



ARP EXECUTIVE COMMITTEE AGENDA PACKAGE

August 19, 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: 180 480 4319#

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

Randy Hahn, Ocala

John Holman, Starke

Meeting Location

Florida Municipal Power Agency

8553 Commodity Circle

Orlando, FL 32819

(407) 355-7767



REVISED MEMORANDUM

TO: FMPA Executive Committee
FROM: Jacob A. Williams, General Manager and CEO
DATE: August 10, 2021
RE: FMPA Executive Committee Meeting
Thursday, August 19, 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 180 480 4319#
PASSWORD 8553#

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

Chairman Howard McKinnon, Presiding

AGENDA

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***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
August 19, 2021**

**AGENDA ITEM 2 – Set Agenda (by
Vote)**

**Executive Committee
August 19, 2021**

**AGENDA ITEM 3 – RECOGNITION OF
GUESTS**

**Executive Committee
August 19, 2021**

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

**Executive Committee
August 19, 2021**

VERBAL REPORT

AGENDA ITEM 5 – COMMENTS FROM THE CHAIRMAN

**Executive Committee
August 19, 2021**

VERBAL REPORT

AGENDA ITEM 6 – REPORT FROM THE GENERAL MANAGER

**Executive Committee
August 19, 2021**

**AGENDA ITEM 7 – CONSENT
AGENDA**

- a. Approval of the Minutes –
Meetings Help July 21, 2021 and
ARP Telephonic Rate Workshop
Help July 13, 2021**

**Executive Committee
August 19, 2021**

CLERKS DULY NOTIFIEDJULY 13, 2021
AGENDA PACKAGES POSTED.....JULY 13, 2021

**MINUTES
EXECUTIVE COMMITTEE MEETING
THURSDAY JULY 21, 2021
FLORIDA MUNICIPAL POWER AGENCY
AT NAPLES GRANDE BEACH RESORT
475 SEAGATE DRIVE
NAPLES, FL 34103**

**PARTICIPANTS
PRESENT:**

Jody Young, Bushnell
Lynne Mila, Clewiston
Jan Bagnall, Fort Meade
Paul Jakubczak, Fort Pierce
Howard McKinnon, Havana
Allen Putnam, Jacksonville Beach
Lynne Tejeda, Key West
Larry Mattern, Kissimmee
Jim Williams, Leesburg
Mike New, Newberry

**OTHERS
PRESENT**

Brad Hiers, Bartow
John Tompeck, Fort Pierce
George Forbes, Jacksonville Beach
Aaron Casto, FMPP
Elizabeth Columbo, Nixon Peabody
Donna Painter, nFront Consulting
Steven Stein, nFront Consulting

**STAFF
PRESENT**

Jacob Williams, General Manager and CEO
Jody Finklea, General Counsel and Chief Legal Officer
Ken Rutter, Chief Operating Officer
Linda Howard, Chief Financial Officer
Dan O'Hagan, Assistant General Counsel and Regulatory
Compliance Counsel
Cairo Vanegas, Manager of Member Services Development
Mike McCleary, Manager of Member Services Development
Alan O'Heron, Manager of Member Services Development
Carter Manucy, IT/OT & Cybersecurity Director
Sharon Adams, Vice President of Human Resources
and Shared Services
Sue Utley, Executive Asst. /Asst. Secy. to the Board
Susan Schumann, Public Relations and External Affairs Manager
Ryan Dumas, Public Relations Specialist

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

Chairman Howard McKinnon, Havana, called the FMPA Executive Committee Meeting to order at 9:50 a.m., Wednesday, July 21, 2021 in the Naples Grande Beach Resort at 475 Seagate Drive, Naples, Florida. The roll was taken, and a quorum was declared with 10 members present out of a possible 13.

ITEM 2 – SET AGENDA (BY VOTE)

MOTION: Allen Putnam, Jacksonville Beach, moved approval of the agenda as presented. Paul Jakubczak, Fort Pierce, seconded the motion. Motion carried 10 – 0.

ITEM 3 – RECOGNITION OF GUESTS

None

ITEM 4 – PUBLIC COMMENTS

None

ITEM 5 – COMMENTS FROM THE CHAIRMAN

Thanks to Amy Zubaly and the FMEA team for this annual conference where everyone can be together in person again and to the FMPA team for their efforts as well.

ITEM 6 – REPORT FROM GENERAL MANAGER

Nothing additional to report.

ITEM 7 –CONSENT AGENDA

**Item 7a – Approval of Meeting Minutes – Meeting Held June 10, 2021 and ARP
Telephonic Rate Workshop Held June 15, 2021**

Item 7b – Approval of the Treasury Reports – As of May 31, 2021

**Item 7c – Approval of the Preliminary Agency and All-Requirements Project
Financials as of May 31, 2021**

MOTION: Allen Putnam, Jacksonville Beach, moved approval of the Consent Agenda as presented. Jody Young, Bushnell, seconded the motion. Motion carried 10 – 0.

ITEM 8 – ACTION ITEMS:

a. Approval of CREAC Recommendation to Sunset the Committee

MOTION: Lynne Tejeda, Key West moved approval 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. Allen Putnam, Jacksonville Beach, seconded the motion. Motion carried 10 – 0.

b. Nomination and Election of Executive Committee Officers

MOTION: Lynne Tejeda, Key West, moved nomination and election of Howard McKinnon, Havana, as Executive Committee Chair. Paul Jakubczak, Fort Pierce, seconded the nomination and motion. There were no other nominations. Larry Mattern, Kissimmee, moved nomination and election of Lynne Tejeda, Key West, as Vice Chair. Jan Bagnall, Fort Meade, seconded the nomination and motion. A vote was taken to accept the nominations and elect the nominees as Howard McKinnon, Chair and Lynne Tejeda, Vice Chair of the Executive Committee. Election was approved 10 – 0.

c. Approval of Use of FPL Transmission Refunds

MOTION: Allen Putnam, Jacksonville Beach, moved approval of the distribution of the FPL transmission refund by allowing each participant to elect how it wishes to receive its share of the refund (Option 1, as described). Paul Jakubczak, Fort Pierce, seconded the motion. Motion carried 10 – 0.

ITEM 9 – INFORMATION ITEMS:

a. Notice of Annual Continuing Disclosure Report for the Fiscal Year Ended September 30, 2020

Nothing further to add from the presentation to the Board.

b. FY21 Sales Margin Summary

Nothing further to add from the presentation to the Board.

c. APPA Position on Climate Legislation and Proposed Legislative Proposals

Nothing further to add from the presentation to the Board.

ITEM 10 – Member Comments

None

ITEM 11 – Adjournment

There being no further business, the meeting was adjourned at 10:04 a.m.

Howard McKinnon
Chairman, Executive Committee

Sue Utley
Assistant Secretary

Approved: _____

Seal

PUBLIC NOTICE SENT TO CLERKS..... JULY 6, 2021
AGENDA PACKAGES SENT TO MEMBERS JULY 12, 2021

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

COMMITTEE MEMBERS PRESENT VIA TELEPHONE

Christina Simmons, Bushnell
Paul Jakubczak, Fort Pierce
Howard McKinnon, Havana
Allen Putnam, Jacksonville Beach
Lynne Tejada, Key West
Larry Mattern, Kissimmee
Maria Brooks, Ocala

*arrived after roll call.

COMMITTEE MEMBERS ABSENT

Lynne Mila, Clewiston
Jan Bagnell, Fort Meade
Bob Page, Green Cove Springs
Sabrina Hubbell, Leesburg
Bill Conrad, Newberry
Bob Milner, Starke

STAFF PRESENT

Jacob Williams, General Manager and CEO
Ken Rutter, Chief Operating Officer
Linda S. Howard, Chief Financial 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

Howard McKinnon, Havana, Chair, called the Executive Committee All-Requirements Telephonic Rate Workshop to order at 2:00 p.m. on Tuesday, July 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 June loads and reviewed the June ARP rate calculation.

Item 3 – Member Comments

There being no further business, the meeting was adjourned at 2:09 p.m.

