

**RISK MANAGEMENT POLICY**

**APPENDIX D**

**FLORIDA MUNICIPAL POWER AGENCY**

**INSURANCE PROGRAM RISK MANAGEMENT POLICY**

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## **INSURANCE PROGRAM RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY**

This Insurance Program Risk Management Policy (the “Policy”) and any effective subordinate procedures establish the governance, framework, and the controls under which Florida Municipal Power Agency (FMPA) may engage in insurance operations.

### **1.0 Policy Statement**

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms in place, such as those more fully described in this Policy, that will control, transfer or mitigate these risks so that, to the extent possible, there will not be an adverse effect on FMPA’s ability to protect its employees and material assets from damage or loss.

It is the Policy of the Board of Directors and Executive Committee that:

- ❖ Authority is delegated to the Treasurer and Risk Director to create procedures and administer this Policy.
- ❖ Potential exposures to loss shall be systematically and continuously identified.
- ❖ An analysis of the balance of probability of frequency and severity of loss shall guide the selection of an optimal level of insurance coverage.
- ❖ Risk exposures shall be reduced, eliminated, or transferred to other parties where appropriate.
- ❖ The Treasurer and Risk Director shall report deviations and other reports as required in this Policy to the Finance Committee (FC).

This Policy serves as a framework that enables the Treasurer and Risk Director to direct insurance activities by establishing minimum standards to systematically identify potential exposure to risk, measure the possible impact of those risks, and implement strategies to mitigate those risks.

## **2.0 Scope and Authority**

This Policy applies to all aspects of the Agency's business and its Projects.

**2.1 Delegation of Authority:** The Board of Directors and Executive Committee delegate authority to the Treasurer and Risk Director to administer this Policy and oversee the day-to-day operation of this Policy. The Treasurer and Risk Director may deviate from this Policy with approval of the CEO but must report all deviations to the FC within 5 business days.

**2.2 Reporting Claims:** All claims except workers' compensation shall be reported to and handled by the Treasurer and Risk Director. Claims related to workers' compensation shall be reported to and handled by the Human Resources Department.

## **3.0 Types of Risk**

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to safeguard the Agency's ability to limit exposure to financial loss events related to employees and material assets. The Treasurer and Risk Director shall cause procedures to be written that identify the risks noted below and provide ways to measure, control, and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of insurance related risk encountered by FMPA during the normal course of the business cycle, the following provides insight into FMPA's risk exposure.

**3.1 Operational Risk:** The risk that internal practices, policies, procedures or systems will not perform as intended. An example of operation risk involving insurance might occur if a hurricane damaged the FMPA offices, but there was insufficient insurance to cover losses. This lack of adequate insurance could cause financial loss to FMPA.

**3.2 Reputational Risk:** The risk that customers or the public will negatively perceive the Agency. An example of reputational risk might occur if an employee is hurt while on the job and the Agency did not have appropriate worker's compensation insurance, resulting in negative public reaction. This negative perception could cause financial or reputation loss to FMPA.

#### **4.0 Potential Exposures to Loss**

The Treasurer and Risk Director is responsible for overseeing Agency and FMPA Projects' liability and property insurance activities through the Insurance Program. This shall include a systematic and continuous identification of potential exposure to loss. Insurance needs other than liability and property are the responsibility of the Human Resources Manager.

**4.1 Annual Review:** The Treasurer and Risk Director shall cause areas of potential exposure to be reviewed not less than annually. This review shall include, at a minimum, FMPA operations, services and service delivery methods, real and personal property and other exposures. The review shall also include an analysis of losses and loss history trends. An annual review of health and wellness plans is required by the Human Resources Risk Policy, Appendix N of this FMPA Risk Management Policy

**4.2 Exposure Awareness:** The Treasurer and Risk Director shall cause activities to be conducted that will increase the level of awareness of division and

department heads as to risk impact of new programs, projects, procurements, and activities.

**4.3 Reduce or Eliminate Exposure:** The Treasurer and Risk Director shall cause systematic reviews of identified exposures to be completed and make recommendations to the appropriate manager or governing body as to the reduction or elimination of those exposures where feasible.

**4.4 Transfer Exposures:** All contracts entered into by FMPA that exceed \$10,000,000, or other contracts at the discretion of the CEO, shall be reviewed by the TRD to identify and reduce any contractual liability being assumed by FMPA. When determined appropriate by the Treasurer and Risk Director, FMPA shall transfer risk to persons operating FMPA facilities or performing any operations for or on behalf of FMPA whenever possible.

All contracts for services shall clarify the status of the contractor as an independent contractor, where appropriate. All contracts and agreements are to be “Reviewed as to Form” and approved by the General Counsel’s office.

**4.5 Analysis:** The Treasurer and Risk Director shall cause to be completed an analysis on remaining risk exposures for the probability of frequency and severity of loss, as well as the variety and types of claims and their probable financial impact. This analysis should contribute to the selection of an optimal level of insurance coverage. For risks that cannot be eliminated or transferred, FMPA shall either purchase insurance or self-insure and handle claims as an operating cost.

## **5.0 Internal Controls**

The Treasurer and Risk Director shall cause to be established a system of written internal controls to regulate insurance activities, consistent with this Policy, and in accordance with all policies and procedural guidelines established in the FMPA Risk

Management Policy. The Treasurer and Risk Director is responsible for the day-to-day transactions undertaken, pursuant to this Policy, and for regulating the activities related to risk management.

**5.1 Competitive Selection of Insurance Services:** The Treasurer and Risk Director shall cause to be conducted a market review of brokerage and other needed services no less than every seven (7) years. The Treasurer and Risk Director shall review and update the insurance specifications for required coverage, desired forms, deductible options and limits prior to submission to the insurance market. The selection process shall follow the guidelines of the Procurement Policy, Appendix O of this FMPA Risk Management Policy.

**5.2 Claims Procedures:** The Treasurer and Risk Director shall develop and implement procedures for the reporting and handling of accidents and losses related to property and liability claims. The Human Resources Manager shall notify FMPA's General Counsel, CEO, and Treasurer and Risk Director when a workers' compensation claim has been made.

**5.3 Continuing Education:** The Treasurer and Risk Director and other appropriate risk management staff are recommended to complete 8 hours of continuing professional education (CPE's), or as required by State Regulations, in subject courses of study related to risk management products and techniques.

