



## **FINANCE COMMITTEE**

### **AGENDA PACKAGE**

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**OCTOBER 14, 2020**

**3:00 p.m.**

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

**Meeting Number 731 801 536**

**Password 8553**

#### **Committee Members**

Karen Nelson, Jacksonville Beach – Chairwoman  
Jody Young, Bushnell  
Barbara Mika, 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



Linda S. Howard, CPA, CTP  
Chief Financial Officer

## MEMORANDUM

TO: FMPA Finance Committee  
FROM: Linda S. Howard  
DATE: October 6, 2020  
SUBJECT: FMPA Finance Committee Meeting  
Wednesday, October 14, 2020 at 3:00pm  
PLACE: Florida Municipal Power Agency Board Room  
8553 Commodity Circle,  
Orlando, FL 32819

**DIAL-IN INFORMATION: 877-668-4493 or 650-479-3208, Meeting 731  
801 536# 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 14, 2020**

**AGENDA ITEM 2 – RECOGNITION OF  
GUESTS**

**Finance Committee Meeting  
October 14, 2020**

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

**Finance Committee Meeting  
October 14, 2020**

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

**Finance Committee Meeting  
October 14, 2020**

**AGENDA ITEM 5 – APPROVAL OF  
MINUTES**

- a. Approval of Minutes – Finance  
Committee Minutes – Meeting  
Held September 16, 2020**

**Finance Committee Meeting  
October 14, 2020**



CLERKS DULY NOTIFIED.....September 9, 2020  
AGENDA PACKAGE SENT TO MEMBERS.....September 9, 2020

**MINUTES  
FINANCE COMMITTEE MEETING  
WEDNESDAY, SEPTEMBER 16, 2020  
FLORIDA MUNICIPAL POWER AGENCY  
8553 COMMODITY CIRCLE  
ORLANDO, FL**

**PARTICIPANTS**

Jody Young, Bushnell  
Barbara Mika, Fort Pierce (telephone)  
Howard McKinnon, Havana  
Barbara Quinones, Homestead  
Jack Wetzler, Key West (telephone) \*\*  
Larry Mattern, Kissimmee  
Marie Brooks, Ocala (telephone)  
James Braddock, Wauchula (telephone)

(\*\* arrived after roll call)

**ABSENT  
PARTICIPANTS**

Karen Nelson, Jacksonville Beach  
Jim Williams, Leesburg  
Steve Langley, Mount Dora  
Dallas Lee, Newberry

**OTHERS  
PRESENT VIA  
TELEPHONE**

Craig Dunlap, Dunlap & Associates, Inc.  
Michael Mace, PFM Financial Advisors, LLC.

**STAFF PRESENT**

Jacob Williams, General Manager and CEO  
Ken Rutter, Chief Operating Officer and COO  
Jody Finklea, General Counsel and CLO  
Linda Howard, Chief Financial Officer  
Mark McCain, AGM of Public Relations and Member Services  
Sharon Adams, HR Director  
Rich Popp, Treasurer and Risk Director  
Dan O'Hagan, Asst General Counsel & Regulatory Compliance Counsel  
Jason Wolfe, Financial Planning Rates and Budget Director  
Danyel Sullivan – Marrero, Controller  
Denise Fuentes, Financial Analyst  
Ed Nunez, Assistant Treasurer – Debt  
Isabel Montoya, IT Specialist  
Liyuan Woerner, Audit Manager  
Paige Arnett, HR Assistant

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

Larry Mattern, Kissimmee, called the FMPA Finance Committee Meeting to order by

telephone at 2:00 pm on Wednesday, September 16, 2020. A speaker telephone was present for public attendance and participation in the Fredrick M. Bryant Board Room, at FMPA, 8553 Commodity Circle, Orlando, Florida. The roll was taken, and a quorum was declared, with 7 of 12 members present. Jack Wetzler, Key West, joined the meeting by telephone during item 5., bringing the quorum present to 8 of 12 members present.

## **ITEM 2 – RECOGNITION OF GUESTS**

None.

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

None.

## **ITEM 4 – SET AGENDA (BY VOTE)**

**MOTION:** Howard McKinnon, Havana, moved approval of the agenda as presented. Barbara Quinones, Homestead, seconded the motion. Motion carried 7-0.

## **ITEM 5 – APPROVAL OF THE MINUTES**

### **a. Approval of Minutes – Finance Committee Minutes – Meeting Held August 19, 2020**

**MOTION:** Barbara Quinones, Homestead, moved the approval of the minutes presented for the meeting held May 20, 2020. Howard McKinnon, Havana, seconded the motion. Motion carried 8-0.

## **ITEM 6 – CHAIRPERSON'S REMARKS**

Larry Mattern, Kissimmee, welcomed everyone to the meeting and thanked those who participated in the Finance Committee Meeting.

## **ITEM 7 – CFO REPORT**

Linda Howard thanked Larry Mattern, Kissimmee, for serving in Karen Nelson's absence as the chair of the Finance Committee.

## **ITEM 8 – ACTION ITEMS**

### **a. Recommend Approval of Resolution for Budget Amendment for Tri-City Project**

Jason Wolfe presented on the budget Amendment for the Tri-City Project. FMPA is requesting an additional \$200,000 in addition to the current projections. Fuel costs are projected to be slightly above budget.

**MOTION:** Barbara, Quinones, Homestead, moved the approval of recommendation of Resolution 2020-B4 to the Board of Directors for approval to increase the FY 2020 Tri-City Project budget spending authority by \$200,000. Jody Young, Bushnell, seconded the motion. Motion carried 8-0.

**b. Recommend Approval of the Elimination of the Statutory & Regulatory and Records Management Policies**

Linda Howard presented on the elimination of the Statutory & Regulatory and Records Management policies. Over time, the policies have morphed into procedures. Under the risk policy we will bring policies recommended for elimination to the Finance Committee, Board of Directors and Executive Committee.

Larry mattern, Kissimmee, mentioned he doesn't see a problem with reiterating the laws we have to follow for good housekeeping.

Howard McKinnon, Havana, thinks there is value in cutting some paperwork but feel it's important for training etc. Would like staff to bring suggested changes in as an info item for discussion and then move to a motion in the future.

**MOTION:** Howard McKinnon, Havana, moved to approve of the elimination of both the Statutory & Regulatory Policy and the Records Management Policy from the Agency's Risk Management Exhibits, to the Board of Directors and Executive Committee. Barbara Quinones, Homestead, seconded the motion. Motion carried 8-0.

**c. Review and Approval of the Accounting & Internal Controls Policy – Verbal update**

Rich Popp presented a verbal update on the accounting and internal controls policy.

**MOTION:** Howard McKinnon, Havana, moved the approval of the Accounting and Internal Controls Policy as presented in the package. James Braddock, Wauchula, seconded the motion. Motion carried 8-0.

**ITEM 9 – INFORMATION ITEMS**

**a. Review of Internal Audit Policy Compliance Reports**

Liyuan Woerner presented on the internal audit policy compliance reports: the investment policy and accounting policy. Audit Staff recommends the accounting policy be changed to match the monthly reporting that is actually happening.

**ITEM 10 – REPORTS**

- a. Accounting & Internal Controls Policy**
- b. FGU August Storage Report**

The reports were provided for information only. There were no questions.

**ITEM 11 – COMMENTS**

Barbara Quinones, Homestead, commented that we are blessed to have a fantastic staff at FMPA and the way that the presentations are clear and understandable and clearly

presented. Finance Team is doing a phenomenal job, as well. All the staff is truly appreciated.

**ITEM 12 – ADJOURNMENT**

There being no further business, the meeting was adjourned at 2:32 pm.