Approved

AP/bs

**AGENDA ITEM 7 – CONSENT
AGENDA**

**b. Approval of Treasury Reports as
of June 30, 2021**

**Executive Committee
August 19, 2021**



AGENDA PACKAGE MEMORANDUM

TO: FMPA Executive Committee
FROM: Gloria Reyes
DATE: August 10, 2021
ITEM: EC 7(b) – Approval of the All-Requirements Project Treasury Reports as of June 30, 2021

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

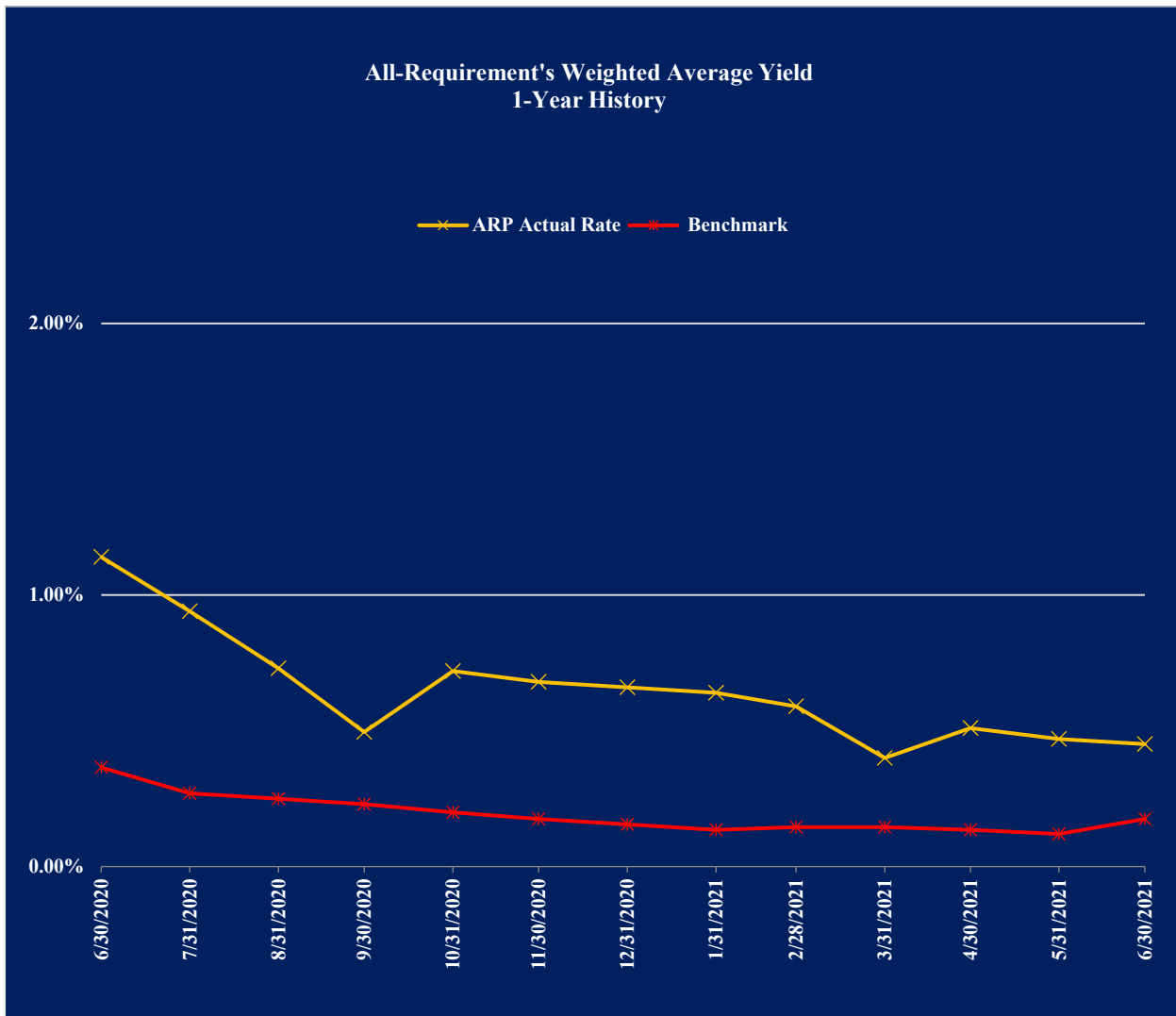
Debt Discussion

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 June 30, 2021 is \$35,118,999.01. The total amount of debt outstanding is \$873,865,000.

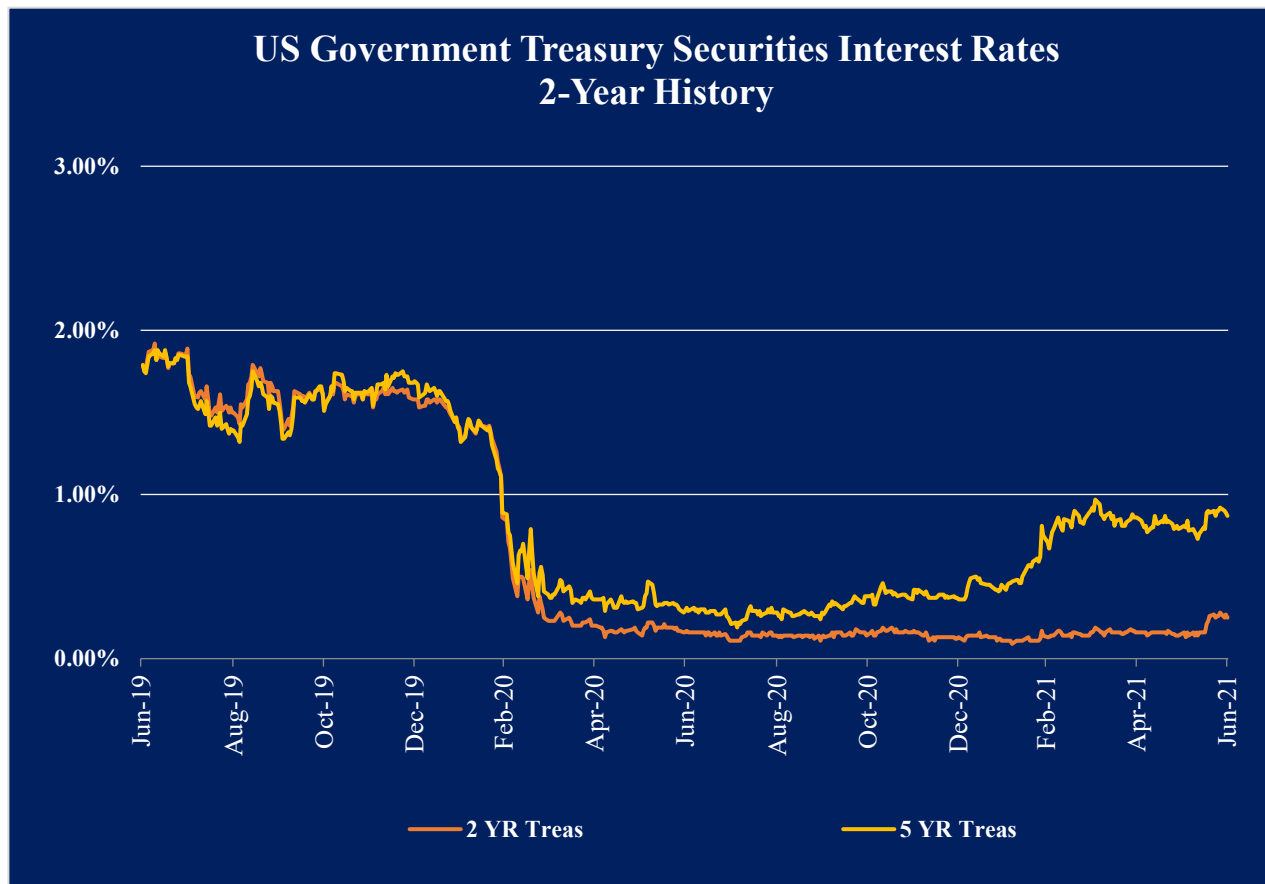
Investment Discussion

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 June 30, 2021, the All-Requirements Project investment portfolio earned a weighted average yield of .451%, 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 June at .25%. The yellow line is the 5-year Treasury which was .87%.



