



FINANCE COMMITTEE

AGENDA PACKAGE

OCTOBER 16, 2019

12:00 p.m.

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

Meeting Number 737 991 417

Password 8553

Committee Members

Karen Nelson, Jacksonville Beach – Chairwoman
Jody Young, Bushnell
Nina Penick, Fort Pierce
Howard McKinnon, Havana
Barbara Quiñones, Homestead
Jack Wetzler, Key West
Larry Mattern, Kissimmee
Jim Williams, Leesburg
Steve Langley, Mount Dora
Dallas Lee, Newberry
Marie Brooks, Ocala
James Braddock, Wauchula

Meeting Location

Florida Municipal Power Agency 8553
Commodity Circle Orlando, FL 32819

(407) 355-7767

MEMORANDUM

TO: FMPA Finance Committee
FROM: Linda S. Howard
DATE: October 16, 2019
SUBJECT: FMPA Finance Committee Meeting
Wednesday, October 16, 2019 at 12:00 p.m.
PLACE: Florida Municipal Power Agency Board Room, 8553 Commodity Circle,
Orlando, FL 32819

**DIAL-IN INFORMATION: 877-668-4493 or 650-479-3208, Meeting 737
991 417# PASSWORD 8553
(If you have trouble connecting via phone or internet, please call 407-355-7767)**

Chairperson Karen Nelson, Presiding

AGENDA

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LSH/pa

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

**AGENDA ITEM 1 - CALL TO ORDER,
ROLL CALL, DECLARATION OF
QUORUM**

**Finance Committee Meeting
October 16, 2019**

**AGENDA ITEM 2 – RECOGNITION OF
GUESTS**

**Finance Committee Meeting
October 16, 2019**

**AGENDA ITEM 3 – PUBLIC
COMMENTS (Individual Public
Comments Limited to 3 Minutes)**

**Finance Committee Meeting
October 16, 2019**

**AGENDA ITEM 4 – SET AGENDA (By
Vote)**

**Finance Committee Meeting
October 16, 2019**

**AGENDA ITEM 5 – APPROVAL OF
MINUTES**

- a. Approval of Minutes – Finance
Committee Minutes – Meeting
Held September 10, 2019 and
Meeting Held September 19, 2019**

**Finance Committee Meeting
October 16, 2019**

**CLERKS DULY NOTIFIED.....AUGUST 28, 2019 AND REVISED SEPTEMBER 4, 2019
AGENDA PACKAGES POSTEDSEPTEMBER 10, 2019**

**MINUTES
JOINT TELEPHONIC EXECUTIVE COMMITTEE AND FINANCE COMMITTEE MEETING
TUESDAY, SEPTEMBER 10, 2019
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819**

EXECUTIVE COMMITTEE: Jody Young, Bushnell
PRESENT Lynne Mila, Clewiston
VIA TELEPHONE Paul Jakubczak, Fort Pierce
Bob Page, Green Cove Springs
Howard McKinnon, Havana
Allen Putnam, Jacksonville Beach
Lynne Tejada, Key West
Larry Mattern, Kissimmee
Brad Chase, Leesburg

FINANCE COMMITTEE Jody Young, Bushnell
PRESENT Nina Penick, Fort Pierce
VIA TELEPHONE Howard McKinnon, Havana
Barbara Quiñones, Homestead
Karen Nelson, Jacksonville Beach
Larry Mattern, Kissimmee
Jim Williams, Leesburg
James Braddock, Wauchula

OTHERS Christina Simmons, Bushnell
PRESENT Barbara Gonzalez, Kissimmee
VIA TELEPHONE Sabrina Hubbell, Leesburg

STAFF Jacob Williams, General Manager and CEO
PRESENT Jody Finklea, Deputy General Counsel
Sharon Adams, Human Resources Director
Sue Utley, Executive Asst. /Asst. Secy. to the Board
Jason Wolfe, Financial Planning, Rates and Budget Director
Steve Ruppel, Senior Financial Analyst
Jim Arntz, Senior Accountant/Rates Analyst

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

Chairman Howard McKinnon, Havana, called the joint telephonic FMPA Executive Committee and Finance Committee Meeting to order at 2:00 p.m. on Tuesday, September 10, 2019 via telephone and at Florida Municipal Power Agency 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with 9 members present from the Executive Committee out of a possible 13 and 8 members present from the Finance Committee out of a possible 12.

ITEM 2 – SET AGENDA (BY VOTE)

MOTION: Allen Putnam, Jacksonville Beach, moved approval of the agenda as presented. Paul Jakubczak, Fort Pierce, seconded the motion. Motion carried unanimously for both Committees.

ITEM 3 – PUBLIC COMMENTS

None

ITEM 4 – ACTION ITEMS

None

ITEM 5 – INFORMATION ITEMS:

Item 5a – ARP Rate Workshop – August Invoices

Steve Ruppel presented the August billing information.

Item 5b – Resolutions 2019-B9, 2019-B10 and 2019-B11 – Budget Amendments for Stanton, Stanton II and Tri-City

Jason Wolfe presented information for budget amendments for the Stanton, Tri-City and Stanton II Projects.

ITEM 6 – MEMBER COMMENTS

None.

ITEM – Adjournment

There being no further business, the meeting was adjourned at 2:22 p.m.

Howard McKinnon
Chairperson, Executive Committee

Sue Utley
Assistant Secretary

Approved: _____

Seal

CLERKS DULY NOTIFIED.....September 10,2019
AGENDA PACKAGE SENT TO MEMBERS.....September 10,2019

MINUTES
FINANCE COMMITTEE MEETING
THURSDAY, SEPTEMBER 19, 2019
FLORIDA MUNICIPAL POWER
AGENCY 8553 COMMODITY CIRCLE
ORLANDO, FL

PARTICIPANTS
PRESENT

Karen Nelson, Jacksonville Beach
Barbara Quinones, Homestead
Jack Wetzler, Key West (via phone)
Larry Mattern, Kissimmee
Jim Williams, Leesburg
Steve Langley, Mount Dora (via phone)
Dallas Lee, Newberry (via phone)
James Braddock, Wauchula (via phone)

PARTICIPANTS
ABSENT

Jody Young, Bushnell
Nina Penick, Fort Pierce
Howard McKinnon, Havana
Marie Brooks, Ocala

OTHERS
PRESENT

Craig Dunlap, Dunlap and Associates, Inc.
Brad Chase, Leesburg
Bob Page, Green Cove Springs
Michael Poucher, Ocala
Allen Putnam, Beaches Energy
Brad Hiers, Bartow
Akshay Shiuaram, Burns and McDonnell
Scott Feuerborn, Burns and McDonnell
Crak Brown, Burns and McDonnell
Justin Isler, Winter Park
Randall Clement, Bryant Miller Olive

