


A vibrant street scene featuring a bright blue building with white window frames on the left. A small yellow car is parked on the street. In the foreground, a red octagonal stop sign is mounted on a black pole. The background shows a yellow building and a clear blue sky. The scene is set on a brick-paved street with a sidewalk.

Everything Changes Except Our Mission

Florida Municipal Power Agency
2017 Annual Report





Florida's municipal electric utilities work together through FMPA to provide low-cost, reliable and clean electricity for their customers.

There are few things in our society today that remain unchanged, untested, undisrupted. At FMPA, we believe in continuous innovation as we strive to exceed the expectations of our member-owners and their customers.

What hasn't changed during FMPA's first 40 years, and isn't likely to change soon, is our mission: to provide low-cost, reliable electricity in an environmentally responsible manner. For me, fulfilling this mission is personal. It's why I felt called to join FMPA in 2016.

I am driven by the fact that in Florida's climate, electricity is essential for living. People here need air conditioning. But in our state, where the average income falls below the national average, the reality is that for one in three Floridians, 10% of their disposable income goes to the electric bill. It's a significant expense for the average person. That's why FMPA's mission is so critical.

Our member cities have an important role providing low-cost power to improve the quality of life in their communities, and FMPA has an important role supporting our cities. What we do affects the lives of many people. And this is what drives us every day.

A handwritten signature in black ink, appearing to read "Jacob". The signature is fluid and cursive, with a large initial 'J' and a trailing flourish.

Report from Management

She slices open a familiar envelope. A pause, and then LeeAnn Dorsey pinches the envelope to peek inside. Looking for the “amount due” line, she sees it and sighs. More than she hoped.

Does anyone think their monthly electric bill is too low? No, generally not.

LeeAnn lives in Kissimmee. She’s called this central-Florida city home for 35 years. She’s raised her two kids here. While the municipal electric utility that serves her provides some of the lowest rates in the state, like most customers, she’s never thought her bill was too low.

Our number one job is to provide low-cost, reliable and clean wholesale electricity for FMPA’s owner-customers and the people they serve.

People want—and many people truly need—affordable electricity. In Florida, where power use is higher than the national average and income is lower than average, affordable electricity is as important as anywhere in the country. This is where FMPA’s staff draws passion for its purpose. Our number one job is to provide low-cost, reliable and clean wholesale electricity for FMPA’s owner-customers and the people they serve.

We had a fantastic year fulfilling that mission in fiscal 2017. We achieved a long-term goal of getting our All-Requirements Project power costs below the average of others in the state providing similar service. And we were successful in several strategic initiatives to reduce costs and enhance electric reliability.

As good as this news is, we are not satisfied. There’s more that can and must be done. We understand the needs of people in our communities. It is our aim to eliminate sighs when they look at their electric bill.

FMPA provides low-cost electricity

Natural gas prices increased in fiscal 2017 by 30% compared to fiscal 2016. Since fuel is FMPA’s largest expense, this raised our All-Requirements Project’s wholesale power costs, as it did for other wholesale suppliers dependent on natural gas for generation.

To counteract fuel cost increases, we worked hard to manage our controllable costs. We sold excess natural gas transmission to increase revenue. We reduced operations and maintenance costs, and we lowered administrative and general expenses. As a result, we kept controllable costs 12% below target for the fiscal year.

Our resulting All-Requirements Project’s all-in costs per kilowatt-hour increased 7% in fiscal 2017 compared to the year-ago period, but our cost-saving efforts kept this below our budget target. Over the long term, we have reduced our power costs by 26% since fiscal 2009. This reduction was achieved during an eight-year period when retail electric prices nationally increased more than 7%.

Major cost milestone achieved

FMPA achieved a major milestone in 2017 of having power costs below the average cost of comparable service providers in our state. We got there a year ahead of the goal, which was set by our Board of Directors a few years ago.



FMPA Chairman Bill Conrad and Jacob Williams in Newberry, the city that Conrad represents on FMPA's Board of Directors.