## **6.0 Reporting**

The Treasurer and Risk Director shall make recommendations for levels of insurance and limiting exposures to the FC as necessary, but no less than once a year. The Treasurer and Risk Director shall also provide an report to the FC annually. This annual report shall include, but is not limited to, the following:

- Prior year actuals for premiums, claims, and losses.
- Cost of insurance coverage.

- Change of coverage limits, amounts, or other material aspects of the policy within the current policy period year.
- Recommend changes to coverage limits, amounts, or other material aspects of the policy within a future policy period.
- Any additional coverage purchases within the current or future policy periods.

The Treasurer and Risk Director shall cause any deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The FC shall cause to be completed an annual report on the operation and effectiveness of this Policy as described in the FMPA Risk Management Policy, Section 7.0. Treasurer and Risk Director shall report as needed on the current risk environment affecting the insurance program to the CEO as needed, and engage any necessary discussion before moving items to the FC or governing bodies.

## APPENDIX A

### Insurance Program Reporting Requirements

Reporting Item	Frequency of Report	Responsible Party	Policy Reference	Policy Reference
Deviations from Policy	As needed	Treasurer and Risk Director	Section 2.1	Scope and Authority
Review of Potential Exposure	Annually	Treasurer and Risk Director	Section 4.1	Potential Exposure to Loss
Market Review of Brokerage	Every 7 Years	Treasurer and Risk Director	Section 5.1	Competitive Selection of Insurance Services
Worker's Compensation claims	As needed	HR Director	Section 5.2	Claims Procedures
Annual Report	Annually by Jan 31	Treasurer and Risk Director	Section 6.0	Reporting
Deviations from Policy	As Needed	Treasurer and Risk Director	Section 6.0	Reporting
Policy Operation & Effectiveness	Annually	Finance Committee	Section 6.0	Reporting

**FLORIDA MUNICIPAL POWER AGENCY**  
**RISK MANAGEMENT POLICY - APPENDIX B**

**DEBT RISK MANAGEMENT POLICY**

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# **DEBT RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY**

This Debt Risk Management Policy (the “Policy”) and any effective subordinate procedures establish the governance, framework, and the controls under which Florida Municipal Power Agency (FMPA) may engage in activities to identify, measure, and minimize future business risk resulting from the issuance and management of all FMPA debt financing. This Policy is Appendix B of the FMPA Risk Management Policy.

## **1.0 Policy Statement**

The Executive Committee (“EC”) and Board of Directors (“BOD”) of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its governing bodies. FMPA staff is hereby authorized to put mechanisms into place, such as those more fully described in Section 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert adverse effects on FMPA’s ability to access capital markets at reasonable rates and with reasonable credit terms.

This Policy covers the planning and management of debt financing. The appropriate governing body may approve exceptions to this Policy for specific debt transactions.

The following summarizes the Policy of the EC and BOD:

- ❖ The debt management program shall conform to all applicable federal, state, and local legal requirements regarding the issuance and management of debt (Section 2.0).
- ❖ The EC and BOD must approve all forms of FMPA debt issuance (Section 2.0).
- ❖ Authority is delegated to the Chief Financial Officer (“CFO”) to create procedures to facilitate the management of debt and administer this Policy (Section 3.0).
- ❖ FMPA’s Debt Financing Team (the “DFT” as defined by this Policy) shall be active participants in all contemplated debt transactions (Section 4.1).
- ❖ FMPA’s Financial Advisor shall provide a written recommendation to the appropriate governing body prior to approval of any debt issuance (Section 2.0).

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(Continued)

- ❖ FMPA’s DFT shall fully explain the risks associated with any given structure and the financial instruments to be used to the CEO as required in Section 4.3
- ❖ FMPA shall manage its debt portfolios to contribute to the goal of maintaining credit ratings of no less than “A-” or “A3” as required in Section 4.0.
- ❖ Interest rate hedging strategies may only be employed as detailed in Section 5.0 of this Policy. No new interest rate hedging will be considered by the All Requirements Project (“ARP”) after May 2015 unless specifically approved by the EC.
- ❖ The Treasurer and Risk Director shall report on the debt portfolio as required in Section 7.1 of this Policy.
- ❖ The Agency Risk Director shall report deviations from this Policy to the Finance Committee (“FC”) as required in Section 7.3.

## **2.0 Scope and Authority**

FMPA has the authority to undertake and finance projects including, among other things, to plan, finance, acquire, construct, reconstruct, own, lease, operate, maintain, repair, improve, extend, or otherwise participate jointly in those projects and issue debt obligations for the purpose of financing or refinancing the costs of such projects. The debt management program shall further conform to all federal, state, and local legal requirements governing the issuance and management of debt.

The EC and BOD, respectively, is responsible for the approval of all forms of FMPA debt issuance and the details associated therewith. The CEO has ultimate responsibility for administration of FMPA’s financial policies. The CFO or designee coordinates the administration and issuance of debt and is responsible for the attestation of financial disclosures and other bond related documents. The CFO or designee, in consultation with the DFT, must also recommend to the CEO and appropriate governing body the following:

1. the selection of any external agents,
2. review proposed annual capital expenditures which require a debt issuance,
3. identify specific projects for such debt financing or refinancing,
4. a written recommendation provided by the Financial Advisor.

### **3.0 Types of Debt Issuance Risk**

This Policy is intended to provide guidance for the types of debt issued, given FMPA's risk tolerance and awareness of recent market fluctuations, capital market outlooks, future capital needs, tax implications, rating agency considerations, and industry competition. The CFO will cause Debt Management Procedures to be created that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. The FMPA Risk Management Policy identifies ten risks that compose FMPA's common risk framework. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the framework provides insight into the major areas of risk exposure for FMPA. The following selected risks in the framework are those risks presented by typical debt management and interest rate hedging activity.

#### **3.1 Market Risk**

The risk of potential change in the value of a portfolio caused by adverse changes in market factors. When considering debt management including interest rate hedging, the types of market risk that FMPA is most exposed are interest rate risk and basis risk. An example of interest rate risk occurs when a change in interest rates inversely affects a bond's value, such as when higher interest rates cause bond value to fall. This risk can be reduced by diversifying (issuing fixed rate debt with different durations) or hedging (such as interest rate swaps). An example of basis risk can occur in a floating-to-fixed rate swap when there is a difference between the interest rate paid on variable rate demand obligations and the rate received from the swap counterparty. This mismatch in rates could result in higher-than-expected interest rate costs.

