



ARP EXECUTIVE COMMITTEE AGENDA PACKAGE

May 20, 2021

**9:15 a.m. [NOTE TIME] (or immediately
following the Board of Directors Meeting)**

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

Meeting Number 180 601 1495#

Meeting Password: 8553

Committee Members

Howard McKinnon, Havana - Chairman

Lynne Tejeda, Key West – Vice Chairwoman

Jody Young, Bushnell

Lynne Mila, Clewiston

Jan Bagnall, Fort Meade

Paul Jakubczak, Fort Pierce

Robert Page, Green Cove Springs

Allen Putnam, Jacksonville Beach

Larry Mattern, Kissimmee

Brad Chase, Leesburg

Bill Conrad, Newberry

Eric Weaver, Ocala

John Holman, Starke

Meeting Location

Florida Municipal Power Agency

8553 Commodity Circle

Orlando, FL 32819

(407) 355-7767



MEMORANDUM

TO: FMPA Executive Committee
FROM: Jacob A. Williams, General Manager and CEO
DATE: May 11, 2021
RE: FMPA Executive Committee Meeting
Thursday, May 20, 2021 at 9:15 a.m. [NOTE TIME]
(or immediately following the Board of Directors meeting)
PLACE: Florida Municipal Power Agency
8553 Commodity Circle, Orlando, FL 32819
Fredrick M. Bryant Board Room

DIAL-IN: (877) 668-4493 or 650-479-3208, Meeting Number 180 601 1495#
PASSWORD 8553#

(If you have trouble connecting via phone or internet, call 407-355-7767)

Chairman Howard McKinnon, Presiding

AGENDA

- 1. Call to Order, Roll Call, Declaration of Quorum**
- 2. Set Agenda (by vote)**
- 3. Recognition of Guests**
- 4. Public Comments (Individual public comments limited to 3 minutes)**
- 5. Comments from the Chairman (Howard McKinnon)**
- 6. Report from the General Manager (Jacob Williams)**
- 7. Consent Agenda**
 - a. Approval of Meeting Minutes – Meetings Held April 15, 2021 and ARP Telephonic Rate Workshop Held April 13, 2021**
 - b. Approval of Treasury Reports – As of March 31, 2021**
 - c. Approval of the Agency and All-Requirements Project Financials as of March 31, 2021**

8. Action Items

- a. Approval of the ARP Conservation Program Funding for Fiscal 2022 (Susan Schumann)
- b. Approval of FGU Directive for Pre-paid Gas (Rich Popp)
- c. Approval of Fuel Portfolio Management Policy and Changes (Rich Popp)
- d. Approval of Power Supply and Resource Planning Policy and Changes (Rich Popp)

9. Information Items

- a. Solar Phase II Whistling Duck Network Upgrades * (Susan Schumann / Chris Gowder)
- b. CREAC Recommendation to Sunset the Committee but Keep the Conservation Program in Place (Susan Schumann)
- c. Update on Rate Protection Account (Jason Wolfe)
- d. Annual Environmental Program Update * (Justin Harris)
- e. Update on Florida Municipal Power Pool Strategy (Jacob Williams)
- f. Results of 2021 Series A and B Debt Offerings (Rich Popp)
- g. Potential for Fixed Price Physical Natural Gas Transactions for Summer 2022 (Ken Rutter)
- h. Stanton Energy Center Natural Gas Conversion Engineering Design * (Ken Rutter)
- i. ARP Solar II Participants Committee Charter * (Susan Schumann)
- j. Summary of Finance Committee Items * (Linda S. Howard)

10. Member Comments

11. Adjournment

***Item also on the Board of Directors Agenda.**

**** Item(s) Subject to Super Majority Vote**

NOTE: 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 (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**

**Executive Committee
May 20, 2021**

AGENDA ITEM 2 – SET AGENDA (By Vote)

**Executive Committee
May 20, 2021**

**AGENDA ITEM 3 – RECOGNITION OF
GUESTS**

**Executive Committee
May 20, 2021**

**AGENDA ITEM 4 –PUBLIC COMMENTS
(INDIVIDUAL COMMENTS TO BE LIMITED
TO 3 MINUTES)**

**Executive Committee
May 20, 2021**

VERBAL REPORT

**AGENDA ITEM 5 – COMMENTS FROM THE
CHAIRMAN**

**Executive Committee
May 20, 2021**

VERBAL REPORT

**AGENDA ITEM 6 – REPORT FROM THE
GENERAL MANAGER**

**Executive Committee
May 20, 2021**

AGENDA ITEM 7 – CONSENT AGENDA

- a) Approval of Meeting Minutes – Meetings
Held April 15, 2021 and ARP Telephonic
Rate Workshop Held April 13, 2021**

**Executive Committee
May 20, 2021**

CLERKS DULY NOTIFIEDAPRIL 6, 2021
AGENDA PACKAGES POSTEDAPRIL 6, 2021

**MINUTES
EXECUTIVE COMMITTEE MEETING
THURSDAY APRIL 15, 2021
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819**

PARTICIPANTS PRESENT: Jody Young, Bushnell (via telephone)
Paul Jakubczak, Fort Pierce
Bob Page, Green Cove Springs
Allen Putnam, Jacksonville Beach
Lynne Tejeda, Key West (via telephone)
Larry Mattern, Kissimmee
Brad Chase, Leesburg (via telephone)
Randy Hahn, Ocala
John Holman, Starke

OTHERS PRESENT John Tompeck, Fort Pierce
Barbara Quiñones, Homestead
Karen Nelson, Jacksonville Beach

STAFF PRESENT Jacob Williams, General Manager and CEO
Jody Finklea, Deputy General Counsel (via telephone)
Ken Rutter, Chief Operating Officer
Linda Howard, Chief Financial Officer
Mark McCain, Vice President of Member Services
and Public Relations
Sharon Adams, Vice President of Human Resources
and Shared Services
Cairo Vanegas, Manager of Member Services Development
Mike McCleary, Manager of Member Services Development
Dan O'Hagan, Assistant General Counsel and Regulatory
Compliance Counsel
Sue Utley, Executive Asst. /Asst. Secy. to the Board
Susan Schumann, Public Relations and External Affairs Manager
Ryan Dumas, Public Relations Specialist
Melisa Inanc, Public Relations Specialist
Isabel Montoya, IT Specialist

ITEM 1 - CALL TO ORDER, ROLL CALL, AND DECLARATION OF QUORUM

Acting Chair and Secretary of the Board Larry Mattern, Kissimmee, called the FMPA Executive Committee Meeting to order at 11:11 a.m., Thursday, April 15, 2021 in the Frederick M. Bryant Board Room at Florida Municipal Power Agency 8553 Commodity Circle, Orlando, Florida. The roll was taken, and a quorum was declared with 9 members present out of a possible 13.

ITEM 2 – SET AGENDA (BY VOTE)

MOTION: Paul Jakubczak, Fort Pierce, moved approval of the agenda as presented. Allen Putnam, Jacksonville Beach, seconded the motion. Motion carried 9 – 0.

ITEM 3 – RECOGNITION OF GUESTS

None

ITEM 4 – PUBLIC COMMENTS

None

ITEM 5 – COMMENTS FROM THE CHAIRMAN

Secretary Mattern said former Board Member George Forbes was at FMPA the previous day and it was good to see him. He credited George for his great participation during his tenure as an FMPA Board Member.

ITEM 6 – REPORT FROM GENERAL MANAGER

Jacob Williams had nothing further to report to the Executive Committee.

ITEM 7 –CONSENT AGENDA

**Item 7a – Approval of Meeting Minutes – Meeting Held March 18, 2021 and ARP
Telephonic Rate Workshop Held March 11, 2021**

Item 7b – Approval of the Treasury Reports – As of February 28, 2021

**Item 7c – Approval of the Preliminary Agency and All-Requirements Project
Financials as of February 28, 2021**

MOTION: Allen Putnam, Jacksonville Beach, moved approval of the Consent Agenda as presented. John Holman, Starke, seconded the motion. Motion carried 9 – 0.

ITEM 8 – ACTION ITEMS:

a. Approval of Use of Duke Transmission Refunds

Jason Wolfe reported on the use of the Duke transmission refunds.

MOTION: Allen Putnam, Jacksonville Beach, moved approval of the distribution of the Duke Energy Florida transmission refund as follows:

- The portion of the refund allocable to historical periods
 - Will be returned to participants based on the load ratio share of the total ARP transmission rate billings (non-KUA) over the historical period
 - Each Participant may elect how it wishes to receive its share of the refund
- The portion of the refund allocable to future periods will be credited against the transmission charges for the applicable periods and returned to participants based on the normal monthly rate-setting process. John Holman, Starke, seconded the motion. Motion carried 9 – 0.

ITEM 9 – INFORMATION ITEMS:

a. Solar Projects Update

Susan Schumann gave an update on the Solar Projects to the Board of Directors so this item was not discussed further at the Executive Committee.

b. Black Belt Energy Prepaid Gas Opportunity

Rich Popp presented a Black Belt Energy prepaid gas opportunity.

c. Estimated Impact of CLEAN Future Act Draft Legislation

Navid Nowakhtar and Jacob Williams presented information on the estimated impact of the CLEAN Future Act draft legislation at the Board of Directors meeting so this item was not discussed further at the Executive Committee meeting.

d. Update on Series 2021 A & B Bonds

Rich Popp gave an update on the Series 2021 A and B bonds that are pricing today.

e. Summary of Finance Committee Items

Rich Popp presented the items from the Finance Committee meeting that will come back to the Executive Committee for approval.

ITEM 10 – Member Comments

None

ITEM 11 – Adjournment

There being no further business, the meeting was adjourned at 11:41 a.m.

Howard McKinnon
Chairman, Executive Committee

Sue Utley
Assistant Secretary

Approved: _____

Seal

PUBLIC NOTICE SENT TO CLERKS.....APRIL 6, 2021
AGENDA PACKAGES SENT TO MEMBERSAPRIL 12, 2021

**MINUTES
EXECUTIVE COMMITTEE
ALL-REQUIREMENTS POWER SUPPLY PROJECT
TELEPHONIC RATE WORKSHOP
TUESDAY, APRIL 13, 2021
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FLORIDA 32819**

COMMITTEE MEMBERS PRESENT VIA TELEPHONE

Christina Simmons, Bushnell*
Danny Williams, Clewiston
Paul Jakubczak, Fort Pierce
Bob Page, Green Cove Springs
Allen Putnam, Jacksonville Beach
Lynne Tejada, Key West
Larry Mattern, Kissimmee*
Marie Carter, Leesburg*
Bill Conrad, Newberry
Marie Brooks, Ocala

*arrived after roll call.

COMMITTEE MEMBERS ABSENT

Jan Bagnell, Fort Meade
Howard McKinnon, Havana
Bob Milner, Starke

STAFF PRESENT

Jacob Williams, General Manager and CEO
Jody Finklea, General Counsel/Chief Legal Officer
Jason Wolfe, Financial Planning, Rates and Budget Director
Denise Fuentes, Financial Planning, Budget and Financial Analyst II
Sue Utley, Executive Assistant to General Manager and CEO / Asst.
Secy. to the Board
Bianca Scott, Human Resources, Administrative Specialist

Item 1 – Call to Order

Lynne Tejada, Key West, called the Executive Committee All-Requirements Telephonic Rate Workshop to order at 2:01 p.m. on Tuesday, April 13, 2021, via telephone. A speaker telephone for public attendance and participation was located in the Accounting Conference Room at Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida.

Item 2 – Information Items

Denise Fuentes gave a verbal update on the natural gas markets; provided an overview of the March loads and reviewed the March ARP rate calculation.

Item 3 – Member Comments

There being no further business, the meeting was adjourned at 2:07 p.m.

Approved

AP/bs

AGENDA ITEM 7 – CONSENT AGENDA

- b) Approval of Treasury Reports as of March 31, 2021**

**Executive Committee
May 20, 2021**



AGENDA PACKAGE MEMORANDUM

TO: FMPA Executive Committee
FROM: Gloria Reyes
DATE: May 11, 2021
ITEM: EC 7(b) – Approval of the All-Requirements Project Treasury Reports as of March 31, 2021

- Introduction
- This report is a quick summary update on the Treasury Department's functions.
 - The Treasury Department reports for March are posted in the member portal section of FMPA's website.
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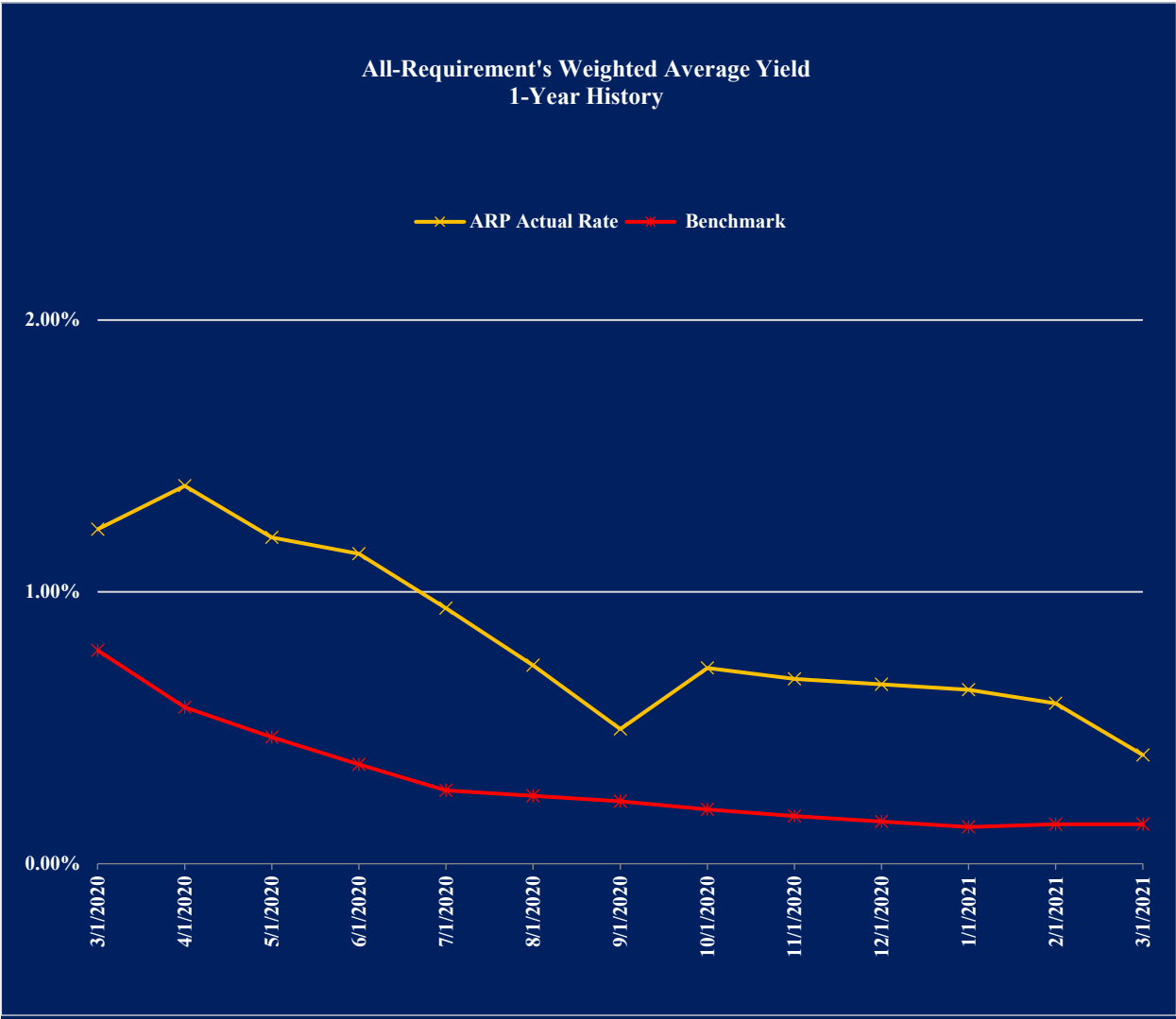
Debt Discussion

The All-Requirements Project has fixed rate debt. The fixed rate percentage of total debt is 100%. The estimated debt interest funding for fiscal year 2021 as of March 31, 2021 is \$35,118,999.01. The total amount of debt outstanding is \$736,650,000.

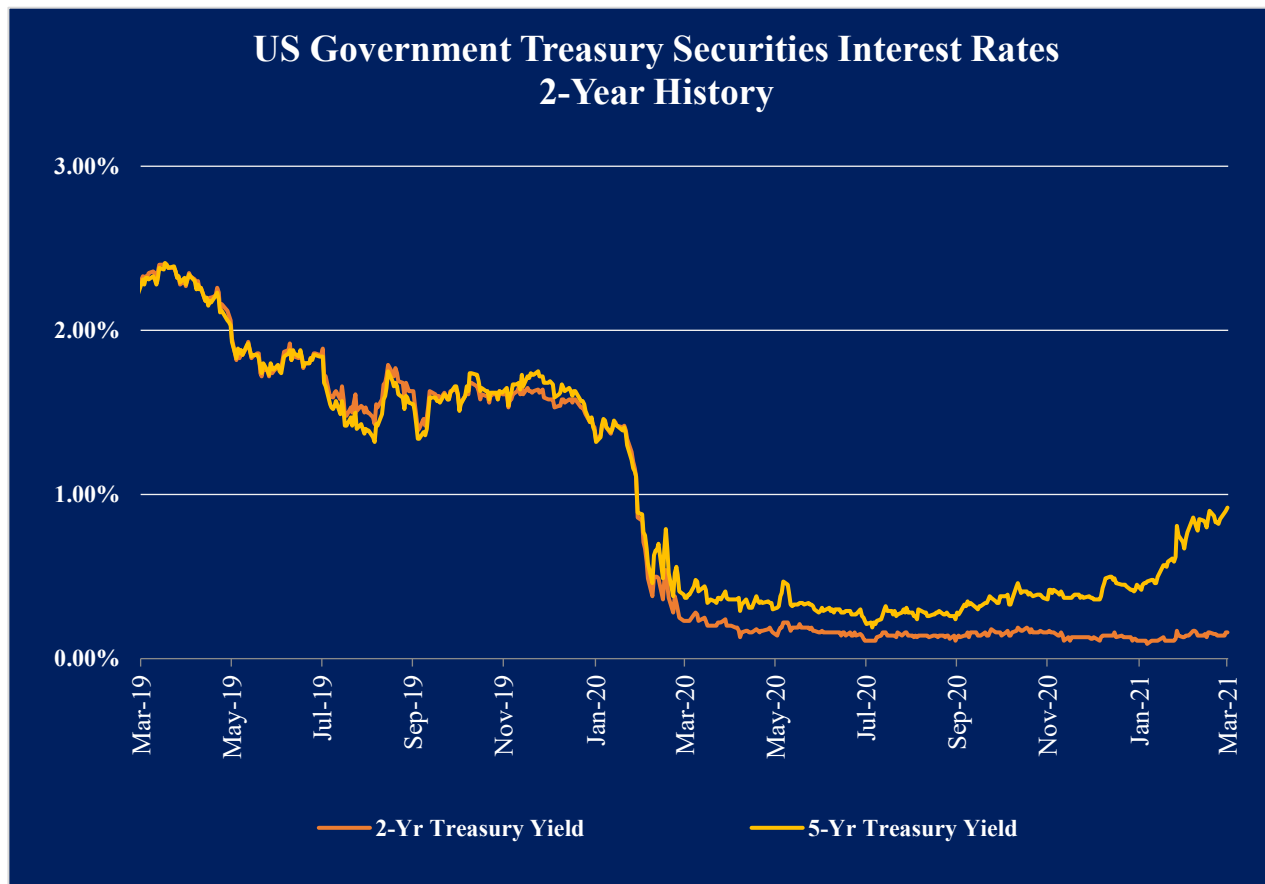
Investment Discussion

The investments in the Project are comprised of debt from the government-sponsored enterprises such as the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae), as well as investments in U.S. Treasuries, Municipal Bonds, Certificates of Deposits, Corporate Notes, Commercial Paper, Local Government Investment Pools and Money Market Mutual Funds.

