

A large industrial turbine with a worker in an orange jumpsuit. The turbine is a massive, circular structure with many blades, and the worker is standing in front of it, looking at the blades. The background is dark, and the turbine is illuminated by a bright light.

# Mind + Metal + Mission

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How FMPA is combining its  
resources to achieve the lowest  
possible power costs

Florida Municipal Power Agency  
2014 Annual Report



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## Low-Cost Power

Our customers told us that's what they need. We listened. Affordable power has always been part of FMPA's promise, but today's economy demands a new level of focus on the bottom line. Throughout 2014, we began to sharpen that focus and dedicate our resources—both human and machine—to the mission of lowering power costs.



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# 01





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# Mind:

## Pooling our collective knowledge and skills to achieve our goals

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FMPA members gave us the vision to be the lowest cost, sustainable wholesale power provider in Florida. What we needed next was a plan to bring that vision to life.


Our first step was to develop an in-depth competitive analysis. Our research dug deep into the drivers of wholesale power costs and compared ours to competing utilities. The results gave us new insight into our business, as well as new goals.

We are now beginning to plan the first step toward the vision. We're beginning with a goal to reduce the All-Requirements Project's wholesale rate to be equal to or lower than the weighted average of competing utilities by 2017. This concrete goal has energized and focused the best minds in our organization on looking for ways to save.



# 02





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# Metal:

## Optimizing our generating assets

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FMPA's product, electricity, may seem intangible, but the massive machines that generate kilowatts are not. FMPA manages a mix of power contracts and power plants, which are the engines driving our business. The smallest variations in how these generating assets are run and maintained can have a big impact on the bottom line when multiplied by billions of kilowatt-hours per year.

The quest to optimize these complex machines is being aided by cutting-edge software that allows us to harness the power of "big data" to manage FMPA's physical assets with more precision than ever before. Data helps plant operators make the best maintenance choices. For example, operators are comparing plant performance when using different types of air filters to determine which yield the best results.

This data also enables FMPA management to benchmark our fleet against other similar plants throughout North America. In 2014, these reports showed that FMPA's fleet compares favorably to national averages, and the new tools we have will fuel our competitive spirit to push for even higher levels of performance from our power supply resources.





03





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# Mission:

## Delivering on our commitment to members

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In FMPA's recent strategic planning workshop, our members told us loud and clear that competitively priced power is priority number one. We understand that competitive costs are key to the future of FMPA, its members, and the communities we serve.

In 2014, we combined our knowledge, our physical assets, and most importantly, the can-do spirit of our organization to tackle this important goal. Although it will take time to reap the rewards of our work, and the work will be never-ending, the purpose and progress we have begun to make is energizing to everyone involved.

Our power costs have decreased more than 20% from the peak in 2009, and today, rates are close to the average wholesale rates of Florida's investor-owned utilities. We have improved, and we can improve some more.

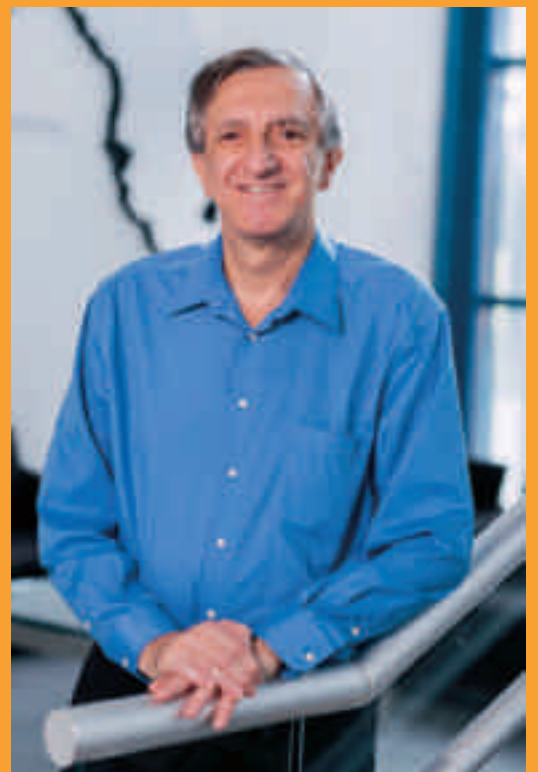
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A nighttime view of Florida's  
coastline from space.

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# 04

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## Report from Management

FMPA is on a mission to deliver the lowest possible power costs to our member cities.