#### **3.2 Credit Risk**

The potential of financial loss due to the failure of a counterparty to fulfill the terms of a contract. When considering debt management including interest rate hedging, the types of credit risk that FMPA is most exposed to are counterparty risk and concentration risk. An example of counterparty risk would be if FMPA depends on the performance of a counterparty to provide interest payments under a swap agreement. The failure of that counterparty to make interest payments as required under the swap agreement might expose FMPA to current market conditions, which may or may not

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(Continued)

be favorable at the time of non-performance. An example of counterparty concentration risk might occur if a counterparty with several swap agreements fails to make the required payments. This failure might cause FMPA to terminate several swap agreements and expose FMPA to market conditions on a greater scale.

### **3.3 Regulatory Risk**

The potential adverse impact of an action or direction from an administrative body such as, but not limited to, FERC, DOE, or the Treasury Department. An example of regulatory risk might occur if tax laws are changed, and the Agency becomes ineligible to issue tax-exempt debt. This change would expose the Agency to the market rate for taxable debt and increase the cost of debt issuance.

## **4.0 Debt Issuance**

Effective debt management includes an analysis of what level of debt is acceptable given a particular set of circumstances and assumptions. FMPA's debt portfolios shall contribute to the goal of maintaining at least "A-" or "A3" credit ratings, in coordination with strategic plans and member needs. Management of the Agency's credit ratings is addressed in the FMPA Risk Management Policy.

FMPA may consider issuing bonds, short term debt, and other debt instruments as allowed by law, each subject to the approval of the appropriate governing body. Debt may only be issued for capital projects with an asset life of five years or more. Short term capital needs should be provided for in the budget process.

### **4.1 Debt Financing Team**

A team of FMPA staff and advisors shall determine the details of all debt transactions to be proposed to and approved by any governing body. The DFT shall, at a minimum, consist of the personnel listed below. Others may be assigned as needed.

- CFO (Chairperson)
- Treasurer and Risk Director
- Chief Legal Officer
- FMPA's Financial Advisor(s)

**DEBT RISK MANAGEMENT POLICY**  
(Continued)

- Resource and Strategic Planning Manager (as necessary)
- FMPA's Swap Advisor (as necessary)
- Bond Counsel (as necessary)
- Bond Disclosure Counsel (as necessary)

The DFT shall ensure that any proposed debt issuance complies with the requirements of this Policy. The CFO, as Chairperson of the DFT, shall present all DFT recommendations to the CEO.

## **4.2 Selection of Bond Professionals**

The issuance of bonds or debt in any form is a significant event and should be managed in a way to protect FMPA from any number of risks. Engaging competent professionals is a key step in mitigating such risks. Underwriters, bond counsel, financial and swap advisors, trustees, and arbitrage/rebate consultants are key advisors in a successful issuance process. FMPA staff will pursue a competitive selection process to occur for all professionals associated with FMPA's debt using a Request for Proposal (RFP), a Request for Qualification (RFQ) or some other competitive selection process. The competitive selection process document should describe the scope of services desired, the length of the engagement, evaluation criteria, and the selection process. Best practices recommendations of relevant professional bodies should be considered in the development of the competitive selection document as well as in the selection process.

### **4.2.1 Qualifications**

The selected individual(s) or firm(s) shall have a well-established practice at a level of sophistication and standing in their respective field of practice commensurate with FMPA's needs, the Bond Resolution and any other relevant legal document(s) or requirements imposed by external entities such as the Securities and Exchange Commission (SEC), the Municipal Securities Rulemaking Board (MSRB) and the Commodity Futures Trading Commission (CFTC) as examples. Sufficient depth of staff should be present in order to ensure timely and consistent professional service when such services are required.

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(Continued)

**4.2.2 Selection**

Qualified individuals or firms will be invited to submit a proposal for professional services to be considered for selection. The proposal response must document the individual's or firm's qualifications, registrations, applicable experience, knowledge of FMPA and its issues or practices, any sanctions or warnings from any relevant professional bodies, insurances in force, and fee structures. The proposals will be evaluated by the DFT and rank in order of preference, providing the resulting ranking and associated rationale to staff for presentation to the FC. The FC shall either approve or reject the DFT top ranked proposal. If the top ranked proposal is rejected, the FC will consider the next highest ranked proposal for approval. If none are found acceptable by the FC, the DFT will evaluate the FC's feedback and begin the process over. Once the FC has approved a recommended proposal, the selected individual(s) or firm(s) will be presented to the EC/BOD, as appropriate, for final approval.

**4.2.3 Terms of Service**

The selected individual(s) or firm(s) shall provide services for no more than one five-year base term per each single contract period. The selected individual(s) or firm(s) may provide services beyond the base term for no more than two individual one-year extensions. At the end of any contract term (either base or extension), the incumbent individual(s) or firm(s) will not be excluded from submitting a new proposal for the subsequent competitive selection process. The selected individual(s) or firm(s) may perform the services requested on a negotiated fee basis.

**4.3 Types of Debt**

FMPA's capital structure may consist of fixed rate and variable rate debt in traditional as well as synthetic form, along with hedging instruments such as interest rate swaps, caps, collars, and other non-speculative derivative products. The DFT shall fully explain the risks associated with any given structure and the financial instruments used to those who must decide and approve any such structure. No debt will be issued without written evidence of absolute authority, including all required regulatory

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approvals, for FMPA to proceed with the capital expenditures relating to the proposed debt issuance.

The debt mix for each of FMPA's projects shall be measured at the time of each debt issuance and comply with the limits defined in Appendix B of this Policy. The governing body issuing debt may approve exceeding such limits when a particular type of debt issue would be prudent given market conditions.

#### **4.4 Structure**

The following structuring guidelines shall govern the issuance of new money financing:

- The maturity of debt shall be less than or equal to the useful economic life of the item financed, not to exceed the remaining length of relevant FMPA Project. The table below shows the assumed useful economic life for different types of financed generation assets to be used at the time of debt issuance:

<b>Financed Generation Assets</b>	<b>Useful Economic Life</b>
Combined-Cycle	30
Combustion Turbine	25
Coal Plant	30
Nuclear	30
Photovoltaic	25

Exceptions may be approved by the appropriate governing body. The Power Resources Division shall determine the useful economic life of financed generation assets not contained in the table above.

- The use of a cash funded debt service reserve shall always be evaluated against the use of a surety or other debt service reserve product.
- The DFT shall evaluate the costs and benefits of call provisions for each debt issue.

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(Continued)

- Non-rated securities may be issued if obtaining a credit rating on the issue does not perform any economic benefit or add any value to capital market participants, for example bank loans.