As of March 31, 2021, the All-Requirements Project investment portfolio earned a weighted average yield of .40%, reflecting the All-Requirements Project need for liquidity. The benchmarks (SBA’s Florida Prime Fund and the 2-year US Treasury Note) and the Project’s yields are graphed below:



Below is a graph of daily US Treasury yields for the past 2 years. The orange line is the 2-year Treasury which closed the month of March at .16%. The yellow line is the 5-year Treasury which was .92%.



The Investment Report for March is posted in the “Member Portal” section of FMPA’s website.

Recommended
Motion

Move for approval of the Treasury Reports for March 31, 2021

AGENDA ITEM 7 – CONSENT AGENDA

- c) Approval of the Preliminary Agency and All-Requirements Project Financials as of March 31, 2021**

**Executive Committee
May 20, 2021**



Linda S. Howard, CPA, CTP
Chief Financial Officer

MEMORANDUM

TO: FMIPA Executive Committee
FROM: Linda Howard
DATE: May 11, 2021
SUBJECT: EC 7c – Approval of the Agency and All-Requirements Project Financials for the period ended March 31, 2021

Discussion: The summary and detailed financial statements, which include GASB #62 transactions, of the Agency and All- Requirements Project for the period ended March 31, 2021 are posted on the Document Portal section of FMIPA's website.

Recommended Motion: Move approval of the Agency and All-Requirements Project Financial reports for the month of March 31, 2021.

LH/GF

AGENDA ITEM 8 – ACTION ITEMS

- a) Approval of the ARP Conservation
Program Funding for Fiscal 2022**

**Executive Committee
May 20, 2021**



8a - Approval of ARP Conservation Program Funding for Fiscal 2022

Executive Committee
May 20, 2021

ARP Conservation Program

Allocations for Utility-Specific Programs

- ARP members offer more than 20 different conservation measures & programs for customers
 - Rebates – HVAC, appliances, duct leak repair, insulation upgrade, solar hot water heater, etc.
 - Energy audits
 - Equipment
 - Marketing materials

Program Activity Continues Steadily

Net Participants More than Doubled

Through Fiscal 2020

**>\$ 9.7 million
allocated to
members**

**Net participants in
rebates, brochures
and education
material etc. to
retail customers
more than doubled
since inception**

**Members spent
99% of all funds
allocated to date**

ARP Conservation Program

Program Continues to Provide Value

Energy Savings and Customer Benefits

- Conservation measures can have energy saving impacts ranging from 1 year up to 30 years (depending on measure)
- Measures implemented since program inception provided the ARP an estimated energy savings of 28,915 MWh in FY 2020 (ARP and Member funded)
 - Savings to continue through the useful life of the measures
- Measures purchased & implemented in FY 2020 (ARP funded) have the potential to save 22,300 MWh over the useful life of the measures
 - When considering total spent on these measures in FY 2020, each MWh of energy savings “cost” \$30.71
 - Cost includes fund release for COVID related Member support, anticipated to decline to be closer to economy energy costs again for FY '21 and beyond
- Supports retail customer efficiency, utility customer service, and public relations efforts

COVID Relief Deployed for FY 20

Certain Members Leveraged Funds for Aid

- COVID-19 and associated retail customer challenges presented unique opportunity in FY 20
- ARP Participants were offered existing allocations from fund to support power cost adjustment reductions
- Five Participants utilized this approach and leveraged \$328,376 in support of customer bill relief

Conservation Account Balances (10/1/20)

Member	Rollover Funds From FY '20	Funds Allocated for FY '21	Total Available as of 10/1/20
Bushnell	\$ 3,933.75	\$ 3,159.00	\$ 7,092.75
Clewiston	\$ -	\$ 13,269.00	\$ 13,269.00
Fort Meade	\$ 3,411.51	\$ 5,443.00	\$ 8,854.51
Fort Pierce*	\$ (7,504.51)	\$ 71,272.00	\$ 63,767.49
Green Cove Springs	\$ 94.17	\$ 14,168.00	\$ 14,262.17
Havana	\$ 23,122.63	\$ 3,161.00	\$ 26,283.63
Jacksonville Beach	\$ 173.64	\$ 91,344.00	\$ 91,517.64
KUA	\$ -	\$ 207,374.00	\$ 207,374.00
Key West*	\$ (3,013.36)	\$ 96,986.00	\$ 93,972.64
Leesburg	\$ 4,985.31	\$ 62,854.00	\$ 67,839.31
Newberry	\$ 10,908.24	\$ 5,004.00	\$ 15,912.24
Ocala	\$ 19,533.04	\$ 167,207.00	\$ 186,740.04
Starke	\$ 9,573.03	\$ 8,759.00	\$ 18,332.03
TOTAL	\$ 65,217.45	\$ 750,000	\$ 815,217.45

ARP Conservation Program Funding Levels

Fiscal Year	Funding Level	Estimated Rate Impact (\$/MWh)
Fiscal 2009 ¹	\$1,000,000	\$0.15
Fiscal 2010	\$525,000	\$0.09
Fiscal 2011	\$750,000	\$0.12
Fiscal 2012	\$750,000	\$0.12
Fiscal 2013	\$750,000	\$0.12
Fiscal 2014	\$750,000	\$0.12
Fiscal 2015	\$700,000	\$0.12
Fiscal 2016 ²	\$700,000	\$0.12
Fiscal 2017	\$700,000	\$0.12
Fiscal 2018	\$750,000	\$0.13
Fiscal 2019	\$750,000	\$0.12
Fiscal 2020	\$750,000	\$0.12
Fiscal 2021	\$750,000	\$0.12

Allocation Options & Estimated Rate Impact for FY '22

Member	\$650,000	\$700,000	\$750,000	Fiscal 2021 (\$750,000)
Bushnell	\$5,977	\$6,437	\$6,897	\$3,159
Clewiston	\$11,462	\$12,344	\$13,226	\$13,269
Fort Meade	\$4,791	\$5,160	\$5,528	\$5,443
Fort Pierce	\$62,909	\$67,748	\$72,587	\$71,272
Green Cove Springs	\$12,142	\$13,076	\$14,010	\$14,168
Havana	\$2,642	\$2,845	\$3,048	\$3,161
Jacksonville Beach	\$77,841	\$83,829	\$89,817	\$91,344
KUA	\$179,760	\$193,587	\$207,415	\$207,373
Key West	\$82,448	\$88,790	\$95,132	\$96,986
Leesburg	\$54,013	\$58,168	\$62,323	\$62,854
Newberry	\$4,375	\$4,711	\$5,048	\$5,004
Ocala	\$144,318	\$155,420	\$166,521	\$167,207
Starke	\$7,322	\$7,885	\$8,448	\$8,759
Est. Rate Impact (\$/MWh)	\$0.11	\$0.12	\$0.12	\$0.12

Recommended Motion

- Move approval of funding the ARP Conservation Program at \$750,000 for fiscal 2022. The program will be funded out of revenues collected through the ARP Energy Rate at an approximate rate impact of \$0.12/MWh.

AGENDA ITEM 8 – ACTION ITEMS

b) Approval of FGU Directive for Pre-paid Gas

**Executive Committee
May 20, 2021**



9b – Approval of FGU Directive for Pre-paid Gas

Executive Committee

May 20, 2021

ARP Participates in Five Prepaid Gas Transactions

Annual Savings of \$2,835,800

Prepaid Gas Transactions	Daily MMBtu Volume	Discount off of First of Month Price*	Annual Savings	Saving Start Date
Main Street / RBC	2,750	\$0.40	\$401,500	April 1, 2019
Main Street / Macquarie	2,500	\$0.30	\$273,500	April 1, 2019
Main Street / TD Bank	8,000	\$0.31	\$905,200	July 1, 2019
Black Belt Energy / Morgan Stanley	10,000	\$0.32	\$1,168,000	November 1, 2019
PEAK/BP Energy**	3,000	\$0.08	\$87,600	November 1, 2020
Totals	26,250		\$2,835,800	

* Includes estimated annual interest earnings

** PEAK/BP is only a 5-year term

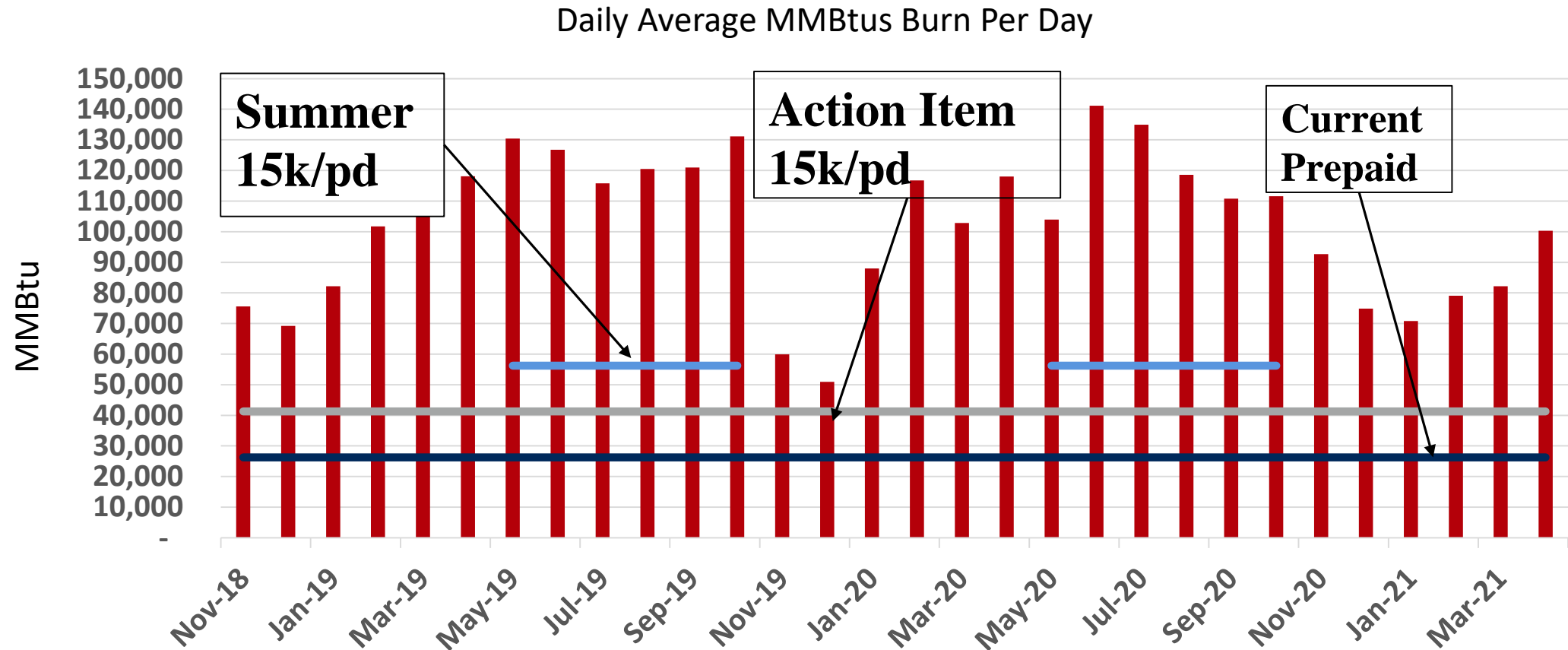
Standard Prepaid Transaction Parameters

Staff will Sign FGU Directive

- FGU enter into prepaid transactions with Black Belt and/or TEAC
 - Up to 15,000 MMBtu per day between transactions
 - Total prepaid gas with above will be 41,250 MMBtu per/day or 35% of average daily use
 - Term of 30 years
 - Discount no less than 30 cents for initial period
 - Reprices every 5-10 years
 - Minimum Net Discount for all periods 17 cents
 - ARP Obligations of Prepaid Gas
 - FGU directive will be same terms and conditions as other transactions
 - Permanent loss of generation allowable reduction in volume
 - Seeking regulatory environmental limits, taxes or other costs increases that would allow for reduction/elimination in volume

ARP Has Available Volume For More Prepaid Gas

Current Prepaid Gas Only 22% Of Average Summer Volume



Summer Only Prepaid Gas Opportunity

Covers May-October – Better Match FMMPA Demand

- Minnesota Municipal Gas Agency with RBC opportunity for ARP to do summer only volume
 - Up to 15,000 MMBtu per/day
 - 30 Year term
 - Minimum 30 cent discount
 - 5-7 year “Put” structure
- FGU will sign agreement / ARP signs Directive with FGU
- Working on FMMPA required language

Mid-Term Commitment Options

FGU Industrial Customer Concept for 5 – 10 Year Commitment

- Municipal Local Gas Distributor (LDC) commits to volume for 30 years
- FMPA works with FGU on “Industrial Customer” concept
 - FMPA becomes a customer of an LDC (say Fort Pierce or some other LDC)
 - LDC & FMPA sign commit for volume during "Put" period 5 – 10 years
 - FMPA can leave LDC after each "Put" period
 - LDC receives some of the discounted savings
- FGU has external industrial customer waiting for this of Prepaid Transaction already

Short Term Prepaid Gas For All FGU Members

FGU Markets Prepay Gas to Industrials with Members Receiving Discounted Gas Until Sale

- FGU locks in prepaid discount for all gas it intends to market to external industrial customers.
- Until FGU can sell the gas, FGU members allocated discounted gas on daily based on demand with FMMPA being at least 80% of FGU demand
- FGU has an active marketing program to external industrial customers of prepaid gas
- After FGU closes with industrial customer, FGU part of savings that is shared to lower FGU's administrative costs to all members

Prepaid Transaction Parameters

Staff will Sign FGU Directive

- Black Belt &/or TEAC and FGU enter into prepaid transactions
 - Up to 15,000 MMBtu per day
 - Total prepaid gas with transaction 41,250 MMBtu per/day or 35% of average daily use
 - Term of 30 years
 - Discount no less than 30 cents for initial period
 - Reprices every 5-10 years
 - Minimum Net Discount for all periods 17 cents
 - ARP Obligations of Prepaid Gas
 - FGU directive will be same terms and conditions as other transactions
 - Permanent loss of generation allowable reduction in volume
 - Seeking regulatory environmental limits or taxes allowable reduction in volume

Recommended Action

- Move approval of staff signing FGU Directive for prepaid gas with the parameters as presented.

Who Is Black Belt Energy (BBE)

Second Prepaid Opportunity with ARP/FGU

- BBE is a gas district and public corporation organized and existing pursuant to the laws of the state of Alabama as a joint action gas supply agency
- BBE can acquire long-term natural gas supplies for sale to government-owned wholesale customers in Alabama and outside
- BBE is governed by a Board of Directors consisting of the mayors of its three member munis in the state: one from each of the cities of Thomasville, Jackson and Grove Hill

Who Is Tennessee Energy Acquisition Corporation (TEAC)?

New To FGU Prepaid Supplier

- Organized in 1996 to pursue obtaining dependable and economical supplies of natural gas
- TEAC can acquire long-term natural gas supplies for sale to government-owned in Tennessee and outside
- Completed seven natural gas prepayments totaling ~\$5bn; first prepayment completed in 1998
 - All prepayments have performed, thus far, as expected

AGENDA ITEM 8 – ACTION ITEMS

- c) Approval of Fuel Portfolio Management Policy and Changes**

**Executive Committee
May 20, 2021**



8c – Approval of Fuel Portfolio Management Policy and Changes

Executive Committee

May 20, 2021

Fuel Portfolio Management Policy Changes

Major Areas Covered

- Policy covers participation in and mitigation efforts of managing exposure to risks associated with fuel oil commodity and physical natural gas
- Defined limits for natural gas storage quantities
- Defined limits for natural gas entitlement capacity
- Internal Controls
- Reporting Requirements
- Oversight Structure

Fuel Portfolio Management Policy

Capacity, Storage, Reporting and Administrative Updates

Section	Changes Made
6.1 Natural Gas Limits	Defined requirements applied if there is more than 500,000 MMBtu of capacity available to ARP. If storage capacity is below 500,000 MMBtu there will not be any minimum requirements as outlined in 6.0
6.3 Natural Gas Entitlement Capacity (NGEC)	<p>To ensure a high level of reliability for planning purposes of long-term NGEC, staff shall target capacity at 70% of the highest maximum monthly system demand projections, which is derived from the average daily projections per month.</p> <p>Short-term NGEC management, up to one year, will allow for daily or monthly NGEC sales to be in excess of the expected daily or monthly maximum system demand.</p>
Internal Controls	Segregation of duties, policy compliance, conflicts of interest, training, etc.
Throughout	Administrative updates

Recommend Motion

- Move approval of the revised as presented Fuel Portfolio Management Risk Policy.

FLORIDA MUNICIPAL POWER AGENCY
RISK MANAGEMENT POLICY - APPENDIX A
FUEL PORTFOLIO MANAGEMENT POLICY
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FUEL PORTFOLIO RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Fuel Portfolio Risk Management Policy (the “Policy”) and any effective subordinate procedures establish the governance, framework and controls under which Florida Municipal Power Agency (“FMPA” or “Agency”) may engage in activities to identify, measure and minimize future business risk impacting the All Requirements Power Supply Project (“ARP”) resulting from price and/or supply uncertainty in the natural gas and fuel oil markets. This Policy is Appendix A of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee (“EC”) of FMPA recognizes that FMPA is exposed to various risks specific to generation fuel as an integral aspect of the normal course of business activities. There may be times when FMPA will determine that certain risks are above the risk tolerance levels expressed by FMPA’s members. As such, FMPA staff is hereby authorized to implement various mechanisms, such as those more fully described throughout Sections 5 and 6 of this Policy, which will control, transfer, or mitigate these risks to help safeguard the Agency’s ability to provide reliable power.

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The design standards of this Policy ensure that the risk control oversight functions are independent from any asset management or daily operational activities. Further, any and all actions taken by FMPA are strictly to provide reliable power to the ARP members and manage any associated risks deemed appropriate by the ARP members and will not be speculative in nature to achieve additional monetary gain using the commodity market.

The following summarizes the Policy of the EC:

- ❖ FMPA is granted authority to enter into natural gas transportation contracts, storage agreements, or physical purchase and sales contract commitments, subject to the details on authorized products which are contained in Section 5.4 of this policy.
- ❖ FMPA is authorized to enter into “Enabling Agreements” that define the terms and conditions of any subsequent transaction agreements related to generation fuel commodity purchases, sales, storage, transportation or risk mitigation transactions. Details of these authorized Enabling Agreements are contained in Section 5.3 of this policy.
- ❖ FMPA may undertake natural gas or fuel oil risk mitigation transactions with the specific prior approval of the EC.

**FUEL PORTFOLIO RISK MANAGEMENT POLICY
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(Continued)**

- ❖ FMPA shall maintain a Generation Review & Assessment Management (“GR&A”) Group as detailed in Section 5.1.
- ❖ Section ~~5.4.4~~ of this Policy sets defined limits for purchased physical natural gas volumes.
- ❖ Section 6.2 of this Policy sets defined limits for purchased fuel oil quantities.
- ~~❖ Section 6.1 of this Policy sets defined limits for natural gas storage quantities.~~
- ~~❖ Section 6.3 of this Policy sets defined limits for natural gas entitlement capacity.~~
- ❖ All individuals authorized to execute trades shall be approved by the CEO and reported to the GR&A Group and Finance Committee (“FC”).
- ❖ Authority is delegated to the Chief Operating Officer (COO) (or designee) ~~to cause the creation of and subsequent administration of any underlying procedures defined by this Policy and deemed appropriate and/or necessary.~~
- ❖ Deviations from this Policy shall be reported to the FC as prescribed in Section 4.1 of the FMPA Risk Management Policy.
- ❖ FMPA may not enter into transactions to mitigate natural gas price fluctuation exposure related to (i) energy sales by FMPA when the contract sales price is not concurrently based upon a corresponding (fixed or floating) natural gas purchase price or (ii) the volume of gas related to net energy sales to the Florida Municipal Power Pool (“FMPP”) as detailed in Section 5.4.

