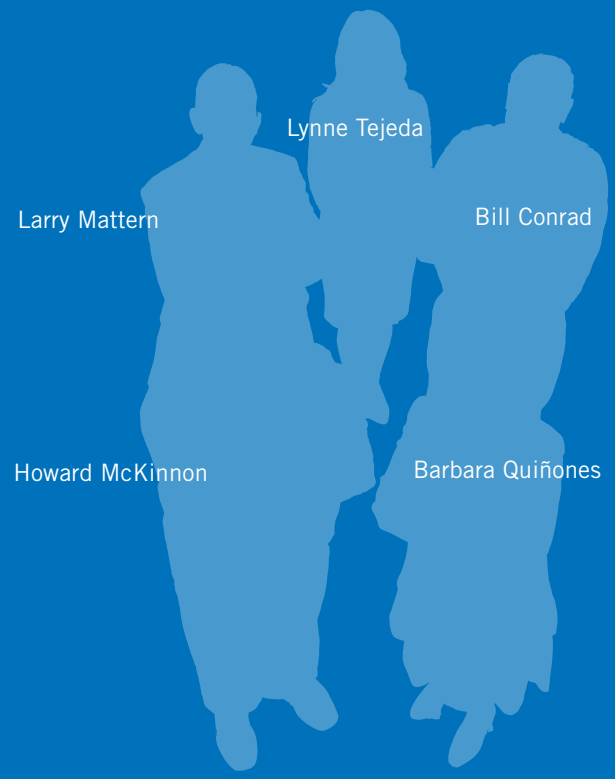
It's Working

FLORIDA MUNICIPAL POWER AGENCY

2015 ANNUAL REPORT

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



FMPA'S GOVERNING BOARD OFFICERS

Because We're Working Together

Over the past few years, FMPA's members have addressed some difficult issues. We wrestled with the challenge of whether to hedge natural gas. We grappled with consequences from the great recession, including complications with liquidity, interest rate swaps and flat electricity sales. We tackled the technical topic of utility peak shaving where, in FMPA's current situation, individual action does not benefit the project as a whole.

These issues could have divided FMPA's members, but instead they brought us together. Through many face-to-face meetings, honest discussions and genuine listening, the members found compromises and solved problems in a collaborative way that is far too uncommon in today's world.

We have worked through tough decisions, and the results speak for themselves. Our All-Requirements Project costs decreased 10% this fiscal year and are down a total of 30% since 2009. As a result, our costs are lower than one major investor-owned utility and nearing the other. Our prospects for the future look good, too. For the All-Requirements Project, we are in a period of low capital investment, which helps keep costs down. For our partial requirements power projects, the pay-off of debt is in sight, which will significantly lower costs.

Our plan is working, because we're working together.

Low-cost wholesale power is the goal, and this year's results show we're getting there.

We benefitted in fiscal 2015 from declining prices in our single, largest expense: fuel. Falling natural gas prices brought our fuel costs down 24% compared to the previous year. Helping the situation, we have not hedged natural gas for a couple years. So, as the price dropped, it was a good year to be at the market price.

Our generating units had a very good operating year, which helped minimize power costs. Three of our newer, more efficient units produced nearly 80% of the All-Requirements Project's energy in fiscal 2015. Our planned outages for these units went well, saving significant dollars, and we only had minor unplanned maintenance. As a result, ARP-owned capacity was notably under budget.

We are continuing our quest for low-cost power by looking at specific cost centers for additional savings. We have had success improving our management of natural gas transportation expenses and lowering costs on electric transmission and related services. That focus will continue in the coming year as we strive to be the lowest cost wholesale power provider in Florida.

Working to deliver low costs

FMPA's wholesale power costs are down 10% since fiscal 2014 and down 30% since 2009. Compared to Florida's two major investor-owned utilities, FMPA is less expensive than one and within 7% of the other.

Right: David Schumann, Jay Butters of Kissimmee Utility Authority and Amy Deese
Above: Jason Terry of Kissimmee Utility Authority

The greenhouse gas emission reductions proposed by the U.S. Environmental Protection Agency's Clean Power Plan will be a challenge for utility operations, but FMPA's All-Requirements Project is better positioned than most to comply.