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

Recommended
Motion

Move for approval of the Treasury Reports for June 30, 2021

**AGENDA ITEM 7 – CONSENT
AGENDA**

- c. Approval of the Preliminary
Agency and All-Requirements
Project Financials as of June 30,
2021**

**Executive Committee
August 19, 2021**



Linda S. Howard, CPA, CTP
Chief Financial Officer

MEMORANDUM

TO: FMPA Executive Committee
FROM: Linda Howard
DATE: August 10, 2021
SUBJECT: EC 7c – Approval of the Agency and All-Requirements Project Financials for the period ended June 30, 2021

Discussion: The summary and detailed financial statements, which include GASB #62 transactions, of the Agency and All- Requirements Project for the period ended June 30, 2021 are posted on the Document Portal section of FMPA's website.

Recommended Motion: Move approval of the Agency and All-Requirements Project Financial reports for the month of June 30, 2021.

LH/GF

AGENDA ITEM 8 – ACTION ITEMS

- a. Approval of Appendix K
Origination Transaction Policy**

**Executive Committee
August 19, 2021**



8a – Approval of Origination Transaction Policy and Changes

Executive Committee

August 19, 2021

Origination Transaction Policy

Major Areas Covered

- Areas of Risk
- Book of Record
- Internal Controls
- Reporting
- Oversight Structure

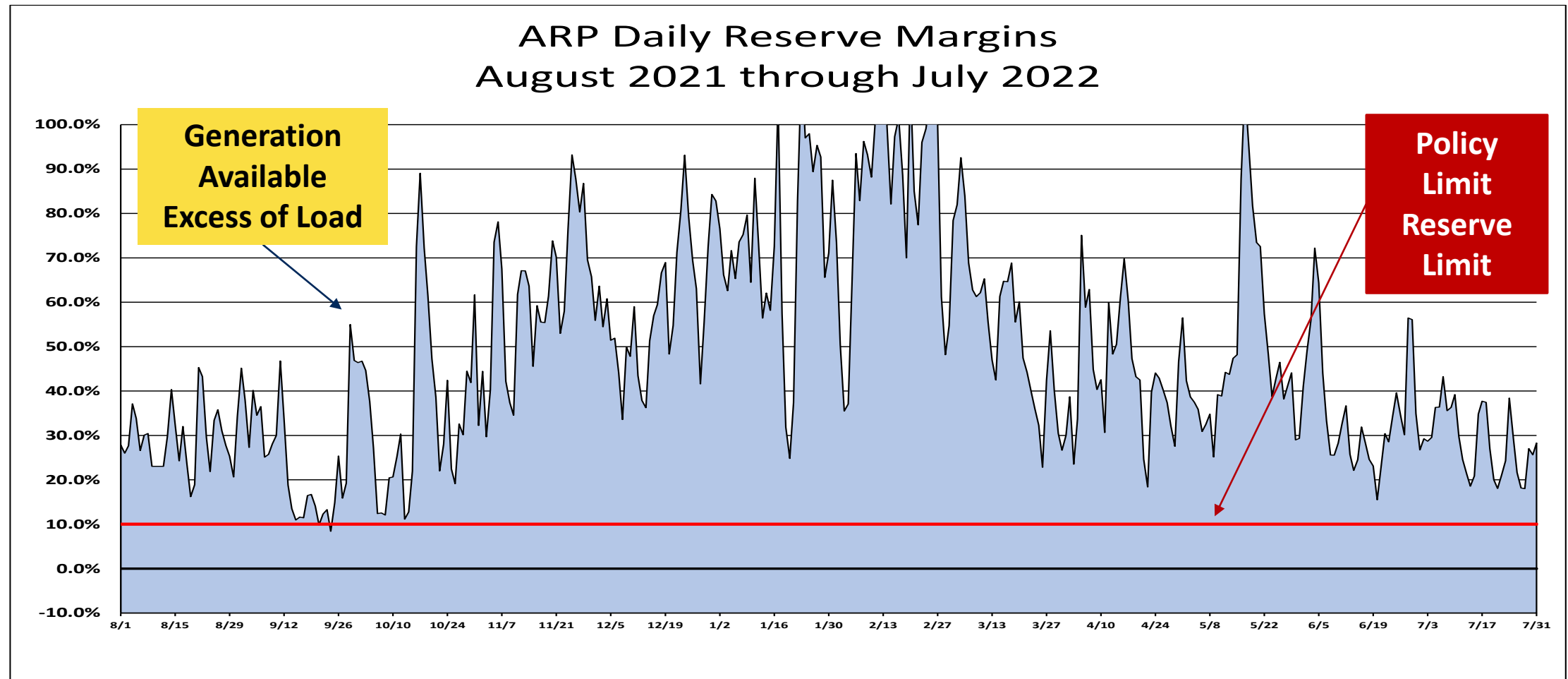
Origination Transaction Policy Changes

Record Keeping, Reporting and Administrative Updates

Section	Changes Made
4.4 Book of Record	Clarification of how transactions over 31 days, not maintained by an external agent, are to be maintained internally either via an electronic deal ticket system or other verifiable method
6.1.1 Reserve Levels	Business Development and System Operations Director will cause the forward 12-month reserve levels to be reported monthly to the EC in consent agenda
Throughout	Administrative updates

Preview of Reserve Level Report

Quickly Shows ARP's Capacity Position



Recommended Motion

- Move approval of the recommended changes as presented to the Origination Transaction Risk Management Policy.

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

ORIGINATION TRANSACTION POLICY

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ORIGINATION TRANSACTION RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Origination Transaction Risk Management 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 for the All Requirements Power Supply Project (“ARP”) to identify, measure and minimize future business risk resulting from the origination of Commodity transactions as defined in Section 2.0 of this Policy. This Policy is Appendix K of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee (EC) 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 granted authority to put mechanisms into place, such as those more fully described in Section 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse 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 laws and/or regulations concerning the origination of Commodity transactions. (Section 5.0)
- ❖ Authority is delegated to the Chief Operating Officer (COO) to create procedures and to administer this policy. (Section 2.0)
- ❖ FMPA shall utilize a natural gas fuel Agent for daily physical natural gas trading and scheduling functions subject to the Agent’s policies regarding such activities. (Section 2.5.1)
- ❖ FMPA shall utilize a dispatch Agent for electricity trading and tagging functions up to 8 calendar days into the future subject to the Agent’s policies regarding such activities. (Section 2.5.2)

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

- ❖ FMPA shall not commit to any firm electric commodity **Trading** transaction which would reduce its capacity reserve levels below 10% of projected capacity requirements at the time of commitment. (Section 4.3.1)
- ❖ When initiating electric **Origination** transactions, FMPA shall strive to maintain capacity reserve levels above 15%. (Section 4.3.2)
- ❖ FMPA shall maintain a sufficient level of natural gas pipeline capacity entitlements in an economically prudent manner to maintain reliable operations. Such capacity entitlements shall, at a minimum, support the monthly daily average forecast need to serve the ARP Net Energy Load (NEL) and other firm energy obligations, if any. Any excess capacity entitlement above the forecast monthly daily average need, may be released with or without recall rights. (Section 4.3.3)
- ❖ Deviations from this Policy shall be reported to the Finance Committee (“FC”). (Section 7.0)

2.0 Scope

This Policy creates a framework that enables the COO to facilitate a process for commodity transactions of the Agency. This Policy applies to commodity transactions not specifically addressed in any other Risk Management Policy.

2.1 Commodity Defined:

For the purposes of this Policy, the term **Commodity** shall mean products that are traded in bulk on a commodity exchange or in a spot market and consist of any of the following:

- Natural gas and fuel oil used as fuel for generating electricity
- Electric energy, power capacity, ancillary services, and transmission capacity, firm and/or interruptible.
- Commodity transactions with liquidated damages shall be considered firm
- Natural gas pipeline and storage capacity, firm and/or interruptible
- Emissions, allowances, energy credits, etc. |

Commented [G1]: Redundant. Commodity already defined above

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

2.2 Delegated Authority:

EC grants authority for staff, in accordance with Section 4.1, to initiate Commodity origination and trading transactions which provide opportunities to lock in net revenue or reduce cost. Commodity transactions shall only be authorized if supported by an analysis projecting benefits with no adverse impact on reliable power delivery.

2.3 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. Types of these enabling agreements include utility interchange agreements, NAESB form contracts, EEI form contracts, and ISDA form contracts.