STAFF PRESENT

Jacob Williams, General Manager and CEO
Jody Finklea, General Counsel and CLO
Linda S. Howard, Chief Financial Officer
Mark McCain, AGM of Public Relations and Member Services
Carol Chinn, Chief Information Security Officer and CISO
Chris Gowder, Business Development and Planning Manager
Rich Popp, Treasurer and Risk Director
Cairo Vanegas, Manager of Member Services Development
Danyel Sullivan-Marrero, Controller

Luis Cruz, IT Manager
Jason Wolfe, Financial Planning Rates and Budget Director
Liyuan Woerner, Audit Manager
Ed Nunez, Assistant Treasurer/Debt
Sue Utley, Executive Asst. /Asst. Secy. to the Board
Paige Arnett, HR Assistant
Jesse Rivera, IT Support Specialist
Isabel Montoya, IT Specialist

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

Chairperson, Karen Nelson, Jacksonville Beach, called the FMPA Finance Committee Meeting to order at 8:31am. on Thursday, September 19, 2019, in the Frederick M. Bryant Board Room, at FMPA, 8553 Commodity Circle, Orlando, Florida. The roll was taken, and a quorum was declared with 8 of 12 members present.

ITEM 2 – RECOGNITION OF GUESTS

Chairperson, Karen Nelson, Jacksonville Beach, recognized three guests from Burns and McDonnell: Ashkay Shiuaram, Scott Feuerborn and Crak Brown.

ITEM 3 – PUBLIC COMMENTS (INDIVIDUAL PUBLIC COMMENTS LIMITED TO 3 MINUTES)

None.

ITEM 4 – SET AGENDA (BY VOTE)

MOTION: Barbara Quinones, Homestead, moved approval of the agenda as presented. Larry Mattern, Kissimmee, seconded the motion. Motion carried 8-0.

ITEM 5 – APPROVAL OF MINUTES

5a - Approval of Minutes – Finance Committee Minutes – Meeting Held August 21, 2019

MOTION: Larry Mattern, Kissimmee, moved approval of the minutes as presented. Jim Williams, Leesburg, seconded the motion. Motion carried 8-0.

ITEM 6 – CHAIRPERSON’S REMARKS

Chairwomen Karen Nelson, Jacksonville Beach, welcomed everyone in attendance.

ITEM 7– CFO Report

Linda S. Howard reported on the following items:

1. Linda asked if the underwriter detail that was provided subsequent to the last meeting was in sufficient detail for the finance committee members. The committee members indicated that the detail was sufficient
2. Linda gave a brief update on the pooled loan program to let everyone know that the Bushnell loan closed on September 11, 2019. This is the first loan under the relaunched pooled loan program. Congrats to Bushnell
3. Linda thanked the committee for the input and feedback on the discussion surrounding the 1st and 2nd reads prior to Board and Executive Committee approval. The discussion was very helpful.

ITEM 8 – ACTION ITEMS

a. Recommended approval of Resolutions for Budget Amendments for Stanton, Tri-City and Stanton II

Jason provided a detailed update on the required budget changes for the coal related projects. Jason addressed questions from the committee members.

MOTION: Jim Williams, Leesburg, moved approval to recommend approval of Resolutions for Budget Amendments for Stanton, Tri-City and Stanton II to the Board of Directors. Dallas Lee, Newberry, seconded the motion. Motion carried 8-0.

b. Recommend approval of Bond Resolution 2019-EC6 and EC7 Series 2019 A&B Bonds and Related Documents

Rich gave a detailed presentation on the proposed 2019 Bond transaction.

MOTION: Barbara Quinones, Homestead, moved approval to recommend Resolutions 2019-EC6 and EC7 for the Series 2019 A&B Bonds and Related Documents to the Executive Committee. Jim Williams, Leesburg, seconded the motion. Motion carried 8-0.

ITEM 9 – INFORMATION ITEMS

a. Review of the Municipal Finance Disclosure Procedure Changes

Linda Howard reported that there were 2 major changes to the Municipal Finance Disclosure Procedures and that FMPA needs to update its procedures accordingly. Although these represent changes to our procedures, the Debt Policy, section 4.11, requires Board approval. This requirement reflects the importance of these procedures and the responsibility of the Board and staff to ensure understanding and compliance.

ITEM 10 – REPORTS

- a. Resolution 2019-B9 – Approval of Budget Amendment for Stanton Project
- b. Resolution 2019-B10 – Approval of Budget Amendment for Tri-City Project
- c. Resolution 2019-B11 – Approval of Budget Amendment for Stanton II Project
- d. Resolution 2019 – EC6 – Series 2019 A Bonds and Related Documents
- e. Resolution 2019 – EC7 – Series 2019 B Bonds and Related Documents
- f. Municipal Finance Disclosure Procedures
- g. FGU August Storage Report

The reports were provided for information only. There was no further discussion.

ITEM 11 – COMMENTS

None.

ITEM 12 – ADJOURNMENT

There being no further business the meeting was adjourned at 9:04 am.

Approved: _____ Date_____

KN/pa

**AGENDA ITEM 6 – CHAIRPERSON'S
REMARKS**

**Finance Committee Meeting
October 16, 2019**

AGENDA ITEM 7 – CFO Report

**Finance Committee Meeting
October 16, 2019**

AGENDA ITEM 8 – ACTION ITEMS

a. Approval of St. Lucie Audit Report

**Finance Committee Meeting
October 16, 2019**



8a – 2017-2018 St. Lucie Audit Report

Finance Committee

October 16, 2019

Scope and Objectives

- Scope - Billings under the St. Lucie Unit 2 Participation (“Participation Agreement”) and the Nuclear Reliability Exchange (“NREA”) Agreements for the two-year period from January 2017 through December 2018.
- Objective – To verify that the billings’ calculations, allocations, and classifications were reasonable and proper.

Audit Finding Summary

- Inventory use charge overbilled
- General plant use charge overbilled
- Nuclear fuel amortization billing errors
- NREA negative energy overbilled
- A&G rent-related maintenance overbilled

Total Refund due to Participants

<u>Recommendations</u>	<u>a</u> <u>Participation</u> <u>Agreement</u>	<u>a</u> <u>NRE</u> <u>Agreement</u>	<u>a</u> <u>Total</u>
1 Inventory Use Charge Overbill	(114,524)	-	(114,524) b, c
2 General Plant Use Charge Overbill	(239,602)	-	(239,602) b, c
3 NREA Fuel Invoices Overbill	-	(757,777)	(757,777) b, c
4 NREA Negative Energy Overbill		(72,547)	(72,547) b, c
5 A&G Rent and Rent-related maintenance	(21,081)		(21,081) c
Total Net Refund Due Participants Before Interest	(375,207)	(830,324)	(1,205,531)
Interest on Qualifying Audit Findings Through September 30, 2019	(25,991)	(74,115)	(100,106)
Total Net Refund Due (Participants) / FPL	(401,198)	(904,439)	(1,305,637)
3 NREA Fuel Invoices Overbilled (January 2019 - June 2019)		(233,446)	(233,446) d
Net Impact of Audit Findings	(401,198)	(1,137,885)	(1,539,084)

Total Refund due to Participants (Cont'd)

TM

- a** Bracketed “()” amounts represent refunds due to Participants; the non-bracketed amounts represent charges to Participants.
- b** FPL agrees with the recommendation.
- c** Adjustment qualifies for interest in accordance with the Participation and NRE Agreements. Interest is not included in the amount reported here. See General Comment A in Audit Report.
- d** Correction of current period invoices for audit findings for January - June 2019. Additional refunds may be due July 2019 to date corrections are implemented.