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Left: Bill Conrad  
Chairman, Board of Directors

Right: Nicholas P. Guarriello  
General Manager and CEO

We have made significant progress in the past five years at lowering costs and becoming more competitive. But we still have work to do. Our customers deserve nothing less than our best. And that's what we'll deliver.

FMPA has focused every person and every asset in the Agency on reducing electric costs, and in 2014, we continued working toward our goal.

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# Report from Management

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“Fostering a deep understanding of our business will give FMPPA members insight into how we can reduce power supply costs.”

## 2014 Results

2014 was a year of stability for FMPPA's power supply projects. There are several ways we measured our performance this year:

**All-Requirements Power Costs:** The All-Requirements Project (ARP), FMPPA's largest power supply project, has reduced wholesale power costs more than 20% since 2009. The Project's average per megawatt-hour billed was \$81.80 in fiscal 2014, a 4.8% decrease from the previous year. Comparing ARP rates to the computed wholesale rate for our state's two largest investor-owned utilities, ARP is lower than one utility but higher than the other, as of 2013, the most recent year for which comparable data is available.

**All-Requirements Fleet Performance:** FMPPA's largest physical assets, our fleet of power plants, performed well in 2014. The workhorses of the All-Requirements Project fleet, Treasure Coast Energy Center Unit 1 and Cane Island Units 3 and 4, had service factors of 95%, 88% and 85%, respectively. This means that these units ran more than 85% of the year due to their reliability, efficiency and low costs. This exceeds the industry average for similar units, which is 52%. The All-Requirements Project's generating resources not only served the 13 member cities but also provided almost 1.3 million MWh to utilities in the Florida Municipal Power Pool, an organization that enables utilities to work together for cost savings and reliability. Last but not least, these natural gas-fueled generators are low in emissions, positioning the All-Requirements Project well for any future environmental regulations.

**Coal and Nuclear Power Costs:** FMPPA's coal and nuclear projects performed well in 2014.

**St. Lucie:** St. Lucie Project is an 8.8% ownership interest in St. Lucie Unit 2, a 984 MW nuclear power plant. The project's average billed power cost was \$81.30/MWh in fiscal 2014, a 16% increase from the previous year due to higher fixed operation and maintenance costs associated with a March 2014 outage, nuclear fuel purchases for refueling and changes in the way debt service is managed.

**Stanton:** The Stanton Project is a 14.8% ownership interest in Stanton Unit 1, a 441 MW coal-fired power plant. The project's average billed power cost was \$96.50/MWh, a 27% decrease from the previous year due to increased energy sales. The price of natural gas increased during fiscal 2014, making coal more economical than it was in fiscal 2013, so FMPPA's coal resources sold more energy, leading to a lower rate.

**Tri-City:** The Tri-City Project is a 5.3% ownership interest in Stanton Unit 1, a 441 MW coal-fired power plant. The project's average billed power cost was \$90.70/MWh, a 38% decrease, due to increased energy sales.

**Stanton II:** The Stanton II Project is a 23.2% ownership interest in Stanton Unit 2, a 453 MW coal-fired power plant. The project's average billed power cost was \$83.20/MWh, a 17% decrease due to increased energy sales.



## Fiscal 2014 Performance of FMPA's Power Projects

Average per kilowatt-hour billed in cents

All-Requirements Project .....	8.18
St. Lucie Project .....	8.13
Stanton Project .....	9.65
Tri-City Project .....	9.07
Stanton II Project .....	8.32

**Reliability:** Reliable power supply begins with our power plants' excellent performance, as discussed above. It continues in the way FMPA and its members operate the bulk electric system to ensure that electricity is delivered. Reliable operating practices are so important that the Florida Reliability Coordinating Council performs regular audits of Florida utilities. FMPA passed two such audits this year, meeting or exceeding all federal standards for reliability and cyber security. FMPA's member utilities also have a commitment to reliability. In a study published in June, Florida's municipal electric utilities provided the quickest average repair time for customers experiencing an outage. Municipal utilities have led this category compared to investor-owned utilities for the past 10 years.

**Financial Stewardship:** FMPA's financial stewardship is an important measure of success. Our creditworthiness influences debt service costs and, in turn, the cost of power. Moody's Investors Service affirmed the A1 credit ratings of FMPA's Stanton and Stanton II projects and the A2 ratings of the Tri-City and St. Lucie projects this year. The All-Requirements Project has maintained its A2 credit rating. FMPA has maintained financial stability even as it has navigated challenges relating to upholding its bond covenants and weathered Florida's slow economic recovery. This stability is a testament to the responsibility of FMPA's members and management.