#### **4.5 Tax Status**

FMPA may issue either taxable or tax-exempt debt. The DFT shall consider the economic value of tax status and on the advice of legal counsel (bond and/or tax counsel as appropriate) recommend a taxable or tax-exempt debt issuance, unless a taxable debt issuance is required by law.

#### **4.6 Credit Enhancement**

The use of credit enhancement (including bond insurance, letter of credit, and other securitization products) shall be evaluated on a maturity-by-maturity basis. The DFT shall analyze the benefits and costs of issuing debt without credit enhancements, with consideration of the risks and restrictions of using credit enhancement. Credit enhancement shall only be used when the benefits exceed the costs. Post-issuance, the Treasurer and Risk Director shall monitor any credit enhancement associated with variable-rate debt for possible effects on credit or basis risk.

#### **4.7 Methods of Sale**

FMPA's policy is to sell public debt using the method of sale expected to achieve the best result, taking into consideration short-term and long-term implications. Decisions on selecting either a competitive or negotiated sale are the responsibility of the DFT. The DFT shall evaluate whether to seek funding by way of a private placement or bank loan where the size of the borrowing does not justify the incurrence of typical bond issuance expenses or market conditions favor such funding. The CFO and FMPA's Financial Advisor, if used, shall compare the overall costs of a private placement with those of a public offering and recommend the most cost-effective approach.

#### **4.8 Debt Service Coverage**

Debt service coverage shall conform to any respective bond resolutions and remain at or above those levels to ensure that FMPA's credit rating is not adversely impacted.

## **4.9 Refunding Bonds**

Refunding bonds may be issued to achieve debt service savings on outstanding bonds by redeeming high interest rate debt with lower interest rate debt. Refunding bonds may also be issued to restructure debt or modify covenants contained in the bond documents. Current tax law limits to one time the issuance of tax-exempt advance refunding bonds to refinance bonds issued after 1986. There is no current similar limitation for taxable bonds.

### **4.9.1 Structure**

The life of the refunding bonds shall not exceed the remaining life of the assets financed. Refunding bonds should generally be structured to achieve the desired objectives of the authorizing governing body.

### **4.9.2 Present Value**

Refunding bonds issued to achieve debt service savings should have a minimum savings level measured on a present value basis equal to 3% of the par amount of the bonds being refunded. The 3% minimum target savings level for refunding should be used as a general guide to guard against prematurely using the one advance refunding opportunity for post-1986 bond issues. However, because of the numerous considerations involved in the sale of refunding bonds, the 3% target shall not prohibit exercising refunding when the circumstances justify a deviation from the guideline.

## **4.10 Defeasance**

Defeasance is a provision that allows the exchange of one type of collateral, such as pledged revenues for another type of collateral (normally US Treasury securities), where the borrower sets aside cash or bonds sufficient to service the borrowers' debt. FMPA may use this tool when financially beneficial and as allowed by bond covenants. Allowable securities would be purchased by FMPA and held by an Escrow Agent, with the principal and interest earned on the securities sufficient to meet all payments of principal and interest on the outstanding bonds when they become due.

#### **4.11 Disclosure Policy and Procedures Relating Thereto**

FMPA is committed to ensuring that disclosures made in connection with its municipal finance offerings and required periodic filings related thereto are fair, accurate, and comply with applicable federal and state securities laws including common law antifraud provisions under state law and all other applicable laws. Further, it is the policy of FMPA to satisfy, in a timely manner, its contractual obligations undertaken pursuant to continuing disclosure agreements entered into in connection with municipal finance offerings. In furtherance of these objectives and policies, the CEO and FMPA's Chief Legal Officer shall cause municipal finance disclosure procedures to be drafted and presented to the EC and BOD for review and adoption in order to establish a framework for compliance by FMPA, with its disclosure and/or contractual obligations regarding the securities it issues or that are issued on its behalf, pursuant to the requirements of the disclosure undertakings made by FMPA in accordance with the provisions of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated by the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended, and other applicable rules, regulations, and orders ("Disclosure Procedures"), which shall be disseminated to FMPA staff. These Disclosure Procedures are intended to formally confirm and enhance FMPA's existing practices regarding compliance with federal securities laws relating to its disclosure responsibilities in order to:

- a. Educate:** To ensure that staff sufficiently understands FMPA's disclosure policy and FMPA's obligations under the federal securities laws and other applicable laws, and
- b. Reduce Borrowing Costs:** To reduce borrowing costs by promoting good investor relations, and
- c. Protect the Public:** To avoid damage to third parties from misstatements or omissions in, or failure to timely file, its disclosure documents, and
- d. Comply with Law and Contract:** To facilitate compliance with applicable law and existing contracts when preparing and distributing disclosure documents in connection with municipal finance offerings and continuing disclosure documents, and

- e. **Reduce Liability:** To reduce exposure (of FMPA and its officials and employees) to liability for damages and enforcement actions based on misstatements and omissions in, or failure to timely file, its disclosure documents.

## **5.0 Interest Rate Hedging**

As of May 2015, no new interest rate hedging may be employed for the ARP unless specifically approved beforehand by the EC. The remainder of this Section is only applicable to other FMPA Projects or ARP interest rate hedges put in place prior to May 2015. Upon any specific EC approval for the hedging of interest rates in the future, this Section would then apply.

FMPA and its Projects are exposed to volatility in interest rates both during the period between a known capital project and its associated debt issuance and with the issuance of any variable interest rate debt. Management defines interest rate hedging as balancing gains and losses to an asset by taking offsetting positions in a derivative product. FMPA's business purpose for the interest rate hedging program is to balance interest rate volatility risk with obtaining the lowest reasonable cost of capital. FMPA will not enter into interest rate hedging transactions that have no authorized business purpose, as determined by the DFT, and affirmed by the appropriate governing body.

The use of interest rate swaps and any other derivative instruments such as interest rate caps or collars shall only be upon the express approval of the appropriate governing body, and pursuant to the requirements of this Policy. The CFO, as Chairperson of the DFT, shall present all interest rate hedging recommendations to the CEO before such recommendations are made to any governing body.

The CFO, in consultation with the DFT, shall ensure active oversight of the interest rate hedging program according to these standards. See Section 7.0 for reporting requirements.