Approved: \_\_\_\_\_ Date \_\_\_\_\_ LM/pa

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

**Finance Committee Meeting  
October 14, 2020**

## **AGENDA ITEM 7 – CFO REPORT**

**Finance Committee Meeting  
October 14, 2020**



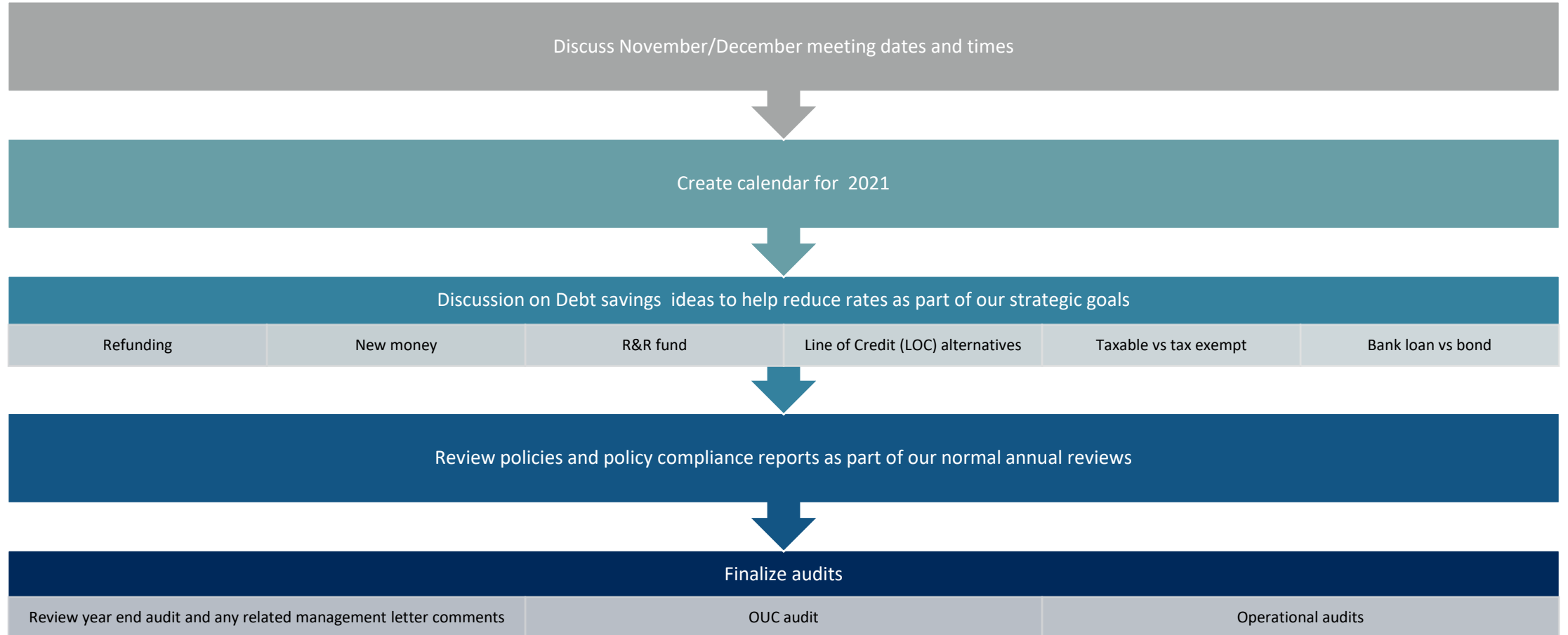
# CFO Report

Finance Committee

October 14, 2020

# Preview of Items

## *Between Now and Calendar Year End*





**AGENDA ITEM 8 – INFORMATION  
ITEMS**

- a. Review Procurement Policy  
Exception for New Budget System**

**Finance Committee Meeting  
October 14, 2020**



# **Review Procurement Policy Exception for New Budget System**

Finance  
Committee

October 14, 2020

# Requesting Exception to Procurement Policy

## *Acquisition of New Budget System Did Not Meet Policy*

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- With FMPA's change in accounting systems, we needed to acquire a new budget system
  - Existing system (Agency budget only) was a custom-build module of our old accounting system
  - Projects and ARP budgets were developed through spreadsheets
- Vendor for our new accounting system
  - Budget system would not be a sole source
  - 2 budget systems could meet our requirements (e.g., compatibility, not spreadsheet-based)
  - FMPA identified a third system that met compatibility requirement but would require continued use of spreadsheets

# Budget System Procurement Process

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- FMPA received written quotes for all three systems
  - Lowest cost system did not meet FMPA's needs
  - For the selected system, while annual costs were < \$50k, total value of 3-year proposal was \$121,450
  - Cost of second place system would have been comparable over the 3-year period, but staff believed would have been more difficult to maintain
- FMPA had no existing or prior business relationships with any of these companies
- Misunderstanding led staff to believe RFP not needed and that three written quotes would suffice
- Staff selected Centage Planning Maestro based on best combination of cost vs. benefit to the Agency
- 3-year contract executed in April 2020

# Discovery of Policy Violation and Follow-Up

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- At September 2020 procurement policy training, it became apparent that the budget system procurement did not follow policy
- Even though we received written quotes for the only systems that would meet our needs, based on the total contract value we should have either:
  - Gone through an RFP process, or
  - Sought approval of policy deviation at that time from the General Manager and reported it at next EC meeting
- Because policy was not followed, staff is reporting it at the earliest possible meeting
- Based on limited options, staff still believes that the selected system does represent the best combination of cost and benefit to the Agency

# Corrections/Adjustments Moving Forward

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- Staff will issue a budget system RFP in two years (prior to expiration of current agreement)
  - Existing vendor would not be precluded from bidding
- Developing a form/flow chart that can be utilized to ensure the Procurement Policy is followed when making a purchase

**AGENDA ITEM 8 – INFORMATION  
ITEMS**

**b. Discuss Preliminary Results of the  
OUC Participant Audit**

**Finance Committee Meeting  
October 14, 2020**



# **8b – 2018-2019 OUC Audit Report**

Finance Committee

October 14, 2020



# Open Items

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- Administration & General Items
- Wastewater System Review

# Administration & General Items

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- Legal expenses not related the Stanton plant
- Service provided for easement not related to the Stanton plant
- Hotel & Laundry charges for distribution and transmission support during hurricane Irma

# Wastewater System Review

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- Over \$20 million expenditures contribution by FMPA
- No contribution from the gas plant owners
- Recommend a new contract amendment



## Discussion



## **Stanton I & II, IRCTs A-D Participation Agreement Audit Report**

### **Audit Performed By:**

Louis DeSimone  
Trent Lewis, MBA  
Ellen Leatherman, MBA  
Veda Sharma, CGAP, MSA  
Liyuan Woerner, CPA, MBA

October 14, 2020

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## Executive Summary

We have audited the actual costs billed to FMPA and KUA under the Stanton Energy Center Unit No. 1 (“SEC1”- Stanton I Project, ARP SECI, Tri-City, KUA) Participation Agreements, the Stanton Energy Center Unit No. 2 (“SEC2” – Stanton II Project, ARP SEC II) Participation Agreements, the Indian River Combustion Turbines A & B (“CTs A&B”) Participation Agreements and the Indian River Combustion Turbines C & D (“CTs C&D”) Participation Agreements, for the two year period from October 1, 2017 through September 30, 2019. This is the fifteenth audit of SEC1, the eleventh audit of SEC2, the fourteenth audit of CTs A&B, and the fourteenth audit of CTs C&D.

Based on our audit procedures, no material issues were noted. However, due to the COVID-19, some of the support for A&G (administrative and general) expenses were not available, so we will keep this section open for further assessment until the evidence of the A&G charges are obtained. Refer to the “Open Items” section for more details.

## Scope and Objectives

The scope of this audit consisted of reviewing SEC1, SEC2 (collectively referred to as “SEC”), CTs A&B, and CTs C&D (collectively referred to as “CT”) Participant billings to FMPA and KUA from October 1, 2017 through September 30, 2019.

All components of the monthly invoices were reviewed and included the following: #6 oil expenses, coal burn, landfill gas, capital additions, operation & maintenance expenses (“O&M”), inventory use charges, common/external facilities use charges, replacement units use charges, shared facilities revenues and fixed assets, reserve power, property and liability insurance expenses, administrative & general expenses (“A&G”), SEC coal and freight payments, coal car repair and maintenance expenses, CT fuel expenses and the CT variable operation and maintenance expenses.

The objectives of this audit were to determine whether:

- (a) Costs billed were in compliance with the terms of the Participation Agreements.
- (b) OUC’s billing process produced/captured costs in compliance with the terms of the Participation Agreements.
- (c) Costs billed were supported by OUC’s accounting records and other appropriate documentation.
- (d) Allocations, which are necessary for billing certain costs, were reasonable and in compliance with the terms of the Participation Agreements, especially those necessary to assign costs among SEC1, SEC2, CTs A&B and CTs C&D.



## Background Information

SEC1 is a 425 MW coal-fired plant jointly owned by OUC, FMPA, and KUA. The plant is operated by OUC who owns 68.5542%. FMPA's Stanton, All-Requirements, and Tri-City Projects own a combined total of 26.6265%. KUA owns 4.8193%.

SEC1's commercial operation date was July 1, 1987, with a total useful life of 40 years.

SEC2 is a 429 MW coal-fired plant jointly owned by OUC and FMPA. The plant is operated by OUC who owns 71.5909%. FMPA's Stanton II and All-Requirements Projects own a combined total of 28.4091%.

SEC2's commercial operation date was June 1, 1996, with a total useful life of 40 years. SEC2 was uprated in 2013 resulting in a 480 gross MW capability.

CTs A&B are each 48 MW units and are jointly owned by OUC, FMPA's All-Requirements Project, and KUA. The CTs are operated by OUC who owns 48.8%. FMPA's All-Requirements Project owns 39% and KUA owns 12.2%.