Although we have achieved this important goal, it only makes us hungry for more. We want the cities we serve to also thrive.

Our next goal is to achieve our vision of being the lowest cost wholesale provider and sustain that over time.

The future looks promising. FMPA's costs are expected to be stable in the years ahead. Excluding the cost of fuel, which varies based on market conditions, FMPA expects our fixed costs to be flat or declining on a per-megawatt basis as we grow into our existing generating capacity and finish paying off debt on our coal and nuclear plants.

Success selling excess power to reduce costs

A top strategic goal this year was to sell power in the wholesale market since we have more generating capability than we need right now for our All-Requirements Project cities. Selling this capacity creates additional revenue to reduce costs for the All-Requirements cities.

The wholesale power contract for the city of Bartow, an FMPA member, was up for renewal, so FMPA participated this year in the competitive bidding process. The city awarded FMPA a contract to supply peaking power beginning Jan. 1, 2018, and full-requirements power in 2021 and 2022.



Former Newberry Mayor Bill Conrad meets with a utility customer at Newberry City Hall.

Not only did we achieve FMPA's number one strategic priority to sell power, but the residents of Bartow will benefit from low wholesale power prices. A win-win for FMPA members.

Record power plant operations keeps costs low

One major cost-saving achievement this year was the outstanding operating performance of our primary generating units. Our young, efficient generation fleet has been highly reliable over the years, and this year's performance was exceptional.

FMPA's three combined cycle units had equivalent availability factors of 94%, 93% and 93%. The national

average is 83%. Units like these must be taken out of service at least part of the year for maintenance, so this year's performance is about as good as it gets.

More than 80% of our energy to serve load is provided from these units, so maintaining optimum availability for our most efficient units helps FMPA provide power at the lowest possible cost. And efficient they are. Our fleet is among the most efficient in the state.

In addition to being highly reliable units, they also have low emissions. Our units have nitrogen oxide emissions 75% below the U.S. average and sulfur dioxide emissions 85% lower.

Municipals restore power fast after storms

There is no doubt that people want low-cost power, but even that can be secondary when the power goes out for an extended period like after a hurricane.

The 2017 Atlantic Hurricane season was the most active since 2005, and Florida was directly impacted by Hurricane Irma in September. Irma caused widespread damage that inspired the largest pre-planned storm-recovery effort in the nation's history.

Two-thirds of Florida's residents, nearly 14 million people, lost electricity. Florida's public power utilities sought assistance from public power colleagues around the country. More than 2,000 public power lineworkers came to supplement Florida's 1,000 public power crews.

The crews worked day and night to restore power. Approximately 80% of public power customers were back in service within two days, and 98% had power within one week. On average, municipal utilities restored power a day or two faster than the average for other utilities.

FMPA staff participated in the recovery effort in ways we had never done before. Staff with specialized skills were sent to the hardest hit member cities, and we took on other tasks to help with communication, emergency procurement and more. FMPA is looking at additional ways to help members during future emergencies.

Everything changes except our mission

What FMPA and its members do is important. Providing affordable and reliable electricity is essential for the quality of life of Floridians.

We have come a long way to restoring FMPA's competitive position, so we should take a moment to appreciate that accomplishment. Today, we provide power that is low-cost, reliable and clean.

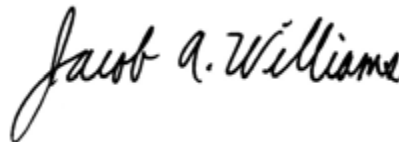
What FMPA and its members do is important. Providing affordable and reliable electricity is essential for the quality of life of Floridians.

In addition, we are well positioned for future competitiveness. But there is more we can do to help our members thrive, and we are excited about the opportunities ahead.

As FMPA marks its 40th anniversary on Feb. 24, 2018, we reflect anew on our mission. Is it possible for us to lower power costs so that retail customers won't dread receiving their power bill? Let's try. People are counting on us to give this our best effort.



