,017
MOORE HAVEN	1,168	108
NEWBERRY	560	52
NEW SMYRNA BEACH	30,060	2,789
STARKE	6,736	625
VERO BEACH	46,233	4,289
100.000%	304,125	28,213



Payment October 1	Principal Pymt
2018	7,825,000
2019	9,515,000
2020	27,320,000
2021	169,145,000 ⁵
2022	5,765,000
2023	6,020,000
2024	6,290,000
2025	6,540,000
2026	65,705,000 ⁵
	<u>304,125,000</u>

¹ Makes no assumption about any new debt needs.

² Annual debt-service-related budget amounts may vary by year.

³ Use of monies on hand may reduce total debt service budget amounts collected from rates. As of 9/30/2018, \$214,492,611 (par amt) of investments in the General Reserve, Contingency, Debt Service Reserves, and Merrill Lynch Forward Sale related accounts.

⁴ Final debt service payment is October 1, 2026. Plant licensed by NRC to operate until 2043.

⁵ Approximately \$70 million of total principal shown in 2021 will be refinanced from 2021 to 2026 to match cash accumulating under the Merrill Lynch Forward Sale Agreement (investments) for debt payoff. Large principal payments in 2021 and 2026 reflect bullet maturity structure of much of the outstanding debt. See footnote ³ above for amounts being accumulated to pay off debt.

STANTON - Entitlement share by participant

	Entitlement Share %	Bonds, Notes and Loans Outstanding as of 9/30/2018 ¹	FY2018 Debt Service Related Budget ^{2,3,4}
		(\$000)	(\$000)
VERO BEACH	32.521%	12,750	3,007
FORT PIERCE	24.390%	9,562	2,255
HOMESTEAD ^A	12.195%	4,781	1,127
LAKE WORTH	16.260%	6,375	1,503
STARKE	2.439%	956	225
KUA ^A	12.195%	4,781	1,127
	100.000%	17,324	9,245

^A Reflects impact of 50% Entitlement Share assignment from Homestead to KUA

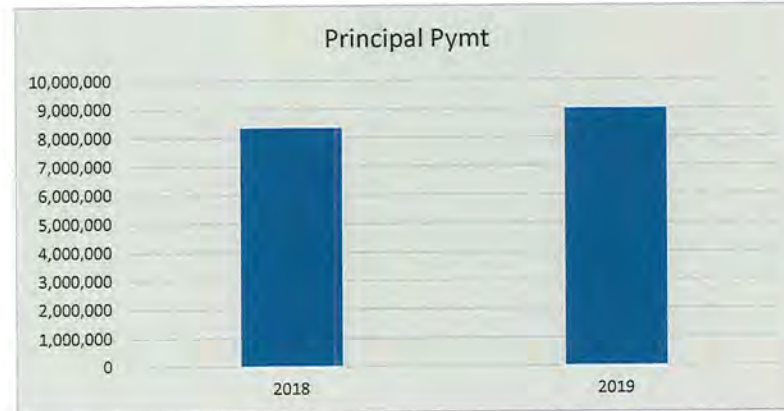
¹ Makes no assumption about any new debt needs.

² Annual debt-service-related budget amounts may vary by year.

³ Use of monies on hand may reduce total debt service budget amounts collected from rates. As of 9/30/2018, \$11,789,338 (par amt) of investments in the General Reserve and Contingency accounts.

⁴ Final debt service payment is October 1, 2019.

Indicates amounts paid by ARP due to Participant being in the ARP



Payment October 1	Principal Pymt
2018	8,339,000
2019	8,985,000
	<u>17,324,000</u>

STANTON II - Entitlement share by participant

	Entitlement Share %	Bonds, Notes and	FY2018 Debt Service
		Loans Outstanding as of 9/30/2018 ¹	Related Budget ^{2,3,4}
		(\$000)	(\$000)
VERO BEACH	16.489%	21,982	2,404
FORT PIERCE	16.489%	21,982	2,404
HOMESTEAD ^A	8.244%	10,990	1,202
KUA ^A	32.977%	43,963	4,807
ST. CLOUD	14.671%	19,558	2,139
KEY WEST	9.893%	13,189	1,442
STARKE	1.237%	1,649	180
	<u>100.000%</u>	<u>133,314</u>	<u>14,577</u>

^A Reflects impact of 100% and 50% Entitlement Share assignments respectively from Lake Worth and Homestead to KUA.

¹ Makes no assumption about any new debt needs.

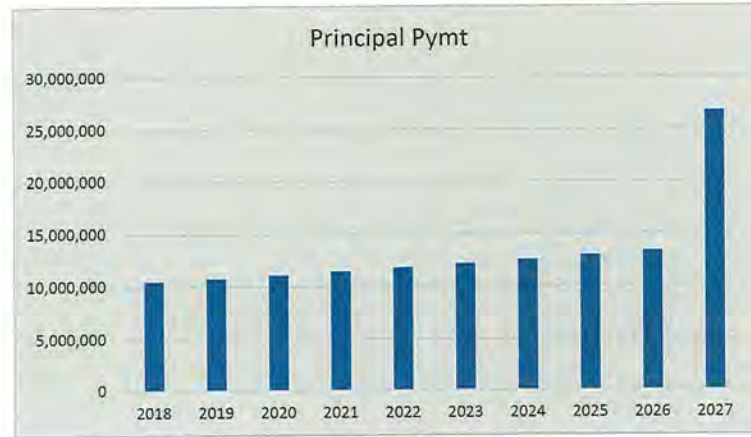
² Annual debt-service-related budget amounts may vary by year.