CTs A&B's commercial operation dates were June 1, 1989, and July 1, 1989, respectively, with minimum useful lives of 25 years each.

CTs C&D are each 128 MW units and are jointly owned by OUC and FMPA's All-Requirements Project. The CTs are operated by OUC who owns 79%. FMPA's All-Requirements Project owns 21%.

CTs C&D's commercial operation dates were August 28, 1992, and October 1, 1992, respectively, with minimum useful lives of 25 years each.

Through individual Participation Agreements with OUC, FMPA and KUA pay their ownership share of costs to construct, operate, maintain, and improve the projects, and in return, are entitled to their ownership share of capacity and energy.

## Open Items

### 1. Administration & General Expenses

Based on the support provided during our audit, we identified possible non-billable expenses included in the Participants billing related to A&G expenses as follows:

- Legal expenses not related the Stanton plant (such as OBT parcel #10732809)
- Service provided for easement not related to the Stanton plant
- Hotel & Laundry charges for distribution and transmission support during hurricane Irma

Pursuant to Section 1.10 and 1.13 of the Participation Agreements, billable expenses shall include that portion of expenses incurred by OUC and determined to be allocable to the Project in satisfying OUC's responsibility to manage, control, operate and maintain the Project.

Pursuant to Section 8 – Accounting and Auditing, *“Nothing in this Agreement shall require OUC to change, or otherwise affect, the accounting practices and procedures used by it. All accounting practices, procedures and records necessary to obtain a proper allocation of costs to the Project and Common and External Facilities under this Agreement may be maintained independently of OUC’s accounting records and/or may include allocations not otherwise utilized by OUC. The manner in which accounts are kept pursuant to this Agreement is not intended to be a determination of the manner in which they are treated in the separate books of account of the Parties.”*

FMPA is not challenging OUC's accounting practices. However, FMPA is challenging billing of the costs to the Participants for the expenditures listed above. Review of the charges identified that the expenditures were not global in nature (applied to all functional operations) or were not allocable to the operations of the jointly owned generation facilities. Per review, the evidence obtained during the invoice testing support the removal of these costs.

Regarding legal fees incurred by OUC, our audit revealed inconsistent treatment of the fees. Sometime legal fees unrelated to generation, (for example, easement for OUC's water and electric distribution functions), are allocated to FMPA along with other relevant charges. In other cases, OUC directly charged fees to FMPA like the expenses related to the environmental lawsuit which was directly billed to Stanton I & II. Audit recommends that OUC utilize a consistent treatment of how legal fees are charged in accordance with the existing agreement.

### **OUC Response:**

Regarding the legal expenses, FMPA references Section 1.10 and 1.13 of the Participation Agreement in questioning the legal fees allocated to the participants. In accordance with Exhibit S (attached), as referenced in these sections, the general and administrative (legal) costs are to be allocated ratably from the shared service company based on employee headcount. Included in Exhibit S are cost associated with FERC 923 which includes attorney fees not applicable to a particular operating function.

## 2. Wastewater System Review Notes

The Audit Team conducted a two-year audit of Stanton Energy Center. During this process, we investigated the wastewater system capital expenses for the “common” areas of the coal site.

There were several high dollar expenditures (total over 20 million dollars) on assets where wastewater flow is potentially co-mingled between the gas and coal units (Recycle Basin Ponds, Wastewater Return Pond, and Brine Plant). The coal owners pay 100% of these expenses. However, it was requested through DR 111, 112, and 113 for an explanation of why the gas plant owners aren’t contributing to the cost since utilizing these assets and contributing to their useful life.

FMPA provided OUC with a Stanton Energy Center site water mass balance diagram to illustrate our observation. The diagram outlined the various assets and wastewater flows which potentially co-mingled between the gas and coal units. As well, it was brought to their attention the gas plants and their wastewater flows are potentially contributing to the ongoing “must-run” water burn operational situation for the coal units. OUC responded they will have their operations manager review these data requests. Additionally, these observations were brought to FMPA Leadership attention for further assessment.

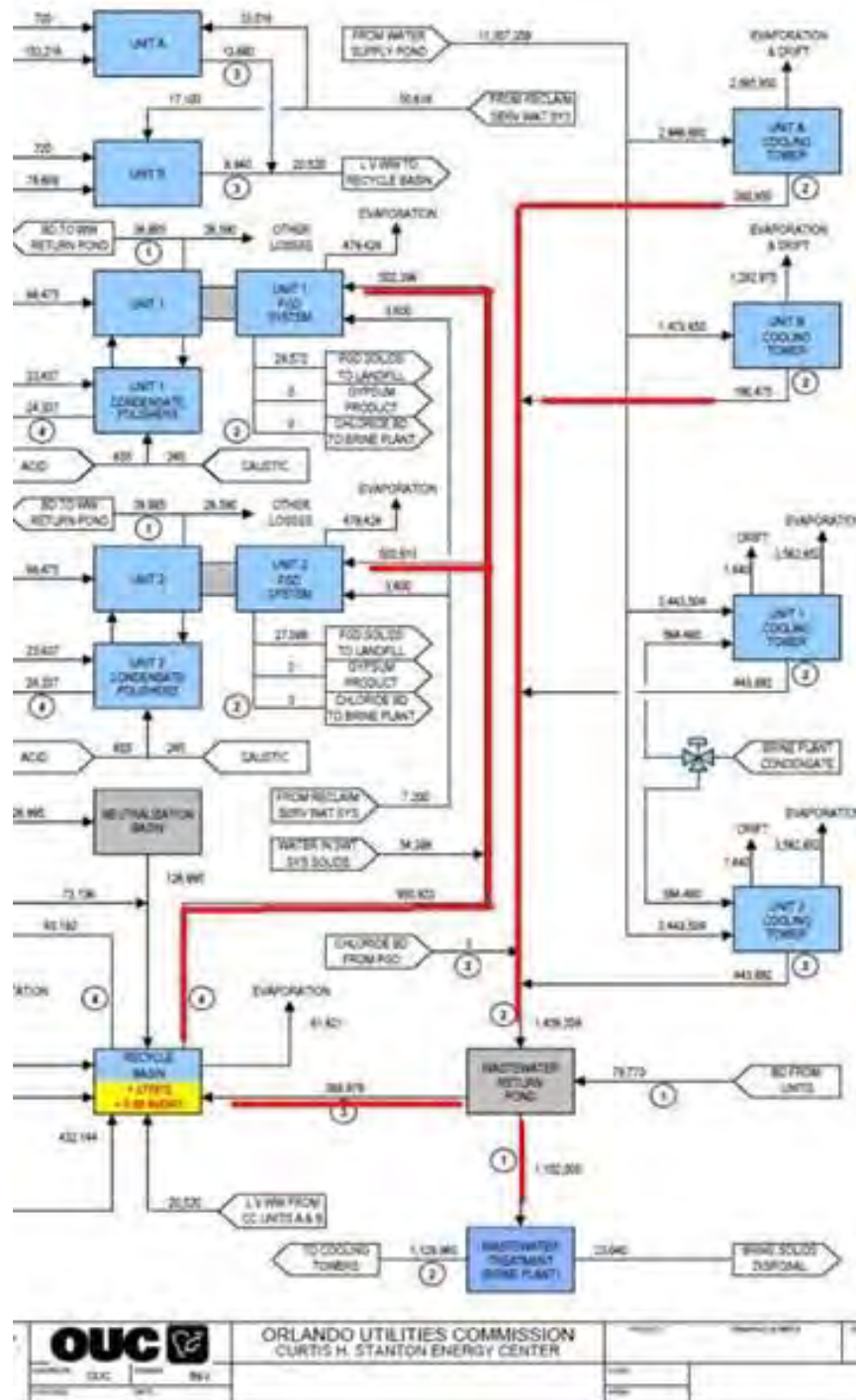
Audit recommends FMPA Leadership discuss this matter with OUC Leadership to determine if a new contract amendment should include the gas owners financially contributing to these specific “common” wastewater systems in which currently only the coal owners contribute.

Below are specific charges in which gas and coal owners potentially co-mingle wastewater flows:

Asset Number/ Name	Depreciation Start Date	Life Months	Opening Cost	Net Book Value
196615 - Recycle Coal Basin Exp Pond	11/1/2017	240	\$6,114,923.00	\$5,528,909.55
198635 - RECYCLE BASIN POND	3/1/2019	180	\$17,593,247.67	\$16,909,065.82
199495 - BRINE PLANT ACID TANK	9/1/2019	120	\$107,571.54	\$106,675.11
199497 - BRINE PLANT ELEVATOR	9/1/2019	120	\$569,012.57	\$564,270.80

### OUC Stanton Energy Center Water Mass Balance Diagram:

The below section of the water mass balance diagram shows in red the wastewater flows in which the gas plants potentially co-mingle with the coal plant “common” facilities (Wastewater Return Pond, Brine Plant, and Recycle Basin Ponds).