2.4 Functional Distinction:

The term **Trading** shall mean the process of buying, selling, or exchanging commodities at a wholesale level with a term of up to three years. The term **Origination** is defined as those commodity transactions with a term of greater than three years. Staff, under the direction of the COO, is responsible for the implementation of origination and trading transactions pursuant to this Policy. Power and energy transactions that fulfill resource needs beyond three years into the future are addressed in the Power Supply and Resource Planning Policy, Appendix H of this FMPA Risk Management Policy.

2.5 Outsourcing Authority:

FMPA may outsource trading and/or origination activities to a third party.

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

2.5.1 Short Term Natural Gas

FMPA has partnered with a Gas Agent for transacting physical natural gas trading activities. These trading activities are subject to the policies and procedures established by such Agent. All trading activity is limited to intra-month transactions without prior approval from FMPA.

Commented [G2]: Up to how many days before it becomes long term?

2.5.2 Short Term Energy

FMPA has outsourced electricity trading activities to an energy dispatch Agent. These trading activities are subject to the policies and procedures established by such Agent. All trading activity is limited to not exceed 8 calendar days into the future. Any outsourcing of functions as described above includes granting the Agent the authority to either utilize an associated FMPA agreement or the Agent's agreement and thereby obligate FMPA to the terms and conditions of the transactions and corresponding financial expenditure of funds for such transactions.

2.5.3 Longer Term Transactions

Transactions with a term in excess of those specified in Sections 2.5.1 or Section 2.5.2 may be done by either a designated Agent or by FMPA, as deemed appropriate pursuant to Section 4.1 herein.

3.0 Types of Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to ensure the effective and efficient origination and trading of commodity transactions. The COO will cause processes to be documented, as deemed appropriate, that identify risks in the areas noted below and ways to measure, control and mitigate FMPA's exposure to these risks. The FMPA Risk Management Policy identifies ten risks that comprise FMPA's common risk framework. While not intended to be a comprehensive listing of risks potentially encountered by FMPA during the normal course of its business cycle, the framework provides insight into the major areas of risk exposure for FMPA. The following selected framework risks are those risks presented by typical commodity transactions.

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

3.1 Volumetric Risk:

The potential adverse impact of unanticipated changes in fuel/energy supply and/or demand of resources and/or obligations. An example of volumetric risk might be if the actual volume of natural gas required during a particular period of time is greater than the volume of natural gas purchased through commodity transactions or scheduled for delivery for such period of time. This resulting deficiency of supply could result in FMPA having to buy natural gas at disadvantageous market prices to meet the need for the additional volume.

3.2 Credit Risk:

The potential of financial loss due to the failure of counterparties to fulfill the terms of a contract on a timely basis and/or adverse changes to credit ratings of an organization. An example of credit risk might occur if a counterparty defaults on a commodity delivery obligation due FMPA under the terms of a trading/origination transaction. This default would expose FMPA to potential financial loss as well as operational risk when replacing the quantity of the delivery obligation. Too much reliance upon a single counterparty in the overall trading/origination portfolio can compound the potential exposure to this form of credit risk.

4.0 Origination of Commodity Deals

For all the transmission commodity transactions approved in accordance with Section 4.1, the COO has delegated the transmission commodity transaction processes, not outsourced to third parties, to the Business Development and System Operations Director. For all other types of commodity transactions approved in accordance with Section 4.1, the COO will delegate trading/origination transactions not outsourced to third parties to a designated Manager as appropriate. Commodity transactions are also subject to the requirements of the Credit Risk Policy and the Contract Administration Policy, Appendices E and F respectively of this FMPA Risk Management Policy. These Policies provide guidelines for the approval of counterparties and the negotiation and execution of contracts. All commodity transactions shall be entered into in good faith and must be for a legitimate business purpose (economic,

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

reliability, risk-reducing, etc.) and must comply with other applicable aspects of the FMPA Risk Management Policy.

4.1 Approval Thresholds:

When not otherwise required under the above Policies or other policies and/or resolutions of the governing body to seek approval for spending authority or contract execution, the following approval thresholds shall apply to all commodity transactions:

Transaction Term	Authority to Approve	Risk/GFM Review	EC Approval
Less than or equal to three months	Designated Manager, or Approved Agent	No ≤ 1 Month Yes > 1 Month	Required if notional value is over \$5 million
Less than or equal to three years	COO	Yes	Required if notional value is over \$25 million
Less than seven years	CEO	Yes	Required if notional value is over \$50 million
Greater than or equal to seven years	Executive Committee	Yes	Required

- The designated Manager, or approved Agent, is authorized to approve trading transactions with a term no more than three months in duration with a notional value not to exceed \$5 million.
- The COO is authorized to approve trading/origination transactions less than or equal to three years in duration and a notional value not to exceed \$25 million.
- The CEO is authorized to approve trading/origination commodity transactions less seven years in duration with a notional value not to exceed \$50 million.
- All trading/origination commodity transactions equal to or greater than seven years in duration or with a notional value in excess \$50 million must be approved by the EC.

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

4.2 Transaction Review Requirement:

All commodity transactions exceeding three (3) months in duration or \$5 Million of notional value must be presented to the Generation Review & Assessment (“GR&A”) Group as defined in Section 5.1 of the Fuel Portfolio Management Policy, Appendix A of the FMPA Risk Management Policy for a risk review of financial and operational impacts prior to commitment and/or agreement execution. The Agency Risk Director may delay execution of the transaction until identified impact issues are presented to and resolved by CEO.

4.3 Reliability Standard:

FMPA shall strive at all times to maintain reliable wholesale power delivery operations pursuant to the standards defined in this Section. Origination transactions with a term greater than three years must maintain reliability standards for long-term planning as detailed in Section 4.1 of the Power Supply and Resource Planning Policy, Appendix H of this FMPA Risk Management Policy.

4.3.1 Trading Capacity Reserves

FMPA shall not commit to any firm electric commodity trading transaction which would result in its monthly peak capacity reserve levels falling below 10% of projected capacity requirements, exclusive of planned outages, at the time of commitment. If, however, a sale transaction with duration greater than six months results in a capacity short fall, in no more than a quarter of the term, staff will secure the 10% reserve margin within 30-days prior to the start of the relevant month. Non-firm Zonal capacity reserve requirements are monitored and controlled by FMPP policy.

4.3.2 Origination Capacity Reserves

When initiating electric origination transactions, FMPA shall strive to maintain annual peak planning capacity reserve levels above 15%.

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

4.3.3 Natural Gas Pipeline Capacity

Natural gas trading/origination transactions shall not be committed to which would result in pipeline capacity entitlement levels falling below the monthly daily average forecast natural gas burn. Any excess natural gas capacity entitlement above the monthly daily average forecast need to serve NEL and other firm energy obligations, if any, may be released without recall rights.

4.3.4 Capacity Shortfalls Resulting from Planned Outages

If any month capacity reserve position falls below 10% due to a planned generation outage, staff must purchase a capacity or firm energy transaction to cover the shortfall within 30 days prior to the start of the relevant outage.

4.4 Book of Record

FMPA shall internally maintain the official book of record for trading/origination transactions greater than thirty-one days in duration if such is not maintained by the applicable Agent. Such transactions shall be maintained through an electronic deal ticket system, when applicable to the transaction, or other verifiable method. This maintenance includes validating, tracking and reporting of transactions as required. The book of record shall be independently reviewed periodically by a department external to Power Resources.

4.5 Settlement and Invoicing:

The Business Development and System Operation Department is responsible for confirmation with the counterparty on final delivered quantity and price for those transactions not done by a designated Agent. The responsible manager of each respective transaction shall coordinate with the Business Development and System Operation Department and forward all invoicing information to the Accounting Department to be entered into the accounts payable/receivable ledgers, as applicable.

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

5.0 Internal Controls

The COO shall maintain evidence of a system of internal controls necessary to ensure origination transactions adhere to and are consistent with this Policy and applicable Origination Procedures, if any, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. FMPA shall use a cost-benefits analysis when making decisions regarding the implementation of internal controls.

5.1 Ethical Standards:

FMPA shall not engage in any activity which would amount to market abuse, manipulation, or fraud, nor relay information known to be false or misleading. The trading/origination of commodity transactions shall comply with the Federal Energy Regulatory Commission ("FERC") Code of Conduct.