## Steps to Lower Power Costs

Our 2014 results are a stepping stone to our future goals. To get the lowest sustainable wholesale power cost, we are taking comprehensive steps to understand and manage costs.

**Step 1 – Planning:** FMPA's Board of Directors and All-Requirements Project Executive Committee began an ongoing dialogue about strategic planning in fall 2013. The governing boards approved plans later in the fiscal year that include a total of seven goals, 16 measurable targets and 23 strategies to achieve those targets. In both of those plans, competitive power costs are the number one goal.

**Step 2 – Researching:** To develop new approaches to FMPA's goal, it was necessary to gain new information. FMPA undertook a competitive analysis of its power supply projects benchmarked against others to learn more about what factors drive cost differences. This analysis will help FMPA identify opportunities to reduce costs and improve competitiveness.

**Step 3 – Deciding:** The in-depth knowledge resulting from the competitive analysis will help FMPA's members understand the cost impacts of policy decisions.

## Factors Impacting Future Power Costs

Fostering a deep understanding of our business will give FMPA members insight into how we can reduce power supply costs. At the same time, we recognize that we are impacted by outside forces we cannot control. We must monitor changes around us and how they could impact our future, such as:

**Environmental Regulations:** The Environmental Protection Agency (EPA) is developing carbon regulations that could have a significant impact on our country's generation mix by limiting or even eliminating the use of coal-fueled power plants. FMPA is participating in industry groups that are reviewing and commenting on the proposed rule. We may be better positioned than some to be competitive in a carbon-constrained future thanks to our recent investments in clean, efficient natural gas-fueled plants, but the EPA's proposed regulations would have major cost and operational impacts.

**Fuel Costs:** The current low price of natural gas is an advantage for utilities that invested in natural gas generation, including FMPA. Any decrease in the supply of natural gas, such as potential restrictions on hydraulic fracking, or increase in the demand for natural gas, such as that caused by carbon regulations, could drive natural gas prices higher.

**The Economy:** U.S. and world economies are having an influence on FMPA's finances. The All-Requirements Project has forward starting swaps effective Oct. 1, 2015, that we plan to terminate before the effective date, so we are closely watching how economic forces impact interest rates.

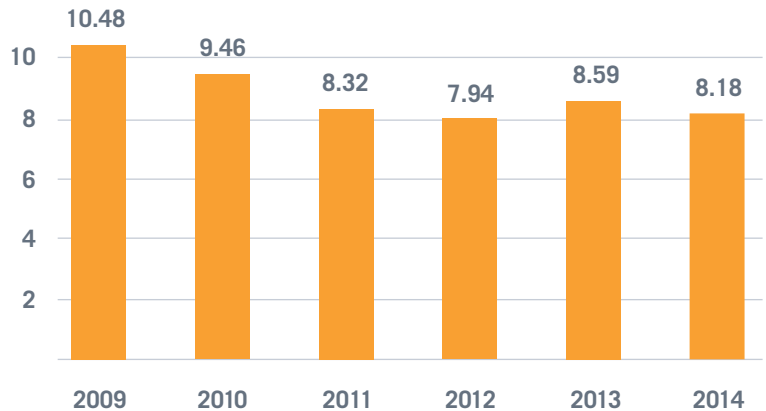
**Load Growth:** Load growth in Florida has slowed in recent years due to both the economic downturn and a growing awareness of energy conservation. FMPA has adjusted the way it estimates load growth for the All-Requirements Project to be more conservative, resulting in more accurate budgeting. Actual energy sales for fiscal 2014 were 5.4 million MWh, 1% more than the budgeted estimate. Accurate load estimates help us optimize our resources more effectively.

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“Our members’ success is our reason for being, and right now nothing is more important to their success than competitive power costs.”

#### All-Requirements Project Power Costs

Average per kilowatt-hour billed in cents, fiscal year



The All-Requirements Project’s load is expected to grow at an average annual rate of 1.4% during the next 10 years, a little more than half the growth we had before the economic downturn in 2008. We have adapted to this reality by putting our existing generation capacity to good use. For example, we have actively sought long-term power sale agreements, such as the one we have with city of Quincy, as well as short-term energy sales through the Florida Municipal Power Pool.