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2.0 Scope

FMPA is exposed to risk by its participation in the physical natural gas and fuel oil commodity market and the corresponding financial derivative market for each respective underlying commodity. FMPA participates in various mitigation efforts in order to manage exposure to these risks. Without risk management, FMPA’s ARP is subject to potentially significant energy rate volatility and operational reliability limitations that result from generation fuel cost changes, fuel receipt/delivery constraints, and cash flow requirements to meet operational cost liabilities and obligations.

Mitigation efforts would consist of executing physical and financial transactions designed to reduce the ARP’s exposure to energy rate volatility and operating risks associated with its need to participate in the physical commodity market to ensure delivery of generator fuel, as required, for generating power to meets its obligations and commitments. Currently, the EC has not authorized any program designed to mitigate near term price risk associated with spikes in natural gas fuel costs, as detailed in Section 5.2. As such, no ~~near-term~~ price hedging type transactions will be entered into without obtaining specific EC guidelines, goals and the subsequent approval for such transactions related to natural gas fuel.

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3.0 Objectives

The objective of the risk management program described in this Policy is to identify risk exposures; to understand their potential impact on the ARP's financial statements and continued economic well-being; to measure and report these impacts; and to take appropriate steps to manage or mitigate any adverse effect to an acceptable level as specified by the EC. This will be accomplished through the use of operational techniques and trading instruments which are consistent with this policy.

Manage Generation Fuel Requirement Projections:

FMFA shall strive to effectively manage its natural gas and fuel oil programs. It is expressly understood that risk management is intended to mitigate exposure to adverse outcomes and is not intended to result in increased financial profitability or result in the lowest cost for natural gas and fuel oil. The purpose of this Policy is to ensure that planning and control methods are in place and utilized to manage generation fuel supply reliability with consideration to a reasonable outage of FGT Zone 3 pipeline or seasonal weather event.

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Manage Volumetric Exposure:

FMFA shall only manage its physical natural gas and fuel oil volumetric requirements related to serving the needs of the ARP. Fuel volume requirements are based on dynamically changing variables such as load forecasts, weather forecasts, generation resource availability, and projections of optimal generation unit dispatch. Changes in any of these variables will impact the ARP's required quantities of natural gas and/or fuel oil and inhibit the intended effectiveness of this Policy. To mitigate these impacts, this Policy defines review and update parameters to revise volumetric exposure projections in Section 5.4.4.

Maintaining Balance between Cost and Reliability:

FMFA's efforts strive to control costs and ensure reliable delivery of electric power to its members and other commitments, if any. Ensuring the highest level of reliability is in opposition to achieving the lowest possible cost. The less focus placed upon reliability to

**FUEL PORTFOLIO RISK MANAGEMENT POLICY
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control costs increases the risk that energy delivery and regulatory obligation failures may occur. Balancing between these opposing objectives ~~is always a primary focus of staff.~~ The equilibrium point between cost and reliability to achieve the desired balance is defined and established by the EC. ~~Staff will bring forward long-term strategic decisions of fuel consideration to EC.~~

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4.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of risk control measures to provide reliable power at market prices. The COO ~~will ensure that procedures,~~ as needed, are created and followed specific to the areas of risk noted below and define ways for measuring and controlling these risks to within defined levels of exposure as established by the EC. The FMPA Risk Management Policy identifies ten areas comprising FMPA's key risk areas. While not intended to be a comprehensive listing of all risks encountered in its normal business cycle by FMPA, the framework provides insight into the major areas of exposure. The following identified areas are the risks most typically faced when managing any commodity intensive business like the power generation industry.

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4.1 Market Risk:

The risk of potential change in the value of an asset caused by adverse changes in market factors. An example is the commodity price risk ~~that~~ occurs when FMPA purchases fuel, usually natural gas, for its generating facilities. The timing and unit price of these fuel purchases expose FMPA to potential adverse or beneficial cost impacts with changing market conditions.

4.1.1 Price Risk:

The uncertainty associated with changes in the unit price of an underlying commodity. For example:

A fixed price fuel purchase can create market risk. The fixed purchase price set for a future delivery period may not reflect the then current market price when delivery is made. If the market price is less than the pre-established purchase price, the purchase cost

**FUEL PORTFOLIO RISK MANAGEMENT POLICY
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would be higher than market. Conversely, if the market price was higher, then the purchase cost would be less than market.

Price risk can be caused by any one or a combination of the following:

- 1) Changes in the value of wholesale energy transactions (i.e. \$/MWh),
- 2) Commodity fuel costs (i.e. \$/MMBtu),
- 3) Basis exposure due to the value difference of a commodity at different geographic locations (i.e. gas price at a pipeline receipt point versus the pipeline delivery point),
- 4) Index Price Risk is the exposure created by the process to establish a unit index value of an underlying commodity at a given location. This generally entails surveys of buyers and sellers at that location and weighing the results to determine the "Index" value,
- 5) Intra-Month Price Risk is the daily changes in the unit price of a commodity at a given geographic location during a given month of flow (the monthly index price vs the daily index price, etc.).

4.1.2 Liquidity Risk:

The risk associated with a constrained or limited ability for transacting trades, causing a potential inability to acquire a commodity when needed or to liquidate a previously acquired commodity that is no longer needed. For example:

In the fixed price fuel purchase example above, finding a buyer of the fuel purchase might prove difficult to find if, prior to the delivery period, it was desired to eliminate the purchase obligation. In general, a physical trade has greater liquidity risk than a financial trade.

4.1.3 Margin Risk:

The risk that a portfolio's overall net value might decrease to certain predetermined credit exposure thresholds that requires the portfolio holder to post collateral. This can be measured by margin-at-risk metrics which gauge 1) the probability that a portfolio's value will adversely change sufficiently to initiate a margin call and 2) the magnitude of any resulting required collateral posting.

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4.1.4 Volumetric Risk:

The risk that the quantity of fuel supply projected to be required during a future period is either over or underestimated from actual requirements during the period.

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For example:

Volume risk occurs when a sudden change in the daily fuel needs, resulting from a forced outage of a generation facility, causes a fuel quantity surplus. Volume risk can also include circumstances where supply was acquired using a previous longer-term forecast that later exceeds the defined limits of this Policy as a result of reductions of fuel needs in subsequent forecasts.

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4.1.5 Calendar Risk:

The risk associated with differences of unit commodity value resulting from the time disparity between the settlement date of a financial instrument (contract index posting, swap, option, etc.) and the actual market price of the underlying physical commodity at time of delivery.

4.2 Credit Risk:

The potential for financial loss due to adverse changes to the credit rating of a counterparty that increases the potential of their inability to fulfill the terms of a contract or financial commitment. An example of this type of risk would be the exposure of a counterparty failing to pay the financial gains due that resulted from the settlement of a financial transaction. FMPA would be exposed to the current market price for the corresponding quantity defined by the transaction in addition to the costs related to establishing the transaction's position(s), if any (i.e. broker fees, transport commitments, etc.).

Credit risk exposure is significantly lower when transacting on the New York Mercantile Exchange (NYMEX) versus transacting via the Over-the-Counter (OTC) market, though there are exceptions. The credit risk associated with exchange traded instruments is mitigated since the government regulated institutional exchanges guarantee financial performance through margin posting and are further backed up by the actual exchange members, if necessary.

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Credit risk exposure does exist for OTC traded transactions because the financial integrity of the trade is totally dependent upon the counterparty's ability or willingness to perform. Credit

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risk primarily applies to physical commodity transactions. The failure to deliver or receive purchased natural gas or fuel oil under a long-term commitment could expose FMPA to purchasing/selling quantizes above or below cost, especially during periods of fuel shortages and/or surplus.

4.3 Administrative Risk:

The potential of financial loss arising from deficiencies of internal control structures and/or management reporting resulting from human error, fraud and/or system failures. An example would be failing to implement the necessary accounting system modifications required by changes in generally accepted accounting practices (GAAP) and any associated reporting requirements. The Agency must ensure that proper accounting treatment is being used for booking transactions and that processes comply with changes in applicable financial accounting standards that impact the timing of financial recognition and/or rate determination.

5.0 Fuel Portfolio Risk Management Program

The natural gas and fuel oil risk management program will be based on the following components:

5.1 Generation Review & Assessment Group:

The CEO shall maintain a Generation Review & Assessment (“GR&A”) Group. The GR&A Group shall, at a minimum, be composed of the Agency Risk Director, COO, Business Development and System Operations Director, Power Generation Fleet Director, and Resource and Strategic Planning Manager, or a fuel agent representative. Other participant participation will depend upon the subject matter and relevance for their respective areas of responsibility and expertise. The Agency Risk Director shall serve as the chairman with no actual voting responsibilities. Other delegates may be assigned/removed as deemed appropriate by the CEO.

In addition to the duties listed below, the GR&A Group shall review and approve (by consensus of its voting members) any new natural gas and fuel oil purchase, sale, storage, or transportation strategy(s) and/or risk mitigation transaction instrument(s) under consideration by Agency staff/management. If, upon review, majority consensus cannot be obtained by the GR&A, the CEO will be requested to review and resolve any non-consensus items. In the event that a new strategy, transaction or risk mitigation instrument requires

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governing body approval, the new strategy, transaction or risk mitigation instrument will be presented to and approved by the appropriate governing body prior to being implemented in any manner.

The GR&A Group responsibilities for oversight of other natural gas and fuel oil functions shall include:

- Review third party performance in managing contracted natural gas storage capacity.
- Evaluate proposed risk mitigation strategies, asset optimization opportunities or other applicable transactions including, but not limited to:
 1. Purpose of proposed strategy or applicable transactions.
 2. Type of pricing instruments, market(s) and counterparties to be used
 3. Expected results and associated probabilities of their achievement.
 4. Potential adverse outcomes associated with the strategy and/or applicable transaction(s).
 5. Margin Risk for each counterparty, total Margin Risk, and other analytical metrics that may be used to assist the GR&A Group in the performance of their duties.
- Review any trading/origination transaction being negotiated pursuant to the Annual Reporting requirements of Section 6.2 of the Origination Transaction Policy, Appendix K of this FMPA Risk Management Policy.
- Review any generation capital/maintenance expenditure item being contemplated during the annual budget process pursuant to Section 4.2 of the Asset Management and Operations Policy, Appendix I of this FMPA Risk Management Policy.

5.2 Authorized Strategies:

FMPA currently has no ~~fuel price risk mitigation strategy approved by the EC~~. Until such time that a fuel price risk mitigation goal and corresponding strategy is defined and approved by the EC, no fuel price risk mitigation transactions will be entered into by FMPA staff.

FMPA or its assigned storage management provider shall have authority to use authorized transactions as outlined in Section 5.4 to manage the storage capacity to the extent of capacity under contract.

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5.3 Enabling Agreements:

Master Agreements or enabling agreements establish the general terms and conditions that govern any subsequent commodity or derivative product transaction with a counterparty. These Master Agreements are a prerequisite for doing business in today's commodity marketplace. They, by their very nature, only define general terms and conditions and do not commit FMPA to any form of financial or physical obligation. As such, FMPA is authorized to execute these types of enabling agreements without individual EC approval and their execution is governed pursuant to the Contract Management Risk Policy. All other aspects of any subsequent transaction are governed by the Origination Risk Policy. Types of these enabling agreements include utility interchange agreements, NAESB form contracts, EEI form contracts, and ISDA form contracts.

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5.4 Authorized Transactions:

The following types of risk mitigation instrument transactions are authorized by the EC but are limited to only the purchase or sale of these instruments solely for near term price risk mitigation of projected physical fuel requirements and/or financial exposure to the fuel purchase requirements of others for serving FMPA generation assets (Stanton A would be an example of this exposure where OUC manages the fuel supply) and/or long-term energy supply purchase commitments.

It should be noted that the EC has not approved any near-term price hedging risk mitigation program as discussed in Section 2.0. Until such a program is authorized, these instruments can only be used for managing natural gas storage inventory valuations.

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(Continued)**

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5.4.1 Exchange Based Futures:

FMPA is authorized to set up accounts with one or more licensed brokerage firms in order to purchase or sell futures contracts or other exchange offered products through a recognized exchange such as the NYMEX. Alternatively, FMPA is authorized to designate an agent through which to transact exchange traded products.

5.4.2 Over-the-Counter Transactions (OTC):

FMPA is authorized to negotiate and execute ISDA agreements (refer to Section 5.3) and subsequently, pursuant to an approved risk mitigation program (refer to Section 5.2), transact with counterparties in order to purchase and/or sell derivative products such as forwards, swaps, and options on forwards or any combination of the same.

A comparison is included in Exhibit B of the characteristic features of Exchange versus OTC transactions.

New and existing transactions using the OTC market are subject to the Credit Risk Policy, Appendix E of the FMPA Risk Management Policy.

5.4.3 Forward Physical Purchases:

FMPA is authorized to negotiate, contract with, and purchase physical quantities of natural gas and fuel oil pursuant to the Credit Risk Policy and the Origination Risk Policy.

All physical purchases of natural gas shall be coordinated through an FMPA designated fuel agent in order to schedule, receive, transport and deliver such purchased gas volumes. Any forward purchases of natural gas or fuel oil must be

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limited to the physical volume requirements forecast for only serving the energy requirements of the ARP and its obligations, if any.

Any natural gas purchases or sales greater than a one-month (~~thirty-one~~ days) duration shall be pursuant to the approval process defined by the Origination Policy prior to any commitment, i.e. the defined approval authority of the FMPA staff member making such commitment.

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5.4.4 Physical Natural Gas Purchases:

Physical natural gas purchases with a term of one month (thirty-one days) or greater will not exceed 75% of the respective monthly fuel needs based upon the most recent load forecast and generation dispatch projection at the time of the commitment of such purchases.

To ensure monthly fuel needs are as current as possible, each month an updated load forecast/dispatch projection will be generated no later than five (5) business days prior to the beginning of the following month. This forecast projection will be the basis for determining the 75% fuel need maximum described above.

5.4.5 Fixed Price Physical Natural Gas Purchases:

Any fixed price purchase with a duration of greater than one month is viewed as a near term price risk mitigation transaction and requires the approval of the EC prior to commitment unless such fixed price purchase is pursuant to an approved price risk mitigation strategy as described in Section 5.2 above.

5.4.6 Natural Gas Storage:

Upon approval of both the FC and the EC, FMPA may enter into natural gas storage agreements. Counterparties are subject to the Credit Risk Policy. The primary purpose of any natural gas storage agreement shall be to ensure the reliability of natural gas supplies. Secondly, natural gas storage may be used as an operational pipeline balancing tool or in conjunction with other authorized energy management transactions when financially advantageous for the ARP, as determined by a storage management agent and/or the GR&A Group if no such agent is authorized.

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5.4.7 Fuel Oil Storage:

The primary purpose for maintaining a minimum amount of fuel oil shall be to ensure that a reasonable level of alternate fuel is available for dual fuel fired generating units in the event that natural gas deliveries are reduced or interrupted due to supply and/or pipeline constraints. Recognizing that the Stock Island generating units operate solely with fuel oil, the minimum inventory criteria applies to the Island's fuel oil storage inventory as well.

5.4.8 Natural Gas Entitlement Capacity:

Natural Gas Entitlement Capacity is needed to secure firm delivery of natural gas to generation assets. Natural gas pipeline companies generally offer two basic forms of service for the transportation of gas from receipt point(s) to the desired delivery locations. The first type is referred to as "interruptible", where a shipper's scheduled volumes submitted are subject to being curtailed anytime the pipeline becomes capacity constrained even if gas has been delivered at the receipt points. The shipper is only charged for this service based upon the quantity of gas that was successfully delivered. The pipeline has no obligation to ensure delivery of gas volumes when using this form of transportation service.

The second form of service is referred to as "firm", where the shipper pays the pipeline a reservation fee (commonly referred to as a capacity or demand charge) each month based upon the daily delivery obligation of the pipeline. When a shipper contracts for this form of "firm" service, the pipeline has committed to the obligation to deliver whatever quantity that has been scheduled up to the contracted capacity quantity. In the event that the pipeline becomes capacity constrained, then each firm shipper would have their scheduled volume curtailed on a pro-rata basis.

FMPA has contracted firm service primarily upon Florida Gas Transmission (FGT) for the delivery of natural gas fuel to its generating assets to ensure that each gas fired unit is able to operate when needed. FMPA also has the ability to receive gas volumes from Gulf Stream Natural Gas System at the Cane Island Power Park.

The combination of these two arrangements ensures that FMPA can ensure delivery of natural gas as required to generate power in a reliable manner as needed to meet its load serving obligations to its members.

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6.0 Risk Limits and Measurement

FMPA may only enter into transactions to manage risks associated with the physical and financial exposure related to meeting the ARP's forecast fuel requirements of natural gas and/or fuel oil related only to fulfilling all applicable ARP energy obligations.

Proactive monitoring of current market performance, existing and potential risk exposure, risk management alternatives (acquiring or liquidating positions), and evaluation of prior strategic results are necessary to ensure the goals and expectations defined by this Policy are achieved.

The GR&A Group shall use the following limits and measurements, as calculated using applicable reference pricing, to monitor the performance of and compliance with current approved risk management strategies and procedures.

Before any transaction is executed, the individual executing the transaction is required to ensure that it is compliant with the parameters of this Policy, any approved price risk mitigation program, if any, and respective periodic reviews by the GR&A Group. This requirement will be fulfilled by analyzing the natural gas portfolio and any associated risk mitigation transactions to ensure that the resulting incremental credit and market exposures do not exceed any defined limits set forth in this Policy.

6.1 Natural Gas Storage Limits:

The minimum inventory volume of natural gas in storage during the primary hurricane season (June through November) shall be 50% of FMPA's contracted storage capacity. During all other months the minimum level of storage inventory shall be 10% of contracted storage capacity.

This requirement should be applied only if there is more than 500,000 MMBtu of capacity available to ARP. If storage capacity is below 500,000 MMBtu, there will not be any minimum requirements as outlined in section 6.0.

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<#>Long-term natural gas entitlement capacity (NGEC) shall be reviewed for¶
<#> adequacy when¶
<#> the system expects changes to base load generation. To ensure a high level of¶
<#>reliability for planning purposes, staff shall will target use a capacity target of shall be target at 75% of the of maximum daily system demand projections, and maximum projection will be used¶
<#>system demand. ¶
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<#>Short-term NGEC management, up to one year, will allow for daily or monthly¶
<#> NGEC sales to be in excess of the no more than the expected daily or monthly maximum system demand. ...

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**FUEL PORTFOLIO RISK MANAGEMENT POLICY
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6.1.1 Outsourcing:

FMPA may outsource the management of its natural gas storage capacity for optimizing this asset by issuing a Request for Proposal (“RFP”). Final selection of the qualified storage management agent (“Agent”) must be approved by the FC and EC.

The Agent shall provide information to the ~~Agency Risk Director~~ for review and discussion during monthly GR&A Group meetings. The Agent must comply with FMPA Directives and the terms and conditions of FMPA’s managed natural gas storage contracts and all applicable tariffs and other legal requirements. The agent will be granted access to trading platforms or other needed counterparty information required to execute transactions within FMPA’s contractual relationships. The Agent must agree to the obligations of this Policy and FMPA’s respective counterparty trading account(s) requirements.