³ Use of monies on hand may reduce total debt service budget amounts collected from rates. As of 9/30/2018, \$28,013,532 (par amt) of investments in the General Reserve, Contingency and Debt Service Reserve accounts.

⁴ Final debt service payment is October 1, 2027.

⁵ Funds on hand in 2027 will be used to reduce payment amount to typical amount level. See note ³ above.

Indicates amounts paid by ARP due to Participant being in the ARP



Payment October 1	Principal Pymt
2018	10,513,000
2019	10,747,000
2020	11,082,000
2021	11,432,000
2022	11,785,000
2023	12,155,000
2024	12,543,000
2025	12,953,000
2026	13,374,000
2027	26,730,000 ⁵
	<u>133,314,000</u>

TRI-CITY - Entitlement share by participant

	Entitlement Share %	Bonds, Notes and Loans Outstanding as of 9/30/2018 ¹	FY2018 Debt Service Related Budget ^{2,3,4}
		(\$000)	(\$000)
FORT PIERCE	22.73%	1,478	762
HOMESTEAD	22.73%	1,478	762
KEY WEST	54.55%	3,548	1,828
	100.00%	6,505	3,352

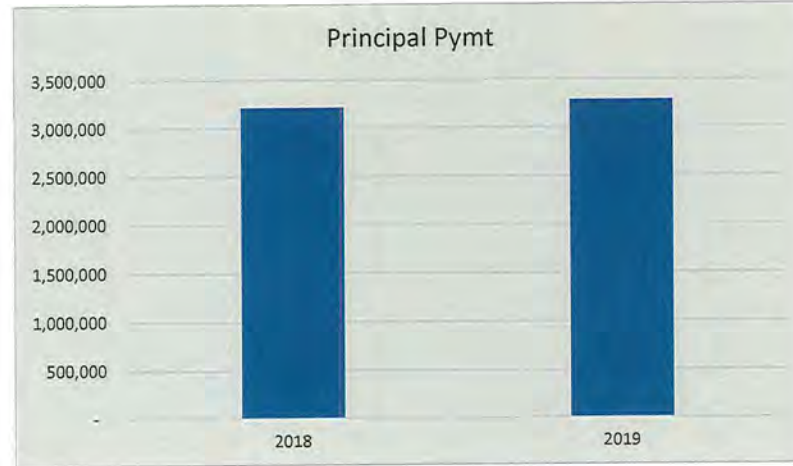
¹ Makes no assumption about any new debt needs.

² Annual debt-service-related budget amounts may vary by year.

³ Use of monies on hand may reduce total debt service budget amounts collected from rates. As of 9/30/2018, \$1,514,590 (par amt) of investments in the General Reserve and Contingency accounts.

⁴ Final debt service payment is October 1, 2019.

Indicates amounts paid by ARP due to Participant being in the ARP



Payment October 1	Principal Pymt
2018	3,215,000
2019	3,290,000
	<u>6,505,000</u>

AGENDA ITEM 9 – INFORMATION ITEMS

d) Quarterly Compliance Report

**Executive Committee
February 14, 2019**



EC 9d – Regulatory Compliance Update

Executive Committee

February, 14 2019

FMPA Regulatory Compliance

- Three areas of focus
 - FMPA Compliance
 - Member support
 - Industry Influence

- Much is happening or will happen that generates a lot of preparation activity
 - FMPA Audit (August 2019)
 - FRCC to SERC transition (July 2019)
 - NERC change in leadership and evolution in approach
 - Lots of standard retirements, new standards/requirements becoming effective

FMPA Compliance

- Self-certification submitted for 2018 calendar year
 - PRC-001-1.1 R1
 - Collaborative effort with Compliance, Engineering, and Power Generation
- Consultant hired to assist with 2019 audit
- Extensive revision of Internal Compliance Program document
 - Organizational chart revised
 - Incorporation of direction and support provided by the Office of the Chief and Associate General Counsel (Dan and Jody)

FMPA Compliance

- Follow-up of Internal Audit Recommendations
 - Fleet operations taking over the review of operator logs
 - Sites will be emailed the completed operator log checklist for confirmation it is correct.
 - Protection system training has been incorporated into the Gpi learn software system
 - Thorough Protection System inventory review nearing completion
- Year-end compliance activities completed for 2018

FMPA Compliance

- Transition to SERC expected July 1, 2019
 - FRCC Regional Entity (Compliance monitoring and enforcement is dissolving)
 - FRCC Member Services will remain in place
 - FRCC is requesting membership applications to SERC be submitted to mjones@frcc.com by February 20, 2019
 - 2/21/2019-FRCC will send completed applications to SERC
 - Week of 4/22/2019-Membership applications considered at SERC Board Meeting
 - 4/22/2019 thru 6/28/2019- Set up of access/accounts for new SERC members
 - 7/1/2019- New members to have full access/participation rights at SERC

Member Support

- 7 peer reviews completed in 2018
- Bartow's peer review is underway
- KEYS BES Exception Study
 - Goal is to have KEYS excluded from the BES and therefore NERC Transmission Owner standard requirements
- On going transmission planning studies
 - Lake Worth and Ocala
- Protection Coordination Reviews

Industry Influence

- Staff continues to play an active role within NERC and with trade organizations such as NAGF, TAPS and APPA.
 - Brandon McCormick actively involved with the NAGF (North American Generator Forum) Advisory Committee and the NERC Standards Committee
 - Carter Manucy active with the NERC Critical Infrastructure Protection Committee
 - Duke Energy fined \$10 million for violating CIP standards
- Standards Efficiency Review
 - Carol Chinn continues to play an active role and is on the SER Advisory Team
 - Phase Two starting
- NERC is pushing for new standards, i.e. cold weather preparation, and evaluating internal controls during audits