### **5.1 Hedging Objectives**

FMPA's objective for interest rate hedging is to manage interest rate risk for each Project's debt portfolio. The benefits and risks of a specific interest rate hedge should

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(Continued)

be compared to fixed rate bonds or future interest rate projections, with consideration that an expected lower interest cost should be obtained if the derivative product contains an element of basis risk or if the product is long-dated (greater than 10 years in duration).

## **5.2 Transaction Management**

The DFT shall review any interest rate hedging transaction before it is presented to the appropriate governing body for consideration. The DFT shall specifically review:

- Existence of associated debt
- Existence of all necessary project approvals, including all required regulatory approvals, prior to issuance or interest rate hedging authorization.
- Purpose of proposed interest rate hedge
- Type of interest rate hedge instrument and counterparty(s) to be used
- Duration of interest rate hedge
- Expected results and probabilities of achieving those results
- Risks of the interest rate hedge strategy or transaction

As Chairperson of the DFT, the CFO or designee shall notify rating agencies, applicable insurers, and other interested parties before entering into an interest rate swap agreement.

## **5.3 Counterparty Risk**

Interest rate swap counterparties must have long-term bond ratings of A1/A+ or higher when the interest rate swap transaction is entered into. Where possible, counterparties shall be required to collateralize their obligations if their ratings are downgraded below the counterparty's rating at the time the interest rate swap is entered into, dependent upon the specific terms of the approved ISDA agreement. Interest rate hedging counterparties must be specifically approved by the appropriate governing body.

The Treasurer and Risk Director shall notify the DFT of any collateral calls and/or collateral returns within 1 business day of such call/return.

**DEBT RISK MANAGEMENT POLICY**  
(Continued)

The CFO shall report any default of an interest rate swap transaction by or with a counterparty to the DFT, CEO and FC, EC, and BOD chairs within 1 business day of such default.

#### **5.4 Hedging Criteria**

Products shall be favored which have well-established and liquid markets to facilitate liquidity of the hedging contract. Interest rate hedging products can be transacted on a negotiated or competitive basis, as determined by the DFT. Interest rate swap agreement documentation shall include a standard ISDA Master Agreement, a Schedule to the Agreement, a Credit Support Agreement or Guarantee (if required) and trade confirmations as the primary documents for terms and conditions.

#### **5.5 Provider Diversification**

No more than 35% of any single debt provider of a Project's total debt shall be hedged with interest rate swaps, caps or other hedging instruments, in the aggregate to be measured at the time of purchase and annually thereafter. In the event that a single debt provider exceeds the 35% maximum, the CFO shall cause such condition to be reported to the FC and submit for approval a strategy for addressing that condition, including an appropriate timeline for implementation.

#### **5.6 Termination**

The appropriate governing body must approve the initiation of optional termination by FMPA. In general, FMPA shall not agree to terms that permit a counterparty to terminate a swap at its unconditioned option unless giving the counterparty such right is in the best interest of FMPA, taking into consideration the purposes for and circumstances under which the Agency is entering into the swap. Criteria for termination/default events are found in each respective ISDA Schedule and/or agreement.

#### **5.7 Collateral at Risk**

**DEBT RISK MANAGEMENT POLICY**  
(Continued)

The CFO shall cause any amounts posted for interest rate hedging collateral to be reported to the FC at each regular meeting along with a strategy for handling the collateral at risk level. Such strategy shall consider liquidity requirements, termination costs, rating downgrade posting thresholds, and the resulting impact on rates. Amounts posted for collateral shall also be included in the monthly swap report detailed in Section 7.1 below.

## **5.8 Dodd-Frank ISDA Compliance**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the implementing U.S. Commodity Futures Trading Commission (CFTC) regulations, including external business conduct standards applicable to FMPA, impose a number of new compliance obligations on FMPA regarding providing information about its swap agreements. This Section 5.8 of the Debt Risk Management Policy is specifically focused on the Dodd-Frank Act compliance responsibilities of FMPA staff.

### **5.8.1 Recorded Communication**

Each person at FMPA who has discussions with a swap counterparty regarding an existing swap transaction or a proposed swap transaction or the master agreement (including the related schedule and credit support annex, if applicable) that governs or will govern such swap transaction acknowledges and agrees that the discussions will be recorded by the swap counterparty and consents to the recording and agrees to sign an annual acknowledgement form stating that they acknowledge that they have read and understand the policies and procedures regarding discussions of swap documentation.

### **5.8.2 Dodd-Frank Supplement**

FMPA will take the necessary steps to comply with its representations, agreements, and notice requirements in the ISDA August 2012 DF Supplement, published on August 13, 2012 by the International Swaps and Derivatives Association, Inc., and in any other ISDA protocol documentation entered into by FMPA (directly or through incorporation by reference into existing ISDA master agreements) from time to time.

### **5.8.3 Qualified Independent Representative**

FMPA will enter into a contract with a firm or firms that will have the qualifications to act as a qualified independent representative to FMPA in accordance with the requirements of CFTC Regulation §23.450 and its related safe harbor provisions. Each such contract will require the firm(s) to make representations and provide agreements to satisfy the requirements and safe harbor provisions of CFTC Regulation §23.450 in a manner satisfactory to FMPA.

**5.8.3.1** FMPA shall utilize the services of such qualified independent representative when entering, modifying, or terminating (in whole or in part) any swap transaction.

**5.8.3.2** FMPA shall monitor the continued performance of each qualified independent representative by requesting certifications annually, as a minimum, from each qualified independent representative restating that the representations and agreements in the contract described above (in Section 5.8.3) are true and correct and that no breach of the contract has occurred. Such certification shall include reference that any notice of failure of a representation or agreement provided by the qualified independent representative was true and correct and promptly provided.

## **6.0 Internal Controls**

The CFO shall cause to be established a system of written internal controls to manage debt issuance and related activities, consistent with this Policy, established Debt Management Procedures and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. FMPA will continue to commit the resources necessary to debt management activities to be viewed by investors in the most favorable light, doing so with highest ethical principles, and consistent with all applicable rules and laws.

The Agency Risk Director shall be responsible to review all documented internal controls and procedures established to ensure they comply with the FMPA Risk Management Policy

**DEBT RISK MANAGEMENT POLICY**  
(Continued)

and adequately mitigate all applicable risks. If, after review, the Agency Risk Director identifies areas of concern, the documented internal controls weakness(s) will be communicated to the CFO and FC as appropriate.

The CFO or designee is responsible for issuance of debt. Accounting staff shall maintain accounting records for debt transactions but shall not have any responsibility for the process of financing assets.