Discussion

Recommended Motion

- Motion to approve St. Lucie Audit Report.

AGENDA ITEM 8 – ACTION ITEMS

**b. Approval of Municipal Finance
Disclosure Procedure Changes**

**Finance Committee Meeting
October 16, 2019**



8b –Approval of Municipal Finance Disclosure Procedure Changes

Finance Committee

October 16, 2019

Municipal Finance Disclosure Procedures

Background

- FMPA is committed to ensuring that disclosures made in connection with our debt transactions and required filings are fair, accurate, and in compliance with applicable federal and state securities laws
- These procedures were designed to ensure compliance with section 4.11 of the Debt Risk Management Policy
- No changes to the Debt Policy, just the underlying disclosure procedures
- The Finance Committee (replaces the Audit Risk Oversight Committee) plays a major part in implementation and management of these procedures as part of their general oversight responsibilities

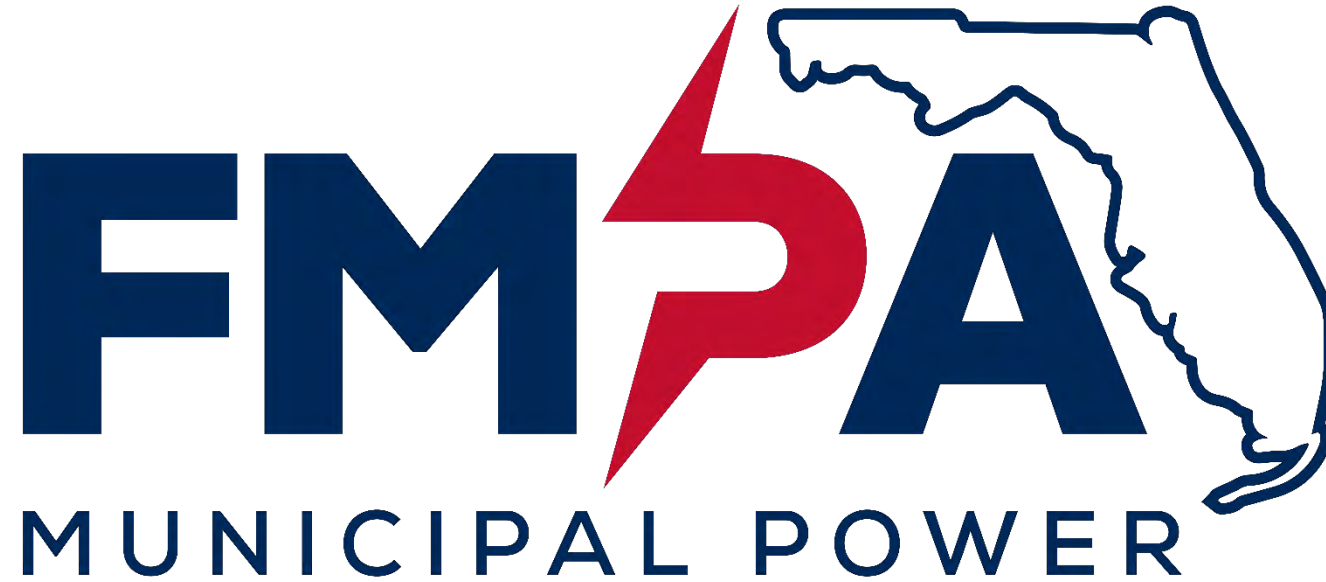
Recommended Changes

Summarized

- Updates to the procedures to reflect the two new reporting events that were added to Rule 15c2-12 back in February:
 1. Incurrence of a financial obligation of FMPA **or a Major Participant**, if material or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material
 2. Default, event of acceleration, termination event, modification of terms, or other similar events under terms of a financial obligation of FMPA **or a Major Participant**, any of which reflect financial difficulties
- Note: These new events include events for Major Participants
- Other administrative changes for names and titles changes

Recommended Motion

- Motion to recommend Board and EC approval of adopting the new reporting events into the municipal finance disclosure procedures



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**AGENDA ITEM 9 - INFORMATION
ITEMS**

a. Update on Bond Counsel RFP

**Finance Committee Meeting
October 16, 2019**



9a –Update on Bond Counsel RFP

Finance Committee

October 16, 2019

Bond Counsel RFP

Background

- Why do an Request for Proposal (RFP)?
 - This is part of our ongoing efforts to promote transparency and ensure that FMPA receives the best professional service at a reasonable cost
 - To that end, FMPA will periodically conduct RFPs for all professional services where deemed appropriate
 - Over the past 3 years, FMPA has issued RFPs for investment advisors, underwriters, financial advisors, and external auditors. Bond Counsel is the last remaining category

Where We Are in the Process

Summary to Date

RFP was noticed in the Bond Buyer (print form and online) from 8/27/19 to 9/24/19

RFP was noticed on the FMPA website for same period

7 proposals were received:

- BMO
- D. Seaton and Associates
- Greenberg Traurig
- Holland & Knight
- Nabors Giblin & Nickerson
- Nixon Peabody
- Orrick

The evaluation team will review and most likely recommend two firms to handle the bond counsel, disclosure counsel and special counsel work

Timeline to Finish Line



Recommended Motion

- Information Only. No action.