AGENDA ITEM 9 – INFORMATION ITEMS

- e) Proposed Revision to LAIR Rider for Metering Requirements**

**Executive Committee
February 14, 2019**



EC 9e - Proposed Revision to LAIR Rider for Metering Requirements

FMIPA Executive Committee

February 14, 2018

Seeking Revision to LAIR Metering Requirements

Eliminates Need for Waiver if Separate Metering is Not Possible

- During 2017, EC approved the Load Attraction Incentive Rate (“LAIR”) rider to Rate Schedule B-1 to help attract new, large loads to Participant service territories
- LAIR rider currently requires that the new load be separately metered to receive the incentive
- Bushnell has learned that it will not be able to pragmatically meter the new load from its system expansion separate from its existing system load
- Staff is working with Bushnell on an alternative approach to quantify – or at a minimum estimate – the amount of the new load
- In lieu of an individual waiver for Bushnell, EC indicated a desire to revise the LAIR rider to allow for an alternative if separate metering is not practical or feasible

Current LAIR Meter Requirements

“Metering equipment that can be used to measure each qualifying New Load separately from existing Project Participant load will be required to be installed in order to receive credits under this Rider....”

Proposed Language to be Added to Metering Requirements

“In the event that it is either not possible or not practical to separately meter the New Load, an alternative approach for measuring or estimating the New Load may be utilized, provided that such alternative approach must be acceptable to FMPA.”

Staff Seeking Feedback

- Staff is planning to seek approval of the proposed revised LAIR Rider in March so that it is in place prior to Bushnell's system expansion going live
- Red-lined version of the LAIR Rider with the proposed new language is included in the package
- If approved, staff will report to the EC any instances of meter data not being used, along with the reason and staff's methodology for making the estimate

QUESTIONS?

FLORIDA MUNICIPAL POWER AGENCY
POWER SUPPLY RATE SCHEDULE
FOR
ALL-REQUIREMENTS PROJECT PARTICIPANTS

LOAD ATTRACTION INCENTIVE RATE RIDER

1. **Purpose.** The purpose of this Load Attraction Incentive Rate (LAIR) Rider is to encourage economic growth in Project Participant service territories by providing a financial incentive that a Project Participant can use as part of its package to attract a new, large load to its service territory that it would not otherwise have been able to attract, with the ultimate goal of reducing ARP excess capacity.
2. **Availability.** This Rider is available to all Project Participants except for those Project Participants that have established a Contract Rate of Delivery (CROD) and meet at least one of the following conditions:
 - Zero (0) MW CROD
 - CROD/MAXD ratio below 1.0
3. **Applicability; Definition of New Load.** This Rider is available to each New Load of a Project Participant that meets the qualifying criteria set forth herein.

For purposes of this Rider, “New Load” is defined as load being established after the date of the original approval date of this Rider:

- (a) by a new business (including occupation of an existing, dormant facility by a new business), by the expansion of an existing establishment, or
- (b) by the expansion of service territory by the Project Participant.
- (c) For existing establishments, New Load is the net incremental load, due to an expansion of business, above that which existed prior to approval for credits under this Rider.

This Rider is not available for (1) New Load that would have occurred in the Project Participant’s service territory without the financial incentive provided by this Rider, or (2) retention of existing load or for relocation of existing load within the Project Participant’s service territory, except that relocating businesses that provide expansion of existing business may qualify for the expanded load only.

4. **Qualifying Criteria.** To qualify to receive the LAIR, each New Load must meet or exceed the following minimum size requirements, as measured in Section 5.:

- (a) *For New Load in the service territories of Project Participants with a maximum weather-normalized annual All-Requirements Services demand less than 35 MW:* Each New Load must be (i) a minimum of 250 kW for each month at a single delivery point, or (ii) a minimum of 1 MW for new service territory at multiple delivery points.

- (b) *For New Load in the service territories of Project Participants with a maximum weather-normalized annual All-Requirements Services demand greater than 35 MW:* Each New Load must be either (i) a minimum of 500 kW for each month at a single delivery point, or (ii) a minimum of 1 MW for new service territory at multiple delivery points.

5. **LAIR Description.** A credit based on the percentages below will be applied to the then-current base Demand Capacity Charge (in \$/kW-mo.) set forth in Rate Schedule B-1 for each qualifying New Load of the Project Participant.

Service Month	Discount
1-12	50%
13-24	40%
25-36	30%
37-48	20%
49-60	10%
61 and beyond	0%

The credit shall be applied to the individual New Load's total 60 minute integrated demand at the time of the highest 60 minute integrated demand for the total of all ARP system Project Participants (or corrected to a 60 minute basis if demand registers other than 60 minute demand registers are installed) measured during the month (New Load CP Demand).

Credits for the previous month will be issued by FMPA to the Project Participant no later than the twentieth (20th) day of each month. Unless otherwise agreed between FMPA and the Project Participant, credits will be paid in the form of a check.

In no event can FMPA provide a credit for New Load that is proportionally above the Project Participant's load that is served by the ARP.