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6.1.2 Annual Storage Plan:

The Agent must provide an Annual Storage Plan for the upcoming fiscal year to FMPA by August 1 of each year for approval by the GR&A Group.

6.1.3 Storage Optimization Restrictions:

Storage management activities shall strive to generally maintain a net zero optimization position. Net zero optimization is when all physical gas stored in the ground (Storage) and/or financial long/short positions (i.e. purchased/sold NYMEX natural gas contracts or their equivalent) representing volumes to be injected/withdrawn in a forward period has an off-setting financial long/short position (i.e. purchased/sold NYMEX natural gas contracts or their equivalent) representing volumes to be withdrawn/injected in a forward period (Transaction)).

- 1) Any “net zero” tolerance deviation greater than 10,000 MMBtu and less than 50,001 MMBtu (“Minor Tolerance Deviation”) must be corrected by the end of the fifth (5th) business day following the day on which it occurred and must be reported by the Agent to GR&A on a monthly basis, with sufficient details to explain why the Minor Tolerance Deviation occurred.
- 2) Any “net zero” tolerance deviation greater than 50,000 MMBtu (“Major Tolerance Deviation”), must be reported by the Agent to GR&A. Such Major

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Tolerance Deviation report will be in writing detailing the circumstances of the deviation within three business days of the occurrence.

FMPA's CEO must authorize any net zero imbalance outside of approved limits.

6.1.4 Optimization Trade Period:

Storage management transactions are restricted for the settlement date to be no more than 24 months into the future from the transaction date of the trade.

6.1.5 Inventory Limit Deviations:

Storage inventory levels may deviate outside of the above stated limits only when required to meet FMPA's operational requirements ("Reliability Event"). The Agent shall inform FMPA's Risk Director immediately after any such Reliability Event. Within 3 business days after such Reliability Event, the Agent shall provide FMPA's Risk Director with a written action plan to reestablish the pre Reliability Event inventory level unless such level has already been achieved.

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6.1.6 Storage Management Reports:

The Agent shall provide storage management reports for each FC meeting. These reports shall include physical gas inventory and any optimization transactions.

6.1.7 Cash Flow Report:

The Agent shall provide, by the fifth of each month, a cash flow report detailing the impacts of existing and projected storage management activities for review by the GR&A Group. If directed, the Agent must contractually agree to adjust storage inventory to meet FMPA's liquidity requirements.

6.2 Fuel Oil Storage Limits:

The Agency shall maintain, as conditions warrant, a fuel oil inventory of no less than 50% and no more than 100% of available storage tank capacity located solely at each respective generating facility. In the event that the fuel oil inventory falls below 50% at a generation site, the Power Generation Fleet Director will implement an action plan to achieve the minimum 50% inventory level within a reasonable period of time or provide justification for a reduced inventory level. This plan or justification will be provided to FMPA's Risk Director and the COO for review and approval. The GR&A Group will discuss the resulting action plan at its next meeting.

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6.3 Natural Gas Entitlement Capacity

Long-term natural gas entitlement capacity (NGEC) shall be reviewed for adequacy when the system expects changes to baseload generation. To ensure a high level of reliability for planning purposes, staff shall target capacity at 75% of the highest maximum monthly system demand projections, which is derived from the average daily projections per month.

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Short-term NGEC management, up to one year, will allow for daily or monthly NGEC sales to be in excess of the expected daily or monthly maximum system demand.

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7.0 Internal Controls

The COO, CFO and Agency Risk Director shall be responsible for the establishment of appropriate internal controls and segregation of duties to facilitate proper execution of the natural gas and fuel oil risk mitigation program, consistent with this Policy and in accordance with all policies and procedures established by the FMPA Risk Management Policy, or by NERC and FERC regulations.

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7.1 Segregation of Duties:

Individuals responsible for legally binding the organization to a transaction will not also perform confirmation, clearing and/or accounting functions related to those transactions. The official book of record of FMPA shall also be maintained by a person(s) other than those executing such transactions. This maintenance responsibility includes the valuation of mark-to-market positions (when applicable) and the calculation of applicable risk metric(s). Clear separation of duties shall be maintained between the front office (marketing functions and transaction execution), the middle office (confirmation, valuation, and reporting functions), and the back office (processing, accounting, invoicing and reconciliation activities).

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7.2 Policy Compliance:

The Agency Risk Director shall ensure that compliance with this Policy and associated Procedures are monitored on an ongoing basis. Any unresolved compliance issues will be presented to the FC by the Agency Risk Director at the next regularly scheduled meeting.

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7.3 Conflicts of Interest:

Personnel responsible for executing and managing the Agency's trading activity shall not engage in any activity that could pose a conflict of interest and interfere with the proper execution of Agency risk mitigation activities or which could impair their ability to make impartial and objective trading decisions. Such personnel shall disclose to the Agency Risk Director any personal financial interests in any financial institutions, firms, or other entities that conduct business with FMPA.

Deleted: From time to time, but no less than once every five years, the Agency Risk ManagerAgency Risk Director shall direct a review of trading and risk management practices by a party external to the Agency possessing appropriate credentials and expertise to conduct such review.¶

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7.4 Policy Questions:

The Agency Risk Director is authorized to provide clarification and explanation on any questions regarding this Policy. All legal matters stemming from this Policy will be referred to the Agency's Office of the General Counsel.

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7.5 Training:

Appropriate training on the risks associated with different market conditions, financial products and physical products shall be provided as needed to educate appropriate FMPA staff and governing body members.

8.0 Reporting

- Current market conditions affecting FMPA's natural gas and fuel oil costs, risk management programs, or FMPA's current financial and physical risk management strategies shall be reported during each meeting of the FC and/or EC.
- The following information shall be reported at each meeting of the FC and/or EC:
 - 1) The volume of all natural gas portfolios.
 - 2) Margin Risk.
 - 3) Monthly financial natural gas portfolio gains or losses.
 - 4) Any additional relevant information about FMPA's natural gas and fuel oil risk management program and activities.
- Acceptance of the reported information by the FC and/or the EC is required
- The Agency Risk Director shall report any deviations from this Policy according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The Agency Risk Director shall cause an annual report to be completed on the operation and effectiveness of this

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**FUEL PORTFOLIO RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

Fuel Portfolio Risk Management Policy as described in the FMPA Risk Management Policy, Section 7.0.

9.0 Oversight Structure

The Agency Risk Director shall cause any material 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 Finance Committee as described in Section 7.0 of the FMPA Risk Management Policy.

Deleted: Agency Risk Manager

Appendix A

Florida Municipal Power Agency Risk Management Reporting Calendar Natural Gas and Fuel Oil Risk Management Planning Reporting Requirements				
Reporting Item	Frequency Of Report	Responsible Party	Policy Reference	Policy Reference
Volumetric Projection Update	Monthly	Business Development and System Operations Director	Section 5.4.4	Physical Natural Gas Purchases:
Annual Storage Plan and Update	Annually	Agent	Section 6.1.2	Annual Storage Plan:
Storage Balance Restriction Deviations	As Needed	Agent	Section 6.1.3	Storage Optimization Restrictions:
Reliability Event	As Needed	Agent	Section 6.1.5	Inventory Limit Deviations:
Storage Report	Each FC Meeting	Agent	Section 6.1.6	Storage Management Reports:
Storage Cash Flow	Monthly	Agent	Section 6.1.7	Cash Flow Report;
External Review	Every five years	Agency Risk Director	Section 7.2	Policy Compliance;
Fuel Oil Action Plan	As Needed	Power Generation Fleet Director	Section 6.2	Fuel Oil Storage Limits:
Market Conditions	Each FC Meeting	Agency Risk Director	Section 8.0	Reporting
Fuel Portfolio Update	Each FC and EC Meeting	Agency Risk Director	Section 8.0	Reporting
Policy Operation & Effectiveness	Annually	Agency Risk Director	Section 8.0	Reporting
Policy Compliance Deviations	As Needed	Agency Risk Director	Section 7.2	Policy Compliance;

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Appendix B

Features of Exchange Traded vs. Over-The-Counter Traded Products

FEATURES	Exchange Traded	Over-The-Counter
Examples	Futures and Options	Swaps, Caps, Floors, Collars, etc.
Market	Organized exchanges in Chicago, New York, Kansas City, and other commodity markets around the world.	Networks consisting of market makers who exchange information, provide bids/offers, and negotiate transactions.
Agreements	Standardized contracts.	Custom-tailored to meet any specific needs of the <u>counterparties</u> within accepted guidelines (NAESB, EEI, ISDA).
Risk	Guaranteed contract performance.	Performance, default and/or credit risk to the <u>counterparties</u> .
Regulation	U.S. exchanges regulated by Commodity Futures Trading Commission CFTC).	Not formally regulated.
Ability to Value	Market transparency resulting from the electronic posting of daily settlement and intra-day prices. All prices are generally based upon a single geographic location.	<ul style="list-style-type: none"> - Varies by market and location. - No standardized or consistent methodology. - Some have electronic posting or periodic publications, - Some require individual inquiry and valuation.

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AGENDA ITEM 8 – ACTION ITEMS

- d) Approval of Power Supply and Resource Planning Policy and Changes**

**Executive Committee
May 20, 2021**



8d – Approval of Power Supply and Resource Planning Risk Policy Changes

Executive Committee

May 20, 2021

Power Supply & Resource Planning Policy

Major Areas Covered

- Policy addresses long-term power supply resource planning
- Areas of Risk Exposure
- Long-Term Planning
- Internal Controls
- Reporting Requirements
- Oversight Structure

Power Supply & Planning Policy Changes

Administrative Updates

Section	Changes Made
3.1 Operational Risk	Add operational risk of holding an excessively long position in which FMPA maintains more power supply resources than needed
Throughout	Administrative updates

Recommended Motion

- Move approval of the revised presented Power Supply and Resource Planning Risk Policy

FLORIDA MUNICIPAL POWER AGENCY
RISK MANAGEMENT POLICY - APPENDIX H
POWER SUPPLY AND RESOURCE PLANNING POLICY
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**POWER SUPPLY AND RESOURCE PLANNING
RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY**

This Power Supply and Resource Planning Policy (the “Policy”) and any effective subordinate procedures establish the governance, framework and controls under which Florida Municipal Power Agency (“FMPA”) may engage in activities to identify, measure, and minimize future business risk resulting from planning for long-term power supply resources. This Policy is Appendix H of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee (EC), as members of the All Requirements Power Supply Project (ARP), of FMPA recognizes 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 into place, such as those more fully described in Section 5.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the ability of the Agency to provide reliable and affordable power.

The following summarizes the Policy of the EC:

- ❖ FMPA shall follow all applicable federal, state and local laws or regulations concerning the planning for power supply resources.
- ❖ Planning for long-term resources to meet electrical load requirements shall consider all available reasonable alternatives and result in business strategies designed to achieve a highly reliable and economic power supply portfolio.
- ❖ FMPA shall annually file a Ten-Year Site Plan consistent with Florida Public Service Commission requirements and report upon the results of the plan to the EC annually.
- ❖ FMPA shall prepare, at least once every two years, a Strategic Planning slide deck that includes elements of the Ten-Year Site Plan and other key resource

planning considerations similar in nature to an Integrated Resource Plan (“IRP”) for purposes of a detailed Strategic Planning session with the FMPA Governing Bodies (Board and EC).

- ❖ A more formal IRP process shall additionally be conducted, and the results presented to the EC, at least once every five years with consideration given to allowing sufficient lead time to implement the IRP findings (if different from findings and outcomes of the Strategic Planning process conducted at least once every two years).
- ❖ Authority is delegated to the Chief Operating Officer to create procedures in support of and to administer this policy.
- ❖ Deviations from this Policy shall be reported to the Finance Committee (FC).

2.0 Scope

The Interlocal Agreement forming FMPA states that the Agency may among other things undertake financing, acquiring, constructing, managing, operating, utilizing and owning capacity and energy supply resources, either with or without the participation of other electric utilities or any other joint electric supply project. The Agency is also empowered to investigate the desirability of and necessity for additional sources and supplies of electrical energy and associated fuel and delivery options without limitation. The planning of Agency power supply resources is conducted by the Power Resources Division.

For this Policy, “long-term resources” shall mean power supply resources where the need is projected to occur three years or greater into the future from the start of the planning period. Staff, under the direction of the Resource and Strategic Planning Manager, shall coordinate with staff under the direction of the Business Development and System Operations Director for those power supply resources that are required within three years of the planning period. This Policy addresses long-term resource planning. The acquisition of short-term resources is addressed in the **Origination Policy, Appendix K** of this FMPA Risk Management Policy.

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3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to ensure effective planning for affordable and reliable power. The Chief Operating Officer will cause procedures to be written that identify risks in the areas noted below and provide ways to measure, control, and mitigate FMPA's exposure to any identified risks. While not intended to be an all-inclusive listing of risks that may be encountered by FMPA during the normal course of its business cycle, the following provides insight into the major areas of long-term resource planning related risk exposure for FMPA and the ARP.

3.1 Operational Risk

The potential risk of loss resulting from inadequate or failed internal processes, people and/or systems, or events from external sources. An example of operational risk would be the FMPA planned long-term power supply resources were not adequate to meet forecasted electricity demand. This resource shortfall could cause the Agency to meet future electricity demands by less economical means than what could have been planned. Operational risk can also stem from holding an excessively long position in which FMPA maintains more power supply resources than needed. These types of planning failures could also lead to financial and/or reputation harm.

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3.2 Strategic Risk

The risk that the policies and actions of management and/or governing bodies do not promote the successful attainment of organization goals and objectives. An example of strategic risk might occur if the power supply alternatives considered during the planning process do not match the goals set by the Agency and/or the ARP. Such a mismatch of alternatives to goals and objectives could result in the Agency's failure to achieve the strategic goals of the ARP. Such a strategic failure could also lead to economic and reputation harm.

4.0 Long-Term Planning

At FMPA, long-term resource planning is an ongoing process conducted in accordance with prudent utility practice and policies or standards set by the Florida Public Service Commission and the Florida Reliability Coordinating Council (FRCC). Long-term planning considers appropriate supply and demand resources within the context of federal, state, and local goals and objectives. Staff, under the direction of the Resource and Strategic Planning Manager, may utilize a variety of computer modeling and forecasting techniques and/or utilize third-party resources to assist in completing all required planning activities.

4.1 Reliability Standard

For planning purposes, reserve margins must be maintained at a minimum of 15% for each year of the planning period.

4.2 IRP

An Integrated Resource Planning (IRP) is a process by which the Agency sets long-term supply and demand strategies for the ARP. The IRP process shall provide a plan for an optimal mix of power supply and demand-side resources which provides a highly reliable least cost alternative to the Agency for meeting forecasted future load demand over the next 20 year period. The IRP process shall, at a minimum, consider the mix of needed resources, the size of those needed resources, the rate impact of resource alternatives, and current and/or potential legal and environmental requirements.

At a minimum, the Resource and Strategic Planning Manager shall present the various supply-side and demand-side resource options developed during the IRP process to the EC for their review and approval.

4.3 Legal Filings

FMPA shall file a 10-Year Site Plan with the Florida Public Service Commission annually by April 1. FMPA shall comply with any and all other long-term planning requirements, whether at the local, state, or federal level.

5.0 Internal Controls

The Chief Operating Officer shall cause to be established a system of written internal controls to ensure effective planning for economic and reliable power supplies, consistent with this Policy and any associated Planning Procedures; all in accordance with procedural guidelines and policies of the FMPA Risk Management Policy.

5.1 Continuing Education

The Chief Operating Officer shall ensure that all applicable staff maintain current skills and knowledge regarding the long-term planning of power resources.

5.2 NERC Compliance

The Manager of Regulatory Compliance is responsible for ensuring compliance with North American Electric Reliability Corporation (“NERC”) standards, including those standards which impact the planning process.

5.3 Policy Compliance

Internal Audit shall monitor compliance with this Policy and all associated Procedures. Any unresolved compliance issues will be presented to the FC by the Internal Audit Manager.

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6.0 Reporting

6.1 Power Resources

The Chief Operating Officer is responsible for causing the completion of the following reporting requirements:

6.1.1 IRP Reporting

The Resource and Strategic Planning Manager shall present the following IRP related information to the EC:

6.1.1.0 Major Assumptions

Any major assumptions changes used in the IRP prior to the presentation of any dependent resource alternatives contained in the study. Appendix B illustrates the process and procedures that are followed.

6.1.1.1 IRP Study

The various supply-side and demand-side resource addition options developed during the IRP process for review and approval.

6.1.2 Ten Year Site Plan

The Resource and Strategic Planning Manager shall present the filed 10-Year Site Plan as an information item to the Executive Committee at its May meeting or the first meeting thereafter.

6.2 Operation and Effectiveness Report

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.

7.0 Oversight Structure

The Risk Director shall cause any material deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The Resource and Strategic Planning Manager shall report on the current risk environment affecting planning for long-term power supply resources to the Risk Director as needed, and engage any necessary discussion before presenting items to the FC or governing bodies.