Bill Conrad
Chairman, Board of Directors



Jacob A. Williams
General Manager and CEO

2017 Highlights

FMPA To Sell Power To Bartow

The city of Bartow signed a power purchase agreement with FMPA's All-Requirements Project for approximately 25 MW of peaking power beginning Jan. 1, 2018, through 2020 and approximately 65 MW of full-requirements power in 2021 and 2022.

Strategic Priorities

1. Sell excess generating capacity to lower costs.
2. Participate in a large-scale, low-cost solar project.
3. Enhance FMPA's member services in operational and technical areas.
4. Work with the city of Vero Beach to transfer its FMPA power project entitlement shares to another public power utility.

Municipal Utilities Respond To Hurricane Irma

Municipal utility customers had their power restored 1-2 days faster, on average, than those served by others. 98% of municipal customers had their power restored in less than a week.

Joint-Action Solar Project in Development

FMPA members authorized the development of a utility-scale, joint-action solar project to maximize economies of scale and minimize solar power costs. FMPA plans to enter into a long-term power purchase agreement in early 2018.

Expanding Member Services in Several Ways

FMPA expanded its Member Services offerings: 1) new operation and distribution services for members, 2) materials explaining the benefits of municipal electric systems, 3) information technology services, 4) operation and maintenance services, 5) additional training opportunities, and 6) support during Hurricane Irma.

New Assistance Offered For Hurricane Response

FMPA's staff and staff from member utilities aided in hurricane restoration efforts by sending people with specialized skills to the hardest hit member cities. Many of these efforts were a first for FMPA. The Agency is looking for more ways to help members during future emergencies.

FMPA Provides Option To Help Vero Beach

FMPA developed an option for Vero Beach to transfer its FMPA project entitlements to the Agency's All-Requirements Project. This provides a path for Vero Beach to achieve its goal of selling its system, while protecting All-Requirements cities. If unanimous approvals are received from all cities and stakeholders, the deal could close by October 2018.

Economic Development Rates Approved

FMPA created two special rates for economic development. One incentive rate is designed to attract commercial and light-industrial customers. The other rate is a market price for large, energy-intensive electric customers.

FMPA's Generation Fleet Is Clean, Reliable

FMPA's units have nitrogen oxide emissions 75% below the U.S. average and sulfur dioxide emissions 85% lower. Treasure Coast Energy Center Unit 1 was ranked in 2016 as one of the cleanest plants of its kind in the nation. FMPA's three combined cycle units had equivalent availability factors of 94%, 93% and 93%. The national average is 83%.

53%

Bartow's capacity savings over the next five years

\$0.15/MWh

Cost reduction to FMPA's members in the first three years

Power Sale a Win-Win For Municipal Electric Utilities

Sale of excess power will decrease costs for Bartow and FMPA's All-Requirements cities

"Going into the competitive solicitation process, I hoped to achieve much lower wholesale power costs," said Bartow City Manager George Long. "I thought the timing was excellent given current conditions in the wholesale power market."

Florida utilities as a whole have more than enough generating capacity to serve the state's projected peak demand for the next several years. Including utility demand-response programs, the summer reserve margin is approaching 25% and the winter reserve margin is near 40%. A typical reserve margin is between 15% and 20%.

With the state long on capacity, there is robust competition for wholesale power sales. When Bartow issued its invitation to negotiate for its 65 MW power supply, the city received nearly 50 proposals.

At the end of the negotiation period, Bartow selected a combined option from FMPA and Orlando Utilities Commission (OUC). The resulting five-year agreement effective Jan. 1, 2018, has OUC supplying up to 40 MW of base-load power from 2018 through 2020 and FMPA providing peaking power of approximately 25 MW. In 2021 and 2022, FMPA will supply all of Bartow's power needs.

The short-term wholesale power deal that Bartow negotiated is approximately half the cost of the average 30-year, full-requirements service contract in Florida. With the current market conditions, this is a great time for city-owned utilities to create significant value for their communities.