In the longer term, we have sufficient generation to meet our needs until 2023. We continue to closely follow trends in our members’ load growth.

**Distributed Generation:** Consumer-owned renewable generation in Florida has grown more than 2,000% in the past five years, but it still serves only about 0.1% of the state’s total power demand. Consumer-owned generation, also known as distributed generation, has some advantages, but electric utilities must consider how it will impact the operations of the power grid. FMPA is watching how this trend impacts utilities in regions where distributed generation is a larger part of the generation mix.

**Customer Expectations:** Today’s customers look to their utilities for help lowering electric bills. Besides working to lower rates, utilities have an opportunity to partner with their customers to help them reduce electric usage and, in turn, their bills. FMPA’s energy conservation fund provided more than \$633,000 to member utilities in fiscal 2014 to help them implement conservation programs. The resulting give-aways, rebates and educational materials will help customers save more than 18,700 MWh over the life of the measures.

### Elements of Future Competitiveness

To achieve a challenging goal like low cost, sustainable power in a complex and ever-changing environment, we must align all elements of our organization—mind, metal and mission—for the same purpose.



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**Mind:** The ability to unite talent, knowledge and skills from throughout the state is one of FMPA's competitive advantages. Maintaining a professional staff and well-informed governing boards are keys to success.

**Attract and retain talent:** FMPA's business requires talented people who can solve complex problems and deliver solutions for the people we serve. To attract and retain great employees, FMPA is proud to offer a total rewards package that ranks among the best in Central Florida. FMPA was named by the Orlando Sentinel in 2014 as one of the Top 100 Companies for Working Families in Central Florida for the third consecutive year. FMPA was also named as a finalist in the Central Florida's healthiest employers program in October 2013.

**Develop insight into cost drivers:** Conducting an in-depth competitive analysis will give our staff and members new insights into how our choices impact costs.

**Measure performance:** Great organizations foster accountability. FMPA's members included 16 measurable targets in their strategic plans, like FMPA's 2014 Member Relations Survey, which showed that satisfaction among members is high. Among survey respondents 91% agreed that they are satisfied with their relationship with the FMPA staff.

**Metal:** FMPA has 1,424 MW of physical assets in locations throughout Florida and 241 MW in purchased power contracts. We must optimize the way these resources are managed.

**Efficient operations:** FMPA's network of large combined cycle units use real-time data, industry best practices and coordination with each other to maximize efficiency. Operators can use this data to optimize maintenance schedules, compare the performance of plant parts and compare the unit's performance to similar units throughout North America.

**Optimize assets:** FMPA seeks opportunities to sell capacity, reducing costs for project participants.

**Manage risk:** FMPA has for several years had an active risk management program. Our efforts were recognized this year when two of the All-Requirements Project's power plants received the rare Highly Protected Risk designation from our property insurer, FM Global. As we look at options for reducing power costs, we will talk with our governing bodies to re-confirm their risk profile.

**Mission:** FMPA was formed to help municipal utilities control their power supply future. Our members' success is our reason for being, and right now nothing is more important to their success than competitive power costs.

**Economies of scale:** A discussion of controlling power supply costs often begins with a search for economies of scale. Whether it's combining efforts to build a more efficient generating unit or combining efforts to lower financing costs or combining efforts to lower operating costs, it's all about maximizing production while minimizing costs. We are putting our best minds on this task as we continue to seek economies in our operations.

**Access to resources:** Participation in FMPA gives members access to the Agency's statewide resources. FMPA offers more than two dozen value-added services to its members. Our joint purchasing project celebrated its 20th anniversary this year, proving that this benefit of joint action is as relevant today as it was decades ago.

**Strength in numbers:** From representing its members in regulatory and legislative forums to negotiating with some of the industry's giants on behalf of members, FMPA is a powerful voice for local electric utilities. In 2014, FMPA helped members negotiate a \$55 million settlement payment and other considerations related to the early retirement of the Crystal River Unit 3 nuclear plant and represented members in a transmission rate case.

We worked hard in 2014 and can point to many successes, including focusing our members, our staff, our ideas, our assets, our many lines of work onto one mission: making power more affordable. We know that mission means everything to the people we serve, so it means everything to us.