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Appendix A

Florida Municipal Power Agency Risk Management Reporting Calendar Power Supply and Resource Planning Reporting Requirements				
Reporting Item	Frequency of Report	Responsible Party	Policy Section Reference	Policy Category Reference
IRP Major Assumptions	As needed	Resource and Strategic Planning Manager	Section 6.1.1.0	Major Assumptions
IRP Study	As needed	Resource and Strategic Planning Manager	Section 6.1.1.1	IRP Study
10 Year Site Plan	Annually	Resource and Strategic Planning Manager	Section 6.1.2	Ten Year Site Plan
Policy Operation & Effectiveness	Annually	Risk Director	Section 6.2	Operation and Effectiveness Report
Deviations from Policy	As Needed	Risk Director	Section 7.0	Oversight Structure

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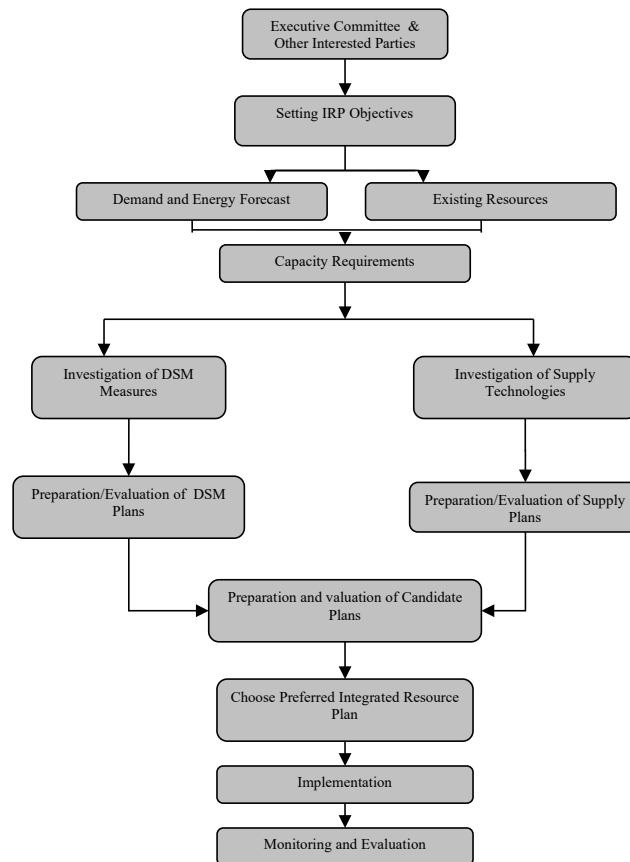
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Appendix B

FMPA Integrated Resource Planning Process & Procedure Version 1, October 20, 2009

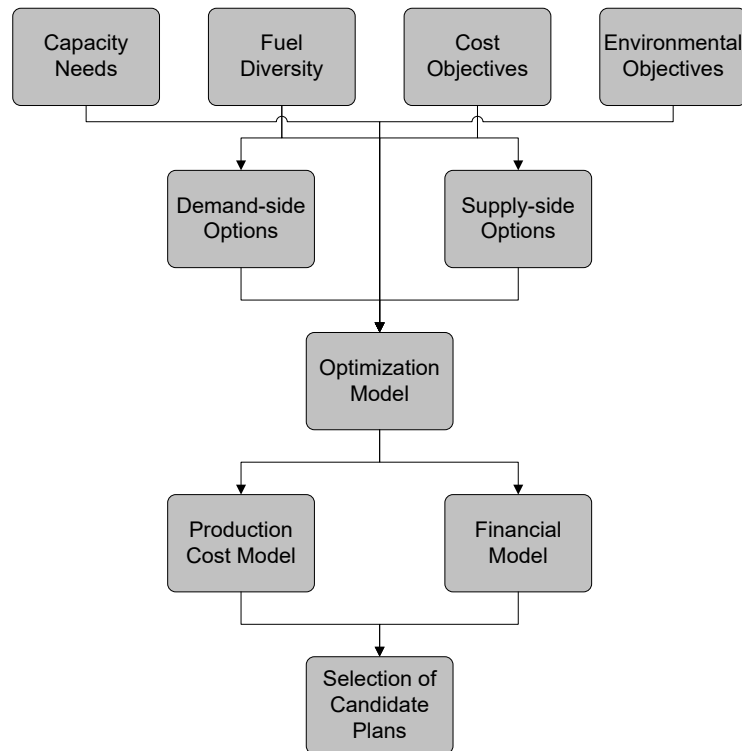
Integrated Resource Planning Process:



Appendix B

**FMPA Integrated Resource Planning Process & Procedure
Version 1, October 20, 2009**

Evaluation Process for Candidate Plans:



AGENDA ITEM 9 – INFORMATION ITEMS

- a) Solar Phase II Whistling Duck Network Upgrades**

**Executive Committee
May 20, 2021**



9a - Solar Phase II Whistling Duck Network Upgrades

Executive Committee

May 20, 2021

Working on Phase II Projects to Meet 2023 COD Target

Investment Tax Credit Reduces from 30% to 26% on January 1, 2024

- Rice Creek (FPL interconnection) on track for December 2023 COD
- Whistling Duck (DEF interconnection) at risk of not making December 2023 deadline, triggering Investment Tax Credit (ITC) impact
 - Transmission network upgrades needed for Whistling Duck
 - FMPA can agree to pay for \$17 M in network upgrades (subject to full refund within 5 years of COD) and give Project best chance to stay on schedule
 - Doing so puts Whistling Duck on best path to meet schedule and maintain low PPA pricing
 - Requires decision by June for FMPA Phase II members (ARP and non-ARP) funding of network upgrades

Best Option to Meet December 2023 Schedule

Duke Re-Assigns Upgrades to Origis; FMPA Finance the Upgrades

- Whistling Duck can jump ahead of earlier queued projects if:
 - Origis assumes cost responsibilities for network upgrades
- Network upgrades approximately \$17M (reimbursed by Duke w/in 5 years of COD)
 - Most cost-effective option is for FMPA to finance network upgrades vs Origis
 - Leverage FMPA's lower cost of financing for network upgrades
 - Potential for value-add with positive spread between FMPA financing cost and Duke's cost
- FMPA's support to finance network upgrades is best option chance to remain on schedule without impact to PPA pricing

Phase II - Whistling Duck Shares

<u>Participant</u>	<u>MW</u>	<u>%</u>	<u>Network Upgrade Costs (\$M)</u>
Beaches	7.5	10.0%	1.70
FPUA	7.5	10.0%	1.70
Havana	0.13	0.2%	0.03
KEYS	12.5	16.7%	2.84
KUA	10.0	13.4%	2.27
Newberry	0.5	0.7%	0.11
Ocala	10.0	13.4%	2.27
ARP	48.13	64.25%	10.92
Homestead	2.5	3.4%	0.57
LWU	13.3	17.7%	3.01
Mount Dora	1.0	1.3%	0.23
New Smyrna	5.0	6.7%	1.13
Winter Park	5.0	6.7%	1.13
Solar Project II	26.78	35.75%	6.08
Total	74.90	100%	17.00

Several Solutions Considered

Staff Working With Origis on Option to Avoid Price/Schedule Impacts

Preferred Option:

- Upgrades funded by FMPA Whistling Duck participants
- No impact to initial PPA rate
- Worst case: additional ~\$4.5M NPV impact over 20-year term (ITC reduction from 30% to 26% if COD is delayed to 1/2024 or later)

Other Alternatives:

- Upgrades funded by Origis, cost passed to Whistling Duck participants
 - ~\$3.7M NPV impact over 20-year term (requires revised contract terms)
 - Worst case: additional ~\$8.1M NPV impact over 20-year term if delayed to 1/2024 or later
- Option to move to “derisked” site in Columbia County with different price
 - ~\$7.4M NPV difference over 20-year term
 - New PPA required

Funding Option for Whistling Duck Participants

Decisions needed from ARP and Solar II Participants

Recommended Funding Option:

- ARP Solar II Participants fund entire \$17M through Pooled Loan
 - ARP can provide funds, if ARP agrees to fund network upgrade costs for all Solar II Participants
 - Taxable Interest Rate ~1.60%-2.00% (Lower than reimbursed prime rate)
 - Construction loan - interest only for 12-18 months
 - Upon COD - loan converts to traditional fixed rate loan with principal and interest payments
 - Previously approved Liquidity Fund will be required for “bridge” funding until Pooled Loan is processed
- **Reimbursement from Duke within 5 years of COD with interest at prime rate (currently 3-4%)**
 - Duke is required to reimburse network upgrade costs within 5 years of COD (enforced by FERC)
 - FERC proforma LGIA (section 11.4) states: “Interconnection Customer shall be entitled to a cash repayment, equal to the total amount paid to Transmission Provider...for the Network Upgrades...repayment shall include interest...Interconnection Customer may assign such repayment rights to any person.”

Other Funding Options Considered

Alternative options may not mitigate schedule delay

- ARP Solar II Participants fund entire \$17M through previously approved Liquidity Fund
 - Limitations/Risks (capital from liquidity fund targeted for other plant needs)
- ARP Solar II Participants fund entire \$17M through LOC
 - Limitations/Risks (timing risk for LOC refinancing)
- Solar II Participants fund their 36% share (~\$6.1M) through Pooled Loan
 - Limitations/Risks (would have to go back to cities for approvals, possibly additional documents)
- Solar II Participants fund their share through bond issuance
 - Would need to validate bonds and establish Solar II Project as a creditworthy issuer.
- Solar II Participants fund their share through use of Development Funds
 - BOD lends to Solar II Project at Duke's reimbursement rate
 - Insufficient amount available, replenishment issues

Contract and Legal Implications

Agreements Required for Transactions

- PPA language re: Network Upgrades
- Agreement between Origis and FMPA (Solar II Project and ARP Solar Phase II Participants)
 - Origis is party with Duke for network upgrades
 - Origis “assigns” Duke refunds, including interest directly to Solar II and ARP Solar II Participants

Working to Stay on Schedule for December 2023 COD

Best Requires Board and EC Approvals in June

- LGIA draft expected week of May 17
 - Potential Notice to Proceed (NTP) on June 10
 - Security funds required upon NTP; amount currently unknown
- Solar II participants approve funding of network upgrades
 - Follow-up meeting will be scheduled ASAP
- Board and EC information items – May 20
- Board and EC approve funding of network upgrades or take an alternative path – target June 10

AGENDA ITEM 9 – INFORMATION ITEMS

- b) CREAC Recommendation to Sunset the Committee but Keep the Conservation Program in Place**

**Executive Committee
May 20, 2021**



9b – CREAC Recommendation to “Sunset” the Committee

Executive Committee
May 20, 2021

Background of ARP Conservation Program

CREAC formed in 2008

- Certification for Cane Island 4 required FMPA to demonstrate ARP's efforts to promote Conservation and DSM programs
- Conservation Task Force appointed to determine funding and provide direction
- In July 2008, ARP Approved
 - Implementation of ARP Conservation Program at \$1 Million, funded from the ARP Energy Rate. Funding allocated to members based on previous year's energy ratio share
 - Creation of the Conservation and Renewable Energy Advisory Committee to oversee "green" programs for the ARP

CREAC Mission

Approved in September 2008

The mission of the FMPA Conservation and Renewable Energy Committee is to engage in fact-finding, provide recommendations and guidance, and advise the Executive Committee in the development of effective conservation and renewable energy projects and programs; to facilitate increased understanding and awareness among the members of such projects and programs; and to evaluate the quality, costs, and benefits of such projects and programs.

Committee Has Been Active

Agendas informative and robust

- Net Metering
- DSM/Load Curtailment
- Solar PV Projects
- RPS Update
- “Green Tag” Program Opportunities
- Energy Efficiency DVD
- Biomass Activities
- Renewable Energy Legislation
- Demand Response Technology
- Electric Vehicles
- Wind Energy
- Educational Materials

Committee Decision to “Sunset”

Mission Accomplished!

- Mission
 - Engage in fact-finding and provide recommendations and advise
 - Facilitate increased understanding and awareness
 - Evaluate quality, costs, and benefits of programs
- Recent Board, EC and PMLC Agendas have included “Green” items
 - Solar
 - EV
 - Battery Storage
 - Greenhouse Gas Reductions

Conservation Program Funding will Continue

Rolled into ARP Budget Process, and approved by ARP

Fiscal Year	Funding Level	Estimated Rate Impact (\$/MWh)
FY '09 ¹	\$1,000,000	\$0.15
FY '10	\$525,000	\$0.09
FY '11	\$750,000	\$0.12
FY '12	\$750,000	\$0.12
FY '13	\$750,000	\$0.12
FY '14	\$750,000	\$0.12
FY '15	\$700,000	\$0.12
FY '16 ²	\$700,000	\$0.12
FY '17	\$700,000	\$0.12
FY '18	\$750,000	\$0.13
FY '19	\$750,000	\$0.12
FY '20	\$750,000	\$0.12
FY '21	\$750,000	\$0.12

¹ FY '09 included \$100k for conservation videos and program admin

² FY '16 included \$50k for updating conservation videos

Recommended Action

- Move to approve the “sunset” of the FMPA ARP Conservation and Renewable Energy Advisory Committee, while affirming the ARP Conservation Program will continue to operate, under the direction of the Executive Committee, with annual funding approved as part of ARP annual budget process.

AGENDA ITEM 9 – INFORMATION ITEMS

c) Update on Rate Protection Account

**Executive Committee
May 20, 2021**



9c – Update on Rate Protection Account

Executive Committee

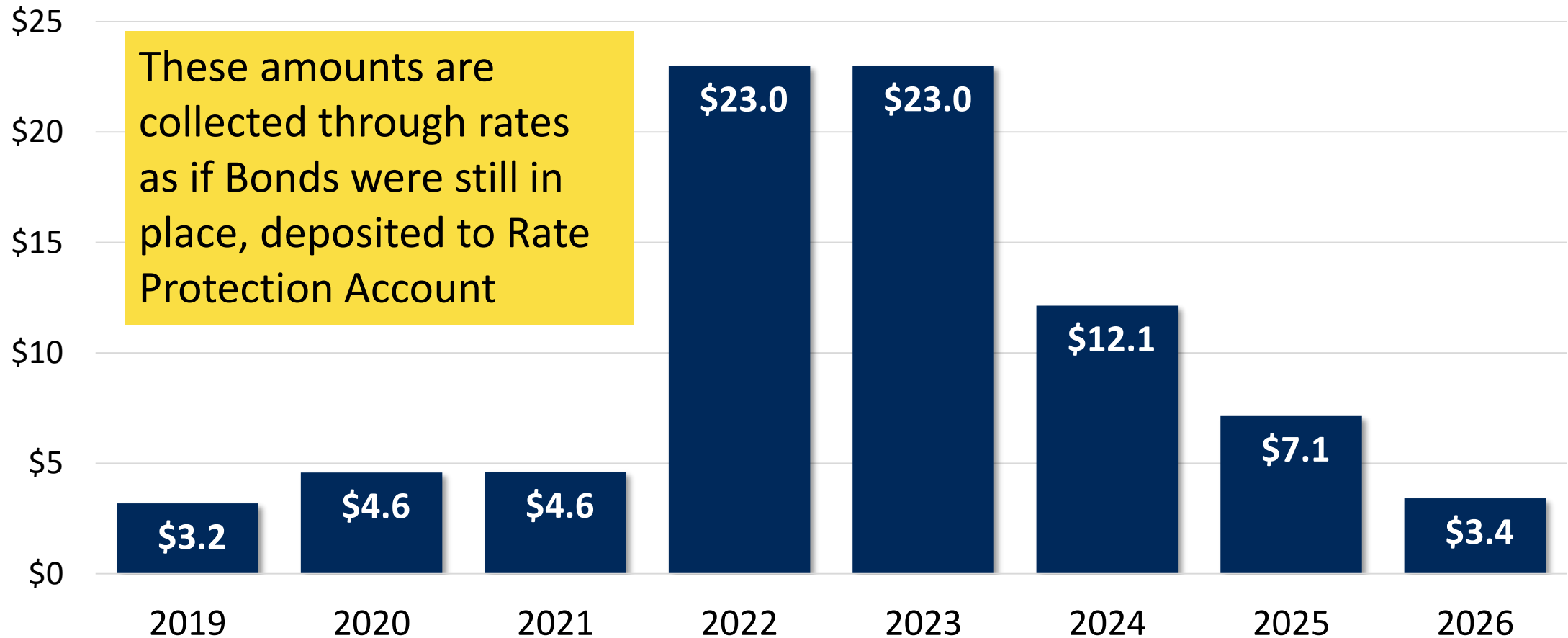
May 20, 2021

Feedback Sought on Rate Protection Account Future

- Beginning in Fiscal 2022, significant debt savings from Vero transaction will rebuild the Rate Protection Account (RPA)
- Staff has proposed capping future deposits to the RPA to lower near-term rates to ARP Participants
- Staff presented three options for future RPA balances to Finance Committee in April: No cap, \$10M cap, and \$20M cap
- Feedback received favored no cap to minimize future risks (by building cash at FMMPA), or no lower than a \$20M cap
- Now bringing this discussion to the full EC

Annual Debt Savings are Not Level

Annual Debt Savings from Bonds Defeased with Vero Proceeds (\$Millions)

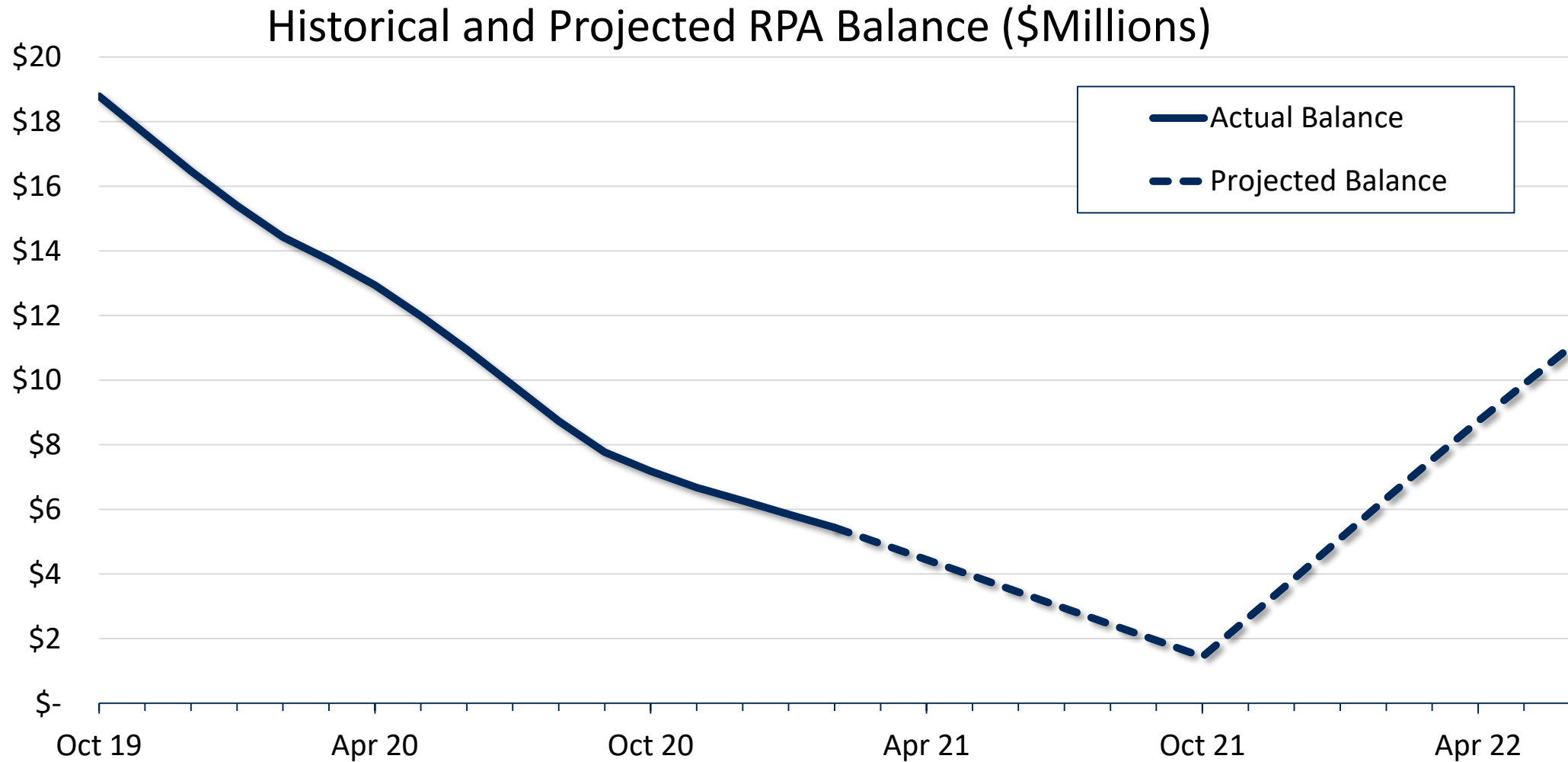


Rate Protection Account Meeting Original Need

No Impact to ARP Rates from Vero Beach Transaction

- Actual gas prices below forecast used for original projections, which means overall participant costs lower
- \$30M (initial) reserve now projected to cover costs through Fiscal 2021
- Debt savings starting Fiscal 2022 more than cover costs, creating large additional balance (if the RPA continues to be funded at the level of avoided debt service costs)
- No final target balance or time horizon was set for account
- FMIPA will have fulfilled commitment to members and bond holders in Fiscal 2022

Rate Protection Account Balance to Remain Positive



After Meeting Vero Commitment

What Do Members Want to Do with Excess Funds?

1. FMPA can build higher reserves
 - a. Not likely to achieve better credit ratings
 - b. Limited value to members unless funds can be used to help offset future ARP financing needs (e.g., Stanton conversion costs)
2. Members can manage funds at member level and
 - a. Lower rates to customers
 - b. Build reserves for utility
 - c. Invest in system
 - d. Provide Value to Community
3. FMPA can assist Members with setting up individual reserve accounts at FMPA level, if desired

Options Presented to Finance Committee in April

Feedback Favored Option 1 or Option 3

- Option 1: No cap
 - Let RPA grow through Fiscal 2023 to >\$20M, then gradually draw down the account over the following years
 - This had been the legacy approach and is the most conservative option
- Option 2: \$10M RPA cap
 - Set the maximum balance for the account at \$10M
 - Once the account reaches the cap, limit future deposits such that the balance does not exceed the cap
- Option 3: \$20M RPA cap
 - Same as Option 2, but assumes a \$20M cap

Rate Protection Account Options

Rate Impact Comparisons [1]

Year	Option 1 (Base): Continue to Fund RPA	Option 2: Limit RPA Balance at Maximum \$10M	Option 3: Limit RPA Balance at Maximum \$20M
2020	\$66.83	\$66.83	\$66.83
2021	\$69.05	\$69.05	\$69.05
2022	\$70.30	\$69.62	\$70.30
2023	\$70.35	\$68.25	\$69.24
2024	\$67.07	\$66.56	\$66.53
2025	\$70.47	\$70.46	\$70.46
2026	\$69.66	\$69.66	\$69.66
2027	\$70.49	\$71.36	\$70.49

Option 1: Higher rates over near term, but RPA has highest balance and lasts longest.