The sale helps FMPA, too. It will provide additional revenue for the Agency's All-Requirements Project to offset fixed costs and lowers power costs to the cities.

Long said, "The new agreement will reduce the city's cost by several million dollars annually and sets the stage for consideration of a rate reduction for customers in early 2018."



Bartow City Manager George Long in downtown Bartow, which will benefit from low wholesale power costs through FMPA.



Beaches Energy Services Managing Director Allen Putnam surveys the type of solar panels that could be used in FMPA's solar project.

Finding a Low-Cost Solar Option

Joint-action project will significantly expand municipal solar power in a cost-effective way

“While we do not need generation capacity in the state or at FMPA, now is the time for us to begin adding solar when and where it makes financial sense for utilities and customers,” said Allen Putnam, managing director at Beaches Energy Services in Jacksonville Beach.

A survey of retail customers in FMPA member cities showed that while many customers like the idea of solar energy, only a small percentage are willing to pay more for it. Just 13% of respondents indicated a willingness to pay more while 45% said they would not want to pay more.

In order to add solar for customers who want it, while not increasing costs for those who don't, FMPA developed a contractual arrangement that would let some members add solar at an extra cost, while other members would not have to pay for it.

The timing of FMPA's project couldn't have been better because 2017 was a great time to be in the market for solar energy. Solar prices declined dramatically from initial proposals to the final negotiated arrangements. The proposals are so competitive that it appears FMPA has enough interest from seven to 12 members to subscribe to between 149-223 MW.

FMPA expects to enter into 20-year, fixed-price power purchase agreements for solar energy. The contracts could be executed in the first quarter of 2018. Given the permitting requirements for the facilities, commercial operation is projected by mid-2020.

“The customer survey showed us how our customers feel about solar energy,” said Putnam. “This solar project will satisfy those who want solar while making it cost-effective for those concerned about costs.”

149-223 MW

Expected generating capacity of FMPA's new joint-action solar project

7-12

Number of potential cities participating in the solar project

55

Number of KEYS' staff who stayed to face a direct hit by the Category 5 hurricane

39%

Percentage of street lights in KEYS' service territory that were replaced or repaired

With Hardship Comes New Ways to Serve Members

Restoration efforts following Hurricane Irma show strength of Florida's municipal utilities

The night before Hurricane Irma made landfall in the Florida Keys, a sober announcement was made at the local Emergency Operations Center.

"We're facing a direct hit by a Category 5 storm, which will cause significant loss of property and potentially life," recalled Lynne Tejeda, general manager and CEO of Keys Energy Services (KEYS). "We are thinking of evacuating, and you should too."

"I shared this news with KEYS' supervisory staff and left the decision up to them individually whether to evacuate," Tejeda said.

Fifty-five KEYS' first responders stayed. "I asked several of them why, and they responded the same: 'This is what we do. This is what we're here for. How could I possibly leave when I'll be needed?'"

The days immediately following Hurricane Irma were challenging, Tejeda recalls. "We expected to be without power and to be working like crazy," she said. "We didn't expect to be without water or without communications. It is unbelievable how dependent we are on communications."

The widespread damage meant everyone's help was needed to restore power as quickly as possible. "Nearly every one of our employees had some personal damage, yet they came to work every day for long, long hours and worked tirelessly," Tejeda said.

In addition, FMPA's staff and personnel from FMPA member utilities came to KEYS' aid on challenges in transmission, generation, purchasing, warehousing and more.

"Before Hurricane Irma, when I thought of mutual aid, I thought of linemen. Now, I know it is so much more," Tejeda said.

"This storm proved that FMPA is more than a power supply agency. FMPA was ready to help and identified ways to help that we didn't even know we needed."



Keys Energy Services General Manager and CEO Lynne Tejeda talks with staff who stayed in Key West during Hurricane Irma to restore power.



Councilmember Laura Moss, City Manager Jim O'Connor and FMPA worked together to facilitate the Vero Beach transaction.