Left: Peter Moore, Jim Arntz and Joe McKinney
Above: Susan Schumann and Frank Gaffney

Working to remain well-positioned

Current projections show that the generating capacity for the All-Requirements Project (ARP) is adequate to meet its projected peak demand through 2023. This means ARP is in a period of stable or declining fixed costs. ARP's relatively young and efficient fleet of natural gas-fired generating units positions us well for the future. As we grow into our existing generating capacity, the ARP demand rate is expected to decrease, which should enhance our rate competitiveness.

With more than 80% of ARP's energy coming from natural gas-fired generation and less than 15% coming from coal-fired generation, ARP already has one of the cleaner emission profiles in the state, which puts us in a better position than most utilities to comply.

While the Clean Power Plan undergoes legal challenges, we will continue to evaluate our greenhouse gas reduction options in order to meet future regulatory requirements in a cost-effective way for our customers.

Working to shape our future

FMPA is leading the development of a potential joint-action, solar photovoltaic project, similar to the one at Orlando Utilities Commission's Stanton Energy Center (pictured). A utility-scale project is more cost-effective and can make solar available to more customers.

Left: Michele Jackson and Jason Wolfe

Above: Solar farm at Orlando Utilities Commission's Curtis H. Stanton Energy Center

Consumer interest in renewable energy, particularly solar, continues to grow. Not every customer that's interested in solar is able to install a roof-top system. For some, the installation cost is too high. For others, they don't own a single-family home or their roof is not ideally suited or structurally capable of supporting solar panels.

As an alternative to individual solar projects, utilities are investigating a type of solar project known as utility-scale solar. This is where multiple entities, including utilities and their customers, work together to fund a large, utility-scale solar installation and share the electricity output. A benefit of this arrangement is providing a solar option for customers who otherwise couldn't do it themselves. In addition, a larger project is more cost effective, and utility-scale solar projects are better integrated with the utility grid.

Municipal electric utilities around Florida started this year investigating a joint action, utility-scale solar project through FMPA. Solar power can and should be part of our energy portfolio. FMPA's cities are working on ways to provide a cost-effective option for customers that addresses the limitations of roof-top systems.

Bill Conrad
Chairman
Board of Directors

Nicholas P. Guarriello
General Manager and CEO

Working to deliver results

Report from Management

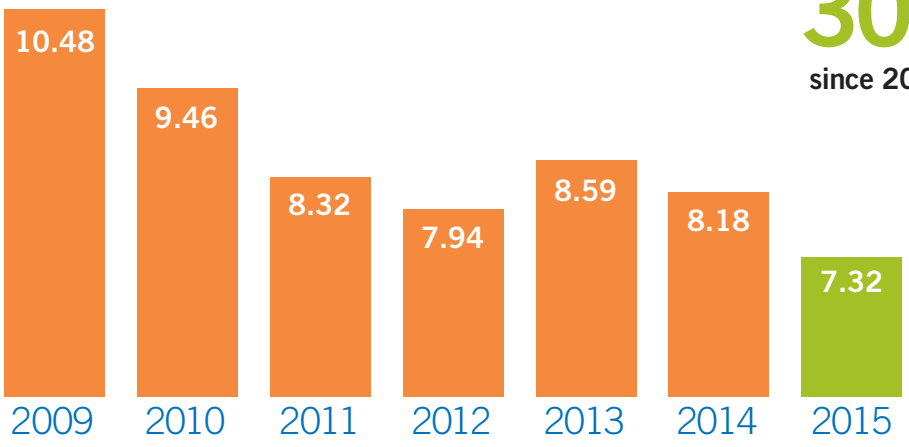
NICK GUARRIELLO: Early in my career, I was fortunate to work as a consultant with a group of can-do people who came together to create a new type of electric utility in Florida. A utility born out of the energy crisis in the 1970s. A utility dedicated to the idea that municipal electric utilities needed to work together to control their destiny or someone else would. I was there when the Florida Municipal Power Agency (FMPA) was created in February 1978.

After years as a consultant to FMPA, I joined the staff in September 2008, first as interim general manager and later as the permanent general manager and CEO. I joined at a challenging time. It was the height of the financial crisis and global recession, which created difficulty for many businesses and their customers. Back then, when the economy collapsed, FMPA was caught with its natural gas fuel supply hedged too much and too long. As a result, our rates were not competitive.

We've worked hard since then to regain our competitiveness, and I'm proud to report that FMPA's members and staff rose to the challenge of our era. We worked together in ways that would make the Agency's founders proud. This year, we can say our plan is working, because we're working together.