### **6.1 Policy and Procedure Compliance**

The Agency Risk Director shall cause compliance with this Policy and associated Procedures to be monitored on an ongoing basis. This shall include a review of policy compliance following *each* debt issuance. Any unresolved compliance issues will be presented to the FC by the Agency Risk Director.

### **6.2 Post Issuance**

Following the issuance of bonds for any project, the Treasurer and Risk Director shall cause the following requirements to be met:

- Primary Disclosure: As required by the Florida Division of Bond Finance.
- Continuing Disclosure: MSRB/EMMA as required, in compliance with SEC rule 15c2-12 concerning primary and secondary market disclosure.
- Arbitrage Rebate Reports: To be completed annually by a qualified third party. Amounts calculated as liabilities will be reported in the annual audited financial statements. Rebate payments, if required, will be paid for each bond issue as required by regulatory requirements.
- Investor Relations: See the Accounting, Internal Controls & Audit Policy; Appendix J of the FMPA Risk Management Policy, for financial reporting requirements.
- Economic Life Evaluation: Treasurer and Risk Director shall provide outstanding debt information in a timely manner to the System Planning Manager for any required evaluations of outstanding term to remaining economic life per the Power Supply & Resource Planning Policy, Appendix H of the FMPA Risk Management Policy.

## **7.0 Reporting**

Required reports shall be obtained from information maintained in the Agency's treasury database software (such as Integrity) which is subject to mid-office oversight. Reports not obtained from such software shall be subject to additional oversight as deemed appropriate by the Agency Risk Director.

## **7.1 Debt Portfolio Reports**

The Treasurer and Risk Director is responsible for completion of the following reporting requirements:

- A. If Swaps are outstanding, monthly swap report to be posted on FMPA's member website and will include, at a minimum, the following:
  - 1) Description of each interest rate swap agreement, including the effective date, notional amount, pay and receive coupon rates, counterparty, and any other relevant information as appropriate.
  - 2) Market value as of report date from an independent third-party source (such as Bloomberg or FMPA's swap advisor). Value per counterparty may be used when independent market value is not widely obtainable.
  - 3) Collateral posting thresholds per counterparty.
  - 4) Collateral posted with/by counterparties.
  - 5) Interest earned on collateral postings.
  
- B. Annual debt report presented to the EC and BOD at their first regularly scheduled meeting following approval of audited financial statements. Such annual debt report shall include, at a minimum, the following:
  - 1) Percentage of portfolio that is fixed rate, variable rate, and synthetic fixed rate at fiscal year-end.
  - 2) Total cost of debt (effective interest rate) per Project for the previous fiscal year.
  - 3) Interest rate swap counterparty diversification report.
  - 4) Debt outstanding for each Project by respective participants.
  
- C. The Treasurer and Risk Director shall report on the current risk environment affecting FMPA's debt outstanding to the DFT, as needed. The DFT shall engage in any necessary discussion before recommending action to the appropriate governing body.

## **7.2 Post-closing Report**

**DEBT RISK MANAGEMENT POLICY**  
(Continued)

The CFO, as chairperson of the DFT, is responsible for completion of a post-closing debt report. Such report shall be made to the appropriate governing body at their next regular meeting following the closing of a debt financing transaction. The report shall include, at a minimum, the total cost of debt financing, type of debt issued and effect on the portfolio mix, any associated interest rate swaps, any credit enhancement, method of sale, and underwriter diversification for the Project.

**7.3 Oversight Structure**

The Agency Risk Director shall cause any deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be completed by the FC as described in Section 7.0 of the FMPA Risk Management Policy.

**DEBT RISK MANAGEMENT POLICY**  
**(Continued)**

## Appendix A

### Florida Municipal Power Agency Risk Management Reporting Calendar Debt Management Policy Reporting Requirements

Reporting Item	Frequency of Report	Responsible Party	Policy Section Reference	Policy Category Reference
Collateral Call or Return	As Needed	Treasurer and Risk Director	Section 5.2	Transaction Management
Swap Transaction Defaults	As Needed	CFO	Section 5.3	Counterparty Risk
Swap Diversity Exceptions	As Needed	CFO	Section 5.5	Provider Diversification
Collateral Posted	As Needed	CFO	Section 5.7	Collateral at Risk
Policy and Procedure Compliance	As Needed	Treasurer and Risk Director	Section 6.1	Policy and Procedure Compliance
Primary and Continuing Disclosure	As Needed	Treasurer and Risk Director	Section 6.2	Post Issuance
Interest Rate Swap Report	Monthly	Treasurer and Risk Director	<del>Section 7.1</del>	<del>Debt Portfolio Reports</del>
Recorded Communication Consent Form	Annually (As Needed)	Treasurer and Risk Director	Section 5.8.1	Recorded Communication
QIR qualification attestation	Annually	Treasurer and Risk Director	Section 5.8.3	Qualified Independent Representative
Annual Debt Report	Annually	Treasurer and Risk Director	Section 7.1	Debt Portfolio Reports
Post-Closing Report	Upon Debt Issuance	CFO	Section 7.2	Post-closing Report
Deviations from Policy	As Needed	Treasurer and Risk Director	Section 7.3	Oversight Structure
Policy Operating and Effectiveness	Annually	Finance Committee	Section 7.3	Oversight Structure

## Appendix B

The table below shows the approved debt portfolio mix as described in Section 4.3 of this Debt Risk Management Policy.

<b>LIMITS OF EXECUTIVE COMMITTEE DEBT PORTFOLIO MIX</b>			
	<b>Minimum Fixed Rate</b>	<b>Maximum Fixed Rate</b>	<b>Maximum % of Debt w/ Interest Rate Swaps</b>
All-Requirements Project	60%	100%	25%

<b>LIMITS OF BOARD OF DIRECTORS DEBT PORTFOLIO MIX</b>			
Stanton Project	60%	100%	25%
Stanton II Project	60%	100%	25%
St. Lucie Project	60%	100%	25%
Tri-City Project	60%	100%	25%

**FLORIDA MUNICIPAL POWER AGENCY**

**RISK MANAGEMENT POLICY  
APPENDIX O**

**INFORMATION TECHNOLOGY RISK MANAGEMENT POLICY**

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## **INFORMATION TECHNOLOGY RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY**

This Information Technology Risk Management Policy (the “Policy”) and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency (“FMPA”) may engage in activities to identify, measure and minimize future business risk resulting from the use of information technology (“IT”) assets and resources. This Policy is Appendix O of the FMPA Risk Management Policy.