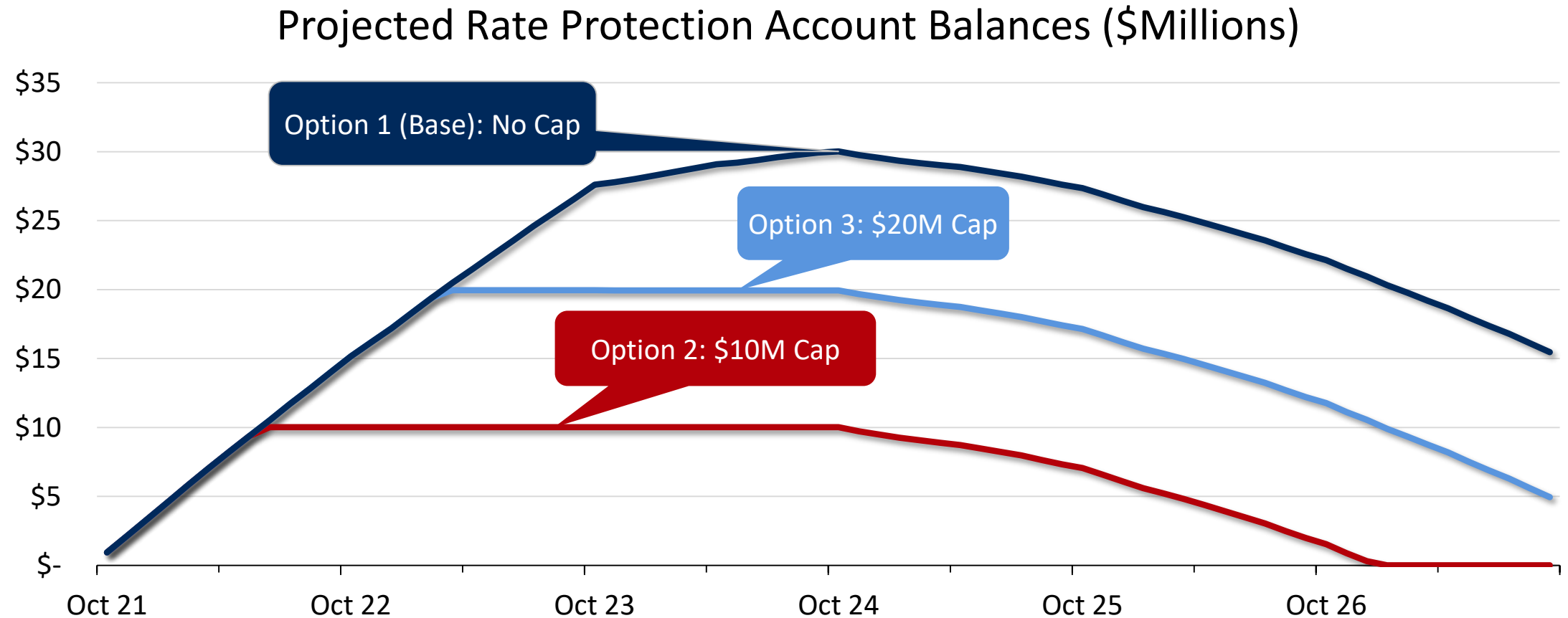
Option 2: Lower rates over near term, but RPA has lowest balance and runs out quickest.

Option 3: Falls between Options 1 and 2 for both rate impact and RPA balance

[1] Based on the assumptions and analysis utilized for FMPA's 2021 strategic planning process. All scenarios reflect the Stanton repowering.

Rate Protection Acct Life Length Differs Among Cases

Years With Different Line Slopes Between Cases Indicate Years with Rate Differences Between Cases



Recommended Motion

- No action requested. For information only.

AGENDA ITEM 9 – INFORMATION ITEMS

d) Annual Environmental Program Update

**Executive Committee
May 20, 2021**



2020 FMIPA Environmental Report

Board of Directors and
Executive Committee

May 20, 2021

FMPA Continues Strong Compliance Record

No Air Permit nor Discharge Violations

- FMPA receives, on average, 12+ onsite regulatory inspections per year.
- FMPA submits more than 100 regulatory reports per year.
- FMPA utilizes 3rd party vendors for equipment inspections and environmental program training.
- Since 2017, FMPA has self-reported five minor environmental issues to agencies without enforcement action.

Multiple Regulatory Inspections, Zero Violations

U.S. EPA, Florida DEP, USCG, LEPC Visits

- Federal, State, and Local regulatory agencies
- Scheduled, Unannounced, Incident Response
- Site walk down, records review, interviews
- In 2020 - Sixteen Inspections = Zero Violations



Environmental Requirements Completed Timely

U.S. EPA, Florida DEP, USCG

- All environmental reports and permit applications were submitted on time.
- All required environmental training completed.
- FMPA received non-compliance letter from Florida DEP regarding missed drinking water analysis.



Cane Island Has Unique Potable Water Requirements

Process Driven Issue, Not Water Quality

- Drinking water supply not available at the road
- Plant has numerous certified PWS operators
- Daily Free Chlorine analysis
- Additional infrequent analysis – Pb & Cu
- Subsequent testing results within limitations
- Mitigation Plan includes additional testing frequency, and pollution prevention project.

All Units In Compliance With Air Permits

2020 Stack Testing Within Emission Limits

- Most units (not Stock Island CT's) were tested in 2020 to demonstrate compliance with emission limits.
- All units were in compliance with permit conditions, limitations, and CEMS QA specifications.



Environmental Capital Projects Completed & Ongoing

FMPA investing to sustain environmental performance

- CEMS software upgraded at TCEC, soon at CIPP
- CEMS analyzer upgrades at CIPP
- CEMS Appendix E project at SIGF
- SCR catalyst replacement project at TCEC
- Fuel oil & demineralized water tank repairs at SIGF
- Fuel oil optimization plan at CIPP

Regulatory Uncertainty

US EPA, Florida DEP

- FCG
- COVID19 Impacts
- CLEAN Future Act
- Statewide NAAQS
 - Carbon monoxide
 - Lead
 - Nitrogen dioxide
 - Ozone
 - Particulate matter
 - Sulfur dioxide





Environmental Compliance Report

2020 Acid Rain Compliance Summary

The totals shown below demonstrate that sufficient allowances were held in the accounts to cover 2020 emissions. The allowance totals shown are those that were in the accounts prior to deductions for 2020 emissions.

Cane Island Units 1, 2, 3, 4

Parameter	2020 Emissions	Allowances
SO ₂	8	11

Stock Island CT4

Parameter	2020 Emissions	Allowances
SO ₂	0	2,567

Treasure Coast Unit 1

Parameter	2020 Emissions	Allowances
SO ₂	4	21

Notes:

- For calendar year 2020, the Acid Rain Program was in effect for SO₂ Annual emissions.
- In September 2016, EPA finalized an updated Interstate Transport Rule (CSAPR replacement) for the 2008 Ozone Standard. The state of Florida is not subject to the revised Transport Rule. As a result, NO_x allowance compliance is not required for the 2020 Ozone Season.
- Keys Energy Services has retained ownership of a large quantity of SO₂ allowances that were allocated to the retired Ralph Garcia facility under the Acid Rain Program. SO₂ allowances are not automatically allocated each year for the Cane Island and Treasure Coast facilities. In 2014, KEYS transferred a total of 100 SO₂ allowances to the Cane Island and Treasure Coast accounts, at a 60/40 distribution.

2020 Air Emissions Test Results Summary

The test results tabulated below show that all units were in compliance with Title V Permit and 40 CFR 75 compliance limits for all tested parameters. Note that not all units/parameters are required to be tested every year.

Cane Island Unit 1

Parameter	Test Result	Compliance Limit
CO (ppmvd)	25.27	30
Opacity (%)	0.0	10
Heat Input (LHV; mmBtu/hr)	310.8	367
NO _x CEMS RATA (%)	4.20	7.5

Cane Island Unit 2 Main Stack

Parameter	Test Result	Compliance Limit
CO (ppmvd)	1.04	20
Opacity (%)	0.0	10
Heat Input (LHV; mmBtu/hr @ISO)	793.4	869
NO _x CEMS RATA (%)	5.58	7.5

Cane Island Unit 2 Bypass Stack

Parameter	Test Result	Compliance Limit
NO _x CEMS RATA (%)	6.43	7.5

Cane Island Unit 3 Main Stack

Parameter	Test Result	Compliance Limit
CO (ppmvd)	0.40	12
CO (lb/hr)	1.07	43
Opacity (%)	0.0	10
Heat Input (LHV; mmBtu/hr @ISO)	1,577.2	1,696
NO _x CEMS RATA (lb/mmBtu)	-0.00033	+/- 0.015 of reference

Cane Island Unit 3 Bypass Stack

Parameter	Test Result	Compliance Limit
NO _x CEMS RATA (%)	1.86	7.5

Cane Island Unit 4 – Duct Burner Off

Parameter	Test Result	Compliance Limit
NH ₃ (ppmvd)	0.035	5.0
Opacity (%)	0.0	10

Cane Island Unit 4 – Duct Burner On

Parameter	Test Result	Compliance Limit
NH ₃ (ppmvd)	0.182	5.0
Opacity (%)	0.0	10
NO _x CEMS RATA (lb/mmBtu)	-0.00056	+/- 0.015 of reference
CO CEMS RATA (ppm)	0.165	< or = 5

Stock Island CT4

Parameter	Test Result	Compliance Limit
NO _x CEMS RATA (%)	4.1	7.5

Stock Island MSD1

Parameter	Test Result	Compliance Limit
Opacity (%)	7.75	20

Stock Island MSD2

Parameter	Test Result	Compliance Limit
Opacity (%)	6.27	20

Treasure Coast – Duct Burner Off

Parameter	Test Result	Compliance Limit
Opacity (%)	0.0	10

Treasure Coast – Duct Burner On

Parameter	Test Result	Compliance Limit
Opacity (%)	0.0	10
NO _x CEMS RATA (lb/mmBtu)	-0.00067	+/- 0.015 of reference
CO CEMS RATA (ppm)	0.396	5

2020 Greenhouse Gas (GHG) Emissions Reporting Summary

Greenhouse gases included in the totals reported below are carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O), converted to total carbon dioxide equivalent (CO₂e) emissions. The CH₄ and N₂O emissions are an insignificant fraction of the total CO₂e emissions.

Cane Island – Unit 1, Unit 2, Unit 3, Unit 4, Dew Point Gas Heater for Unit 3

Total GHG Emissions (CO₂ equivalent) – 1,537,161.3 metric tons

Treasure Coast

Total GHG Emissions (CO₂ equivalent) – 747,559.0 metric tons

Stock Island* – EP2, MSD1, MSD2, CT1, CT2, CT3, CT4

Total GHG Emissions (CO₂ equivalent) – 3,320.3 metric tons

* Stock Island's 2020 GHG emissions were calculated but were not required to be reported to EPA. Per the GHG Reporting Rule, a facility that has reported total GHG emissions below 15,000 mtCO₂e for three consecutive years or below 25,000 mtCO₂e for five consecutive years can discontinue reporting for all direct emitter subparts.

Regulatory Inspections

To ensure compliance and transparency, environmental regulatory agencies conduct site inspections and audits. Inspections can include a site walk down, records review, and plant personnel interviews. The inspections by federal agencies (i.e., US EPA), state agencies (i.e., Florida DEP) and local agencies (i.e., Local Emergency Planning Commission) can be scheduled, unannounced, or spontaneous due to a notification of a potential environmental issue. In 2020, sixteen inspections took place at FMPA generation facilities:

CANE ISLAND:

- Site Habitat Management and Monitoring Inspection, South Florida Water Management District, Florida Fish & Wildlife Conservation Commission
- Industrial Wastewater Inspection, Florida DEP
- Tier II Inspection – Osceola County Fire Department

STOCK ISLAND:

- Title V Compliance Testing Visual Inspection, Florida DEP
- Title V Full Compliance Evaluation, Florida DEP
- SPCC/FRP Inspection, US EPA
- Facility Security Plan Inspections, US Coast Guard
- Storm Prep & Recovery Inspections, US Coast Guard

TREASURE COAST:

- Title V Full Compliance Evaluation, Florida DEP
- Hazardous Waste Inspection, Florida DEP
- Storage Tank Inspection, Palm Beach County Environmental Resources Management

There were zero violations resulting from these sixteen inspections. Minor deficiencies are sometimes noted in the final inspection report, mostly administrative in nature. Corrective actions from these inspections included updating response plans, retraining site personnel, and mitigating minor housekeeping issues.

Cane Island Non-Compliance Letter

In February 2021, KUA and FMPA received a non-compliance letter from Florida DEP regarding missing potable water analysis at Cane Island Power Park. Per the site's Potable Water System permit, drinking water is to be sampled quarterly for lead and copper. Subsequent testing indicated no adverse health or environmental concerns. Mitigation includes increased sample frequency and completion of a Pollution Prevention Project.

SCR and Oxidation Catalyst Management

FMPA SCR and Oxidation Catalyst Management Plans

FMPA has developed and maintains fleet-wide Catalyst Management Plans to document best practices for SCR and Oxidation catalyst testing and maintenance activities. Catalyst replacement capital expenditures continue to be budgeted into future years.

Selective Catalytic Reduction (SCR) systems are installed at FMPA's Cane Island Units 3 and 4 and Treasure Coast to comply with the Title V Permit nitrogen oxide (NO_x) emission limits for these generating units.

Oxidation Catalyst (OC) systems are installed at Stock Island's MSD1 and MSD2 to meet the carbon monoxide (CO) emission reduction requirements of 40 CFR 63, Subpart ZZZZ for existing reciprocating internal combustion engines (RICE) greater than 500 HP at Area Sources of Hazardous Air Pollutants (HAPs). The OC systems are utilized to oxidize CO and other products of incomplete combustion to carbon dioxide (CO₂).

FMPA's fleet-wide goal is to maximize the useful life of the catalyst while avoiding the risk of a sudden failure which would cause the unit to be unable to meet its permit. Planning for catalyst replacements is particularly important due to the lengthy lead times for production and delivery of new SCR catalyst, typically 6 months or longer.

Treasure Coast SCR Catalyst Replacement Planning

After 13 years of almost continuous use, Treasure Coast's SCR catalyst is nearing end-of-life projections. Recent inspections of the HRSG and a full SCR evaluation concluded the current catalyst retains enough activity to provide the required NO_x reduction through 2023. Future capital funds have been allocated for this project. The SCR will continue to receive evaluations to confirm end-of-life projections.

Regulatory Updates

FMPA continues to work with Florida Electric Power Coordinating Group (FCG) and other electric utility user groups to provide US EPA and Florida DEP data and comments on proposed air, water, and solid waste environmental regulations.

Rules FMPA and the FCG advocate on behalf of utilities include:

- Hurricane and COVID19 Emergency Orders
- Clean Power Plan (CPP), Affordable Clean Energy (ACE), CLEAN Futures Act
- Volkswagen Mitigation Plan and EV Work Group
- Regional Haze
- Mercury & Air Toxics Standard (MATS)
- 404 State Assumption
- Waters of the US (WOTUS) & Navigable Waters Protection Rule (NWPR)
- Effluent Limitation Guidelines (ELG)
- Hydrologic Connectivity
- Central Florida Water Initiative
- Florida Algae Task Forces
- Per- and Polyfluoroalkyl Substances (PFAS)
- Waste Cleanup Initiatives
- Universal Waste – Solar Panels, Aerosol cans
- Coal Combustion Residual (CCR) Rule

National Ambient Air Quality Standards Update

On March 5, 2020, the Florida Department of Environmental Protection announced that Florida meets all National Ambient Air Quality Standards (NAAQS) statewide.

- Carbon monoxide
- Lead
- Nitrogen dioxide
- Ozone
- Particulate matter
- Sulfur dioxide

AGENDA ITEM 9 – INFORMATION ITEMS

- e. Update on Florida Municipal Power Pool Strategy**

“Materials will be Available Later This Week”

Executive Committee

May 20, 2021



9e – Florida Municipal Power Pool Strategy Update

Executive Committee

May 20, 2021

Commitment to Sustainable Energy Has Challenges

- **Transition to new fleet**
 - Higher dependency on gas, solar, new resources
 - Increased complexity
- **Reliability - Harder target to hit**
 - Uncertainty and reliability risks increase
 - Load and generation diversity / location critical
 - Transmission, transportation, storage marginal
- **Getting there will be costly**
 - Integration of new resource types
 - Transmission investments / rates increase
 - Greater speed & frequency of change

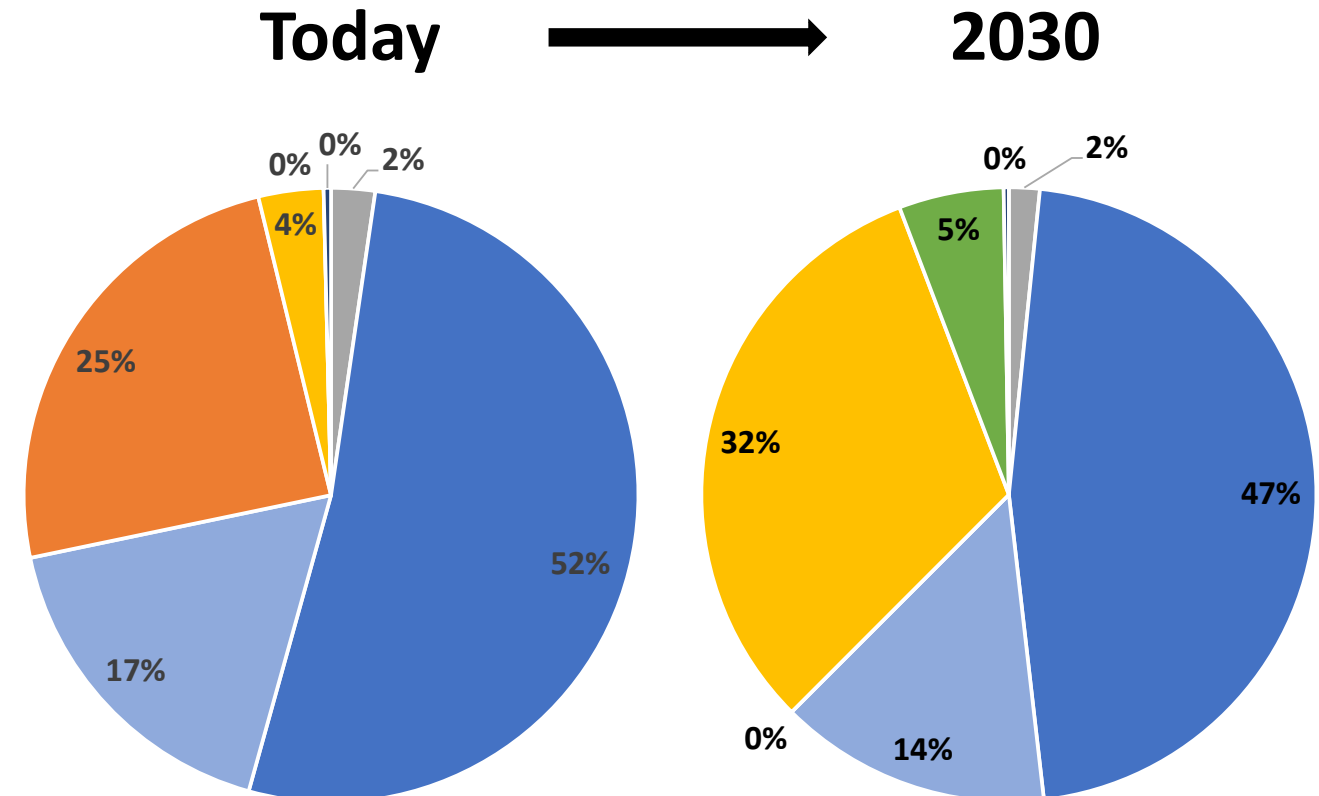


Power Pool Fleet Accelerating Toward Solar

One-third of Power Generation to be Solar by 2030

Generation	2021	2030
Nuclear	108	107
Gas CC / C2G Conv.	2,432	3,081
Peaker (Gas, Oil)	814	947
Coal	1,144	0
Solar	160	2,099
Storage	0	365
Other Renewable	18	18
Total	4,676	6,617
Summer Peak	3,464	3,674

Summer peak reflects Σ Non-coincident peaks



■ Nuclear ■ Gas CC / C2G Conv. ■ Peaker (Gas/Oil) ■ Coal ■ Solar ■ Storage ■ Other Renewable

Priorities - What Must Go Right?