**Bill Conrad**  
Chairman, Board of Directors



**Nicholas P. Guarriello**  
General Manager and CEO

# 05

## Financial Highlights

	Fiscal 2014	Fiscal 2013	Change
<b>All-Requirements Project:</b> Provides the wholesale power needs for 13 members			
Net Utility Plant	\$864,876,000	\$912,545,000	-5.2%
Total Assets & Deferred Outflows	\$1,475,187,000	\$1,489,809,000	-1.0%
Kilowatt-Hours Sold	5,404,370,000	5,293,772,000	2.1%
Sales to Participants	\$442,071,000	\$454,847,000	-2.8%
Average per Kilowatt-Hour Billed in Cents	8.18	8.59	-4.8%

**St. Lucie Project:** An 8.8% ownership interest in St. Lucie Unit 2, a 984 MW<sup>1</sup> nuclear power plant

Net Utility Plant	\$89,129,000	\$103,963,000	-14.3%
Total Assets & Deferred Outflows	\$441,240,000	\$432,097,000	2.1%
Kilowatt-Hours at Plant	643,993,000	676,974,000	-4.9%
Sales to Participants	\$52,338,000	\$47,446,000	10.3%
Average per Kilowatt-Hour Billed in Cents	8.13	7.01	16.0%

**Stanton Project:** A 14.8% ownership interest in Stanton Unit 1, a 441 MW<sup>1</sup> coal-fired power plant

Net Utility Plant	\$32,939,000	\$33,811,000	-2.6%
Total Assets & Deferred Outflows	\$63,824,000	\$61,313,000	4.1%
Kilowatt-Hours at Plant	320,992,000	180,203,000	78.1%
Sales to Participants	\$30,967,000	\$23,745,000	30.4%
Average per Kilowatt-Hour Billed in Cents	9.65	13.18	-26.8%

**Tri-City Project:** A 5.3% ownership interest in Stanton Unit 1, a 441 MW<sup>1</sup> coal-fired power plant

Net Utility Plant	\$12,999,000	\$13,405,000	-3.0%
Total Assets & Deferred Outflows	\$22,573,000	\$21,794,000	3.6%
Kilowatt-Hours at Plant	120,915,000	66,150,000	82.8%
Sales to Participants	\$10,971,000	\$9,662,000	13.5%
Average per Kilowatt-Hour Billed in Cents	9.07	14.61	-37.9%

**Stanton II Project:** A 23.2% ownership interest in Stanton Unit 2, a 453 MW<sup>1</sup> coal-fired power plant

Net Utility Plant	\$106,356,000	\$107,030,000	-0.6%
Total Assets & Deferred Outflows	\$182,054,000	\$193,709,000	-6.0%
Kilowatt-Hours at Plant	533,732,000	498,856,000	7.0%
Sales to Participants	\$44,411,000	\$50,047,000	-11.3%
Average per Kilowatt-Hour Billed in Cents	8.32	10.03	-17.0%

<sup>1</sup> Net summer capability rating, which indicates the unit's design capability. Actual output of the unit may vary based on operating conditions.

# Member Listing by Project

Member Cities	All-Requirements	St. Lucie	Stanton	Tri-City	Stanton II
1. Alachua		0.4 MW			
2. Bartow					
3. Blountstown					
4. Bushnell	6.3 MW				
5. Chattahoochee					
6. Clewiston	26.7	1.9			
7. Fort Meade	9.9	0.3			
8. Fort Pierce	105.5	13.2	15.9 MW	5.3 MW	17.4 MW
9. Gainesville					
10. Green Cove Springs	26.8	1.5			
11. Havana	6.4				
12. Homestead		7.2	8.0	5.3	8.7
13. Jacksonville Beach	192.1	6.4			
14. Key West	144.2			12.7	10.4
15. Kissimmee	326.9	8.1	8.0		34.7
16. Lake Worth	81*	21.5	10.6		
17. Lakeland					
18. Leesburg	100	2.0			
19. Moore Haven		0.3			
20. Mount Dora					
21. New Smyrna Beach		8.6			
22. Newberry	7.8	0.2			
23. Ocala	285.1				
24. Orlando					
25. Quincy					
26. St. Cloud					14.6
27. Starke	15.3	1.9	1.6		1.2
28. Vero Beach		13.2	21.2		16.4
29. Wauchula					
30. Williston					
31. Winter Park					
Total Megawatts	1,253.1 MW <sup>1</sup>	86.6 MW <sup>2</sup>	65.3 MW <sup>3</sup>	23.4 MW <sup>3</sup>	103.4 MW <sup>3</sup>

<sup>1</sup> Participants non-coincident peak demand in fiscal 2014. Includes demand served by entitlement shares of St. Lucie, Stanton, Tri-City and Stanton II projects for All-Requirements members that are also in these projects.