For a CROD Participant that has a CROD/MAXD ratio that falls below 1.0 following the addition of one or more qualifying New Loads, the monthly metered demand for the New Load(s) to which the credit is applied shall thereafter be adjusted by the following New Load Adjustment Factor over the remainder of the term under this Rider:

$$NLAdj = 1 - \frac{(MAXD - CROD)}{NLD}$$

Where:

NLAdj = New Load Adjustment Factor, expressed as a percentage, which shall be established in the month during which the CROD Participant's MAXD value first exceeds its CROD amount, and recomputed each time the CROD Participant's MAXD value changes.

CROD = The CROD Participant's Contract Rate of Delivery, which is a one-time calculation developed pursuant to Section 3(a) of the ARP Contract, as amended, and the Contract Rate of Delivery Implementation Protocols adopted by the Executive Committee.

MAXD = The CROD Participant's highest demand during the 12 months ending with the end of the current billing month, which is computed in accordance with Schedule C to the ARP Contract and the Contract Rate of Delivery Implementation Protocols adopted by the Executive Committee.

NLD = The sum of the metered demands of all of the CROD Participant's New Loads, as determined in this Section 5., computed during the first month in which the CROD Participant's MAXD value first exceeds its CROD amount, and recomputed in each subsequent month that either (i) the CROD Participant's MAXD value changes, or (ii) a New Load ceases to receive credits under this Rider.

And where NLAdj can never be greater than 100% or less than 0%.

Once the CROD/MAXD ratio falls below 1.0, per Section 2., the CROD Participant will be ineligible to apply for credits for additional New Load under this Rider.

All other charges to the Project Participant, including but not limited to the Demand Transmission Charge and the Energy Charge, shall be as set forth in the otherwise applicable ARP Rate Schedule(s). In addition, all other provisions of the Rate Schedule(s) otherwise applicable to the Project Participant shall continue to apply.

6. **Meter Requirements.** Metering equipment that can be used to measure each qualifying New Load separately from existing Project Participant load will be required to be installed in order to receive credits under this Rider. All meters shall be of a quality acceptable to FMPA. All metering costs pertaining to this program will be borne by the Project Participant or Project Participant's customer. The Project Participant may request FMPA to provide and install the required metering equipment; if so, FMPA will bill the Project Participant for the equipment costs. The Project Participant must either provide FMPA with access to the meter information, or the Project Participant must provide the meter information for the previous calendar month to FMPA no later than the tenth (10th) day of each month. In the event that it is either not possible or not practical to separately meter the New Load, an alternative approach for measuring or estimating the New Load may be utilized, provided that such alternative approach must be acceptable to FMPA.
7. **Term of Service.** Except as limited below in this Section 7., credits provided under this Rider shall be for a term of five (5) years from the commencement of service of each New Load. Such credits under this Rider will terminate at the end of the five (5) year period.

Each New Load must meet or exceed the minimum size requirements, as measured by the New Load CP Demand, at least once during the initial six (6) month service period in order to continue to be eligible to receive the credit beyond that initial period.

Beginning in the seventh (7th) service month, and continuing for the remainder of the service period under this Rider, the credit will be discontinued for any New Load that fails to maintain the minimum size requirements, as measured by the New Load CP Demand, during any three (3) consecutive months. Thereafter, if the New Load is able to resume meeting the minimum size requirements for three (3) consecutive months, payment of the credit will be reinstated beginning with the following month. The credit will be based on the percentage for the then-applicable service month in the table shown in Section 5. No retroactive credits shall be provided.

If the New Load either (1) ceases to take service from the Project Participant, or (2) reduces operations to such a level that it will no longer meet the qualifying criteria, the credit will be terminated immediately. The Project Participant must notify FMPA of such situations in a timely manner.

In the event of early termination of the credit, the Project Participant will not be required to reimburse FMPA for any credits received to that point, unless the Project Participant knowingly fails to notify FMPA in a timely fashion of any change to the New Load that would cause it to no longer qualify to receive the credit. In such a situation, the Project Participant will be required to reimburse FMPA for any credits received after the date on which the credits should have ceased.

8. **Sunset Provision.** This Rider will be available to qualifying New Loads that begin service on or before December 31, 2020.
9. **Exceptions.** Any exceptions to the requirements set forth under this Rider must be approved by the Executive Committee on a case-by-case basis.

THIS RIDER APPROVED BY THE FMPA EXECUTIVE COMMITTEE ON APRIL 18, 2018

AGENDA ITEM 10 – Member Comments

**Executive Committee
February 14, 2019**

AGENDA ITEM 11 – ADJOURNMENT

**Executive Committee
February 14, 2019**

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY

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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 (AROCFC) 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 AROCFC 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 AROCFC 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 AROCFC 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 DepartmentTeam (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, RM~~T~~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.

RISK MANAGEMENT POLICY
(Continued)

- 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 RMDT 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 AROCFC according to the Committee Charter. The AROCFC 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 RMDInternal Audit Team. Completed policy compliance reviews shall be reported to the AROCFC. The Agency Risk Manager will from time to time report to the AROCFC on Agency risks as described in Section 4.32.0.

The Agency Risk Manager may use discretion to report Policy violations directly to the General Manager and/or the AROCFC as deemed necessary. The AROCFC 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~~DT is the operational arm of the ~~ARO~~CFC. The mission of the ~~RM~~DT 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~~DT 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 ~~ARO~~CFC. Risks are prioritized by the ~~RM~~DT 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 ~~ARO~~CFC 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

RISK MANAGEMENT POLICY
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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 [AROCFC](#) 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 [AROCFC](#) is granted authority by the Board of Directors and Executive Committee of FMPA to oversee this Policy. The [AROCFC](#) 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 [AROCFC](#) 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 [AROCFC](#) 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.