Working with Members To Meet Each Others' Needs

FMPA assisted the city of Vero Beach in finding a way to sell its electric utility

"For several years, the city of Vero Beach and its electric customers have wanted to exit the electric business," said City Manager Jim O'Connor. "This has not been without challenges. But with the help of FMPA, we finally have a path forward."

Vero Beach participates in three FMPA power supply projects for a total of 51 MW. For Vero Beach to sell its system, the city must find another municipal utility to assume the city's obligations.

"Since Vero Beach clearly wants to sell its utility, it is FMPA's desire—as a member-owned organization—to work with the city," said Jacob Williams, FMPA's general manager and CEO. "Our members chose to resolve this matter in a way that meets the needs of all parties."

The 13 cities in FMPA's All-Requirements Project (ARP) have excess generation, so they don't need additional power. But to be a good partner, they are willing to assume Vero Beach's obligations if they are compensated for the increased costs and risks.

FMPA staff calculated that a reasonable hold-harmless payment from Vero Beach should be \$108 million, a number that was verified by two independent analyses.

The transaction must be approved by 19 cities that are partners with Vero Beach in the three FMPA projects. In addition, several third parties—such as rating agencies, bond trustees, the engineer of record and others—must consent to the arrangements.

O'Connor said, "Vero Beach could not accomplish its goal without FMPA's help. I appreciate that FMPA understands the desires of its member cities must be a priority for the organization."

If all goes as planned, the transaction could close in October 2018.

19

Number of FMPA member
cities that must approve
Vero Beach's exit

October
2018

Potential closing date
if all necessary parties
approve the transaction

Financial Highlights

	Fiscal 2017	Fiscal 2016	Change
All-Requirements Project: Provides the wholesale power needs for 13 members			
Net Utility Plant	\$727,100,000	\$777,532,000	-6.49%
Total Assets & Deferred Outflows	\$1,397,705,000	\$1,471,708,000	-5.03%
Kilowatt-Hours Sold to Participants	5,553,937,000	5,691,752,000	-2.42%
Sales to Participants	\$428,034,000	\$409,104,000	4.63%
Cost per Kilowatt-Hour Billed in Cents	7.71	7.19	7.23%

St. Lucie Project: An 8.8% ownership interest in St. Lucie Unit 2, a 984 MW ¹ nuclear power plant			
Net Utility Plant	\$23,656,000	\$50,196,000	-52.87%
Total Assets & Deferred Outflows	\$418,281,000	\$431,817,000	-3.13%
Kilowatt-Hours at Plant	671,510,000	705,233,000	-4.78%
Sales to Participants	\$54,296,000	\$56,287,000	-3.54%
Cost per Kilowatt-Hour Billed in Cents	8.09	7.98	1.31%

Stanton Project: A 14.8% ownership interest in Stanton Unit 1, a 441 MW ¹ coal-fired power plant			
Net Utility Plant	\$30,977,000	\$30,536,000	1.44%
Total Assets & Deferred Outflows	\$62,445,000	\$63,579,000	-1.78%
Kilowatt-Hours at Plant	334,166,000	190,985,000	74.97%
Sales to Participants	\$28,909,000	\$27,103,000	6.66%
Cost per Kilowatt-Hour Billed in Cents	8.65	14.19	-39.04%

Tri-City Project: A 5.3% ownership interest in Stanton Unit 1, a 441 MW ¹ coal-fired power plant			
Net Utility Plant	\$12,019,000	\$11,947,000	0.60%
Total Assets & Deferred Outflows	\$20,864,000	\$21,520,000	-3.05%
Kilowatt-Hours at Plant	124,588,000	71,172,000	75.05%
Sales to Participants	\$10,919,000	\$10,548,000	3.52%
Cost per Kilowatt-Hour Billed in Cents	8.76	14.82	-40.89%