**OUC Response:**

Stanton I & II, IRCTs A-D Participation Agreements Audit  
July 8, 2020

Although the coal owners pay 100% of the costs of the common wastewater assets detailed in the report, the same coal owners are prov

ided with a reimbursement through the SEC A and SEC B support service agreements for their allocated usage. This allocation is based on average annual uses by each plant.

Please see excerpts from the support service agreement for SEC A attached under “Section 2 Obligations of Service Providers.” The reimbursement to the coal owners is processed through the annual true-up as documented in “Section 4 Fees for Service” and is explicitly documented in relation to the common wastewater assets.

**AGENDA ITEM 8 – INFORMATION  
ITEMS**

**c. Operational Audit Reports – AP  
Audit**

**Finance Committee Meeting  
October 14, 2020**



# Operational Audit Report

Finance Committee

Oct 14, 2020

# Operational Audits

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- A/P Audit



# A/P Audit

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- Objective and Scope
- Audit Methodology
- Finding and Recommendations



# Audit Objective

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- Objective: Ensure adequate Policies and procedures in place for proper internal controls

# Audit Methodology

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- Review policies and procedures
- Document understanding
- Obtain sample transactions
- Perform analytical audit procedures
- Testing selected samples

# Audit Finding & Recommendation

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- Based on our audit, no exceptions were identified.



**Questions?**



# **Operational Audit Accounts Payable Review FY 2020**

Audit Performed By:  
Trent Lewis, MBA  
Veda Sharma, MSA, CGAP  
Liyuan Woerner, MBA, CPA

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## **EXECUTIVE SUMMARY**

The purpose of the Accounts Payable (A/P) review was to determine whether there were adequate internal controls in place to ensure that the A/P process works effectively. We reviewed information for fiscal year 2020, for the period October 2019 through September 2020.

Based on our audit procedures, we noted a great improvement and increased efficiency in the AP process and controls. No Audit findings were noted.



## **BACKGROUND INFORMATION**

The FMPA Accounting Department has direct responsibility for the Accounts Payable (A/P) function. The A/P responsibilities are currently shared among the A/P Coordinator, Accountant II, Accountant III and the Controller. However, most of the A/P functions are performed by the A/P coordinator including entering and processing invoices, coding invoices, invoice retention, invoice routing for approval and released to the Treasury Department for payment. The Accountant II is responsible for creating vendors within Acumatica and performing monthly account reconciliations. The Controller has overall oversight and review responsibilities over the A/P function. The Accounting department utilizes the Acumatica accounting system (for invoice retention, approval and routing) for payment approval electronically. The Treasury department processes the approved invoices and releases the funds for payments.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the Accounts Payable (A/P) review was to determine the following:

1. Comprehensive written policies and procedures governing all department activities have been established;
2. Transactions are processed in a timely manner and in accordance with Agency's policies and procedures;
3. Appropriate documentation is in place to support transactions;
4. Adequate internal controls have been implemented to limit exposure to unauthorized or inappropriate transactions;
5. The audit initiative has been implemented to provide services in the most cost-effective and efficient manner;
6. The Department explores continual improvement opportunities and strives for quality services to internal/external clients.

The scope of this audit is limited to FMPA A/P transactions from October 1, 2019 to September 30, 2020.

## **AUDIT METHODOLOGY**

We utilized a risk-based approach from planning to testing in the A/P review. To obtain a thorough understanding of the A/P process, we compiled information through walkthroughs, research, interviews, observations, and analytical data reviews.

The following steps were taken to accomplish the audit objective:

- Obtained and reviewed applicable FMPA policies, procedures, and any other supporting documents related to the A/P process
- Interviewed personnel related to the A/P function to document our understanding of the A/P process, including any internal controls or weaknesses.
- Determined whether there was adequate segregation of duties in the process and adequate Management oversight for overall review controls.
- Obtained and reviewed a sample of A/P reconciliations to ensure that monthly account balances were reconciled and were properly reviewed by Management.
- Performed analytical reviews of the A/P transaction detail to determine whether there were any duplicate payments, credits or other unusual items.
- Performed testing on a sample of A/P transactions to determine whether payments were supported by adequate documentation, processed timely with the necessary approvals and within policy guidelines.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

Based on our audit procedures, no exceptions were identified.

**AGENDA ITEM 8 – INFORMATION  
ITEMS**

**d. Debt Savings Ideas**

**Finance Committee Meeting  
October 14, 2020**



# Debt Savings Ideas

Finance Committee

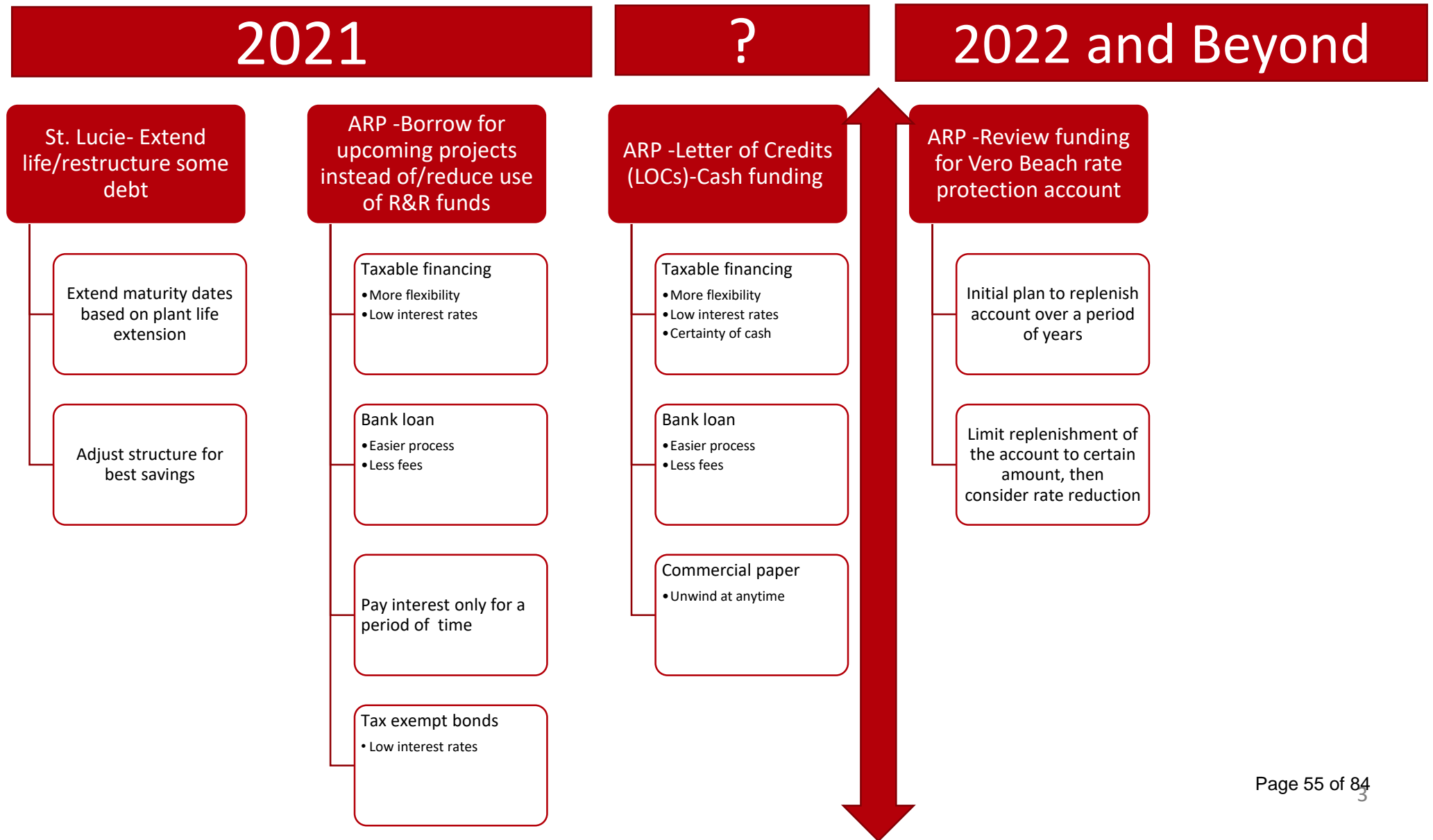
October 14, 2020

# Strategic Look

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- Goal is to reduce rates
- Debt is a large component of the rate
- Every \$6M reduction in costs results in ~\$1 reduction in rates