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RISK MANAGEMENT POLICY - APPENDIX A
FUEL PORTFOLIO MANAGEMENT POLICY

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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.

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- ✓ 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 (“AROCFC”).
- ✓ 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 AROCFC 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

**FUEL PORTFOLIO RISK MANAGEMENT POLICY
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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:

FMMPA 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:

FMMPA 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:

FMMPA 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

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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

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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 than 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.

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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 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.

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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

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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.

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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 or 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.

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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

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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 [AROCFC](#) 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. Secondly, 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.

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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 [AROCFC](#) 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.

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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 (5th) 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

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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 AROCF 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

**FUEL PORTFOLIO RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

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 [AROCFC](#) 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.

**FUEL PORTFOLIO RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

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 AROCFC.
- The following information shall be reported at each meeting of the AROCFC 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 AROCFC 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~~Finance 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 AROCFC 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 AROCFC Meeting	Agency Risk Manager	Section 8.0	Reporting
Fuel Portfolio Update	Each AROCFC 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..	<ul style="list-style-type: none"> - 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

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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).

DEBT RISK MANAGEMENT POLICY
(Continued)

- ✓ 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

DEBT RISK MANAGEMENT POLICY
(Continued)

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

DEBT RISK MANAGEMENT POLICY
(Continued)

- 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 AROCFC. The AROCFC shall either approve or reject the DFT top ranked proposal. If the top ranked proposal is rejected, the AROCFC will consider the next highest ranked proposal for approval. If none are found acceptable by the AROCFC, the DFT will evaluate the AROCFC's feedback and begin the process over. Once the AROCFC 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

DEBT RISK MANAGEMENT POLICY
(Continued)

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

DEBT RISK MANAGEMENT POLICY
(Continued)

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 ~~AROCFC~~, EC and BOD chairs within 1 business day of such default.

5.4 Hedging Criteria

DEBT RISK MANAGEMENT POLICY
(Continued)

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 [AROCFC](#) 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 [AROCFC](#) 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

DEBT RISK MANAGEMENT POLICY
(Continued)

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 [AROCFC](#) as appropriate.

DEBT RISK MANAGEMENT POLICY
(Continued)

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 ~~AROCFC~~ 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

DEBT RISK MANAGEMENT POLICY
(Continued)

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.

DEBT RISK MANAGEMENT POLICY
(Continued)

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 AROCFC 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 <u>Treasurer and Risk Director</u>	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 <u>Treasurer and Risk Director</u>	Section 6.2	Post Issuance
Interest Rate Swap Report	Monthly	Treasurer <u>Treasurer and Risk Director</u>	Section 7.1	Debt Portfolio Reports
Recorded Communication Consent Form	Annually (As Needed)	Treasurer <u>Treasurer and Risk Director</u>	Section 5.8.1	Recorded Communication
QIR qualification attestation	Annually	Treasurer <u>Treasurer and Risk Director</u>	Section 5.8.3	Qualified Independent Representative
Annual Debt Report	Annually	Treasurer <u>Treasurer and Risk Director</u>	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	ARO/CFC	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
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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.

INVESTMENT RISK MANAGEMENT POLICY

(Continued)

- ✓ Authority is delegated to the CFO to establish a system of written internal controls to regulate investment activities.
- ✓ The ~~Treasurer~~ Treasurer 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 (~~AROF~~ 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.

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

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
<i>Operations and Maintenance Fund</i>	
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.
<i>Debt Service Fund</i>	
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.
<i>Construction Fund or Proceeds Fund</i>	
	Not later than when needed for payments to be made from such fund.
<i>Reserve and Contingency Fund</i>	
1. Contingency Account	Within 5 years.
2. Renewal and Replacement	Within 5 years.
<i>General Reserve Fund</i>	
1. General Reserve Account	Within 5 years or when needed to make payments.
<i>Decommissioning</i>	
	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.

INVESTMENT RISK MANAGEMENT POLICY

(Continued)

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 ~~AROCFC~~.

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	
<small>(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.</small>	

INVESTMENT RISK MANAGEMENT POLICY

(Continued)

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

INVESTMENT RISK MANAGEMENT POLICY

(Continued)

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 [AROCFC](#) 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 [AROCFC](#) 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 ~~AROCFC~~ 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 ~~AROCFC~~.

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(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.

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

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.

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

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.

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

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,

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

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

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

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".

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

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+

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

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

Investment Risk Management Policy

Appendix A

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.	

Investment Risk Management Policy

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.

Investment Risk Management Policy
Appendix C
Reporting Calendar

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 <u>Treasurer and Risk Director</u>	Section 5.0	Authorized and Suitable Investment Securities
Financial Condition	Annually	Treasurer <u>Treasurer and Risk Director</u>	Section 5.1	Authorized Financial Institutions, Depositories, and Broker/Dealers:
Diversification Percentage	Monthly	Treasurer <u>Treasurer and Risk Director</u>	Section 5.5	Diversification:
SSAE 16 Report for Trustees and Custodians	Annually	Treasurer <u>Treasurer and Risk Director</u>	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 <u>Treasurer and Risk Director</u>	Section 9.0	Reporting
Policy Operation and Effectiveness	Annually	AROCFC	Section 9.0	Reporting

RISK MANAGEMENT POLICY

APPENDIX D

FLORIDA MUNICIPAL POWER AGENCY

INSURANCE PROGRAM RISK MANAGEMENT POLICY

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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 (~~AROCFC~~).