<sup>2</sup> Participants' capacity entitlements based on the unit's net summer capability rating as reported by the majority owner/operator, Florida Power & Light, as of May 24, 2013. Entitlements may not total due to rounding.

<sup>3</sup> Participants' capacity entitlements based on the current net summer capability as reported by the majority owner/operator, Orlando Utilities Commission, to the Florida Public Service Commission in their annual Ten-Year Site Plan.

\*Lake Worth began on Jan 1, 2014, limiting the maximum amount of electricity it will purchase from the All-Requirements Project during the remaining term of its contract. The city issued its Contract Rate of Delivery (CROD) notice to FMPA on Dec. 23, 2008. Lake Worth's CROD amount has been determined to be zero megawatts. The non-coincident peak shown for the city of Lake Worth occurred in October 2013, prior to their implementation of CROD.



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# Board of Directors and Executive Committee<sup>1</sup>

## Members

Bill Conrad\*  
Chairman  
Board of Directors  
Newberry

Barbara Quiñones  
Vice Chairman  
Board of Directors  
Homestead

Lynne Tejeda\*  
Secretary  
Board of Directors  
Utility Board  
City of Key West

William Thiess\*  
Treasurer  
Board of Directors  
Fort Pierce Utilities Authority

Howard McKinnon\*  
Chairman  
Executive Committee  
Town of Havana

Matt Brower \*  
Vice Chairman  
Executive Committee  
Ocala

Gary Hardacre  
Alachua

Vacant  
Bartow

Emory Pierce  
Blountstown

Bruce Hickie\*  
Bushnell

Elmon Lee Garner  
Chattahoochee

Danny Williams\*  
Clewiston

Fred Hilliard\*  
Fort Meade

David Beaulieu  
Gainesville Regional Utilities

Ray Braly\*  
Green Cove Springs

Harry Royal\*  
Jacksonville Beach

Larry Mattern\*  
Kissimmee Utility Authority

Clay Lindstrom  
Lake Worth

Alan Shaffer  
Lakeland Electric

Patrick Foster\*  
Leesburg

Harry H. Ogletree  
Moore Haven

Charles Revell  
Mount Dora

William Mitchum  
Utilities Commission,  
City of New Smyrna Beach

Claston Sunanon  
Orlando Utilities Commission

Mike Wade  
Quincy

Michael Turner  
St. Cloud

Ricky Thompson\*  
Starke

Pilar Turner  
Vero Beach

Terry Atchley  
Wauchula

Scott Lippmann  
Williston

Jerry Warren  
Winter Park

## Management

Nicholas P. Guarriello  
General Manager and CEO

Frederick M. Bryant  
General Counsel and CLO

Frank Gaffney  
Assistant General Manager  
Power Resources

Mark J. Larson  
Assistant General Manager  
Finance and Information Technology  
and CFO

Mark T. McCain  
Assistant General Manager  
Member Services, Human Resources  
and Public Relations

<sup>1</sup>As of Sept. 30, 2014

\*Executive Committee Member

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# General Information

## Financial Statements

Financial statements, past annual reports and more are available on the Investors section of [www.fmpa.com](http://www.fmpa.com).

## Media or Other Inquiries

Media or other inquiries may be directed to FMPA's spokesperson at its Orlando office or [pr@fmpa.com](mailto:pr@fmpa.com).

## Consultants

Bond Counsel: Nixon Peabody LLP. Consulting Engineer: Leidos Engineering, LLC. Certified Public Accountants: Purvis, Gray and Company. Financial Advisor: Dunlap & Associates, Inc. Swap Advisor: Swap Financial Group, LLC.

## Caution Concerning Forward-Looking Statements

This document may include certain forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances that may have a material effect on actual results.

## Annual Report

### Project Team

Mark McCain  
Diane Nelson  
Ryan Dumas

### Creative Director/Design

Michael Taylor, SimpleMind Inc., Atlanta

### Writing

Diane Nelson



Florida Municipal Power Agency  
8553 Commodity Circle  
Orlando, FL 32819-9002  
(407) 355-7767  
[www.fmpa.com](http://www.fmpa.com)



Florida Municipal Power Agency  
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