### **1.0 Policy Statement**

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its governing bodies. FMPA staff is hereby authorized to put mechanisms into place, such as those more fully described in Section 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse effect on FMPA’s ability to utilize its IT assets and resources.

The following summarizes the Policy of the Board of Directors and Executive Committee:

- ❖ Information technology management shall conform to applicable regulatory and legal requirements.
- ❖ Authority is delegated to the Information Technology Manager (“ITSC”) to create procedures to facilitate the management of IT and administer this Policy.
- ❖ The ITSC shall recommend procedures and operational policies for specific IT activities as specified in Section 4.2.
- ❖ FMPA’s ITSC shall present all recommendations to the General Manager for approval as required in Section 4.2.
- ❖ The Information Technology Manager shall report on ITSC activities as required in Section 6.0 of this Policy.

- ❖ The Agency Risk Manager shall report deviations from this Policy to the Finance Committee (“FC”).

## **2.0 Scope**

This Policy applies to all IT assets utilized by FMPA whether at office or generation asset locations, except those Operational Technology assets subject to NERC CIP standards which shall be governed by policies or procedures established by the CIP Senior Manager. For this Policy “information technology assets and resources” are defined as the staff, software, hardware, phone systems and facilities that are used to electronically store, retrieve and/or manipulate business information at FMPA.

The Records Management Risk Management Policy (Appendix L of the FMPA Risk Management Policy) addresses management of the Agency’s business records, except where superseded by NERC/FERC regulations.

All users of FMPA’s IT assets and resources are responsible for the proper care and use of IT assets and resources under their direct control as defined in this Policy, the Employee Manual and all associated policies and procedures.

## **3.0 Types of Information Technology Risk**

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to ensure effective and efficient operation of information technology assets and resources. The IT Manager will cause procedures to be created that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA’s exposure to those risks. The FMPA Risk Management Policy identifies ten risks composing FMPA’s common risk framework. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the framework provides insight into the major areas of

risk exposure for FMPA. The following selected framework risks are those risks presented by typical information technology activities.

**3.1 Regulatory Risk:** The potential adverse impact of an action or direction from a regulatory body. An example of regulatory risk impacting IT assets might occur if regulatory standards are issued which require a higher level of IT security than currently in place. Non-compliance to such standards could expose FMPA to fines or other regulatory action.

**3.2 Administrative Risk:** The potential of financial loss due to deficiencies in internal control structure and management reporting due to human error, fraud or a system failure. An example of administrative risk for IT assets would be if unauthorized system changes were made to a financial information system. Such changes could allow fraud or financial misstatement to occur, resulting in financial loss to FMPA. Not being able to detect such unauthorized changes would make this risk more pronounced.

**3.3 Strategic Risk:** The risk that the policies and actions of a governing body or management do not promote the successful attainment of strategic goals and objectives. An example of strategic risk related to IT assets would be if decisions regarding implementation of new software were not tied to FMPA's strategic goals. This lack of coordination could result in separate business decisions which do not support the achievement of FMPA's goals, resulting in financial and/or reputation loss.

#### **4.0 Information Technology Management**

This Policy establishes broad measures to secure FMPA's IT assets and resources against theft, fraud, malicious or accidental damage, and/or breach of integrity.

**4.1 Information Technology Ownership:** A custodian is responsible for IT assets or resources under their control as described below.

The IT Manager is custodian of the infrastructure of all Agency-wide systems, including all hardware, software, and voice and data networks associated with such systems. This includes items such as, but not limited to, email and network servers, internet connections, firewalls and virus protection.

Managers are custodians of all applications and systems under each manager's direct control. The ITSC shall maintain a list of current application and system owners, in accordance with procedures established as prescribed in Section 4.2.

All Staff are custodians of computing systems or telecommunication devices issued for their exclusive use, regardless of length of time of use. This includes, but is not limited to, desktop and laptop computers, cell phones, and storage media. The Employee Manual further addresses staff responsibilities and disciplinary actions resulting from misconduct.

**4.1.1 Security Breaches:** All custodians are responsible for notifying the IT Manager of security breaches that require actions beyond the custodian's ability or authority. A security breach is defined for this Policy as data or actions which intentionally or unintentionally violate this Policy. The IT Manager shall log all such reported breaches and provide a monthly summary report (if breaches occur) to the Agency Risk Manager.

**4.1.2 Software Licenses:** All staff are responsible for complying with applicable copyright laws and with the terms and conditions of any contract or software licenses for purchased, leased, or acquired software. ITSC procedures regarding software approval and installation shall be followed by all staff prior to installing, distributing or copying software.

**4.2 Information Technology Steering Committee (ITSC):** The ITSC is an FMPA staff group that shall review and collaborate on strategic issues related to the IT assets and resources of the Agency. The ITSC shall review and make recommendations regarding software initiatives, IT policies and procedures, IT budget development, standards and overall IT performance, and coordination of priorities between IT and Agency departments.

The ITSC Charter maintained by the IT Manager further details the duties, voting structure and meeting organization of the group.

At a minimum, the ITSC should recommend policies and/or procedures supportive of this Policy to include:

- User access approval process
- Software patching
- System, application and network logging
- Application and network security standards
- Change management processes
- Database administration and management
- Software approval and installation

The IT Manager, as Chairperson of the ITSC, shall present all ITSC recommendations to the General Manager for approval prior to implementation.

The ITSC shall at a minimum consist of the following members:

- IT Manager (Chairperson)
- Chief Operating Officer
- Assistant General Manager, Member Services, Human Resources, and Public Relations
- Chief Information Security Officer
- Other members as deemed necessary by Chairperson or General Manager
- Risk Team representative as a non-voting member

**4.3 System Availability and Integrity:** The Continuity Planning Policy (Appendix M of the FMPA Risk Management Policy) contains the current minimum restoration times for key applications. The IT Manager shall comply with those Policy requirements along with applicable results from biennial disaster recovery tests in determining the maximum allowable downtime for Agency-wide systems.

At a minimum, FMPA shall utilize a co-location facility for off-site data storage and back-up that is sufficient to meet the timeframes established by the standards above. Preference shall be given to locations with SAS 70 audit compliance.

**4.4 Security and Privacy Standards:** Protective measures shall be taken by all custodians to ensure compliance to any applicable regulations and to maintain the integrity of FMPA's IT assets and resources. Satisfactory controls shall be directed at reducing probable high impact risk events, such as preventing access of unauthorized users.