Goal	5-Year Priorities (Avg. Response)
Reliability	
Develop resource adequacy for tomorrow's portfolio	9.4
Unit performance tracking and visibility	8.9
Integrate fuel assurance (diversity and resiliency)	7.4
Affordability	
1st quartile energy costs in state	9.3
Define pool reserve/transmission products	9.3
Explore pool level fuel management	7.9
Expansion/Collaboration	
Create a defined criteria for expansion	9.3
Create six-month playbook	9.0
Pursue new transmission partnerships	7.3



AGENDA ITEM 9 – INFORMATION ITEMS

f) Results of 2021 Series A and B Debt Offerings

**Executive Committee
May 20, 2021**



9f – Results of 2021 Series A and B Debt Offerings

Executive Committee

May 20, 2021

ARP 2021A/B Bonds Exceeded Expectations

- Great Financing Team
 - All parties executed their roles flawlessly
- The 2021A Bonds were 12.6x times oversubscribed
- The 2021B Bonds were 3.8x times oversubscribed
- Able to lower interest rates on 2021A Bonds by 14 basis points a savings of \$376,380
- Able to lower interest rates on 2021B Bonds by 12 basis points a savings of \$410,000

Within Allowable Internal Targets

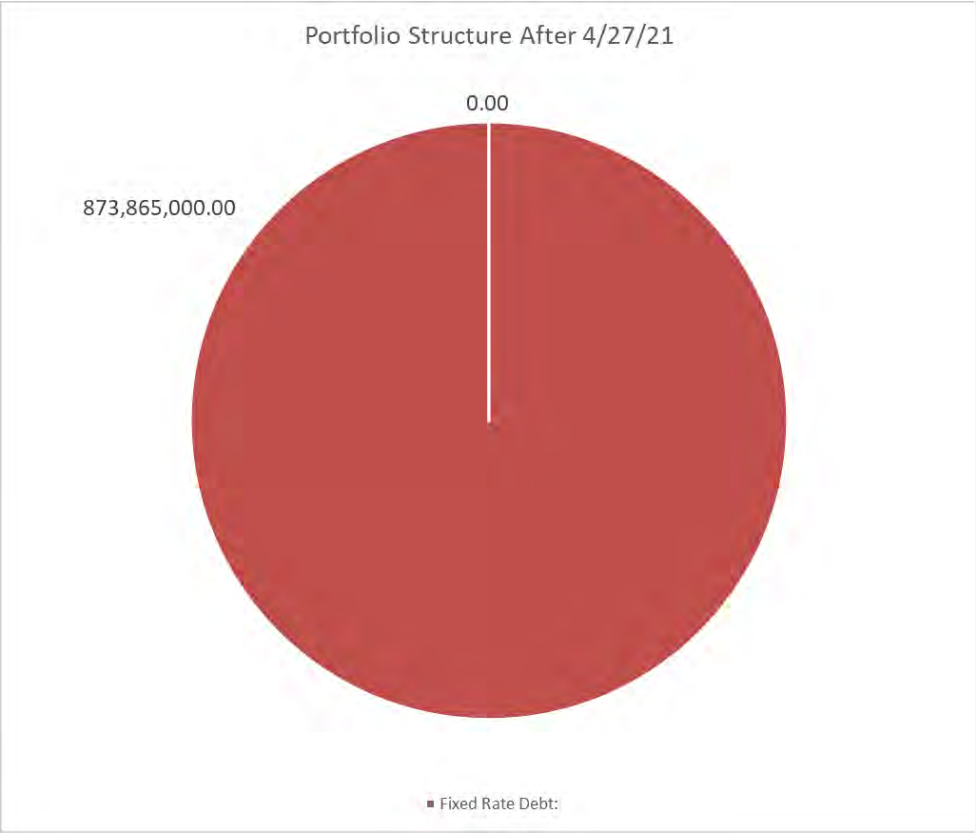
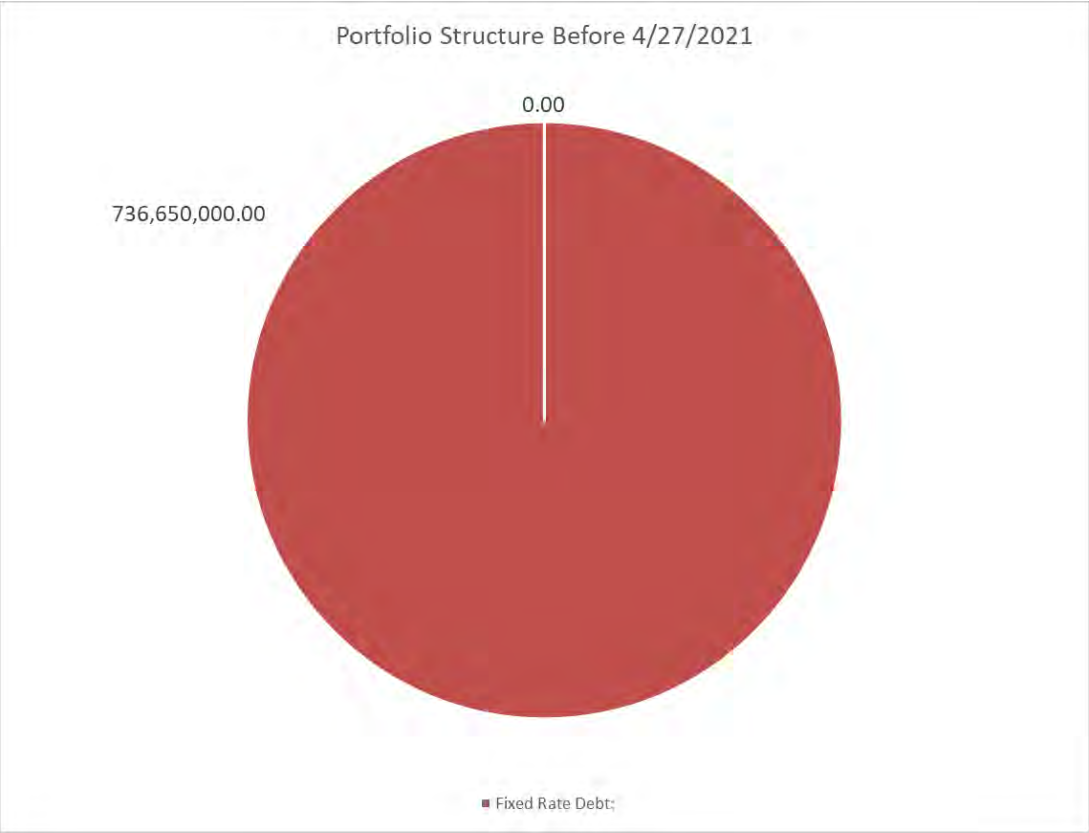
Final Numbers Compared to Resolution/Debt Policy

Description	Actual	Limit Per Resolution or Debt Policy
Bonds Issued A Bonds Issued B	\$40.33 million \$100.495 million	\$40.35 million \$100.625 million
True Interest Cost (A) True Interest Cost (B)	2.090947% 1.480238%	3.50% 2.50%
Final Maturity A Final Maturity B	10/2033 10/2026	10/2035 10/2035

Description	Actual	Limit Per Resolution or Debt Policy
Issue Costs	\$428,750	N.A.
Underwriters Discount	\$2.87 per \$1,000	\$3.00 per \$1,000
Method of Sale	negotiated	negotiated
Closing Date	4/27/2021	N.A.
Underwriters	Goldman Sachs & Co. LLC	Goldman Sachs & Co. LLC

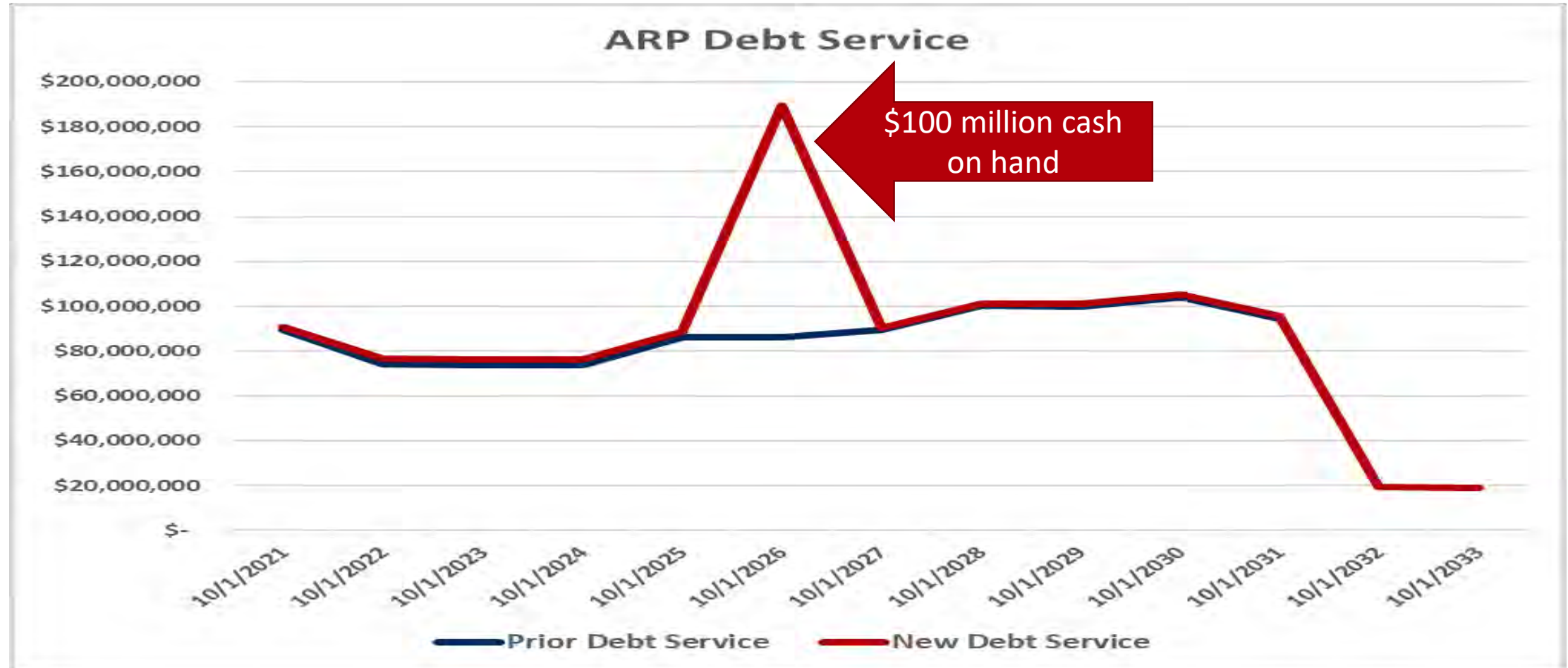
ARP Debt Portfolio Structure

Still 100% Fixed-Rate Debt



Debt Structure with New Financing

Debt Runs Through October 1, 2033



AGENDA ITEM 9 – INFORMATION ITEMS

- g) Potential for Fixed Price Physical Natural Gas Transactions for Summer 2022**

**Executive Committee
May 20, 2021**



9h – Potential for Fixed Price Physical Natural Gas Transactions for Summer 2022

Executive Committee

May 20, 2021

Market Shift Results in New Nat Gas Fixed-Price Opportunity

Strong Rebound to Winter 22 Pricing Creates Summer 22 Possibility

- The FY21 fixed price transactions achieved their goal of certainty below budget during volatile winter conditions
- National demand for natural gas increasing and Winter 2022 pricing is up roughly 20%
- Storage inventories & production recovering from strong winter pull
- Overall production up 6% from Covid lows
- Therefore, weather uncertainty for Winter 2022 has helped hold Summer 2022 pricing below normal
- Adding certainty to Summer nat gas pricing offsets other budget challenges such as increasing plant O&M expenses

FY21 Fixed Price Purchases Contributed to Rate Certainty

Covid Impacts Provided Unique Opportunity for Winter FY21

Value vs. Market

Month	Purchase WACOG (\$/MMBtu)	FGT Zn3 Market Pricing as of 05/05/2021 (\$/MMBtu)	\$ Value or (lost opportunity) vs. Current Market (\$/MMBtu)	Extended Value or (lost opportunity) vs. Current Market
Oct-20	\$1.81	\$2.28	\$0.46	\$467,838
Nov-20	\$2.24	\$2.96	\$0.72	\$921,174
Dec-20	\$2.72	\$2.88	\$0.16	\$213,564
Jan-21	\$2.79	\$2.46	-\$0.33	-\$590,859
Feb-21	\$2.75	\$2.76	\$0.00	\$4,341
Mar-21	\$2.68	\$2.84	\$0.17	\$296,456
Apr-21	\$2.49	\$2.55	\$0.06	\$33,108
May-21	\$2.44	\$2.92	\$0.47	\$292,975
Jun-21	\$2.49	\$2.99	\$0.50	\$298,308
Jul-21	\$2.57	\$2.98	\$0.42	\$257,697
Aug-21	\$2.59	\$3.02	\$0.43	\$264,405
Sep-21	\$2.57	\$2.98	\$0.41	\$248,784

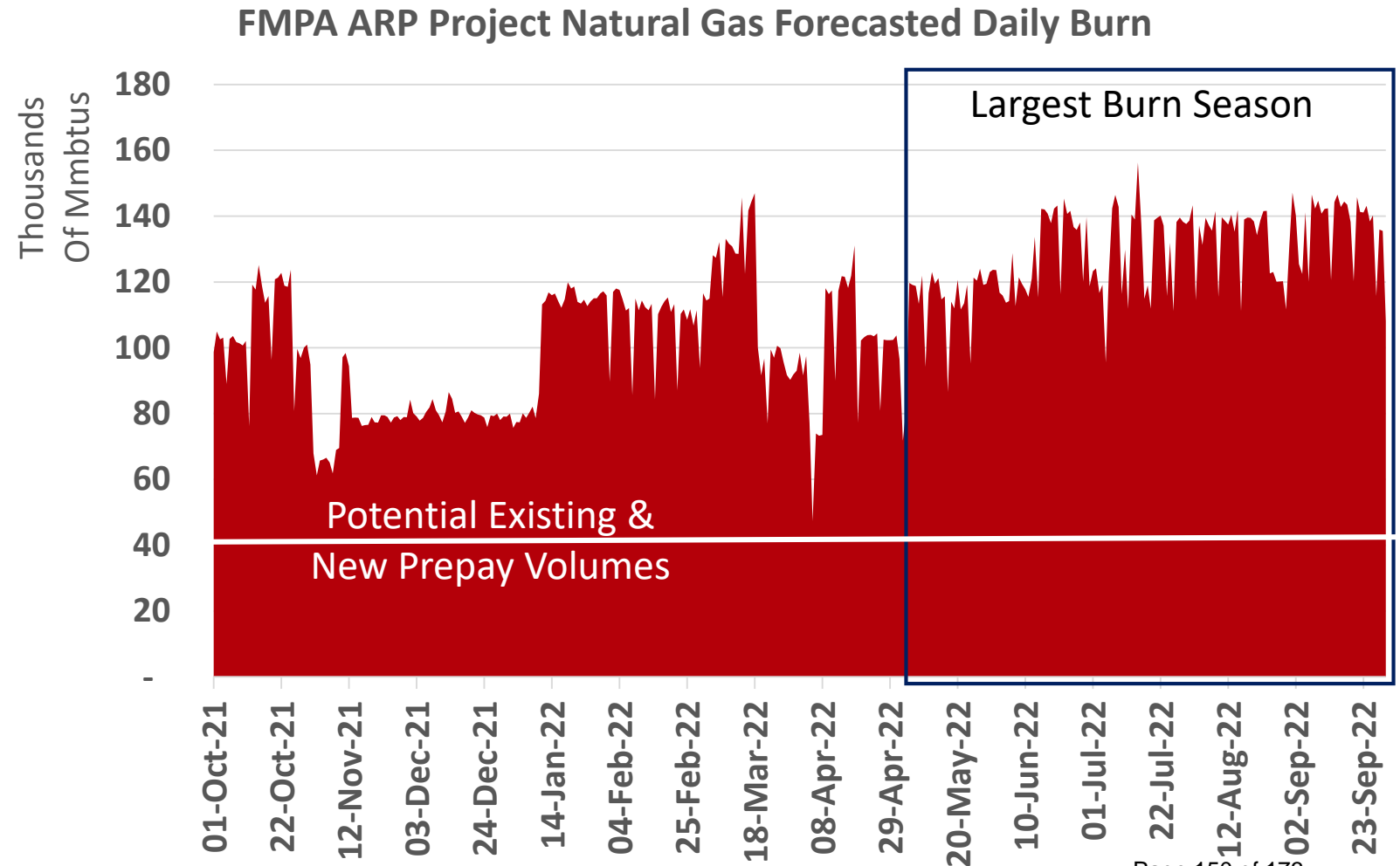
Total Extended Value vs. Current Market	\$2,707,792
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- 35% of burn forecast was secured with fixed physical pricing
- FMPPA typically secures most of need against the first-of-month index pricing
- FMPPA was able to hold rates despite the February price spike

Most Significant Gas Usage During Peak Summer Season

Prepay Transactions Expected to Increase by FY22 Deliveries

- Preferred alternative to secure pricing is physical delivery contract
- Prepay volumes anticipated to increase, but there is still volume for summer season fixed price transactions