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**AGENDA ITEM 9 - INFORMATION
ITEMS**

**b. Update on the 2019 Bond
Transaction**

**Finance Committee Meeting
October 16, 2019**



9b –Update on Series 2019 A&B Bond Transaction

Finance Committee

October 16, 2019

Minimum Criteria Outlined In Resolutions

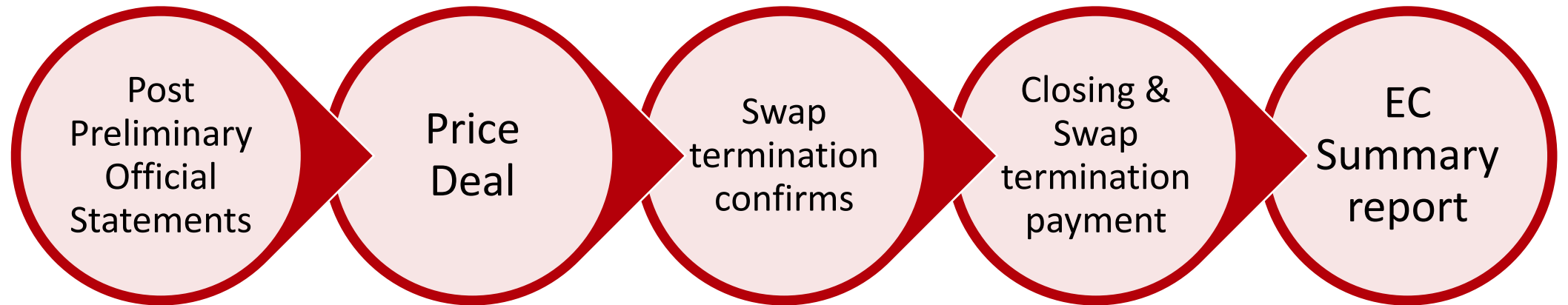
- Term: Final maturity
 - 2035 – 08C
 - 2023 – 13A
- Interest Cost:
 - 5.0% All-In TIC (2008C)
 - 4.0% – TIC (2013A)
- Underwriters Discount: Max \$5.00 per \$1,000 Principal
- Par Amount: 08C-\$90 million / 13A-\$8 million
- Combined PV Saving no less than <\$500,000>
- Transaction Authorization until 5/31/2020
- Fixed Rate Debt
- No Debt Service Reserve Fund

2019 Refinancing Current Market Conditions

- Combined Series PV Savings
 - Final Maturity 2031 <~\$522,000>
 - Final Maturity 2035 <~\$133,000>
- Debt Policy target 3% savings most likely will not be achieved
 - Wins with this transaction
 - Fix interest rate
 - Termination of 2008C Swaps
 - Elimination of LIBOR exposure for both series
 - Possibly shorten 2008C final maturity date

After Today

Next Steps in the Process



Recommended Motion

- Information only. This is an action item for the EC at the October meeting.



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**AGENDA ITEM 9 - INFORMATION
ITEMS**

c. Update on Accounting Software

**Finance Committee Meeting
October 16, 2019**



9c –Update on New Accounting Software

Finance Committee

October 16, 2019

Results of the Request for Proposals



Dynamics 365

NetSuite

Acumatica

Munis Financial
Solutions

Why are we looking at new software?

- **FMPA has utilized SL Dynamics for accounting since 1996 & the software is going to be phased out**
- **The cost to upgrade to their most current version is \$35K**
- **The software is outdated and lacks many features and tools that are standard in other programs**
- **This software cannot be hosted in the cloud and thus limits our access thru the VPN only**

Acumatica is the New Vendor

- **Cloud Based**
- **Unlimited Users at No Additional Costs**
- **Improved Efficiencies**
- **User Friendly**
- **Charts, Graphs & Dashboards**
- **Very Customizable by End Users**
- **Lowest Initial & Annual Costs**

Implementation by itech

- **Local Firm**
- **Project Manager Experienced CPA & IT Manager**
- **Impeccable References**
- **Free Ongoing Online Training**
- **Responsive Support Team**

Tentative Timeline

- **September 27th - Initial planning meeting**
- **October thru December - i-tech will be preparing the “sandbox” with our data & testing**
- **January - Staff will be trained**
- **February - Go Live!**



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AGENDA ITEM 10 – REPORTS

a. St. Lucie Audit Report

**Finance Committee Meeting
October 16, 2019**



St. Lucie Unit No.2 Audit Report

Billings to Participants under the Participation and Nuclear Reliability Exchange Agreement

Audit Performed By:

Louis DeSimone
Steve Ruppel, CPA
Ellen Leatherman, MBA
Kurian Varghese, CPA, MSA
Liyuan Woerner, CPA, MBA

September 30, 2019

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Executive Summary

Florida Municipal Power Agency (“FMPA”) and Orlando Utilities Commission (“OUC”) are co-owners of Florida Power and Light’s (“FPL”) St. Lucie Unit No. 2 and have entered into individual St. Lucie Unit 2 Participation and St. Lucie Nuclear Reliability Exchange Agreements with FPL.

FMPA has audited the actual costs billed under the St. Lucie Unit 2 Participation and Nuclear Reliability Exchange Agreements for the two-year period from January 2017 through December 2018. Audit findings and recommended adjustments for the audit period equal a net over billing to the Participants of \$1,539,084 of which FMPA's share is \$903,139 and OUC's share is \$635,764. In addition, as of September 30, 2019, the interest on qualifying audit adjustments under the Agreements total \$100,106 (\$52,517 for FMPA and \$47,589 for OUC). Additional interest will accrue through the date of refund on the qualifying audit adjustments.

The distribution of the refund between the St. Lucie Unit 2 Participation and Nuclear Reliability Exchange Agreements are as follows:

	FMPA	OUC	TOTAL
St. Lucie Unit 2 Participation Agreement	\$ (219,160)	\$ (156,047)	\$ (375,207)
Nuclear Reliability Exchange Agreement	\$ (631,642)	\$ (432,128)	\$ (1,063,771)
Subtotal:	\$ (850,802)	\$ (588,176)	\$ (1,438,978)
Interest on Qualifying Audit Findings			
Through September 30, 2019	\$ (52,517)	\$ (47,589)	\$ (100,106)
Total Due FPL / (Participants)	\$ (903,319)	\$ (635,764)	\$ (1,539,084)

FPL will make the appropriate adjustments on subsequent invoices during the billing period. Refer to General Comment A for more details on interest on qualifying audit findings.

Summary of Audit Findings

<u>Recommendations</u>	^a <u>Participation</u> <u>Agreement</u>	^a <u>NRE</u> <u>Agreement</u>	^a <u>Total</u>
1 Inventory Use Charge Overbill	(114,524)	-	(114,524) b, c
2 General Plant Use Charge Overbill	(239,602)	-	(239,602) b, c
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3 NREA Fuel Invoices Overbilled (January 2019 - June 2019)		(233,446)	(233,446) d
Net Impact of Audit Findings	(401,198)	(1,137,885)	(1,539,084)

TM

- a** Bracketed “()” amounts represent refunds due to Participants; the non-bracketed amounts represent charges to Participants.
- b** FPL agrees with the recommendation.
- c** Adjustment qualifies for interest in accordance with the Participation and NRE Agreements. Interest is not included in the amount reported here. See General Comment A in Audit Report.
- d** Correction of current period invoices for audit findings for January - June 2019. Additional refunds may be due for due for July 2019 to date when corrections are implemented.

Scope and Objectives

The scope of this audit was to review the billings under the St. Lucie Unit 2 Participation (“Participation Agreement”) and the Nuclear Reliability Exchange (“NREA”) Agreements for the two-year period from January 2017 through December 2018.