5.2 Segregation of Duties:

The COO or the assigned designee is responsible for entering into origination transactions and reporting all such transactions to the individual(s) responsible for maintaining the official book of record. The individual entering into origination transactions shall not have the ability to directly change the book of record or resulting reports. Any modifications to the book of record must be verified by a person outside of Power Resources.

5.3 Continuing Education:

Each Manager with responsibilities related to trading/origination activity shall ensure that appropriate staff develop and maintain an applicable level of knowledge regarding the trading/origination of commodity transactions.

6.0 Reporting

6.1 Power Resources

The COO is responsible for causing the completion of the following reporting requirements:

**ORIGINATION TRANSACTION RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY
(Continued)**

6.1.1 Reserve Levels:

The Business Development and System Operations Director shall present the forward twelve months reserve levels to be reported monthly to the EC in the consent agenda.

6.1.2 Origination Transaction Report:

Upon request, the Agency Risk Director shall coordinate an FC report of all FMPA staff committed trading/origination transactions, if any, in the prior year that had a term greater than three (3) months. This report shall be attached to the annual report relating to the operation and effectiveness of this Policy pursuant to Section 6.2.

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 Agency 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. Each Manager responsible for trading/origination activities shall report on the current risk environment affecting the origination of commodity transactions to the Risk Management Team as needed and engage any necessary discussion before moving items to the FC or governing bodies.

Appendix A

Florida Municipal Power Agency Risk Management Reporting Calendar Origination Transaction Policy				
Reporting Item	Frequency of Report	Responsible Party	Policy Section Reference	Policy Category Reference
Reserve levels	Each FC	Business Development and System Operations Director	Section 6.1.1	Reserve Levels:
Annual transactions report	As required	Agency Risk Director	Section 6.1.2	Origination Transaction Report:
Policy Operation & Effectiveness	Annually	Internal Audit Manager	Section 6.2	Operation and Effectiveness Report
Deviations from Policy	As Needed	Agency Risk Director	Section 7.0	Oversight Structure

**AGENDA ITEM 9 – INFORMATION
ITEMS**

**a. Proposal to Pause Funding of
Rate Protection Account**

**Executive Committee
August 19, 2021**



9a – Proposal to Pause Funding of Rate Protection Account

Executive Committee

August 19, 2021

Proposing Rate Protection Account Funding

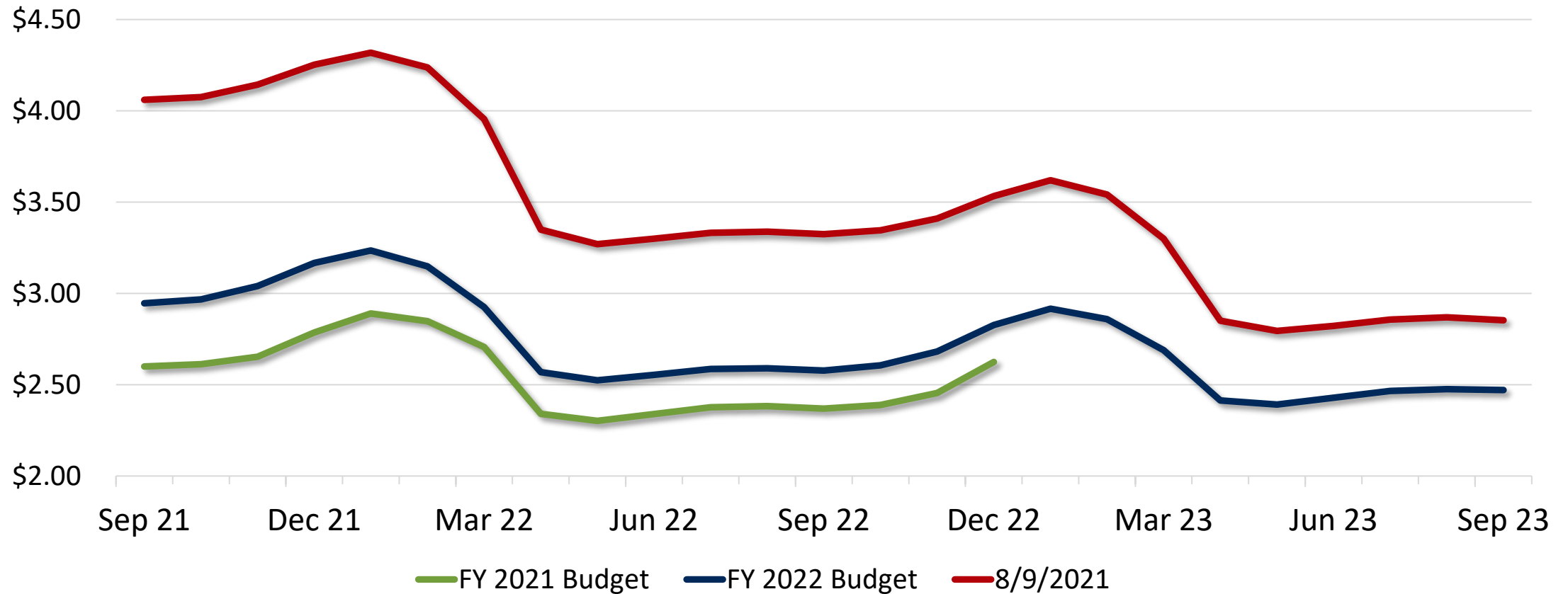
Would Help Lower Costs to Members Due to High Gas Prices

- Staff provided update on Rate Protection Account (RPA) status in May, proposed capping future deposits to lower near-term rates
- EC requested additional info item in August with action in September
- Subsequent jump in gas forward curve to ~\$4.20/MMBtu this winter has put rate pressure on ARP Participants in FY 2022
- Staff now proposing funding of account to be paused while gas prices are high, allowing savings to flow to participants
- Discussions to cap future Rate Protection Account balances would be tabled to later date

Current Curve ~\$1/MMBtu > Budget through March

Adds Around \$5/MWh to Projected FY 2022 ARP Costs

Current Forward Curve vs. Budget (\$/MMBtu)



Pausing RPA Funding ~\$1-2/MWh Benefit in FY 2022

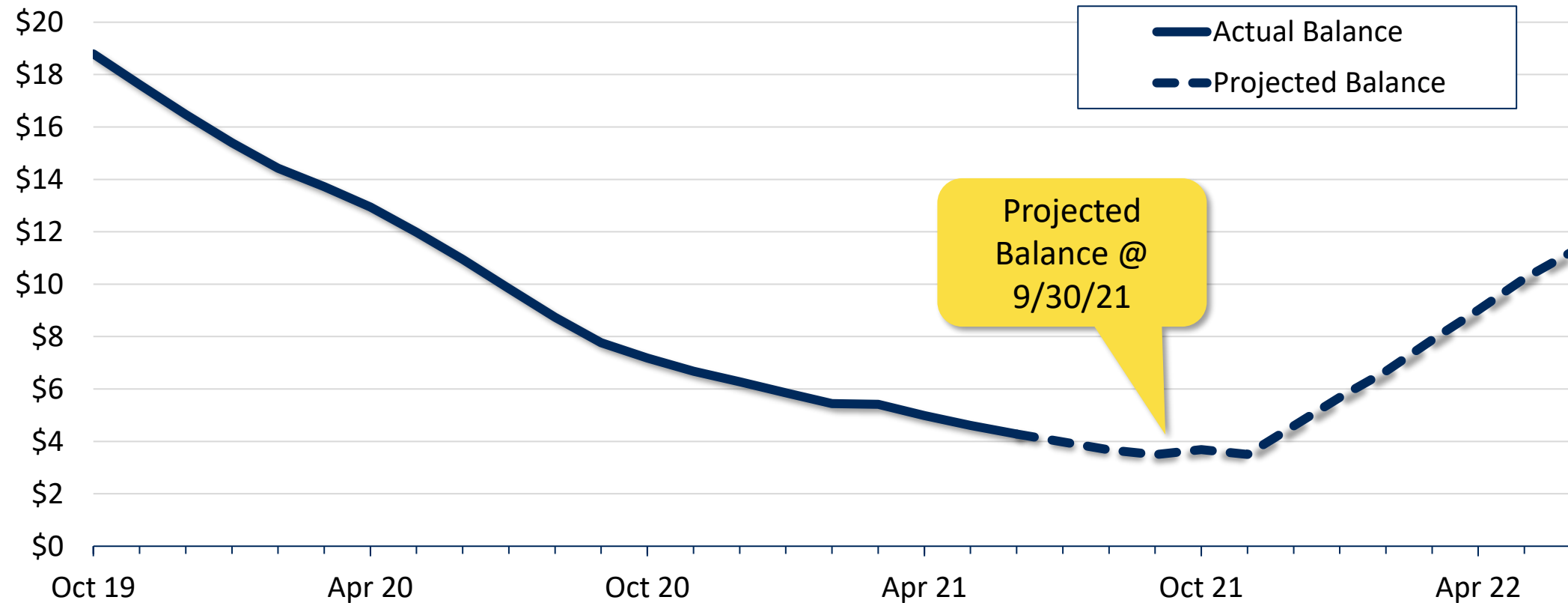
Existing Funds in RPA at 9/30/21 Would Remain for Future Use