# Ideas for Rate Relief for St. Lucie and ARP



# St. Lucie Debt

## *Straight Forward*

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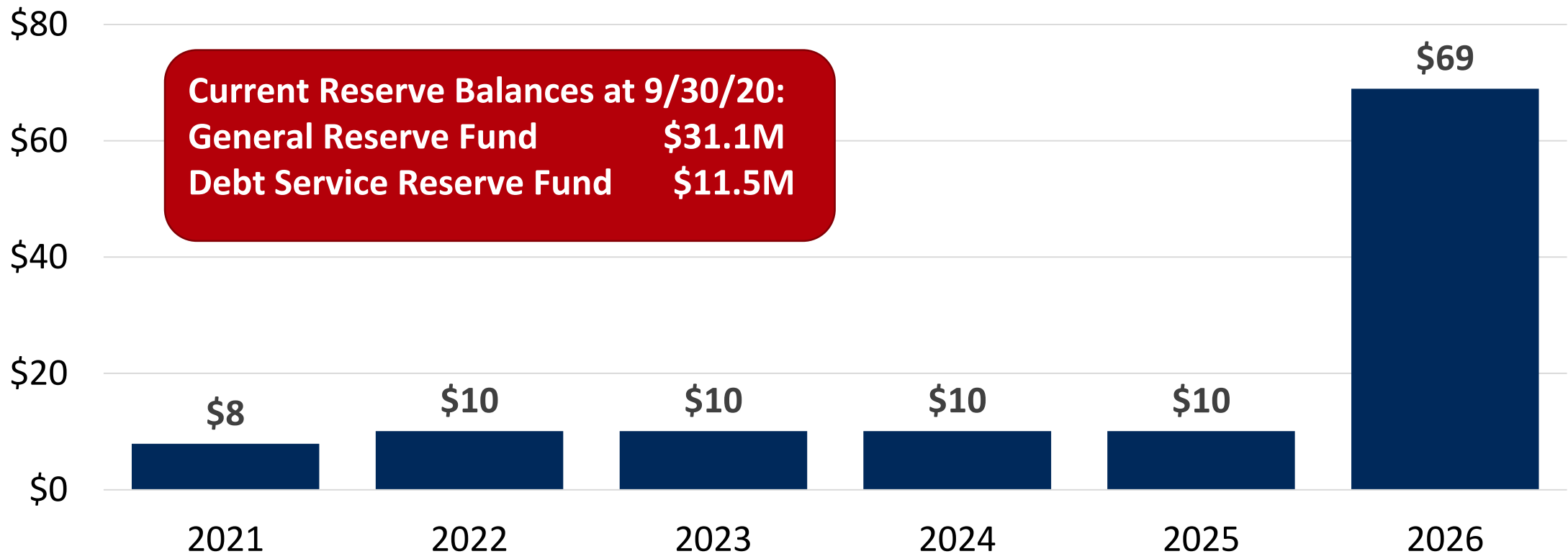
- Tax exempt refund
  - Fixed rate refunding
  - Extend life based on plant life extension
  - Low interest rate environment



# St. Lucie Project Annual Debt Service

*Project Reserves Currently Planned to Reduce 2026 Payment*

Existing St. Lucie Project Debt Service (\$Millions)

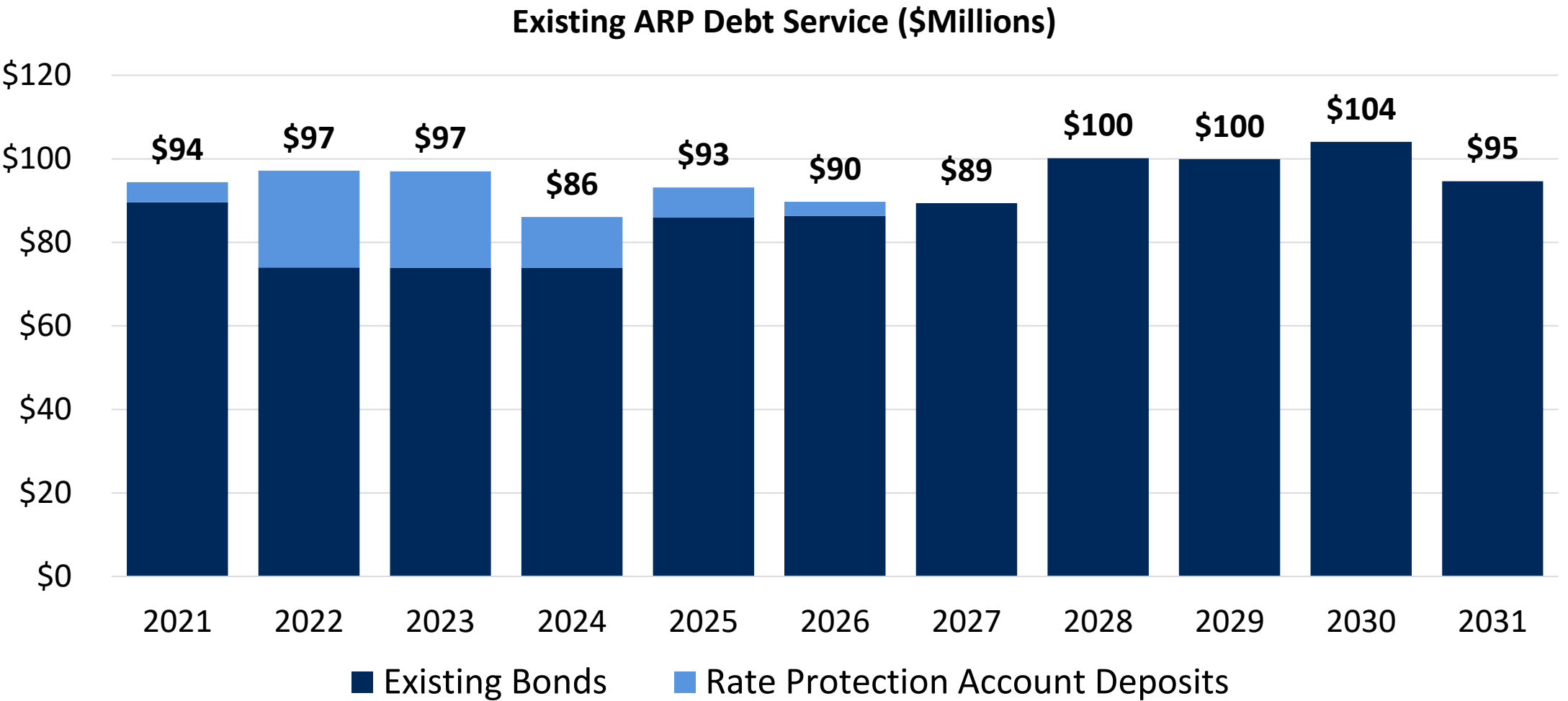


# ARP Financing Options for Consideration

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- Renewal and Replacement Funding
  - Fixed Rate Debt
    - Interest only for a period of time
  - Budgeted payment for FY 2021 to 2023
    - Estimated \$34 million
  - Tax-exempt
    - Lower interest rate
    - Ongoing reporting and filing obligations
  - Taxable
    - Slightly higher interest rate
    - No tax exempt bond restrictions (arbitrage, bond counsel approval, tax certificate, etc.)
    - Less ongoing reporting and filing obligations

# ARP Annual Debt Service



# LOC Financing Options for Consideration

## *Taxable Transaction*

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- Line of Credit Funding (\$100M)
  - Taxable only funding source
  - Interest only payments
  - Alternative to the LOC availability fee
  - Earn income from invested funds and match term of variable debt
  - Banks' stability
  - LIBOR concern

# LOC Financing Options for Consideration

## *Specific Options*

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- Commercial Paper Program
  - Rates can be reset daily, weekly, monthly or up to 270 days
  - Bank marketing fee
  - Can be closed at anytime
  - Set up costs
- Bank Loan
  - Variable rate
  - Low set cost
  - Term 3 to 5 years
- Bond Issuance
  - Variable rate
  - Set up costs
  - Term 3 to 5 years

# Vero Beach Rate Protection Account

## ARP Rate Protection Account Activity for August 2020

Description	Amount (\$M) [1]	Original Projection (\$M) [2]
Account Balance @ 07/31/20	\$9.8	\$14.7
Deposits:		
Interest and Dividends / Market Value	0.0	0.0
July 2020 Debt Savings [3]	0.4	0.4
Withdrawals:		
July 2020 Project Costs [3] (\$2.1)		
Less: Market Sales [3] [4] 0.6	(1.5)	(0.8)
Account Balance @ 08/30/20	\$8.7	\$14.3