All-Requirements Project Power Costs

Cost per kilowatt-hour billed in cents, fiscal year



Power costs have decreased

30%

since 2009

BILL CONRAD: In 2008, I walked into my first FMPA meeting. I was a newly elected city commissioner for Newberry. I knew nothing about electric utilities, but I knew that the people in our city thought their electricity rates were too high, and we assumed FMPA was the problem.

I spent hours meeting one-on-one with FMPA's staff learning the business. One of my great realizations was that FMPA is a collaborative effort. It is 31 cities working together toward a common goal. We are FMPA. The goal is clear, though not always easy: to provide reliable power at a competitive price in an environmentally responsible manner.

During my education into the utility industry, I learned the difference between public power and private power. I learned that collaboration between public power cities is what helps us achieve our goals and compete with utilities much larger than us.

I learned that each of our 31 Board members brings a unique set of skills and resources to the table. This combination of talents is what makes us a great organization, where the whole is greater than the sum of its parts.

Today, I am proud that my city is a member of FMPA. I am honored to work alongside the other city representatives. I'm more confident than ever that we are better together and that our future is bright.

2015 Operating Results

FMPA's five power supply projects performed well this year. Our largest project, All-Requirements, recorded a double-digit decrease in power costs and the other projects turned in solid performances, as well.

All-Requirements Power Costs Decrease 10%

The All-Requirements Project's (ARP) average cost per megawatt-hour billed in fiscal 2015 was $73.20, a 10.5% decrease from the prior year. ARP's wholesale rates are down a total of 30% since fiscal 2009.

- **Fuel Prices Decline:** The ARP's energy sources come predominately from natural gas, so the project benefitted this year from declining gas prices. The average NYMEX contract settle price during fiscal 2015 was $3.10, a 27% decrease from the fiscal 2014 average of $4.26.
- **Load Grows:** ARP's net energy for load grew 1.4% in fiscal 2015 on a weather normalized basis. This builds on growth of 0.8% in fiscal 2014. These two consecutive years of increases are the first signs of growth for ARP's current participants since the recession in 2008. Projections for 2016 suggest the upward trend could continue, indicative of the ongoing recovery of Florida's economy following a recessionary period.
- **Good Financial Metrics:** ARP's independent rate-setting authority and the monthly cost-recovery rate adjustments help the project maintain reasonable liquidity and adequate coverage of fixed charge obligations.
- **Competitive Rates:** ARP's rates are competitive and becoming even more so. Compared to Florida's two major investor-owned utilities, ARP is less expensive than one and within 7% of the other for long-term, all-requirements service. Looking ahead, the state's lowest cost investor-owned utility has proposed a $14 increase in its retail rates over the next three years. If the rate increase is approved, APR could be the lowest sustainable cost all-requirements provider in Florida.

St. Lucie Power Competitive, Carbon Free

The St. Lucie Project, an 8.8% ownership interest in a 984 MW nuclear power plant, continues to produce competitively priced power. The project's cost per megawatt-hour billed in fiscal 2015 was $79.60, a 2% decrease from the prior fiscal year.

In recent years, capital improvement projects have resulted in upgrades to St. Lucie Unit 2 that increased its power output from the original 781 MW in 1983 to its current rating of 984 MW, a 26% increase. These are valuable additional megawatts.

The operating license for St. Lucie Unit 2 was extended some years ago from 2023 to 2043. Based on FMPA's current St. Lucie Project debt structure, all bonds will be paid off by October 2026. The unit's primary owner has indicated that it currently plans to operate Unit 2 into the extended license period and will periodically review the prudence and economics of continued operation.

As we look toward a future with potential goals to reduce carbon emissions, it is valuable to have this base-load, carbon-free source of generation from an existing, well-performing nuclear unit.

Coal Units Operating Well, Nearing Payoff

The Stanton Project and Tri-City Project are 14.8% and 5.3% ownership interests, respectively, in Stanton Unit 1, a 441 MW coal-fired plant. The cost per megawatt-hour billed in fiscal 2015 was $97.60 and $102.10, respectively. The higher average cost for Tri-City is due to its debt structure that relies on a greater percentage of fixed-interest rate bonds.