	Rate Protection Account with \$10M Cap	Rate Protection Account with No Cap
Deposits (Debt Savings)	\$17.0M	\$23.2M
Withdrawals (Project Costs > Market)	(\$10.6M)	(\$10.6M)
Total Net Deposit (Cost to Participants)	\$6.5M	\$12.6M
\$/MWh Cost Impact	\$1.10/MWh	\$2.15/MWh

RPA Balance Projected ~\$3.5M at End of FY 2021

Vero Entitlements Greater Value to ARP with Higher Gas Prices

Historical and Projected RPA Balance (\$Millions)



Proposed Action Plan

- EC vote to pause RPA funding in September
- Continue funding RPA through end of FY 2021
- Pause contributions and withdrawals from RPA beginning October 2021
- Once gas prices return to lower levels, staff will discuss resuming RPA funding with EC
 - Including discussion on capping future RPA balances, if appropriate

Recommended Motion

- No action requested. For information only.

**AGENDA ITEM 9 – INFORMATION
ITEMS**

**b. Mid-20s Capacity and Resource
Position**

**Executive Committee
August 19, 2021**



9b – Mid 20's Capacity & Resource Position

Executive Committee

August 19, 2021

Need Emerging for LT Capacity Decisions

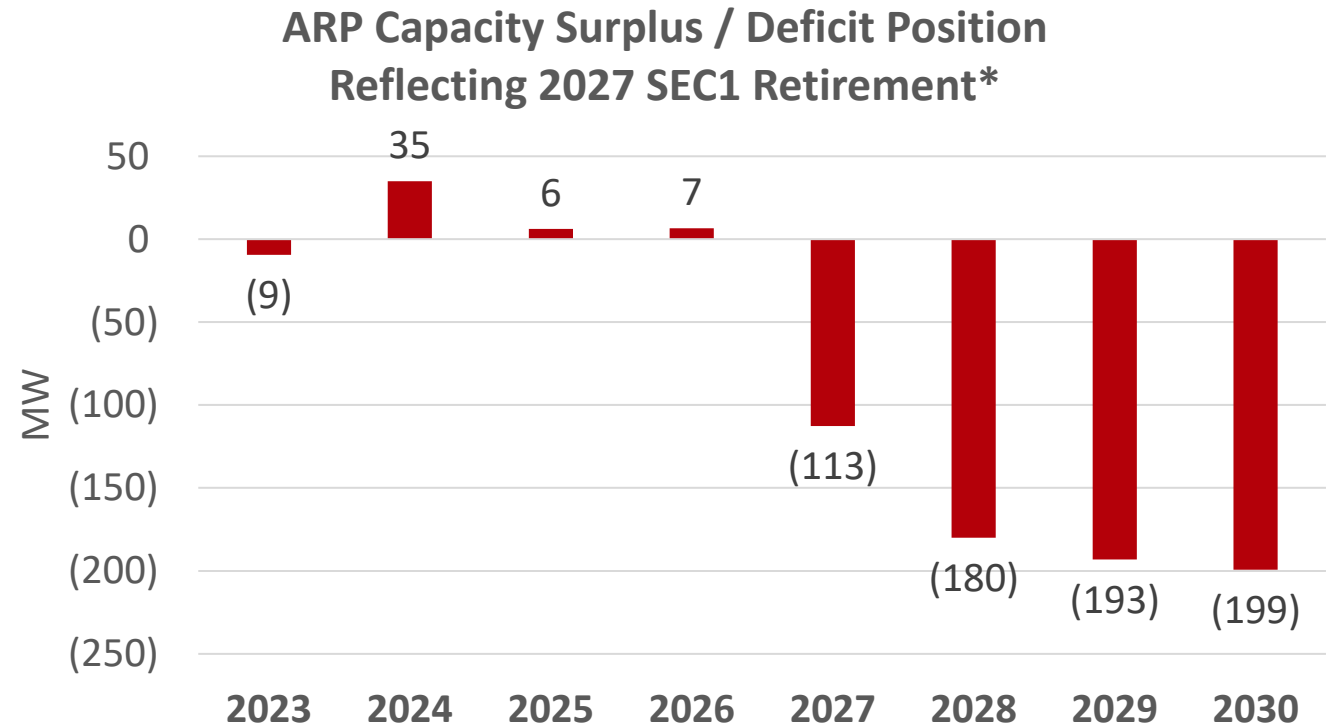
Stanton Decision and Terminating Purchases Driving Options

- OUC informed their commission of acquisition of assets and now close Stanton 1
- Purchase contracts ending in 2024 and 2027 create further needs
- Staff has been reviewing multiple options to provide low-cost, reliable power
- Anticipating potential resource changes, FMPA conducted capacity RFP for period 2025-2030
- Additionally, staff has been reviewing upgrade potential for existing ARP assets
- Other Florida municipals likely in need of power supply starting 2024 – 2026
- Executive Committee will be presented with choices over next several months

Surplus Position Minimized in Early 2020s

Focus Shifting from Long-term Sales to Filling Outer Year Needs

- Worked so first half of 2020s position managed nearly flat to reserves through long-term sales
- With potential Stanton 1 loss in 2025, need would be ~120 MW starting then
- Further capacity needed with expiration of Oleander PPA and natural ARP load growth

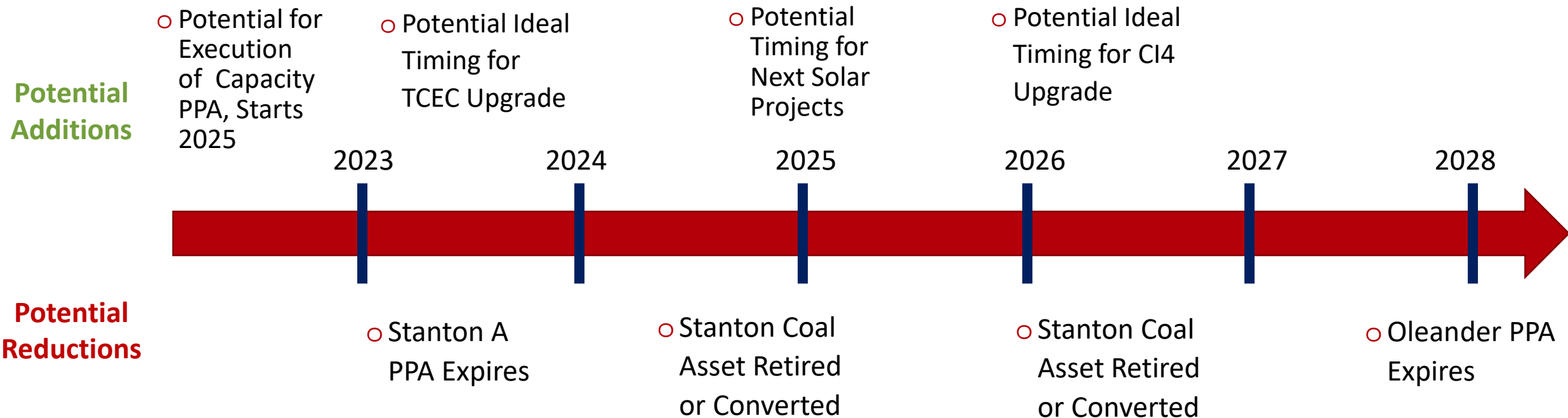


*Includes ownership share of SEC Units 1 and 2
until 2027 with SEC 1 Retirement

Proactive Planning for Post 2023 Impacts

Uncertainty Remains Around Stanton Coal Impacts

Lead time for pursuing certain options will drive need for certain decisions over next six months