Stanton II Project: A 23.2% ownership interest in Stanton Unit 2, a 453 MW ¹ coal-fired power plant			
Net Utility Plant	\$96,589,000	\$100,258,000	-3.66%
Total Assets & Deferred Outflows	\$166,748,000	\$176,182,000	-5.35%
Kilowatt-Hours at Plant	625,514,000	635,926,000	-1.64%
Sales to Participants	\$48,001,000	\$51,463,000	-6.73%
Cost per Kilowatt-Hour Billed in Cents	7.67	8.09	-5.17%

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	6.5 MW				
5. Chattahoochee					
6. Clewiston	25.8	1.9			
7. Fort Meade	10.4 ⁴	0.3			
8. Fort Pierce	112.8	13.2	15.9 MW	5.3 MW	17.2 MW
9. Gainesville					
10. Green Cove Springs	27.2	1.5			
11. Havana	6.0				
12. Homestead		7.2	8.0	5.3	8.6
13. Jacksonville Beach	192.4	6.3			
14. Key West	144.6			12.8	10.3
15. Kissimmee	348.2	8.1	8.0		34.5
16. Lake Worth	0.0 ⁴	21.5	10.6		
17. Lakeland					
18. Leesburg	107.4	2.0			
19. Moore Haven		0.3			
20. Mount Dora					
21. New Smyrna Beach		8.6			
22. Newberry	8.8	0.2			
23. Ocala	292.5				
24. Orlando					
25. Quincy					
26. St. Cloud					15.3
27. Starke	15.7	1.9	1.6		1.3
28. Vero Beach	0.0 ⁴	13.2	21.3		17.2
29. Wauchula					
30. Williston					
31. Winter Park					
Total Megawatts	1,298.3 MW¹	86.6 MW²	65.4 MW³	23.4MW³	104.4 MW³

¹ Participants' non-coincident peak demand without regard to season in fiscal 2017, unless participant has established its Contract Rate of Delivery (CROD) as referenced in footnote four. 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. Does not reflect transmission loss impact on net capability.

³ Participants' capacity entitlements based on the unit's net summer capability rating as reported by the majority owner/operator, Orlando Utilities Commission in its annual Ten-Year Site Plan. Does not reflect transmission loss impact on net capability.

⁴ 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 & Executive Committee

As of Sept. 30, 2017

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Lynne Tejeda, Key West
Bill Conrad, Newberry
Howard McKinnon, Town of Havana
Larry Mattern, Kissimmee
Barbara Quiñones, Homestead



.....

James Braddock, Wauchula
Charles Revell, Mount Dora
Bradley Hiers, Bartow
Elmon Lee Garner, Chattahoochee



.....

Sandra Wilson, Ocala
Michael Beckham, Lakeland
Robert “Bob” Milner, Starke
Claston Sunanon, Orlando



.....

Robert C. Page, Green Cove Springs
Mike Poucher, Ocala
Laura Moss, Vero Beach
Allen Putnam, Jacksonville Beach
Bruce Hickie, Bushnell



Board of Directors & Executive Committee

.....

Fred Hilliard, Fort Meade
Jim Williams, Leesburg
John Tompeck, Fort Pierce



.....

Lynne Mila, Clewiston
David Beaulieu, Gainesville
Paul Jakubczak, Fort Pierce

Members Not Pictured

.....

Gary Hardacre, Alachua
Ed Bielarski, Gainesville
Al Minner, Leesburg
Harry Ogletree, Moore Haven
W. Ray Mitchum, New Smyrna Beach
Mike Wade, Quincy
Scott Lippmann, Williston

FMPA Management

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Jacob A. Williams
General Manager and CEO

Mark J. Larson
Chief Financial Officer

Jody L. Finklea
General Counsel and CLO

Mark T. McCain
Assistant General Manager
of Public Relations and Member Services

Frank Gaffney
Chief Operating Officer

Carol Chinn
Chief Information and
Compliance Officer

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 Engineers: Burns & McDonnell; GDS Associates, Inc.; nFront Consulting 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

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