Stanton Unit 1 began operating in 1987, so the debt for these two FMPA projects will be paid off in a few years. The final payment is currently scheduled for Oct. 1, 2019. Principal and interest payments are approximately one-third of annual expenses, so when the debt is paid off, if the unit continues to operate as it does today, power costs could decrease by an estimated 30% to 40%.

FMPA's Stanton II Project, a 23.2% ownership interest in Stanton Unit 2, a 453 MW coal-fired plant, had another solid year of performance. The cost per megawatt-hour billed in fiscal 2015 was $84.10, a 1% increase from the prior year.

Stanton Unit 2 began commercial operation in 1996. Under the current debt structure, this project will be paid off on Oct. 1, 2027.

The Stanton and Tri-City projects will be paid off by Oct. 1, 2019. When that happens, if the Stanton Unit 1 coal unit continues to operate as it does today, power costs could decrease by an estimated 30% to 40%.

High Credit Ratings Affirmed in '15

In May 2015 and June 2015, two leading credit rating agencies affirmed the high ratings for FMPA's power supply projects.

- **Fitch Affirms:** Fitch Ratings affirmed the credit ratings of FMPA's projects May 15 and confirmed the rating outlooks are stable. Fitch rated as "A+" FMPA's ARP, Stanton, Stanton II and Tri-City projects and rated St. Lucie as "A". Fitch said the credit strengths include strong contract obligations, sound credit quality of participants, contract step-up provisions, independent rate-setting authority and satisfactory financial metrics.
- **Moody's A2 for ARP:** Moody's Investors Service announced in June 2016 that it assigned a credit rating of A2 to ARP in connection with a planned bond issue for the project. The resulting issue of $115.7 million provided funds to repay draws under a credit agreement used to fund termination of Taylor interest rate swaps. The ARP's credit rating was well received by investors as bond orders reached nearly $1.3 billion, outpacing the supply by a factor of 11.

Period of Stability for ARP

Aside from the variability of the fuel market, the cost structure for ARP is expected to be in a period of stability. Since ARP currently has adequate generating capacity to meet its peak demand, ARP is forecasting reduced capital expenditures for the next several years.

- **Modern Fleet:** ARP has a modern, efficient fleet of generators. Compared to the state's major investor-owned utilities, ARP currently has one of the youngest fleets by unit and by megawatts.
- **Adequate Generation:** Based on load projections in 2015, the ARP is expected to be able to meet its peak demand with existing generation through 2023. This means ARP's demand rate should decrease as we grow into our current capacity.
- **Clean Emission Profile:** Natural gas-fired generation supplied more than 80% of ARP energy sources in fiscal 2015, while less than 15% of energy came from coal-fired generation. ARP's young fleet of largely gas-fired generation gives the project one of the cleaner emission profiles in the state. Based on early planning studies, ARP has the third lowest carbon emissions of any power generating utility in Florida. The greenhouse gas emission reductions proposed by the U.S. Environmental Protection Agency's (EPA) Clean Power Plan will be a challenge to utility operations, but ARP is better positioned than most to comply.

Our efforts to reduce power costs will continue to be a major area of focus in the coming year. We have efforts underway to lower operating costs that will help mitigate the impacts of debt taken on in 2015 to terminate forward-starting interest rate swaps.

Our goal by fiscal 2017 is to have ARP costs that are equal to or less than the weighted average of wholesale revenue requirements of the state's two major investor-owned utilities, based on the ARP members' load characteristics. As complicated as this goal might sound, it is a true apples-to-apples wholesale rate comparison that can measure progress toward our members' vision of being the lowest cost wholesale power provider in Florida in a manner that is sustainable over time.

Monitoring Industry Changes

Since ARP does not need to make major capital commitments, like new generation, in the next several years, we have the luxury to monitor industry changes without having to make commitments while the rules are changing.

Evaluating CO_2 Emission Reduction Options

Even though the EPA's Clean Power Plan has been stayed by the U.S. Supreme Court and the Plan is being challenged in the D.C. Circuit Court of Appeals, we understand the importance of effective state policy development for the reduction of greenhouse gas emissions.

The Supreme Court's stay should allow legal questions to be resolved, which can provide regulatory certainty before we or our primary owner/operators of generation make major investment decisions that impact our members' long-term power supply costs.

Meanwhile, we will continue to work with our state agencies as they determine a path forward. Our objective in the process is to meet our regulatory obligations in a cost-effective way for our customers while maintaining a reliable electric supply.