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 AROCFC 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~~DT~~). 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 ~~RMDTRD~~ 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 AROCFC 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 AROCFC 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 AROCFC 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 AROCFC 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

Insurance Program Risk Management Policy
 Version 3 approved September 25, 2008
 Edited committee May 15, 2009
 Edited FMPA Risk Policy section number references 6.7.11
Edited February 2019

APPENDIX B

**RISK MANAGEMENT POLICY
APPENDIX E**

FLORIDA MUNICIPAL POWER AGENCY

CREDIT RISK MANAGEMENT POLICY

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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 (~~AROF~~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 AROCFC.

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 (RMĐT), as the operational arm of the AROCFC, to administer this Policy. The RMĐT may deviate from this Policy when deemed necessary but the ~~Agency Risk Manager~~Treasurer and Risk Director must report all deviations to the AROCFC 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 RMDT 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~~DT 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~~DT. 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 <u>Team</u>
\$50 million - \$100 million	Audit and Risk Oversight <u>Finance</u> 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~~DT~~ for approval. Upon RM~~DT~~ approval, transactions greater than \$50 million shall be forwarded to the AROCFC for approval of the credit risk management plan. Upon AROCFC 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~~DT~~, AROCFC, 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 AROCFC 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 AROCFC 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 RMDT, and engage any necessary discussion before moving related items to the ~~Finance Advisory Committee~~ or AROCFC.

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	JP Morgan Chase
Bank of America	JP Morgan Ventures Energy
Bank of New York	Lakeland Electric
Credit Agricole	Morgan Stanley
Citicorp	Orlando Utilities Commission
Dexia	Quincy, City of
Energy Mutual Insurance	SG Resources Mississippi, LLC
Florida Gas Transmission	Southern Company – Florida, LLC
Florida Gas Utility	SunTrust
Florida Power and Light	Tampa Electric Company (Peoples Gas)
FM Global	The Energy Authority
Goldman Sachs	Transco
Hartford	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
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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

**CONTRACT ADMINISTRATION POLICY
RISK MANAGEMENT POLICY
(Continued)**

- 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 or 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.

**CONTRACT ADMINISTRATION POLICY
RISK MANAGEMENT POLICY
(Continued)**

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

**CONTRACT ADMINISTRATION POLICY
RISK MANAGEMENT POLICY
(Continued)**

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 ~~AROCFC~~ 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 ~~AROCFC~~ 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 [AROCFC](#) 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 [AROCFC](#) 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 [Departmentteam](#) 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

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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 (~~AROCFC~~).

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, Chief Operating Officer, Chief Information and 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 (~~AROCFC~~) 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 ~~AROCFC~~ 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	AROGFC	Section 6.0	Reporting

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX **HK**

POWER SUPPLY AND RESOURCE PLANNING POLICY

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**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.

- ∨ Deviations from this Policy shall be reported to the ~~Audit and Risk Oversight~~Finance Committee (~~AROCFC~~).

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 ~~KH~~ 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 teamstaff shall monitor compliance with this Policy and all associated Procedures. Any unresolved compliance issues will be presented to the AROCFC 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 AROCFC 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 AROCFC or governing bodies.

Appendix A

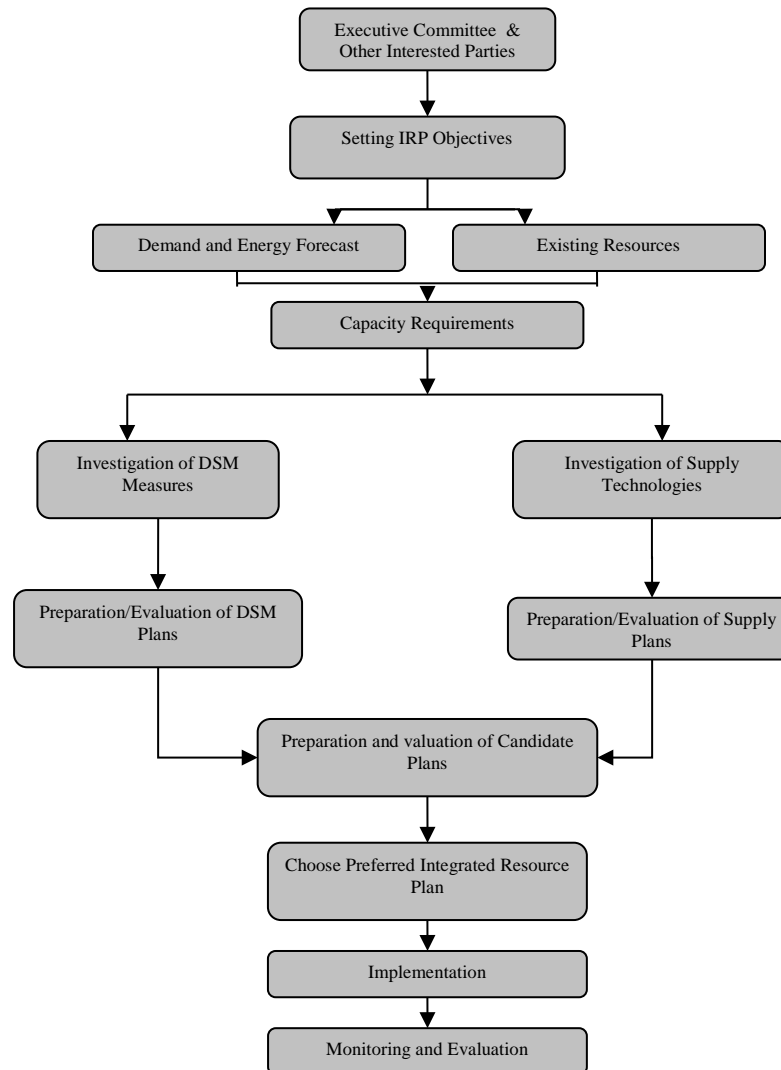
**Florida Municipal Power Agency
Risk Management Reporting Calendar
Power Supply and Resource Planning Reporting Requirements**