The objectives of this audit were to determine whether:

- a) Costs billed were supported by adequate documentation.
- b) Costs billed were in compliance with the terms of the Participation and NRE Agreements.
- c) Allocations, which are necessary for billing certain costs, were reasonable and in compliance with the terms of the Participation and NRE Agreements.
- d) Costs billed to Participants were calculated based on the proper ownership shares.
- e) Classification of costs between St. Lucie Site, St. Lucie Common, St. Lucie Unit No. 2 (“SL2”), and St. Lucie Unit No. 1 (“SL1”) were proper and/or equitable.
- f) Changes in billing procedures as a result of previous audits were incorporated into the billing system and were working as intended.

Background Information

There are two nuclear units located on the St. Lucie Site. Both units are operated by FPL. SL1 is wholly owned by FPL, while SL2 is jointly owned by FPL, OUC, and FMPA. SL1 began commercial operation in December 1976 and SL2 began commercial operation in August 1983. The original operating licenses for both units were for a 20-year period. Subsequently, FPL filed for a 20-year license renewal in September 2003. The Nuclear Regulatory Commission approved the license renewal applications of SL1 and SL2 for an additional 20-year terms. This approval extends SL1's license expiration date to March 1, 2036 and SL2's license expiration date to April 6, 2043.

Under the Participation Agreements, OUC and FMPA purchased ownership interests in SL2 of 6.08951% and 8.806%, respectively; and are entitled to their proportionate share of Net Energy of SL2. Participants pay their proportionate share of SL2's operations and maintenance ("O&M"), administrative and general ("A&G"), and capital expenditures. OUC and FMPA have separate Participation Agreements with FPL.

Under the NRE Agreements, the Participants exchange one-half of their total energy entitlements from SL2 for an equal amount from SL1. OUC and FMPA have separate NRE Agreements with FPL. These agreements have some differences in the calculation of O&M and fuel costs.

Under the OUC NRE Agreement, all of the SL1 and SL2 production O&M costs are included in the O&M calculation; whereas, under the FMPA agreement, only one-third of the production O&M costs are included for each unit.

Additionally, OUC's fuel costs under their NRE Agreement are calculated on a month-by-month basis; whereas, under FMPA's NRE Agreement, fuel costs for both units are calculated on a 12-operating-month rolling average.

This is the sixteenth audit of billings under the Participation and NRE Agreements. The total billings to FMPA and OUC during the audit period were approximately \$38 million and \$26 million, respectively, under the Participation Agreement and approximately (\$468,440) and (\$933,124), respectively, to FMPA and OUC, under the Nuclear Reliability Exchange Agreement for O&M and fuel expenses.

SL1 and SL2 both completed one refueling outage during this audit period. The current audit included a review of the costs related to SL2 Refueling Outage Cycles 21-24.

Audit Findings

1. Inventory Use Charge – Over Billed

Audit review of the Inventory Use Charge identified errors due to use of the incorrect Monthly Capital Charge rate for FY2018. Correction of the rate used for the Inventory Use Charge resulted in an over billing of \$65,048.04 and \$49,475.92 to FMPA and OUC respectively during the 2018 calendar year.

Audit Request

The St. Lucie Participants were over-billed in the amounts of \$65,048.04 and \$49,475.92 to FMPA and OUC, respectively for the net amount of \$114,523.95.

This audit adjustment qualifies for interest pursuant to General Comment A.

FPL Response

FPL agrees with these finding and will correct the over-billings in the future invoices.

2. General Plant Use Charge – Over Billed

Audit review of the General Plant Use Charge identified errors due to incorrect Monthly Taxes Other than Income balance used for FY2018. Correction of the monthly balances for the General Plant Use Charge resulted in an over billing of \$141,648.88 and \$97,952.79 to FMPA and OUC respectively during the 2018 calendar year.

Audit Request

The St. Lucie Participants were over-billed in the amounts of \$141,648.88 and \$97,952.79 to FMPA and OUC, respectively for the net amount of \$239,601.67.

This audit adjustment qualifies for interest pursuant to General Comment A.

FPL Response

FPL agrees with these finding and will correct the under-billings in the future invoices.

3. Nuclear Fuel Amortizations

Pursuant to the Nuclear Reliability Exchange Agreements (NREA), the costs (O&M & Fuel) related to the exchange of energy between the St. Lucie Units would be billed monthly. During the audit period, several monthly amortizations related to the Participants \$/MWh for St. Lucie Unit 2 Nuclear Fuel were not included in the calculation of the Participants St. Lucie Unit 2 costs for the NREA Fuel Invoice.

The errors or omissions included several items:

- The audit adjustment agreed to in the 2013 – 2014 was supposed to be included in Refuel 21, Cycle 3. While, FPL included the values due the Participants (\$470,238 for FMPA and \$372,143 for OUC) in the Nuclear Fuel Amortization schedules, they failed to amortize it monthly to the Participants \$/MWh cost of nuclear fuel for St. Lucie No. 2. This charge should have been amortized during the period of March 2017- August 18 (Refuel 21, Cycle 3).
- The final adjustments resulting from the Nuclear Refueling cost true-ups were not included for Cycle 22 through 24. The final adjustments are normally several months after the Refuel Cycle occurs and preliminary calculations are provided for the Nuclear Fuel in Reactor amortization schedules. Past audits had found that these true-up adjustments were frequently missed. However, the impact in past audits were immaterial and did not impact the Participants' \$/MWh for St. Lucie Unit 2 for the NREA Fuel invoices. The final Nuclear Refuel cost true-up adjustments have been properly included in the current audit for Cycle 22 - 24.
- The Participants cost of money during the construction of the Nuclear Fuel for Refuel Cycles 22 through 24 were not included in the respective Participant's St. Lucie Unit 2 Nuclear Fuel Amortization schedules. This resulted in the Participants \$/MWh for their fuel costs of St. Lucie Unit 2 being understated for the NREA Fuel invoices. The cost of money is the difference between FPL's carrying costs on actual nuclear refueling related payments and the carrying costs for the Participants' advance payments during the same period.
- FMPA's Carrying Charge is calculated on the Unamortized Balance of Nuclear Fuel in Reactor and included in their \$/MWh for St. Lucie Unit 2 in the NREA Fuel Invoice. However, the unamortized balances did not reflect the above corrections. The calculation of the Carrying Charges to be included in the cost of FMPA's \$/MWh for St. Lucie Unit 2 fuel was understated and resulted in overbillings to FMPA. FPL's calculations also went to \$0.00 beginning in October 2018. Reconstruction of the Nuclear Fuel amortization schedules between the audit team and FPL's Nuclear Fuel Accounting Department for the preceding errors and omissions resulted in the correct unamortized Nuclear Fuel in Reactor balances for the proper calculation of the monthly costs to be amortized to FMPA's \$/MWh for St. Lucie Unit 2 for inclusion in the NREA Fuel invoice.