We continue to evaluate CO_2 reduction options for ourselves and are working with other utilities in Florida on implementation frameworks that can earn widespread support.

Exploring Joint Action Solar PV Project

As distributed generation grows around the country, we have been watching the technology evolve and are learning from early adopters.

Several municipal utilities in Florida are looking at options to incorporate solar into their generation resource mix, so FMPA is developing a potential joint action solar photovoltaic (PV) project.

FMPA is investigating the development of a utility-scale project, meaning an installation larger than 5 MW. A utility-scale project has several advantages over individual rooftop systems. The benefits include: 1) providing an option for customers who want solar power but can't install it where they live for various reasons, 2) a utility-scale

project is much more cost effective than rooftop systems, and 3) utility-scale projects can be designed for optimal interconnection with the grid.

This is a good time for Florida's municipal utilities to evaluate solar options. We have learned from some early projects and are exploring a role in serving the increasing desires of customers for solar energy.

FMPA's members and staff who are pictured in this annual report are just some of the many people it took to create this comeback story. To all of them, we express our enduring thanks.

Leadership Transition

NICK: I joined FMPA's staff in September 2008 at the height of a difficult time. I knew the challenges when I accepted the interim general manager job, but I did it for the Agency and its members, whom I had served for the better part of my professional career as a consultant.

FMPA is in a much better position today. So while no time is the perfect time for a leadership transition, I announced in October 2015 that I will retire as General Manager and CEO in 2016 once a successor is named.

BILL: Nick steered us through the tough times of the Great Recession, precarious financial markets, volatile natural gas prices and declining electricity demand. We were fortunate to have his steady hand, and things are much better now.

Nick's time here will be forever remembered for ARP's declining power costs and rising member satisfaction, among other accomplishments. He was the right leader for the time. We appreciate his service and wish him well.

Looking Back and Moving Forward

We are proud of FMPA's success over 37 years. Our appreciation is extended to the great leaders who created this Agency. People who drew together to address the challenges of their time in a way that best served their electric customers.

Our current members and staff should be proud of the way they pulled together to address the challenges of our time. We rallied around our mission to lower wholesale power costs. We faced some difficult issues but handled them with resolve.

FMPA's members and staff who are pictured in this annual report are just some of the many people it took to create this comeback story. To all of them, we express our enduring thanks.

Now that we are in a much better competitive position, it's exciting to imagine the positive steps we can take from here. We will move ahead, like we have in the past, by working together for mutual progress. Our destiny is in our hands. That's the vision FMPA's founders had for us. Let's make the most of it.

Bill Conrad
Chairman, Board of Directors

Nicholas P. Guarriello
General Manager and CEO

Financial Highlights

	Fiscal 2015	Fiscal 2014	Change
All-Requirements Project: Provides the wholesale power needs for 13 members			
Net Utility Plant	$814,271,000	$864,876,000	-5.82%
Total Assets & Deferred Outflows	$1,456,404,000	$1,475,187,000	-1.27%
Kilowatt-Hours Sold	5,466,149,000	5,404,370,000	1.14%
Sales to Participants	$399,979,000	$442,071,000	-9.52%
Cost per Kilowatt-Hour Billed in Cents	7.32	8.18	-10.51%
St. Lucie Project: An 8.8% ownership interest in St. Lucie Unit 2, a 984 MW[1] nuclear power plant			
Net Utility Plant	$74,133,000	$89,129,000	-16.83%
Total Assets & Deferred Outflows	$441,333,000	$441,240,000	0.02%
Kilowatt-Hours at Plant	684,526,000	643,993,000	6.29%
Sales to Participants	$54,511,000	$52,338,000	4.15%
Cost per Kilowatt-Hour Billed in Cents	7.96	8.13	-2.02%
Stanton Project: A 14.8% ownership interest in Stanton Unit 1, a 441 MW[1] coal-fired power plant			
Net Utility Plant	$31,623,000	$32,939,000	-4.00%
Total Assets & Deferred Outflows	$61,778,000	$63,824,000	-3.21%
Kilowatt-Hours at Plant	284,081,000	320,992,000	-11.50%
Sales to Participants	$27,716,000	$30,967,000	-10.50%
Cost per Kilowatt-Hour Billed in Cents	9.76	9.65	1.10%
Tri-City Project: A 5.3% ownership interest in Stanton Unit 1, a 441 MW[1] coal-fired power plant			
Net Utility Plant	$12,436,000	$12,999,000	-4.33%
Total Assets & Deferred Outflows	$21,620,000	$22,573,000	-4.22%
Kilowatt-Hours at Plant	106,538,000	120,915,000	-11.89%
Sales to Participants	$10,873,000	$10,971,000	-0.89%
Cost per Kilowatt-Hour Billed in Cents	10.21	9.07	12.52%
Stanton II Project: A 23.2% ownership interest in Stanton Unit 2, a 453 MW[1] coal-fired power plant			
Net Utility Plant	$102,865,000	$106,356,000	-3.28%
Total Assets & Deferred Outflows	$178,143,000	$182,054,000	-2.15%
Kilowatt-Hours at Plant	620,796,000	533,732,000	16.31%
Sales to Participants	$52,204,000	$44,411,000	17.55%
Cost per Kilowatt-Hour Billed in Cents	8.41	8.32	1.07%