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

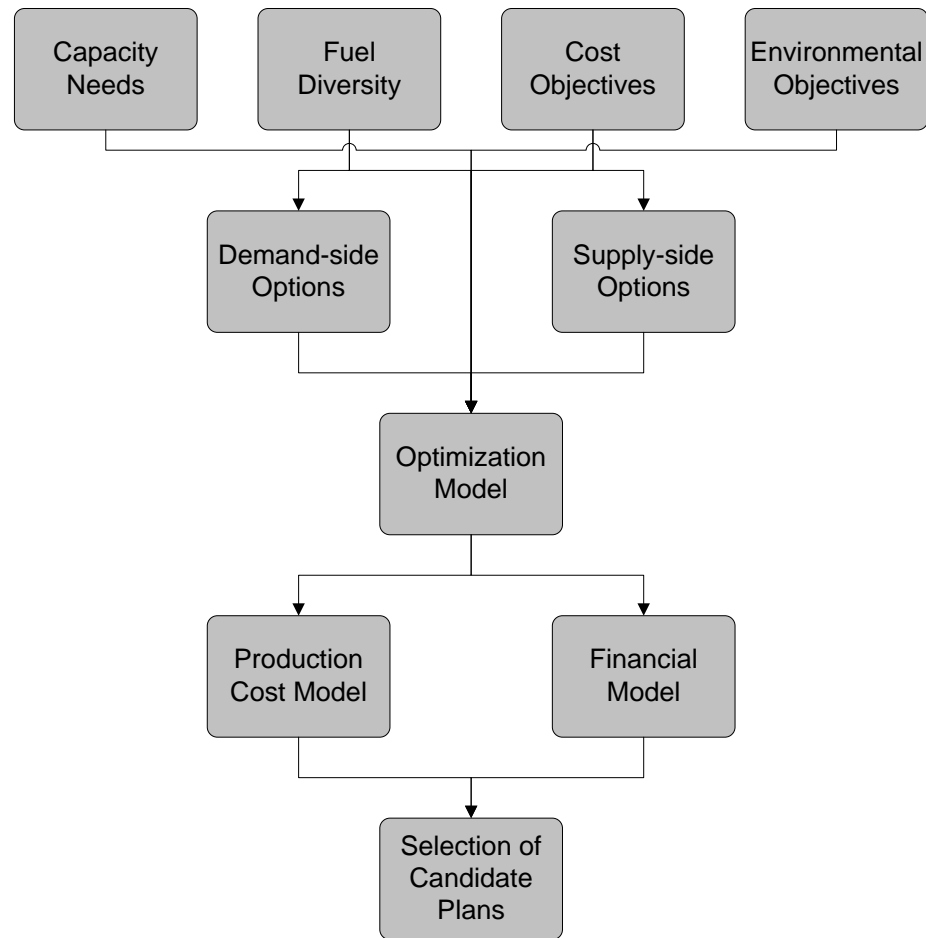
Integrated Resource Planning Process:



Appendix B

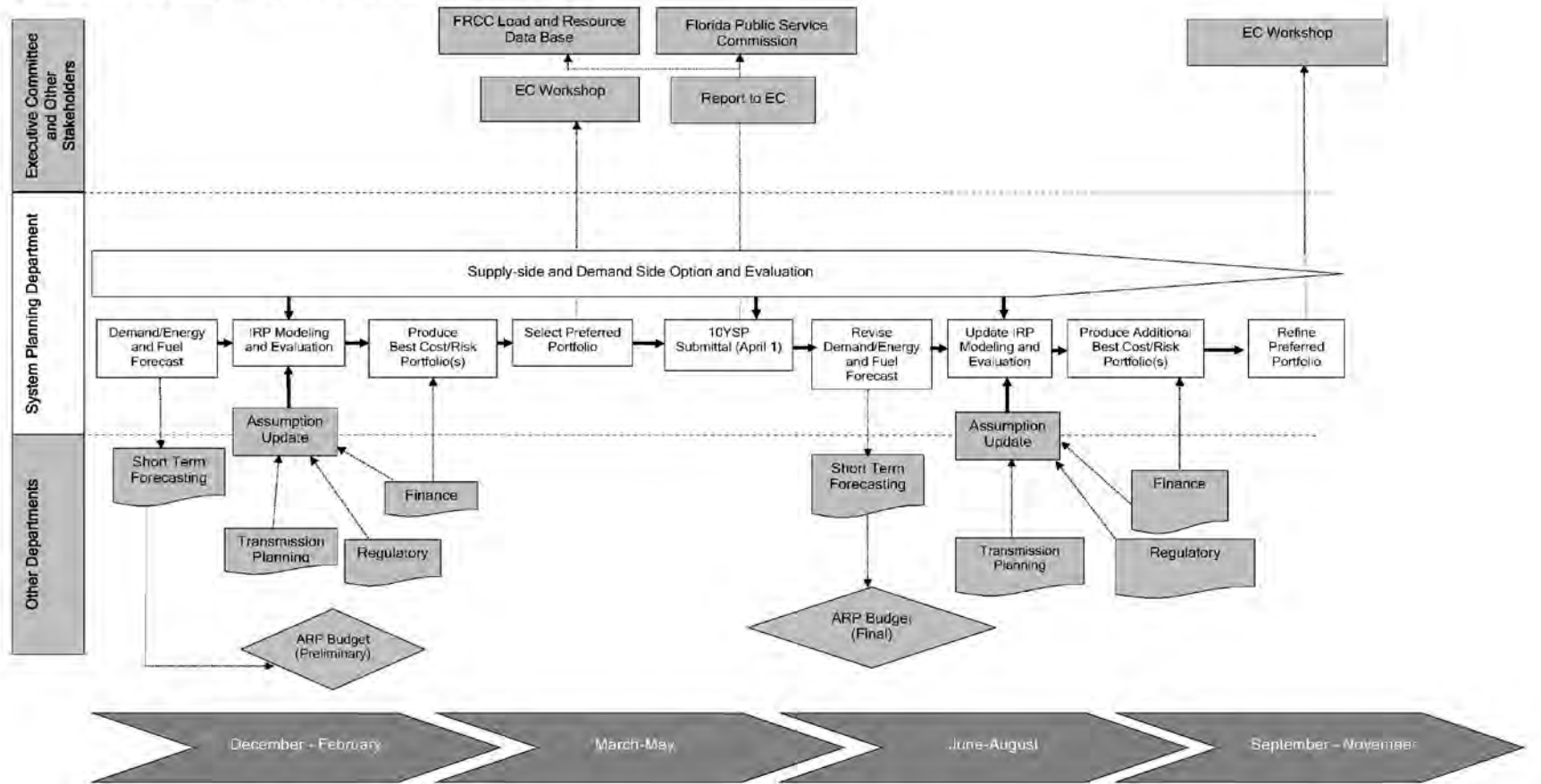
**FMPA Integrated Resource Planning Process & Procedure
Version 1, October 20, 2009**