Demand and Winter Prices Recovered from 2020 Lows

Current Winter 21/22 Prices Back to Recent “Normal” Levels

February 2022 Nymex Future Contract Daily History



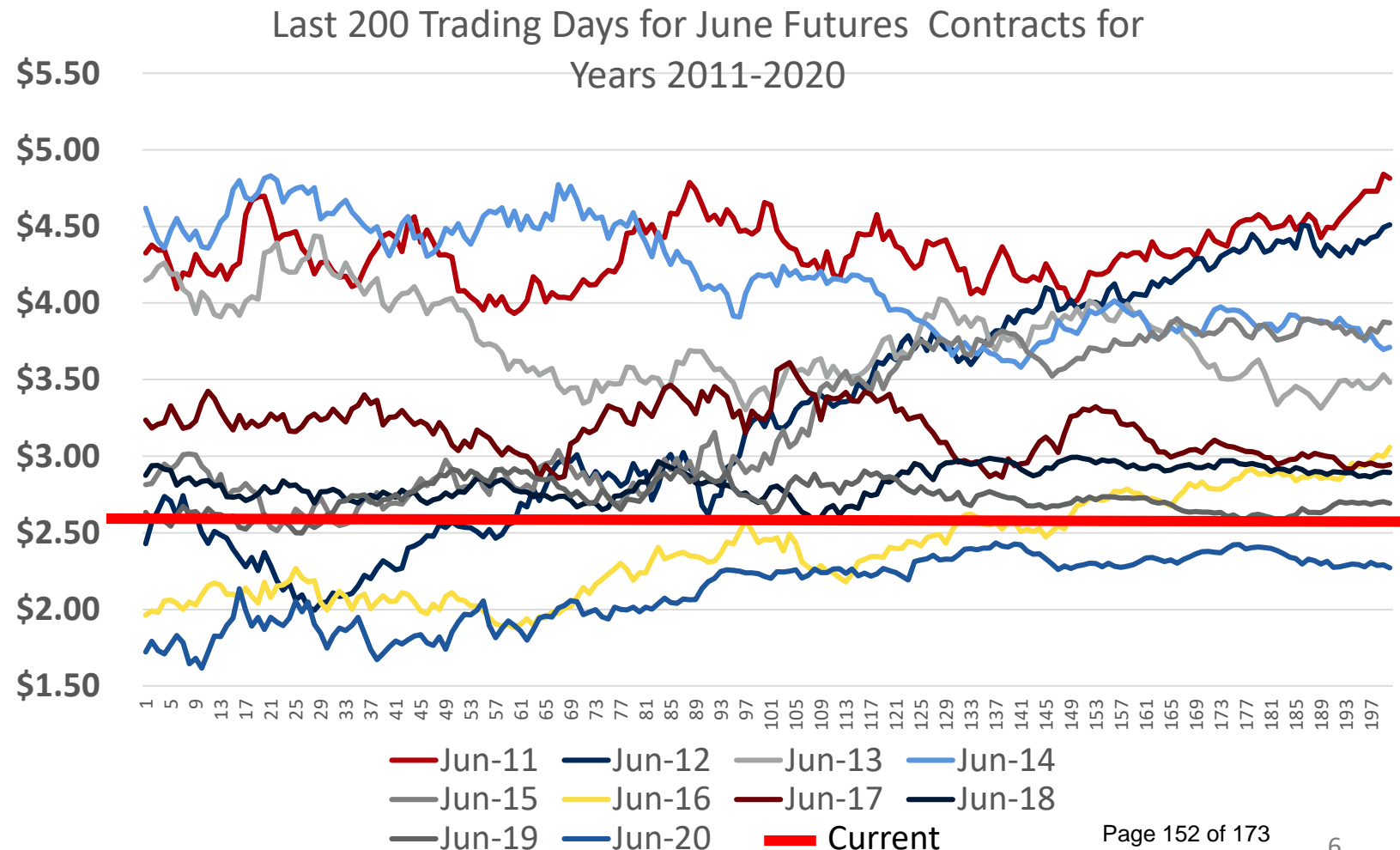
Pricing near 2-year highs

Winter not presenting the same opportunities for ARP as FY21

Summer 2022 Pricing Low Relative to 10 Year History

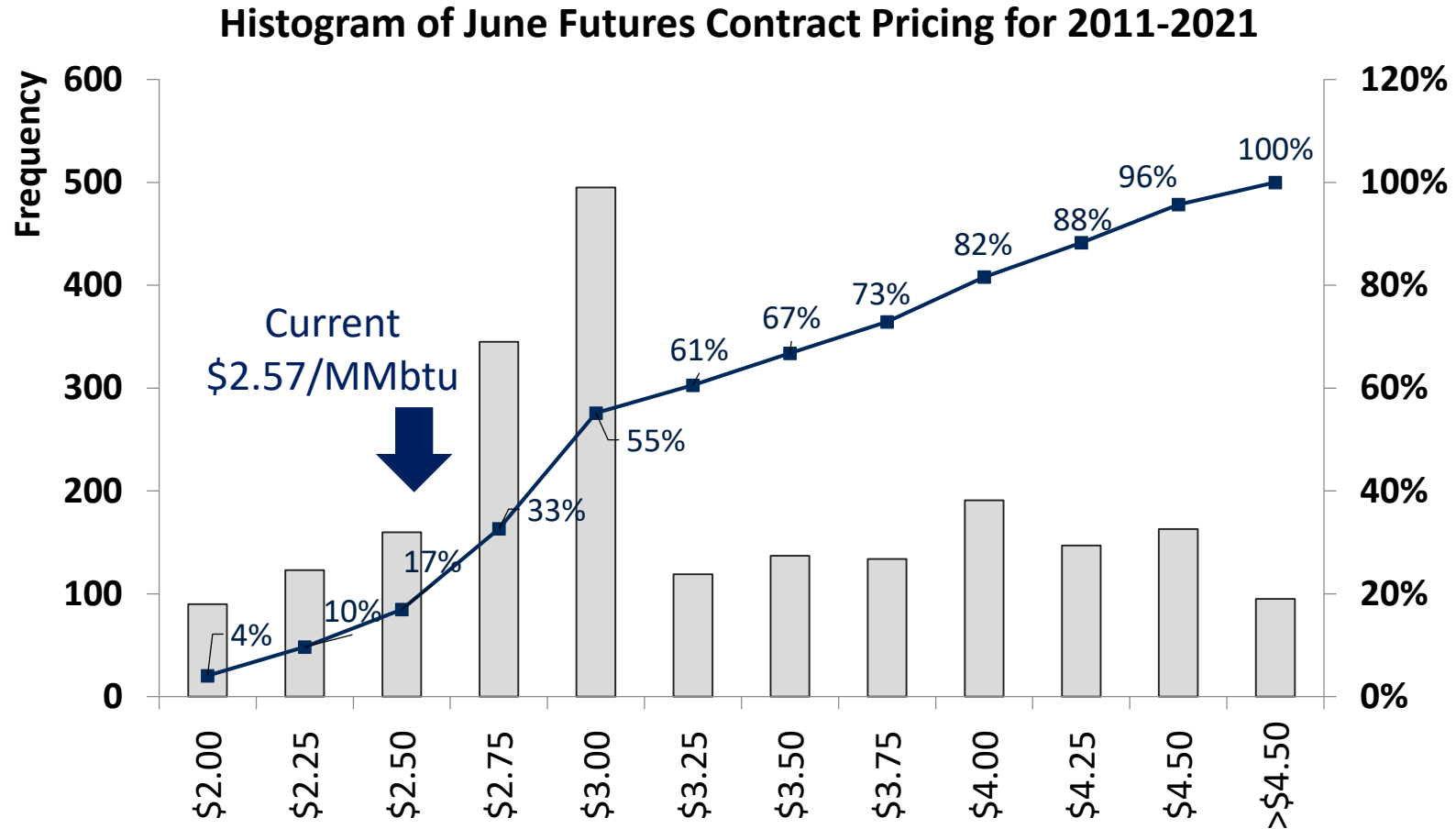
2016 Only Conditions Lower Outside of Covid Effect

- The 2020 pricing is an outlier due to Covid impacts on demand
- 2016 summer influenced by weather of Winter 2015/2016. That winter had lowest storage withdrawal of last 11 years



Summer 2022 Price Rebound Limited by Storage

Potential For Mild Winter Creating Storage Overhang Capping Summer Prices



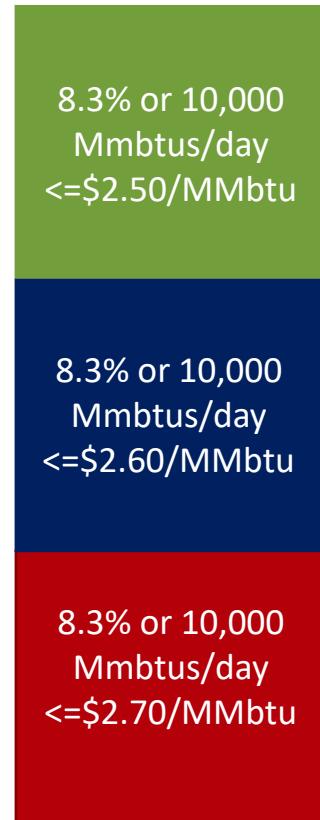
- Significant uncertainty on weather and production growth create market that is holding Summer prices

Structured Approach to Secure ~25% of Summer 2022

Staff Can Work with FGU Towards Targeted Fixed Price Opportunities

- June-Sept 2022 would be targeted to secure fixed pricing
- Anticipated budget price for this period ~\$2.60/MMbtu
- Full exposure includes volumes not managed by FGU
- Three tiers of price targets proposed to drive securing fixed pricing
- Staff would seek approval at June Executive Committee Meeting

25%



~25% of ARP
Average Daily
Nat Gas Burn
= ~30,000
Mmbtus/day

AGENDA ITEM 9 – INFORMATION ITEMS

- h) Stanton Energy Center Natural Gas
Conversion Engineering Design**

**Executive Committee
May 20, 2021**



9h – Stanton Energy Center Natural Gas Conversion - Engineering Design

Board of Directors and
Executive Committee
May 20, 2021

Approval Required for SEC Coal to Gas Engineering Design

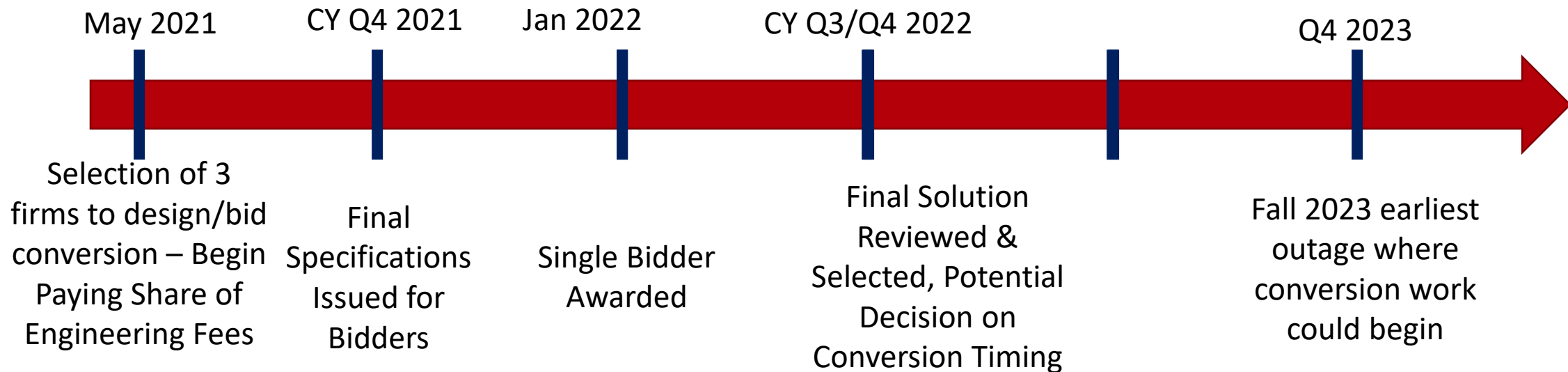
Official Conversion Date Undecided, Still Potential 2023 Onset

- OUC announced in December the intention to convert the Stanton Energy Center Coal Project to 100% Natural Gas fueled no later than 2025 & 2027
- Generally, OUC needs FMPA's consent to bind FMPA to pay cost of significant plant modifications and changing fuel type is significant
- FMPA has been working with OUC on details of the planned conversion to ensure this is best alternative for the ARP and Stanton, Stanton II and Tri-City Project Participants
- To maintain the potential to convert by early Fall 2023, engineering design for the conversion must begin this summer with FMPA's share likely more than \$200k in FY21 or early FY22
- Without committing to the overall natural gas conversion undertaking, Staff is supportive of this phase of the engineering selection and design process proposed by OUC
- Staff is planning to provide preliminary cost to convert to natural gas in CY Q4 2021.
- Final decision on FMPA's commitment to natural gas conversion likely needed CY Q4 2021 or early Q1 2022

Engineer Selection Critical Path to Earlier Conversion

Estimated 15-18 Month Process for Engineering Design

- OUC intends to award Engineering, Procurement and Construction to single firm
- OUC solicited multiple firms and narrowed selection to three final bidders who will develop competing designs for the conversion – FMPPA's share of cost in this phase likely to exceed \$200k in FY21 or early FY22
- Final decision on gas conversion anticipated CY Q4 2021 or Q1 2022
- Final award for final engineering design anticipated in Q3 2022



FMPA Staff Supportive of Proposed Engineering Design Scope

Staff Seeking Approval of Non-Budgeted Capex for Engineering Design in June

- Scope of engineering design process appropriate for a coal to natural gas conversion
 - Boiler design modifications
 - Burner design modifications
 - Fuel handling and management design modifications
 - Flue gas and emission evaluation and potential design modifications
 - Adherence to permits
- Other engineering efforts to reduce water evaporation operation while coal fired continue as well
 - Optimization within pool dispatch
 - Scrubber modifications
 - Water treatment facility potentially including reverse osmosis processing

Efforts Continue to Align Post Conversion Expectations

Discussions on Elements of Participation Agreement Re-alignment Continue

- OUC and FMPP Project Participants have some common drivers for unit conversion and some that are not

Common

- Cost reduction goals
- Emission reduction goals
- Generation within FMPP BA and transmission assets of FMPP participants

Not Common

- Dependence on Stanton 1 & 2 capacity to economic meet capacity needs
 - Fuel resiliency options available to reduce dependence on natural gas in winter stress events
- Prior to seeking BOD and EC approval for fuel conversion decision, efforts are focused on key items that will make SEC conversion the preferred alternative for both OUC and FMPP
 - Water evaporation constraints that impact operational capacity factors
 - Gas procurement and scheduling rights
 - Targeted post conversion O&M modifications
 - Key items that could result in revisiting conversion alternative, i.e. CO₂ tax, final cost estimates and project execution risk for conversion

AGENDA ITEM 9 – INFORMATION ITEMS

i) ARP Solar II Participants Committee Charter

**Executive Committee
May 20, 2021**



ARP Solar II Participants Advisory Committee Charter

BOD 9i / EC 9i

Board of Directors & Executive Committee

May 20, 2021

ARP Solar II Participants Advisory Committee Charter

Proposed terms are same as Phase I Charter

1. Purpose

- Govern project

2. Mission

- Oversee administration of PPA
- Oversee administration of Power Sales Contract
- Establish budget

3. Authority

- Serves only in advisory capacity to Executive Committee

4. Organization and Term

- Until termination of ARP Solar II Energy Participation Agreements

5. Membership

- Primary and Alternate Reps

6. Meetings

- Notice (7 days)
- Called by Chair, any two members, or regularly scheduled
- *Roberts Rules*
- Chair or designee runs meeting

ARP Solar II Participants Advisory Committee Charter

Summary (continued)

7. Quorum

- Discretionary Term
Decisions: 100% of members present
- Budget, minutes, other
Committee business:
majority of members present

8. Voting

- Discretionary: unanimous
consent of all Participants
- Other: simple majority of
quorum present

9. Election of Chair

- Selected by simple majority
- Two year term; unlimited
number of terms

10. Communications

- “Committee Staff
Representatives” to
coordinate meetings

11. Changes to Charter

- Require unanimous consent
of Committee

Recommended Motion

- Move approval of the ARP Solar II Participants Advisory Committee Charter



FLORIDA MUNICIPAL POWER AGENCY

ARP SOLAR II PARTICIPANTS ADVISORY COMMITTEE CHARTER

1. Purpose

This FMIPA ARP Solar II Participants Advisory Committee (Committee) Charter is intended to guide the function of the Florida Municipal Power Agency's (FMIPA's) ARP Solar II Participants Advisory Committee in fulfillment of its role as established by the FMIPA Executive Committee.

2. Mission

The Committee shall oversee the administration of FMIPA's Solar II Power Purchase Agreement with the Solar II Developer and make recommendations to the FMIPA Executive Committee regarding decisions provided for within that agreement.

The Committee shall oversee the administration of the All-Requirements Project Solar II Energy Participation Agreement between FMIPA and the ARP Solar II Participants, as well as the Solar Energy Surcharge provisions in Rate Schedule B-1 of the ARP Contract, and make recommendations to the FMIPA Executive Committee regarding decisions provided for within the same.

The Committee shall take such other actions regarding the administration of FMIPA's Solar II Power Purchase Agreement as delegated by the FMIPA Executive Committee.

3. Authority

Except as expressly delegated by the Executive Committee, the Committee has no authority to bind FMIPA or to make any decision on behalf of the FMIPA Board of Directors or Executive Committee. Except as expressly delegated by the Executive Committee, the Committee serves only in an advisory capacity to the Executive Committee.

4. Organization and Term

The Committee reports to the Executive Committee and shall exist until termination of the All-Requirements Project Solar II Energy Participation Agreements.

5. Membership

Each ARP Solar II Participant will appoint a primary and alternative representative to the Committee. If an ARP Solar II Participant assigns its entire entitlement to another utility in accordance with Rate Schedule B-1, the assigning Participant shall no longer be a voting member of the Committee, while the utility receiving the assignment shall thereafter have voting representation on the Committee.

6. Meetings

Notice of the time, date, and place of each meeting will be provided to each Committee member at least 7 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. 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 run the meeting. The chairperson may call an emergency meeting of the Committee whenever in the chairperson's opinion an emergency exists or a decision to be made under the Solar II Project Power Purchase Agreement or Solar II Project Power Sales Contract requires immediate action by the Committee. Whenever an emergency meeting is called, FMPA shall notify each Committee member in writing or verbally of the date, time and place of the meeting and the purpose for which it is called. FMPA shall endeavor to give as much notice as is reasonably possible under the circumstances, and in compliance with applicable law.

7. Quorum

A quorum of the Committee is necessary for the Committee to be in session and take action. Committee members may participate in any Committee meeting by means of conference telephone, video conference or other electronic communications equipment by means of which all persons attending such meeting can hear each other. During any such meeting, one or more Committee members, may, but need not, be together in one location. Participation in such a Committee meeting shall constitute presence in person at the meeting

For Discretionary Term Decisions, as defined in the Solar Energy Participation Agreement, a quorum requires 100% of the Committee voting members present and able to participate in the meeting in person or by electronic means, including by telephone.

For budget decisions, approval of meeting minutes, and Committee business other than Discretionary Term Decisions, a quorum requires a majority of the Committee voting members present and able to participate in the meeting in person or by electronic means, including by telephone.

8. Voting

Each Committee member has one vote which he or she may cast (yea or nea) on any action coming before the Committee.

For Discretionary Term Decisions, unanimous consent of the Committee members is required.

For budget decisions, approval of meeting minutes, and Committee business other than Discretionary Term Decisions, an affirmative vote will result from a simple majority of the quorum present.

9. Election of Chair

The Committee members shall select a chairperson from among their membership by simple majority vote. The term of office for the Committee chairperson is two years without limit on the number of terms an officer may serve.

10. Communications

The General Manager & CEO shall assign FMPA staff members from time to time that shall serve as the staff representatives to the Committee (the "Committee Staff Representatives"). The Committee Staff Representatives 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 Committee Staff Representatives.

11. Changes to Charter.

Changes to this Charter shall require unanimous consent of the ARP Solar II Participants Advisory Committee.

AGENDA ITEM 9 – INFORMATION ITEMS

j) Summary of Finance Committee Items

**Executive Committee
May 20, 2021**



Summary of Finance Committee Items

BOD 9j / EC 9j

Board of Directors & Executive Committee

May 20, 2021

Other Items

Review and/or Approval Required

- Review and approval of budgets
- Review Risk Policy and Recommended Changes
- Review the Agency Annual Risk Inventory

AGENDA ITEM 10 – MEMBER COMMENTS

**Executive Committee
May 20, 2021**

AGENDA ITEM 11 – ADJOURNMENT

**Executive Committee
May 20, 2021**