As a result, the Participants were overbilled in the NREA Fuel invoices for exclusion of these costs from their nuclear fuel \$/MWh for St. Lucie Unit 2. Overall, FMPA was overbilled \$419,153 and OUC was overbilled \$338,623 for NREA Fuel invoices during the audit period of 2017 – 2018 calendar years. The issues also carried forward into the current Nuclear Fuel invoice billings for 2019. Corrections of invoices from January through June 2019 resulted in and additional refunds of \$188,891 due to FMPA and \$44,555 due to OUC (additional 2019 refunds may be due through date of correction). In total, the audit adjustments prior to interest, due to the Participants are \$608,044 due to FMPA and \$383,178 due to OUC.

Audit Request

The St. Lucie Participants request that FPL correct the Participant Nuclear Fuel in Reactor amortization schedules and refund to the Participant's for the impact on the monthly St. Lucie Unit 2 \$/MWh included in the NREA Fuel invoices during the periods January 2017 through June 2019. Total refunds due Participants for the audit period and through June 2019 are \$608,044 and \$383,178 to FMPA and OUC, respectively for the months indicated. This audit adjustment also qualifies for interest (calculated through anticipated refund date of September 15, 2019) and an additional \$35,385 and \$32,629 is due FMPA and OUC, respectively.

FPL Response

FPL agrees with these finding and will correct the over-billings in the future invoices.

4. NREA Negative Energy – Over Billed

Audit review of the NREA Negative Energy expense identified errors due to an incorrect conversion from \$/MWh to \$/KWh for the months of March and April 2018. Total refunds due to Participants are \$23,598 and \$48,950 to FMPA and OUC, respectively.

Audit Request

The St. Lucie Participants were over-billed in the amounts of \$23,598 and \$48,950 to FMPA and OUC, respectively, for the net amount of \$72,547.

This audit adjustment qualifies for interest pursuant to General Comment A.

FPL Response

FPL agrees with these findings and will correct the over-billings going forward.

5. A&G Rent and Rent-Related Maintenance – Over Billed

Audit review of A&G expenses identified rent and rent-related maintenance charges related to non-nuclear locations which are non-billable to participants. Total refunds due to Participants are \$12,463 and \$8,618 to FMPA and OUC, respectively.

Audit Request

The St. Lucie Participants were over-billed in the amounts of \$12,463 and \$8,618 to FMPA and OUC, respectively, for the net amount of \$21,081.

This audit adjustment qualifies for interest pursuant to General Comment A.

FPL Response

FPL disagrees with these findings. FMPA audit department is considering a contract amendment proposal and will report to the Finance Committee for further guidance.

General Comments

A) Interest on Qualifying Audit Findings

Pursuant to Section 10.3, Amendment No. 3 of the St. Lucie Unit 2 Participation Agreement, and billing adjustment of \$250,000 or greater before application of the respective Participant ownership percentages will be refunded with interest calculated in accordance with the agreement. As such, the following audit issues qualify for interest:

- (1) 2018 Inventory Use Charge - Over Billings
- (2) 2018 General Plant User Charge – Over Billings
- (3) 2017-2019 Nuclear & NRE Fuel – Over Billings
- (4) 2018 NREA Negative Energy – Over Billings
- (5) 2017-2018 A&G Rent and Rent-related Maintenance – Over Billings

Interest on these items through September 30, 2019 totals \$100,106. FPL will refund FMPA and OUC \$52,517 and \$47,589, respectively.