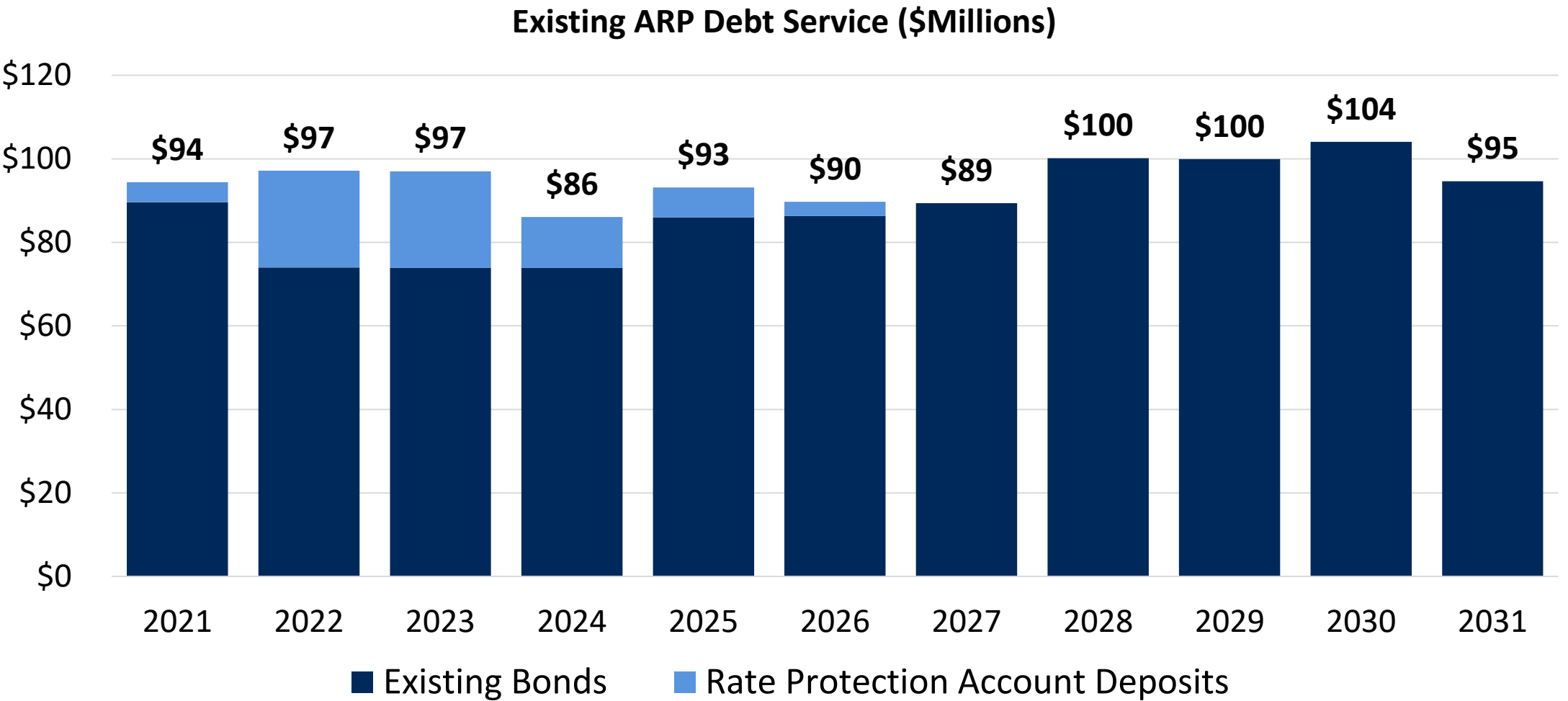
[1] Amounts may not total due to rounding.

[2] Projections developed in fall 2017 and assumed a 10/1/18 transaction close date.

[3] Actual account transfers lag by one month from month of expense.

[4] Market value reflects both capacity and energy revenues based on actual off-system sales.

# ARP Annual Debt Service



# Next Steps

## Complete discussion with finance committee

- Make changes/adjustments as directed
- Discuss with Board and Executive Committee (EC)

## ARP

- EC approval
- Issue RFP if/as necessary
- Select financial partner(s)
- Complete transactions

## St. Lucie

- Board approval
- Issue RFP
- Select financial partner(s)
- Complete transaction



**AGENDA ITEM 8 – INFORMATION  
ITEMS**

**e. Quorum Discussion**

**Finance Committee Meeting  
October 14, 2020**



# Quorum Discussion

Finance Committee

October 14, 2020

# Charter Review

## *Discussion Related to a Quorum*

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- The current charter defines a quorum as 51% (rounded to the next whole number) of the committee members are present
- There are 12 members of the committee, which means a quorum is 7 members
- Members can be present in person or by electronic means
- A quorum must be present in order to take action

# Quorum Close Calls

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- On at least 2 occasions, we have had a close call on securing a quorum
- Members are asked to let us know if they will be attending ahead of the meetings
- There is currently no alternative to having a quorum. If there is no quorum, no action can be taken

# Some Ideas

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Leave as is

Add an alternate for each member similar to the Board and Executive Committee

Other ideas for consideration

# **FLORIDA MUNICIPAL POWER AGENCY**

## **FINANCE COMMITTEE CHARTER**

(as adopted February 14, 2019)

*This Finance Committee Charter is intended to govern the function and operation of the Finance Committee (the "Committee") of Florida Municipal Power Agency ("FM PA ") in fulfillment of its purpose as established by the FMPA Board of Directors and the Executive Committee.*

### **I. MISSION.**

The mission of the Committee is to a) oversee the administration of the Florida Municipal Power Agency Risk Management Policy, including Appendices A-O, b) review significant procurements contemplated by the Agency, c) receive regular reports from FMPA staff and members regarding risks and exposures of FMPA activities, d) review major items impacting FMPA's budgets, and 5) review major items impacting FMPA's rates.

More specifically, the Committee shall assist the Board of Directors and Executive Committee in fulfilling its oversight responsibility relating to (i) the integrity of the Agency's financial statements and financial reporting process and the Agency's systems of internal accounting and financial controls; (ii) the performance of the internal audit function; (iii) the annual independent audit of the Agency's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (iv) the development, review and monitoring of the annual budget, (v) the review and evaluation of all financing transactions including bank loans, publicly offered debt, and pooled loans, (vi) the evaluation of management's process to assess and manage the Agency's enterprise risk issues; and (vii) the fulfillment of the other responsibilities set out in this Charter.

### **II. MEMBERSHIP.**

The membership of the Committee consists of a minimum of nine persons. The Executive Committee Chairperson shall appoint the chairperson of the Committee, who must be a member of the Executive Committee (or an Executive Committee alternate), and at least four other representatives of the All Requirements Project (ARP) participants. The FMPA Chairman shall appoint at least four Committee members. Additional members of the committee may be appointed by Executive Committee Chairperson or the Board Chairman, respectively.

The appointing officers (Board Chairman and Executive Committee Chairperson) will consider the financial experience of those who they appoint to the Committee and coordinate so that members of the Committee will have sufficient financial background which can include, but is not limited to demonstrated experience in the following areas: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing,

auditing, analyzing or evaluating financial statements, budgets, or financing transactions (or some combination thereof) that present a breadth and level of complexity of financial issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by FMPA, (iv) an understanding of internal controls and procedures for financial reporting; understanding of risk and insurance matters, understanding of legal concepts and processes, and (v) an understanding of similar committee functions.

### **III. MEETINGS.**

Each member of the Committee has one vote which he or she may cast (yea or nea) on any action coming before the Committee. A quorum of the Committee is present at a meeting of the Committee when at least 51% (rounded to next whole number) of the Committee members are present and able to participate in the meeting in person or by electronic means, including by telephone. A quorum of the Committee is necessary for the Committee to take action.

Notice of the time, date, and place of each meeting will be provided to each Committee member at least 5 days prior to any meeting. Meetings of the Committee shall be called by the chairperson, by any two members of the Committee, or as otherwise regularly scheduled by the Committee. Regular meetings will be held at least quarterly in conjunction with the Board and/or Executive Committee meetings. The conduct of the meetings will follow *Roberts Rules of Order Newly Revised*, with the chairperson running the meeting. In the absence of the chairperson, the chairperson may designate another Committee member to chair the meeting or, if there has been no such designation, the Executive Committee Chairperson shall chair the meeting.

The Financial Advisor(s) of FMPA shall be given adequate prior notice of each Committee meeting to permit him or her to attend and is encouraged to attend and to participate in all meetings of the Committee.

### **IV. COMMUNICATIONS.**

(1) The CFO (or staff person with chief financial management responsibility, if such title is changed), (2) the General Manager, (3) the Audit Manager, and (4) the Treasurer and Risk Director (or person with chief risk management responsibility, if such title is changes) shall serve as the staff representatives to the Committee, or each of them may name a designee to fulfill their respective roles (the "Committee Staff Representatives"). The CFO shall have responsibility for coordinating the communications of the Committee and coordinating Committee meetings, including providing meeting notices to the Committee. Reports or requests from the Committee to the Board of Directors or the Executive Committee will also be coordinated by the CFO or his or her delegate.