OUC Planning to Acquire ~510MW Holopaw Peakers

Stanton Unit 1 Would Close after This Acquisition

- Genova Power marketed this asset to utilities in Florida
- OUC good fit for asset with interconnection one mile away
- Addition of natural gas capacity with diesel back-up



Several Options Available to Meet ARP Needs

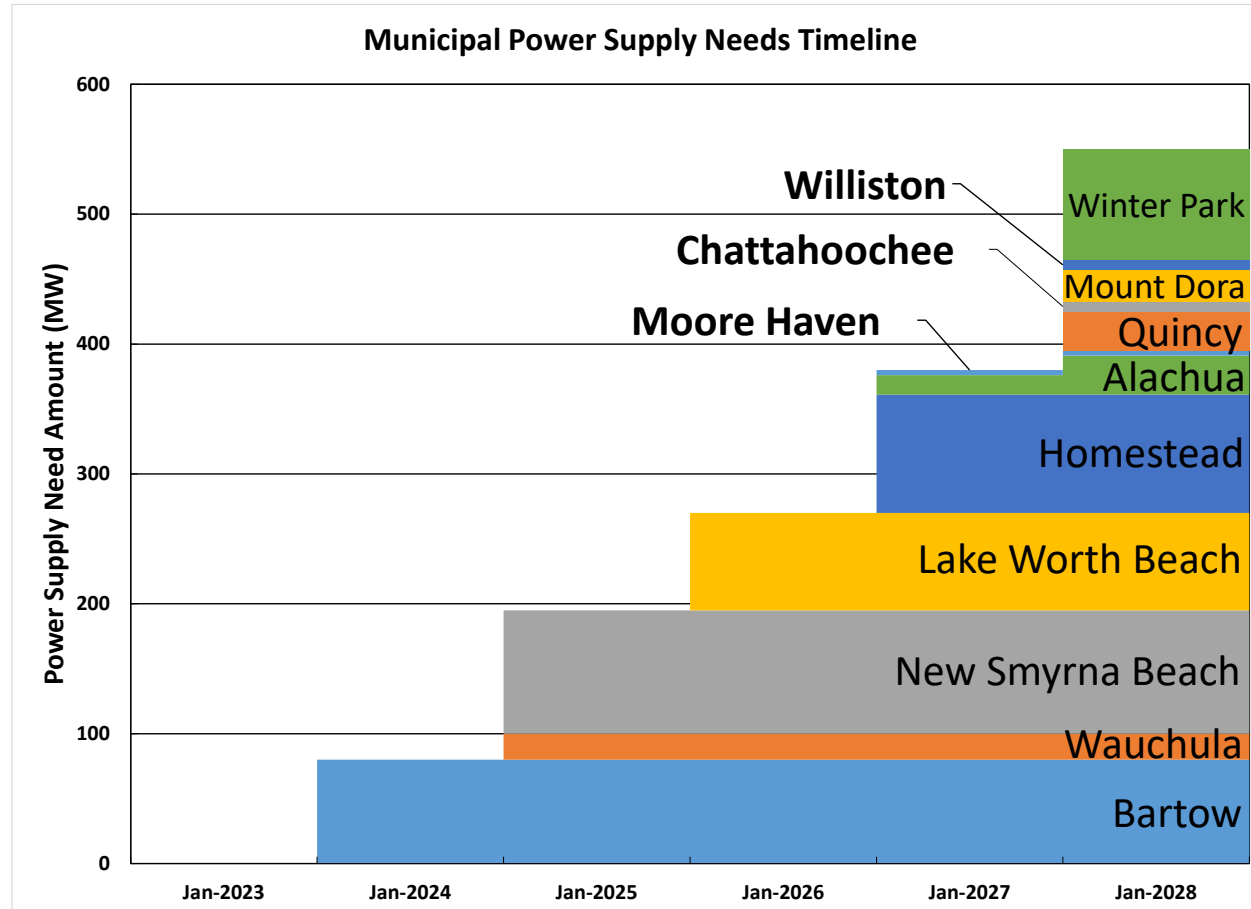
Resource Planning Ongoing To Provide Low-Cost, Reliable Power

- Solar / battery additions
- Existing unit upgrades at Cane Island and Treasure Coast
- Third-party power purchases
- Existing merchant assets
- Demand management implementation
- Shorter-term purchases



Additional Florida Municipal Capacity Needs

Sales Strategy Can Optimize Otherwise Lumpy Additions



- PPA expirations and unit retirements, create step changes in capacity position that cannot be offset with resources
- As FMPPA capacity position is optimized, may be opportunities for continuing sales
- Potential projects with non-ARP members or outright sales

Staff Evaluating and Seeking Best Value for ARP

Multiple Analysis of All Options Ongoing in Parallel

- Staff continuing to survey member potential for demand management
- Continued monitoring of potential legislation and emission policy with impact on costs and tax incentives
- Internal upgrades at Cane Island and Treasure Coast evaluation being completed over next month
- Staff seeking member interest over next six months in next solar project with 2025 in-service date
- Discussions with third-parties ongoing as a result of capacity RFP with potential Action in September or October

**AGENDA ITEM 9 – INFORMATION
ITEMS**

c. Cane 3 Unit Upgrade Opportunity

**Executive Committee
August 19, 2021**



9c – Cane Island Unit 3 Upgrade Opportunity

Executive Committee

August 19, 2021

Potential for 8 MW Upgrade in Fall 2021

Inexpensive Pre-2025 Capacity Addition at ~\$1.40/kw-month

- \$1.65 million amortized over 12 years results in relatively inexpensive capacity at \$1.43/kw-month
- Upgrade ideally must be installed during significant outage, next opportunity in 2025
- Current capacity not needed for 2025-2027, but pending Stanton coal retirement decisions may drive need
- Without changes at Stanton, there is still a need in 12 of next 15 years and capacity still economical compared to a \$3.17/kw-month breakeven.
- 8 MW increase in capacity plus 125 btu/kwh heat rate improvement

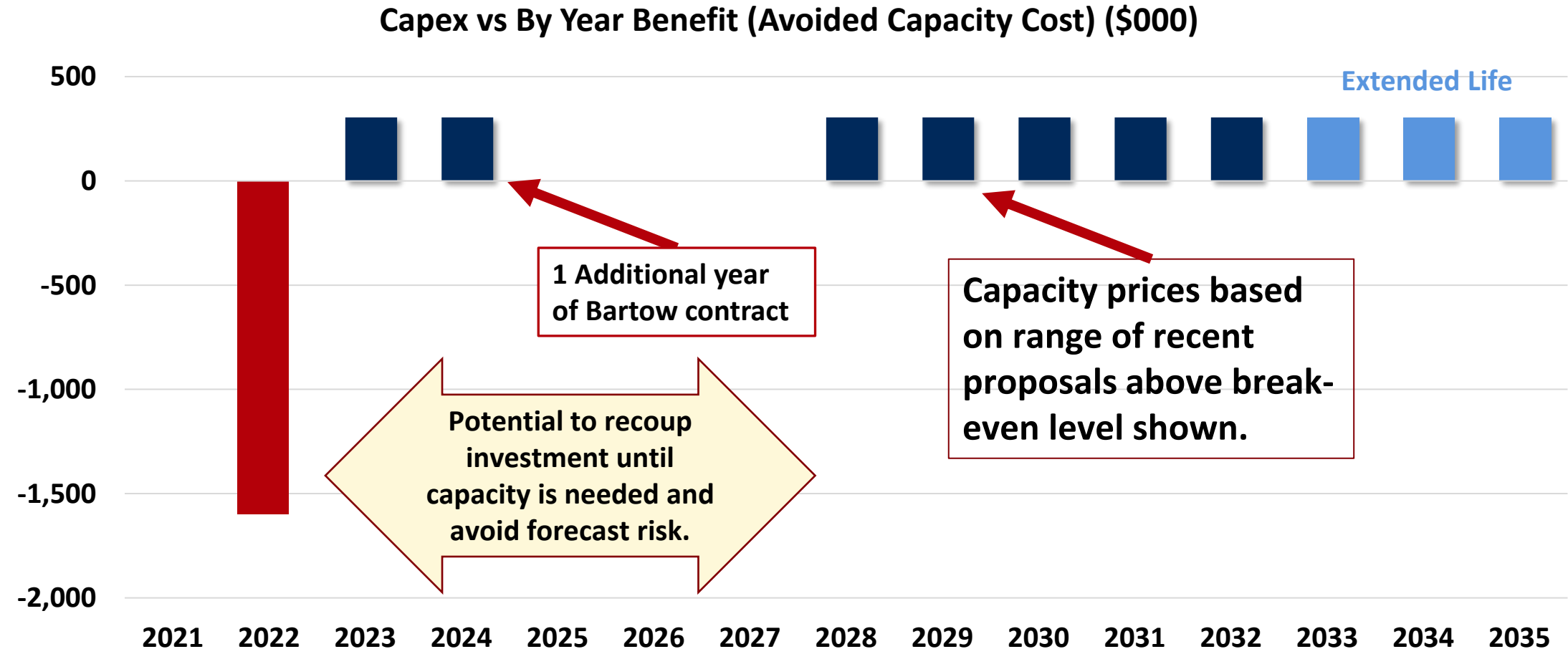
Unit 3 Interconnected to Region of Load Growth