AGENDA ITEM 10 – REPORTS

b. FGU September Storage Report

**Finance Committee Meeting
October 16, 2019**

FMPA Storage Management Report

Florida Gas Utility

September 2019

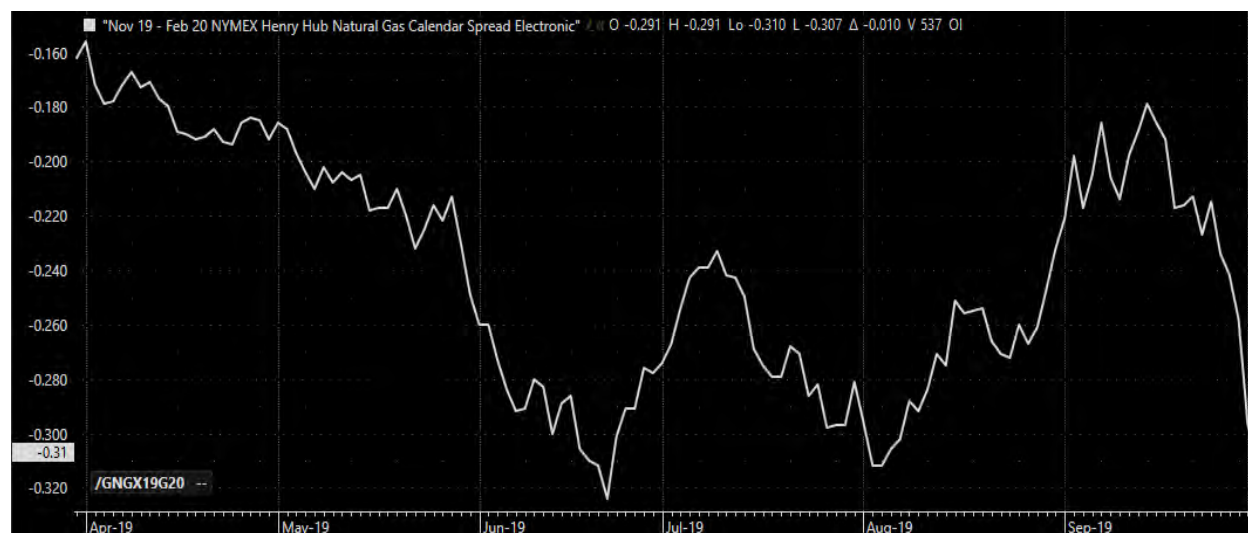


Executive Summary – September 2019 Activity

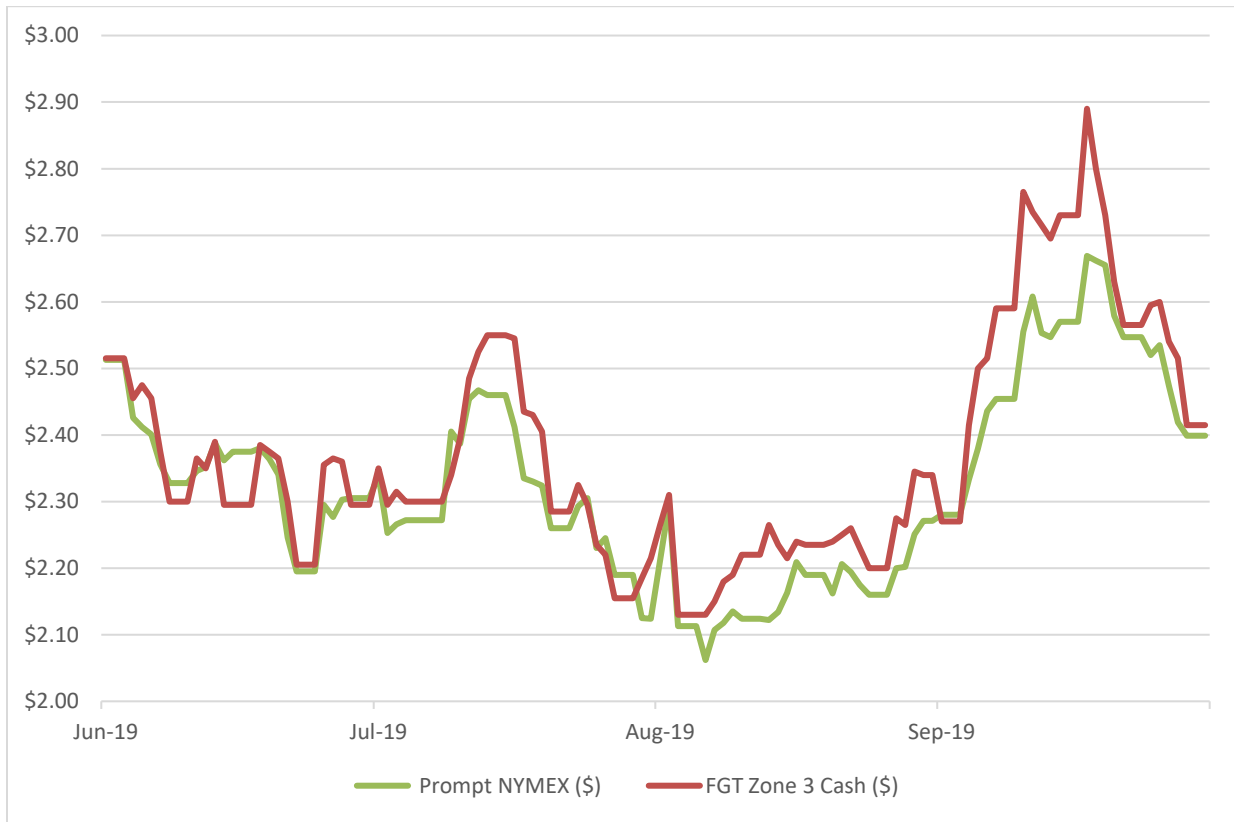
In September 2019, FGU conducted no physical gas injections nor withdrawals during the month. Cash market gas prices at FGT Zone 3 during September traded strong relative to the October 2019 NYMEX contract, with a price premium of \$0.10 to \$0.20/Dth during much of the month. Although this price spread offered a small economic opportunity to withdraw from storage and replace that gas with October injections, the high amount of tropical weather activity in September and associated uncertainty led FGU staff to forego the marginal gains from turning storage.

FMPA's optimized storage position, as of September 30, 2019 is long 379,748 Dths of storage inventory (84% full) and short a total of 380,00 Dths of financial hedges (short 157,500 Dths of November 2019 futures, and short 222,500 Dths of February 2020 futures). These financial positions are housed in FGU's clearing account with Rosenthal Collins Group (RCG) with associated margining requirements. FMPA's net optimized storage position increased in value by \$19,065 during the month of September 2019 due primarily to the strengthening of the value of the October/November 2019 contracts (and associated value of FMPA's storage inventory) relative to the value of the short storage hedge positions held in the February 2020 contract.

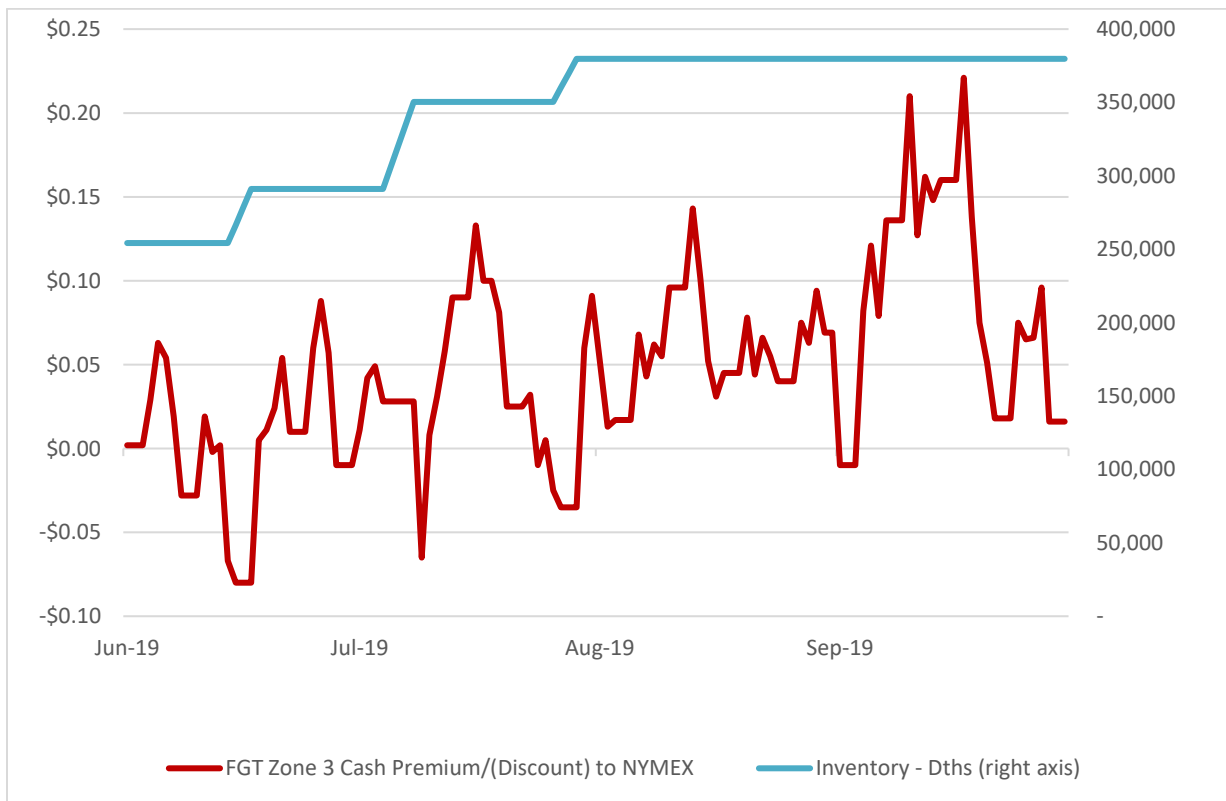
Although FGU intended to inject gas during September to bring inventory closer to 90% full, the higher cash market gas prices discussed above prevented those injections from being economically beneficial. Instead, FGU will monitor the relative market conditions during October for injection opportunities to bring storage closer to a target level of 95% full ahead of mid-December 2019. Following the rally in NYMEX gas prices to more than \$2.70/Dth during the first half of September, prices retreated to close the month at \$2.33/Dth (for the prompt-month November 2019 contract settle on 9/30/19). The price premium for the February 2020 contract versus the November 2019 contract widened to \$0.26/Dth at the end of September after eroding to as little as \$0.18/Dth during the middle of the month. This widening of the price spread will provide additional economic benefit for FMPA's remaining storage capacity when injections are made or if hedges are executed to capture that spread prior to injections. FGU staff will continue to monitor that price spread for new trades/injections and repositioning of existing hedges.