### **V. AUTHORITY.**

The Committee has no authority to bind FMPA or to make any decision on behalf of the FMPA Board of Directors or Executive Committee unless such authority is delegated to the Committee by resolution. The Committee serves in an advisory capacity to the Board of Directors and the Executive Committee. The Committee's role and authority, as otherwise determined by the Board

of Directors and the Executive Committee, shall be set forth in the Florida Municipal Power Agency Risk Management Policy, which may supplement and shall control over any conflicting terms of this Charter.

## **VI. RESPONSIBILITIES.**

The following shall be the principal responsibilities of the Finance Committee:

1. *Audits by Independent Auditors:* The Committee shall discuss with the independent auditors the overall scope, plans and budget for the annual audit, including the adequacy of staffing and other factors that may affect the effectiveness of the audit. As such, the Committee shall discuss with FMPA management and the independent auditors the Agency's significant risk exposures (whether financial, operating or otherwise), the adequacy and effectiveness of the accounting and financial controls, and the steps management has taken to monitor and control such exposures, new or proposed regulatory and accounting initiatives on the Agency's financial statements, any problems or difficulties the auditors may have encountered in connection with the annual audit or otherwise, any management letter comments provided to the Committee and the Agency's responses, any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, any disagreements with management regarding generally accepted accounting principles and other matters, material adjustments to the financial statements recommended by the independent auditors and adjustments that were proposed but "passed" regardless of materiality, and other public disclosures among other considerations that may be relevant to the audit.
2. *Participant and Operational Audits:* Review and approve all participant and operational audits performed by the internal audit staff, including detail reports submitted.
3. *Annual Budget prepared by Staff:* Oversee the development of the annual budget for all projects and all amendments to the approved budget, make recommendations to the Board or Executive Committee for approval, and review of budget variances at least quarterly.
4. *Major Financial Transactions:* Review Requests for Proposals for financing transactions, review the details of financing transactions, including public offering, bank loans, letter of credits, cash defeasance, etc. and ensure that financial targets as set forth in the debt and investment policies are met and make recommendations to the Board and Executive Committee; review and provide recommendations for the pooled loan program (or similar program to provide financial support to Members); other significant financial transactions as they arise.
5. *Access to Records and Others:* The Committee shall have the full resources and authority (i) to investigate any matter directly related to the mission of the Committee which is brought to the Committee's attention, with full access to all books, records, facilities and personnel of the Agency; and (ii) to request any officer or employee of the Agency, or the Company's independent auditors, to attend a meeting of the Committee or to meet with any members of the Committee.



6. *Asset Risk Management*: The Committee shall receive reports regularly, as deemed appropriate by the Committee, from risk management staff on the activities of the Asset Risk Management Group (Treasurer and Risk Director and assigned team members from operations and generation staff) and discuss matters related to asset risk management for the Agency as the Committee deems appropriate.
7. *Annual Review*: The Committee shall at least annually review and assess the adequacy of this Charter and request the Board of Directors or Executive Committee, as provided for in Section VII, to approve proposed amendments to this Charter as deemed appropriate by this Committee.
8. *Selection of Professionals*: The Committee shall review the selection process for financial professionals including external auditors, depository banks, trustee banks, underwriters, financial advisors, bond counsel, disclosure counsel, and others as deemed appropriate
9. *Compliance with Policies*: The Committee shall regularly hear reports from staff on the risk management activities of FMPPA and all reports necessary for ensuring compliance with the Agency's risk management policies, including the Florida Municipal Power Agency-Wide Risk Management Policy and its constituent policies. The Committee is charged with oversight over the Agency's compliance with its risk management policies and shall report violations or discrepancies with those policies to the Board of Directors and Executive Committee, as appropriate.

## **VII. APPROVAL.**

This Charter is effective as of the approval by both the Board of Directors and the Executive Committee. Except as provided in the next sentence, amendments to this Charter are effective as of approval by both the Board of Directors and the Executive Committee. Amendments that only relate to the All-Requirements Power Supply Project need only be approved by the Executive Committee, and amendments that only relate to the Agency generally or projects other than the All-Requirements Power Supply Project, or both, need only be approved by the Board of Directors.

**AGENDA ITEM 8 – INFORMATION  
ITEMS**

**f. Annual IT Update**

**Finance Committee Meeting  
October 14, 2020**



## 8f – Annual IT Update

FMIPA Finance Committee

October 14, 2020

# IT Yearly Update

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- Yearly review of incidents
- Cybersecurity insurance update
- Key findings from phishing program

## **AGENDA ITEM 9 - REPORTS**

### **a. FGU September Storage Report**

**Finance Committee Meeting  
October 14, 2020**

# FMPA Storage Management Report

Florida Gas Utility

September 2020



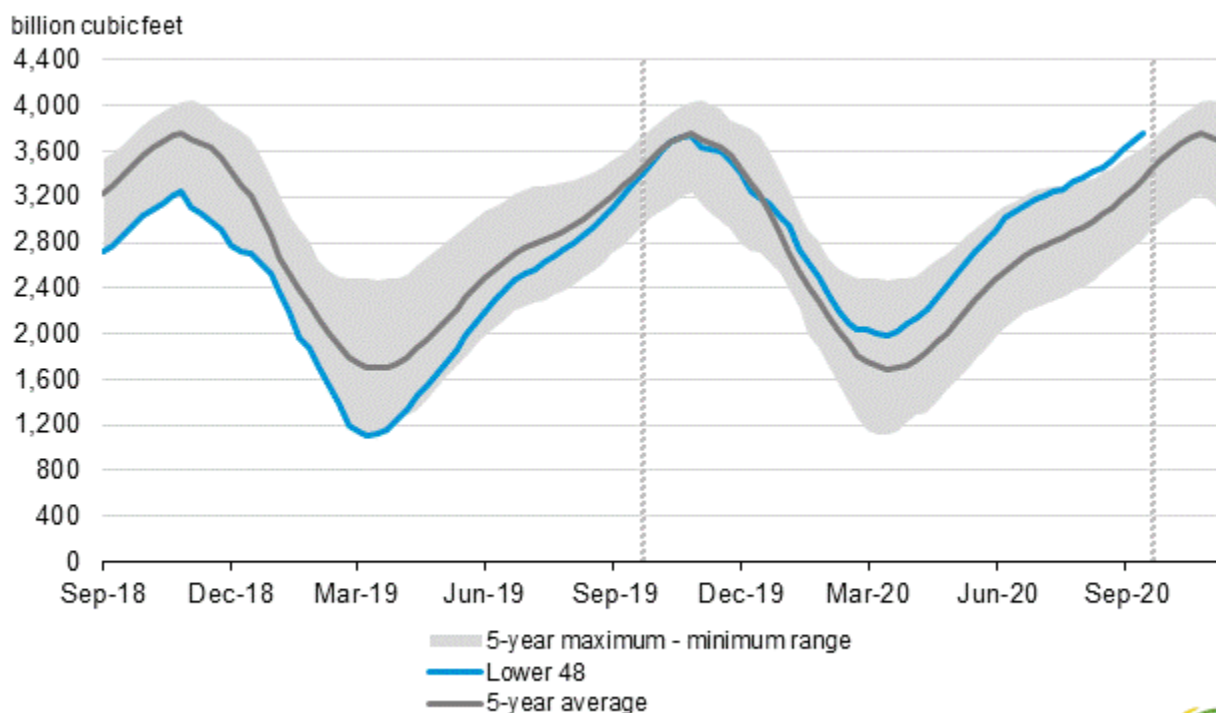
## Executive Summary – September 2020 Activity

During September 2020, FGU conducted no physical gas withdrawal/injection activity as FMPA's inventory position remains nearly full and the forward price curve provides a significant economic incentive to store gas until winter 2020/21. FMPA's optimized storage position, as of September 30, 2020, is long 485,919 Dths of storage inventory (97% full) and short a total of 485,000 Dths of financial hedges (short 235,000 Dths of November 2020 futures and short 250,000 Dths of February 2021 futures). FMPA's overall net optimized storage position increased in value by \$147,949 during the month of September 2020 as the market value of the inventory reflects the increasing value of each subsequent month of the NYMEX forward curve moving toward the winter premium.

The cash market for natural gas traded relatively flat to the prompt-month NYMEX contract at the outset of September. However, exceedingly high storage inventory levels combined with moderating weather and related gas demand led to a significant decline in both the absolute level of prices and in the spread between the cash market and NYMEX prompt-month. The prompt-month October 2020 NYMEX contract started the month at \$2.63/Dth, dropped as low as \$1.80/Dth during the week of 9/21/20, and then expired at \$2.101/Dth on 9/28/20. The FGT Zone 3 cash market discount to prompt NYMEX averaged \$0.09/Dth for the first 18 days of the month before expanding to average \$0.36/Dth during the remainder of the month.