Avoids Risk and Adds Benefit Until Capacity Need is Realized

- KUA interconnection, where load growth expected to be above average
 - Empowers other resources to serve residual wholesale load on Duke system
- Asset runs on clean gas and is expected to run past scheduled end-of-life to take advantage of lower emission rates and avoid potential CO₂ ACP
- Avoids risk of load growth greater than forecasted – avoided costs may occur sooner
 - KUA growth continues to outperform forecast
 - Florida growth expected to remain strong
- Potential for short-term and medium-term capacity sales
 - Alachua sales contract finalized – does not affect intra-period need
 - Bartow one-year extension a possibility, moving benefits forward
- As debt bundle for ARP declines, Cane Island Unit 3 expected to remain competitive
- Availability of alternative firm, dispatchable capacity increasingly uncertain given FRCC portfolio evolution
 - Recent market discovery reveals that capacity with dispatchable energy is more expensive than previously modeled

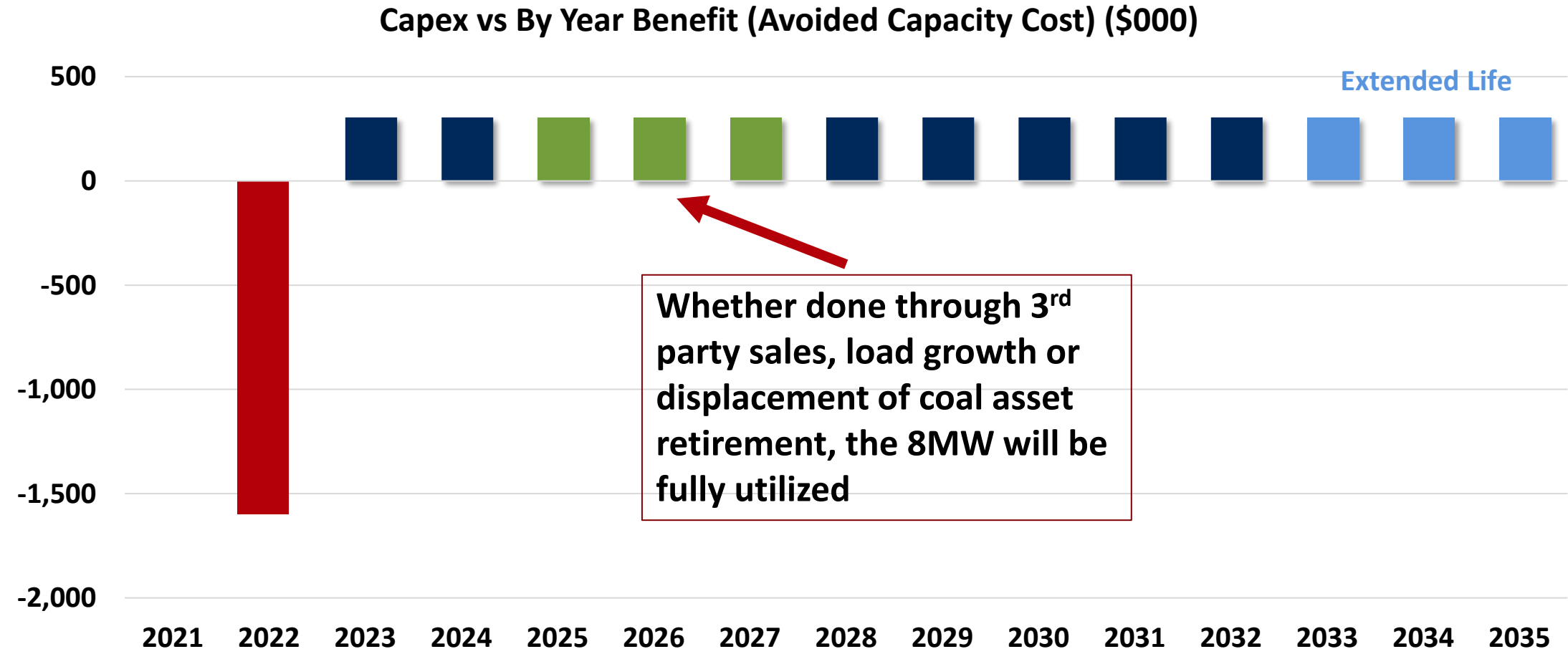
Break-Even ~\$3.17/kW-mo. w/o SEC Retirement

Assumes Operation to 2032, Benefits Could Accrue Earlier



Break-Even ~\$1.40/kW-mo. Over 12 Years

Opportunities Exist to Fully Amortize The Upgrade



AGENDA ITEM 9 – INFORMATION ITEMS

d) Starke Revocation and Rescission of ARP Contract § 2 Notice

**Executive Committee
August 19, 2021**



9d – City of Starke Revocation and Rescission of ARP Contract § 2 Notice

Executive Committee

August 19, 2021

ARP Contract Automatic Term Extension

Starke's Desire to Reverse its 2003 Decision

- As of January 1999 (adoption of Amendment No. 1), all ARP Contracts had a term of 2030, which automatically extends one year each October 1. So,
 - October 1, 1999 – 2031
 - October 1, 2000 – 2032
 - October 1, 2001 – 2033
 - October 1, 2002 – 2034
 - October 1, 2003 – 2035
- Section 2 of the ARP Contract allows any Participant, on at least one year's prior notice, to discontinue the automatic term extension.
- Starke gave its section 2 notice on September 11, 2003, which stopped the 2004 automatic extension, and set Starke's contract term at October 1, 2035.

Starke's Desire to Reverse its 2003 Decision

Next Steps

- The ARP Contract does not prohibit a Participant from revoking and nullifying its section 2 notice. (Different from CROD notice.)
- Starke has expressed a desire to do this, and plans to bring this to its September 7 Council meeting.
- Form of Revocation and Rescission of Notice has been provided to the City.
- If approved by Starke, the same document would be brought to the Executive Committee in September for FMPA's acceptance.
- Effect would be to have Starke's ARP Contract term align, once again, with Participants that have not given a section 2 notice: all, except Green Cove Springs (2037) and Fort Meade (2041).

**AGENDA ITEM 9 – INFORMATION
ITEMS**

**d. Summary of the Finance
Committee Items**

**Executive Committee
August 19, 2021**



Summary of Finance Committee Items

BOD 9b / EC 9e

Board of Directors & Executive Committee
August 19, 2021

Other Items

Review and/or Approval Required

- Approval of Risk Policies
- Update on interim and year end external audits
- Review of St. Lucie audit results
- Review of internal audit operational reports
- Amendment to the pooled loans documents, when required
- Necessary budget amendment

**AGENDA ITEM 10 – MEMBER
COMMENTS**

**Executive Committee
August 19, 2021**

AGENDA ITEM 11 – ADJOURNMENT

**Executive Committee
August 19, 2021**