Evaluation Process for Candidate Plans:



FMPA Integrated Resource Planning Process & Procedure Version 1, October 20, 2009

Figure 3: FMPA's Integrated Resource Planning Process Flow



FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX I

ASSET MANAGEMENT AND OPERATIONS POLICY

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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)

ASSET MANAGEMENT AND OPERATIONS POLICY
RISK MANAGEMENT POLICY
(Continued)

- ✓ 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

ASSET MANAGEMENT AND OPERATIONS POLICY
RISK MANAGEMENT POLICY
(Continued)

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

ASSET MANAGEMENT AND OPERATIONS POLICY
RISK MANAGEMENT POLICY
(Continued)

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

ASSET MANAGEMENT AND OPERATIONS POLICY
RISK MANAGEMENT POLICY
(Continued)

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 Deferral 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/deferral.

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

ASSET MANAGEMENT AND OPERATIONS POLICY
RISK MANAGEMENT POLICY
(Continued)

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 deferral 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.

ASSET MANAGEMENT AND OPERATIONS POLICY
RISK MANAGEMENT POLICY
(Continued)

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.

ASSET MANAGEMENT AND OPERATIONS POLICY
RISK MANAGEMENT POLICY
(Continued)

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.

ASSET MANAGEMENT AND OPERATIONS POLICY
RISK MANAGEMENT POLICY
(Continued)

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

ASSET MANAGEMENT AND OPERATIONS POLICY
RISK MANAGEMENT POLICY
(Continued)

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 [AROFEC](#), 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 [AROFEC](#) 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 [AROFEC](#) 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
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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.

**ACCOUNTING AND INTERNAL CONTROLS
RISK MANAGEMENT POLICY
(Continued)**

- ✓ 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 (“~~AROF~~C”).

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

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(Continued)**

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

**ACCOUNTING AND INTERNAL CONTROLS
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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 [AROCFC](#) 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.

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- 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

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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 **AROCFC**. The **AROCFC** 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.

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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 AROCFC 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 AROCFC to provide results of the year-end audit prior to the presentation of such results to the governing bodies.

At the discretion of the AROCFC, an entrance and exit conferences can be conducted as executive sessions, meaning that FMPA staff can be excused from the conference by the AROCFC 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

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Manager identifies areas of concern, the documented internal controls weakness(s) will be communicated to the CFO and [AROCFC](#) 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 [AROCFC](#) 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 [AROCFC](#) 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

**ACCOUNTING AND INTERNAL CONTROLS
RISK MANAGEMENT POLICY
(Continued)**

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

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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 AROCFC 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 AROCFC 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 DepartmentTeam 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	AROCFC	Section 7.4	Oversight Structure

FLORIDA MUNICIPAL POWER AGENCY
RISK MANAGEMENT POLICY - APPENDIX K
ORIGINATION TRANSACTION POLICY
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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)

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
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- ✓ 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 (“AROCFC”). (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.

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

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 or 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.

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

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.

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

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

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

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.

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

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 [AROCFC](#).

6.1.2 Origination Transaction Report:

The Agency Risk Manager shall coordinate an [AROCFC](#) 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 [AROCFC](#) as described in Section 7.0 of the FMPA Risk Management Policy.

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

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 AROCFC 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 AROCFC	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

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**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 Committees.

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

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**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 an 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 Management ~~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 (~~AROF~~C) 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 ~~AROFCC~~ 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

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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 (~~AROCFC~~) for external legal compliance reviews when determined necessary. Results of such reviews shall be reported to the Risk Management Department and ~~AROCFC~~.

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

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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 ("~~AROCFC~~").

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
- Chief Information and 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 [AROCFC](#) 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 **AROCFC** 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 AROCF: An annual report at the September **AROCFC** 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 [AROCFC](#) 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

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