Total storage inventory in the lower 48 states, as estimated by the EIA, stands at 3,756 Bcf as of 9/25/2020. This is 14% above the year-ago level and 12% above the historical five-year average level. As shown in the chart below, current inventory is also above the absolute level of the historical five-year range for late September.

### Working gas in underground storage compared with the 5-year maximum and minimum



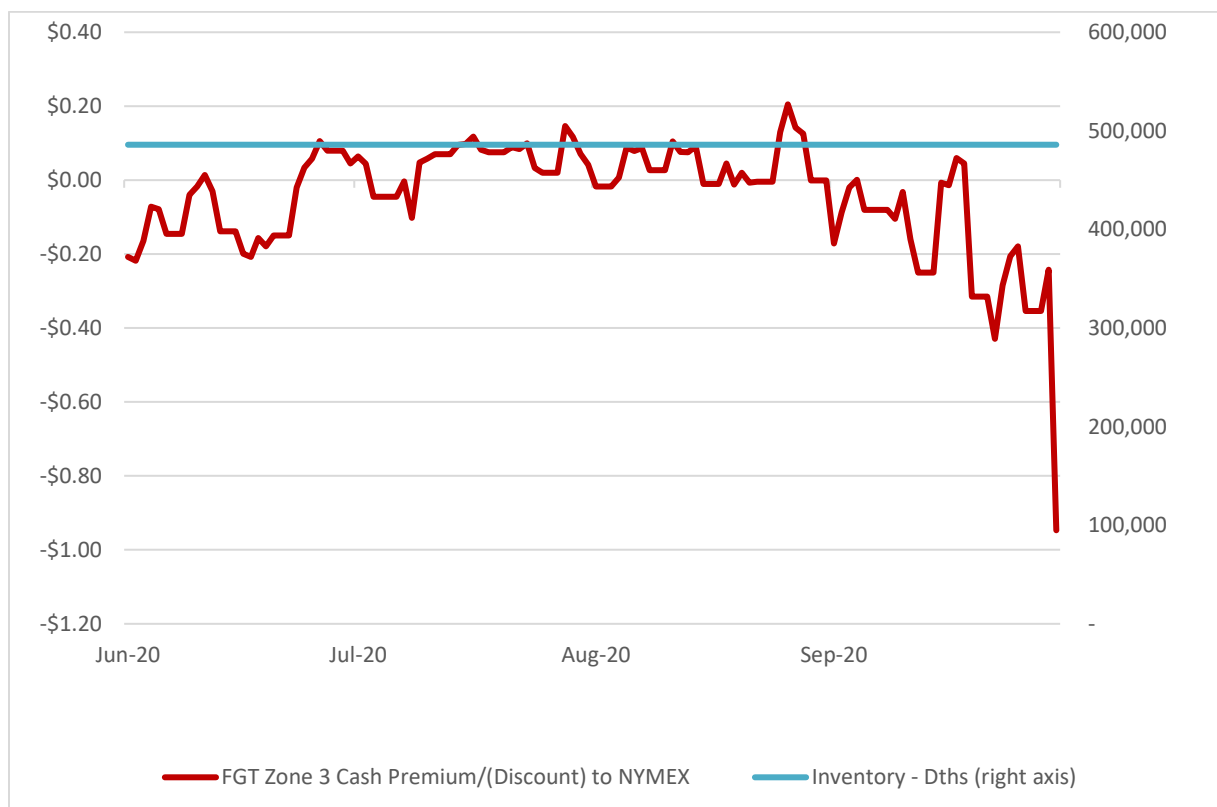
Source: U.S. Energy Information Administration



### **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 (9/30/2020)**

Total Inventory Volume	Total Inventory Cost	Inventory WACOG	Market Value	Marked to Market	Unrealized Gain/(Loss)
485,919	\$1,215,617	\$2.50	\$2.55	\$1,238,850	\$23,234

**Summary of Existing Financial and Forward Physical Risk Management Positions (9/30/2020)**

Delivery Month	Net Position (Dths)	Realized Gain/(Loss) to Date (\$)	Open Equity (\$)	Total Value (\$)
Nov-19	0	\$8,168	\$0	\$8,168
Dec-19	0	\$17,680	\$0	\$17,680
Jan-20	0	\$96,755	\$0	\$96,755
Feb-20	0	\$282,553	\$0	\$282,553
Mar-20	0	\$623	\$0	\$623
Apr-20	0	\$56,115	\$0	\$56,115
May-20	0	(\$31,785)	\$0	(\$31,785)
Jun-20	0	\$56,455	\$0	\$56,455
Jul-20	0	\$91,098	\$0	\$91,098
Aug-20	0	(\$73,548)	\$0	(\$73,548)
Sep-20	0	(\$153,440)	\$0	(\$153,440)
Oct-20	0	\$140,983	\$0	\$140,983
Nov-20	(235,000)	\$0	\$55,215	\$55,215
Dec-20	0	\$0	\$0	\$0
Jan-21	0	\$0	\$0	\$0
Feb-21	(250,000)	\$0	(\$172,420)	(\$172,420)
Mar-21	0	\$0	\$0	\$0
Apr-21	0	\$0	\$0	\$0

**Summary of Historical Value - Physical and Financial (December 2009 through September 2020)**

Optimization Activity	Net Position (Dths)	Total Realized Gain/(Loss)	Unrealized Gain/(Loss)	Total Storage Net Benefit
Current Physical/Financial Positions (9/30/2020)	919	\$3,206,112	(\$93,971)	\$3,112,141
Fees & Commissions		(\$57,463)		\$3,054,677
NJRES Capacity Release		\$477,598		\$3,532,275
Sale of Call Options (Jan 2015)		\$26,000		\$3,558,275

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

Month	Actual Injection Cost/ NYMEX Curve (9/30/2020)	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)
Feb-20	\$0.00	\$0	0	0	497,948	\$1,245,710	\$2.502
Mar-20	\$0.00	\$0	0	0	497,948	\$1,245,710	\$2.502
Apr-20	\$0.00	\$0	0	0	497,948	\$1,245,710	\$2.502
May-20	\$0.00	(\$30,093)	0	12,029	485,919	\$1,215,617	\$2.502
Jun-20	\$0.00	\$0	0	0	485,919	\$1,215,617	\$2.502
Jul-20	\$0.00	\$0	0	0	485,919	\$1,215,617	\$2.502
Aug-20	\$0.00	\$0	0	0	485,919	\$1,215,617	\$2.502
Sep-20	\$0.00	\$0	0	0	485,919	\$1,215,617	\$2.502
Oct-20	\$2.10	\$0	0	0	485,919	\$1,215,617	\$2.502
Nov-20	\$2.53	\$0	0	0	485,919	\$1,215,617	\$2.502
Dec-20	\$3.12	(\$50,034)	0	20,000	465,919	\$1,165,583	\$2.502
Jan-21	\$3.27	(\$562,879)	0	225,000	240,919	\$602,704	\$2.502
Feb-21	\$3.22	(\$562,879)	0	225,000	15,919	\$39,824	\$2.502
Mar-21*	\$3.10	(\$39,824)	0	15,919	0	\$0	\$0.000
Apr-21	\$2.79	\$0	0	0	0	\$0	\$0.000
May-21	\$2.75	\$0	0	0	0	\$0	\$0.000
Jun-21	\$2.77	\$0	0	0	0	\$0	\$0.000
Jul-21	\$2.81	\$0	0	0	0	\$0	\$0.000
Aug-21	\$2.82	\$0	0	0	0	\$0	\$0.000
Sep-21	\$2.80	\$0	0	0	0	\$0	\$0.000
Oct-21	\$2.83	\$0	0	0	0	\$0	\$0.000
Nov-21	\$2.89	\$0	0	0	0	\$0	\$0.000
Dec-21	\$3.03	\$0	0	0	0	\$0	\$0.000
Jan-22	\$3.13	\$0	0	0	0	\$0	\$0.000
Feb-22	\$3.08	\$0	0	0	0	\$0	\$0.000
Mar-22	\$2.90	\$0	0	0	0	\$0	\$0.000
Apr-22	\$2.46	\$0	0	0	0	\$0	\$0.000
May-22	\$2.40	\$0	0	0	0	\$0	\$0.000

\*FMPA's current storage agreement expires March 31, 2021. FGU assumes no extension of any storage agreement for purposes of projecting cash flows.

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 10 – COMMENTS**

**Finance Committee Meeting  
October 14, 2020**

**AGENDA ITEM 11 – ADJOURNMENT**

**Finance Committee Meeting  
October 14, 2020**