The ITSC may recommend to the General Manager operating policies and procedures which expand on the following minimum privacy and security standards:

**4.4.1 Physical security:** Server rooms or other sensitive IT asset and resource locations shall maintain the following minimum safeguards against unauthorized access:

- Doors shall remain locked when not occupied by authorized personnel.
- Non-IT Department persons shall not be granted access without IT Dept staff present.

- Sites without IT Department staff on-site shall have a staff person designated as the IT asset custodian. Only authorized personnel may access and/or modify IT assets and resources. Access to IT assets and resources shall be monitored as determined by guidelines to be established by the ITSC.

**4.4.2 User Access:**

- Requirements for passwords shall be determined by the risk level of each system or application, as shown in the table below:

<b>Risk Level</b>	<b>Password Complexity</b>
High	64-bit information entropy
Low	32-bit information entropy

- Risk levels shall be assigned to each application or system as prescribed in applicable ITSC procedures.
- It is recommended that unique user names be utilized.
- Inactivity periods must be enforced on all FMPA computing assets. The system must automatically suspend the session after a maximum of 15 minutes of inactivity, and re-establishment of the session shall only be allowed upon resubmission of the password.
- The Human Resources Director is responsible for notifying IT of access changes required prior to cease of employment of any staff.
- Managers must follow the “Access Control Procedures” (as recommended by ITSC and approved by General Manager) to request staff access changes to systems or applications, including new hires.
- Manager owners shall perform annual user access reviews for systems under their control, as defined in “Access Control Procedures”. The IT Manager shall annually provide each owner with applicable user access reports to facilitate such a review.

**4.4.3 Virus Protection:**

- The IT Manager shall maintain anti-virus software on all vulnerable systems. The IT Manager shall maintain documentation for any systems that are not current with anti-virus software with rationale for such status.
- At a minimum such anti-virus software should attempt to check all software, data and attachments for viruses, provide software tools to detect and remove viruses, and isolate infected items quickly to allow for removal.
- The IT Manager shall cause to be conducted a market review of anti-virus software no less than every three years to verify that existing software meets then current industry standards. Results shall be reported to the ITSC for consideration in the budget development process.

#### **4.4.4 Firewalls:**

- The IT Manager shall coordinate and document an annual internal review of the firewall ruleset to ensure it is reasonably restrictive, limiting access to only necessary ports and protocols.
- The IT Manager is responsible for documenting the business need for each rule within the firewall configuration
- FMPA shall maintain a system which documents changes to firewall rulesets.

#### **4.4.5 Change Management:**

- FMPA shall maintain a representative test environment which allows appropriate testing for compatibility before additions to or updates of systems or applications.
- The Senior Leadership Team have discretion to approve modifications in applications/systems for which their respective division managers are custodians. The AGMs must comply with the ITSC Charter.

#### **4.4.6 System, Application and Network Logging:**

- The IT Manager shall ensure that logging is taking place for all critical Windows, border router, and application events by maintaining a centralized application and network log aggregation, monitoring, and alerting solution.
- Logs should be aggregated from key business applications, servers and network devices including firewalls and routers.
- The IT Manager shall maintain such logs in accordance with the Records Management Policy.

## 5.0 Internal Controls

The IT Manager shall cause to be established a system of written internal controls to manage IT assets and resources, consistent with this Policy and associated Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy.

**5.1 Policy and Procedure Compliance:** The Agency Risk Manager shall cause compliance with this Policy and associated procedures to be monitored on an annual basis. Any unresolved compliance issues will be presented to the FC by the Agency Risk Manager. Violations involving personnel issues shall be handled through FMPA's standard disciplinary process.

**5.2 Internal Controls:** Establishment of internal controls within the IT Department will be addressed by the policies identified in Section 4.4 and any associated procedures. The acceptable level of internal controls may change with the Agency's IT assets and resources. The IT Department will strive to maintain a segregation of duties between system administrators and programmers. To the extent such segregation of duties is not possible, compensating controls shall be established and documented by the IT Manager.

**5.3 Staff Training:** New employees shall be notified of this Policy during orientation. The IT Manager shall develop an ongoing user training program to address common security topics. These topics may include:

- Viruses, worms, Trojan horses
- Social engineering attacks
- Mobile device security
- Strong password construction
- Safe computing habits

Staff training may be conducted through formal training, written communications, or web-hosted training materials.

**5.4 Continuing Education:** The IT Manager and other appropriate IT Department staff are recommended to complete at least 8 hours of continuing education annually in subject courses of study related to IT assets, system management, and/or security as it pertains to job duties.

## **6.0 Reporting**

The IT Manager is responsible for completion of the following reporting requirements:

**6.1 Report to ITSC:** An annual report to the ITSC on the activities of the IT Department during the past year. The ITSC shall review the report and provide an analysis of any problems and solutions for inclusion in the annual FC report described below. The ITSC annual report shall at a minimum include the following:

1. Summary of system downtimes (planned and unplanned outages)
2. Support tickets resolved and outstanding
3. Rationale for non-current anti-virus software (4.4.3)
4. Summary of firewall ruleset changes (4.4.4)
5. Unresolved ITSC agenda items

**6.2 Report to FC:** An annual report will be presented to the FC on the activities of the ITSC during the previous year. Such report shall at a minimum include the following:

1. Security breaches
2. ITSC approved exceptions as allowed by Policy
3. List of General Manager approved IT policies and procedures
4. Significant changes to IT risks since last report

5. ITSC analysis of problems and solutions, as applicable

The Agency Risk Manager shall cause any deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be presented to the FC as described in Section 7.0 of the FMPA Risk Management Policy. The IT Manager shall report on the current risk environment affecting FMPA's information technology to the Risk Management Department as needed and engage any necessary discussion before recommending action to the appropriate governing body.

Appendix A

**Florida Municipal Power Agency  
Risk Management Reporting Calendar  
Information Technology Reporting Requirements**

<b>Reporting Item</b>	<b>Frequency of Report</b>	<b>Responsible Party</b>	<b>Policy Reference</b>	<b>Policy Reference</b>
Security Breaches to Risk Manager	Monthly	IT Manager	Section 4.1.1	Security Breaches
User access reports to Managers	Annually	IT Manager	Section 4.4.2	User Access
FC annual report	Annually	IT Manager	Section 6.0	Reporting
ITSC annual report	Annually	IT Manager	Section 6.0	Reporting
Policy Operation & Effectiveness	Annually	The FC	Section 6.0	Reporting