[1] Net summer capability rating as reported by the majority owner/operator. 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	6.7 MW				
5. Chattahoochee					
6. Clewiston	26.9	1.9			
7. Fort Meade	10.4*	0.3			
8. Fort Pierce	107.2	13.2	15.9 MW	5.3 MW	17.4 MW
9. Gainesville					
10. Green Cove Springs	27.5	1.5			
11. Havana	6.2				
12. Homestead		7.2	8.0	5.3	8.7
13. Jacksonville Beach	195.1	6.3			
14. Key West	146.7			12.8	10.4
15. Kissimmee	334.8	8.1	8.0		34.7
16. Lake Worth	0.0*	21.5	10.6		
17. Lakeland					
18. Leesburg	107.1	2.0			
19. Moore Haven		0.3			
20. Mount Dora					
21. New Smyrna Beach		8.6			
22. Newberry	8.8	0.2			
23. Ocala	286.6				
24. Orlando					
25. Quincy					
26. St. Cloud					15.4
27. Starke	15.7	1.9	1.6		1.3
28. Vero Beach	0.0*	13.2	21.3		17.4
29. Wauchula					
30. Williston					
31. Winter Park					
Total Megawatts	1,279.7 MW[1]	86.6 MW[2]	65.4 MW[3]	23.4 MW[3]	105.3 MW[3]

[1] Participant's non-coincident peak demand in fiscal 2015, unless noted. 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.

[2] 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.

[3] Participants' capacity entitlements based on the unit's net summer capability rating as reported by the majority owner/operator, Orlando Utilities Commission, in their annual Ten-Year Site Plan.

*Participant established its Contract Rate of Delivery (CROD) under the All-Requirements Project (ARP) contract, limiting the maximum amount of electricity it will purchase from the ARP during the remaining term of its contract. Amount shown represents the CROD amount and does not include demand that may be served by entitlement shares in other FMPA projects or from other sources.

Board of Directors and Executive Committee[1]

Members

Bill Conrad*
Chairman
Board of Directors
Newberry

Barbara Quiñones
Vice Chairman
Board of Directors
Homestead

Lynne Tejeda*
Secretary
Board of Directors
Vice Chairman
Executive Committee
Utility Board
City of Key West

Larry Mattern*
Treasurer
Board of Directors
Kissimmee Utility Authority

Howard McKinnon*
Chairman
Executive Committee
Town of Havana

Gary Hardacre
Alachua

Bradley Hiers
Bartow

Vacant
Blountstown

Bruce Hickle*
Bushnell

Elmon Lee Garner
Chattahoochee

Danny Williams*
Clewiston

Fred Hilliard*
Fort Meade

Clay Lindstrom*
Fort Piece

Ed Bielarski
Gainesville Regional Utilities

Robert Page*
Green Cove Springs

Allen Putnam*
Jacksonville Beach

Vacant
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

Mike Poucher*
Sandra Wilson
Ocala

Claston Sunanon
Orlando Utilities Commission

Mike Wade
Quincy

Donna Cooley
St. Cloud

Tom Ernharth*
Starke

Randy Old
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

[1] As of Sept. 30, 2015
* Executive Committee Member

General Information

Financial Statements
Financial statements, past annual reports and more are available on the Investors section of 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.

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

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Ryan Dumas

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Michael Taylor, SimpleMind Inc., Atlanta

Florida Municipal Power Agency
Community Power. Statewide Strength.®

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