FGT Zone 3 Cash Market vs NYMEX Prompt-Month Futures



Cash Market Spread to NYMEX Prompt-Month vs FMPA Storage Inventory Level



Summary of Existing Physical Inventory Position (9/30/2019)

Total Inventory Volume	Total Inventory Cost	Inventory WACOG	Market Value	Marked to Market	Unrealized Gain/(Loss)
379,748	\$982,056	\$2.59	\$2.41	\$913,294	(\$68,762)

Summary of Existing Financial and Forward Physical Risk Management Positions (9/30/2019)

Delivery Month	Net Position	Realized Gain/(Loss) to Date	Open Equity	Total Value
Sep-19	0	\$8,903	\$0	\$8,903
Oct-19	0	(\$49,203)	\$0	(\$49,203)
Nov-19	(157,500)	\$0	\$23,438	\$23,438
Dec-19	0	\$0	\$0	\$0
Jan-20	0	\$0	\$0	\$0
Feb-20	(222,500)	\$12,513	\$51,992	\$64,505
Mar-20	0	\$0	\$0	\$0
Apr-20	0	\$0	\$0	\$0
May-20	0	\$0	\$0	\$0
Jun-20	0	\$0	\$0	\$0
Jul-20	0	\$0	\$0	\$0
Aug-20	0	\$0	\$0	\$0
Sep-20	0	\$0	\$0	\$0
Oct-20	0	\$0	\$0	\$0
Nov-20	0	\$0	\$0	\$0
Dec-20	0	\$0	\$0	\$0
Jan-21	0	\$0	\$0	\$0
Feb-21	0	\$0	\$0	\$0
Mar-21	0	\$0	\$0	\$0
Apr-21	0	\$0	\$0	\$0

Summary of Historical Value - Physical and Financial (December 2009 through September 2019)

Optimization Activity	Net Position (Dths)	Total Realized Gain/(Loss)	Unrealized Gain/(Loss)	Total Storage Net Benefit
Current Physical/Financial Positions (9/30/2019)	-252	\$2,737,215	\$6,668	\$2,743,882
Fees & Commissions		(\$48,063)		\$2,695,819
NJRES Capacity Release		\$477,598		\$3,173,417
Sale of Call Options (Jan 2015)		\$26,000		\$3,199,417

Schedule of FMPA Gas and Cash Flows Related to FGU Storage Services

Month	Actual Injection Cost/ NYMEX Curve (9/30/19)	Actual/ Anticipated Cash Flow (\$)	Net Injection Volume (Dths)	Net Withdrawal Volume (Dths)	Running Inventory Balance at End of Month (Dths)	Running Inventory Cost Balance (\$)	WACOG (\$/Dth)
Jun-19	\$2.35	\$86,815	36,927	0	291,191	\$777,937	\$2.6716
Jul-19	\$2.30	\$204,119	88,557	0	379,748	\$982,056	\$2.5861
Aug-19	\$0.00	\$0	0	0	379,748	\$982,056	\$2.5861
<i>Sep-19</i>	\$0.00	\$0	0	0	379,748	\$982,056	\$2.5861
<i>Oct-19</i>	\$2.43	\$242,800	100,000	0	479,748	\$1,224,856	\$2.5531
<i>Nov-19</i>	\$2.33	\$0	0	0	479,748	\$1,224,856	\$2.5531
<i>Dec-19</i>	\$2.50	\$0	0	0	479,748	\$1,224,856	\$2.5531
<i>Jan-20</i>	\$2.62	(\$446,797)	0	175,000	304,748	\$778,060	\$2.5531
<i>Feb-20</i>	\$2.59	(\$638,281)	0	250,000	54,748	\$139,778	\$2.5531
<i>Mar-20</i>	\$2.50	\$0	0	0	54,748	\$139,778	\$2.5531
<i>Apr-20</i>	\$2.28	\$0	0	0	54,748	\$139,778	\$2.5531
<i>May-20</i>	\$2.26	\$497,860	220,000	0	274,748	\$637,638	\$2.3208
<i>Jun-20</i>	\$2.30	\$0	0	0	274,748	\$637,638	\$2.3208
<i>Jul-20</i>	\$2.34	\$0	0	0	274,748	\$637,638	\$2.3208
<i>Aug-20</i>	\$2.35	\$117,500	50,000	0	324,748	\$755,138	\$2.3253
<i>Sep-20</i>	\$2.34	\$245,280	105,000	0	429,748	\$1,000,418	\$2.3279
<i>Oct-20</i>	\$2.37	\$118,250	50,000	0	479,748	\$1,118,668	\$2.3318
<i>Nov-20</i>	\$2.43	\$0	0	0	479,748	\$1,118,668	\$2.3318
<i>Dec-20</i>	\$2.60	\$0	0	0	479,748	\$1,118,668	\$2.3318
<i>Jan-21</i>	\$2.72	(\$582,946)	0	250,000	229,748	\$535,723	\$2.3318
<i>Feb-21</i>	\$2.68	(\$408,062)	0	175,000	54,748	\$127,660	\$2.3318
<i>Mar-21</i>	\$2.56	\$0	0	0	54,748	\$127,660	\$2.3318
<i>Apr-21</i>	\$2.31	\$0	0	0	54,748	\$127,660	\$2.3318
<i>May-21</i>	\$2.28	\$501,600	220,000	0	274,748	\$629,260	\$2.2903
<i>Jun-21</i>	\$2.31	\$0	0	0	274,748	\$629,260	\$2.2903
<i>Jul-21</i>	\$2.35	\$0	0	0	274,748	\$629,260	\$2.2903
<i>Aug-21</i>	\$2.36	\$117,900	50,000	0	324,748	\$747,160	\$2.3007
<i>Sep-21</i>	\$2.35	\$246,645	105,000	0	429,748	\$993,805	\$2.3125

Winter months

Bold = actual data

- Negative values reflect withdrawals of storage gas that have already been paid for.
- Positive values reflect charges to FMPA for gas purchases to be injected into storage.
- Months above reflect the period of storage activity and the actual charge/credit from FGU would occur the following month.

AGENDA ITEM 11 – COMMENTS

**Finance Committee Meeting
October 16, 2019**

AGENDA ITEM 12 – ADJOURNMENT

**Finance Committee Meeting
October 16, 2019**