



ARP EXECUTIVE COMMITTEE AGENDA PACKAGE

September 16, 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: 180 472 3829#

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



MEMORANDUM

TO: FMPA Executive Committee
 FROM: Jacob A. Williams, General Manager and CEO
 DATE: September 7, 2021
 RE: FMPA Executive Committee Meeting
Thursday, September 16, 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 180 472 3829#
 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
September 16, 2021**

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

**Executive Committee
September 16, 2021**

**AGENDA ITEM 3 – RECOGNITION OF
GUESTS**

**Executive Committee
September 16, 2021**

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

**Executive Committee
September 16, 2021**

VERBAL REPORT

AGENDA ITEM 5 – COMMENTS FROM THE CHAIRMAN

**Executive Committee
September 16, 2021**

VERBAL REPORT

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

**Executive Committee
September 16, 2021**

**AGENDA ITEM 7 – CONSENT
AGENDA**

- a. Approval of the Minutes –
Meetings Help August 19, 2021
and ARP Telephonic Rate
Workshop Help August 11, 2021**

**Executive Committee
September 16, 2021**

CLERKS DULY NOTIFIED AUGUST 10 & REVISED 17, 2021
AGENDA PACKAGES POSTED..... AUGUST 10 & REVISED 17, 2021

MINUTES
EXECUTIVE COMMITTEE MEETING
THURSDAY AUGUST 19, 2021
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819

PARTICIPANTS
PRESENT:

Jody Young, Bushnell
Lynne Mila, Clewiston
Paul Jakubczak, Fort Pierce
Bob Page, Green Cove Springs
Howard McKinnon, Havana
Allen Putnam, Jacksonville Beach
Lynne Tejeda, Key West (via telephone)
Larry Mattern, Kissimmee (via telephone)
Randy Hahn, Ocala (via telephone)
Scott Anaheim, Starke

OTHERS
PRESENT

Steve Macholz, Bushnell
Barbara Quiñones, Homestead
Claston Sunanon, Orlando
Craig Dunlap, Dunlap & Associates, Inc.

STAFF
PRESENT

Jacob Williams, General Manager and CEO
Jody Finklea, General Counsel and Chief Legal Officer
Ken Rutter, Chief Operating Officer
Linda S. Howard, Chief Financial Officer
Mark McCain, Vice President, Member Services and Public Relations
Chris Gowder, Business Development and System Operations Director
Dan O'Hagan, Assistant General Counsel and Regulatory
Compliance Counsel
Rich Popp, Treasurer and Risk Director
Cairo Vanegas, Manager of Member Services Development
Mike McCleary, Manager of Member Services Development
Carter Manucy, IT/OT & Cybersecurity Director
Tobin LaBorde, Power Generation Engineer and Project Manager
Sharon Adams, Vice President of Human Resources
and Shared Services
Sue Utley, Executive Asst. /Asst. Secy. to the Board
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 10:25 a.m., Thursday, August 19, 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 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

Chair McKinnon welcomed Scott Anaheim of Bushnell and Steve Macholz of Bushnell to the Executive Committee meeting.

ITEM 4 – PUBLIC COMMENTS

None

ITEM 5 – COMMENTS FROM THE CHAIRMAN

Chair McKinnon said he has had some friends in their 20s and 30s who have been stricken by the Delta variant of COVID-19. A couple were in the hospital and one on a respirator. None of these people had been vaccinated. He encouraged everyone to do their research and get the vaccine if they are able to do so.

Chair McKinnon said he is pleased with the direction the Agency is going. It's a testament that one of our Members who filed their ARP Contract § 2 Notice wants to revoke the notice. We need to be unified as a group. The ARP was formed for a reason and believes we will have more ARP members in the future. He thanked all the Members for joining together.

ITEM 6 – REPORT FROM GENERAL MANAGER

Nothing additional to report.

ITEM 7 – CONSENT AGENDA

Item 7a – Approval of Meeting Minutes – Meeting Held July 21, 2021 and ARP Telephonic Rate Workshop Held July 13, 2021

Item 7b – Approval of the Treasury Reports – As of June 30, 2021

Item 7c – Approval of the Preliminary Agency and All-Requirements Project Financials as of June 30, 2021

MOTION: Allen Putnam, Jacksonville Beach, moved approval of the Consent Agenda as presented. Bob Page, Green Cove Springs, seconded the motion. Motion carried 10 – 0.

ITEM 8 – ACTION ITEMS:

a. Approval of Appendix K Origination Transaction Policy

MOTION: Larry Mattern, Kissimmee, moved approval of the recommended changes as presented to the Origination Transaction Risk Management Policy. Allen Putnam, Jacksonville Beach, seconded the motion. Motion carried 10 – 0.

ITEM 9 – INFORMATION ITEMS:

b. Proposal to Pause Funding of Rate Protection Account

Linda S. Howard reported on the proposal to pause the fund of the rate protection account.

c. Mid-20's Capacity and Resource Position

Ken Rutter updated the Executive Committee on FMPA's mid-20s capacity and resource position.

d. Cane Island 3 Unit Upgrade Opportunity

Ken Rutter outlined a potential Cane Island Unit 3 upgrade opportunity.

e. Starke Revocation and Rescission of ARP Contract § 2 Notice

Jody Finklea reported on the Starke City Commission's possible decision to revoke their ARP Contract §2 Notice which was set to expire in 2035. If approved by the City of Starke, the Executive Committee's acceptance will be brought forward for approval next month.

f. Summary of the Finance Committee Items

Nothing further to report on this item since it was reported at the Board meeting.

ITEM 10 – Member Comments

None

ITEM 11 – Adjournment

There being no further business, the meeting was adjourned at 11:10 a.m.

Howard McKinnon
Chairman, Executive Committee

Sue Utley
Assistant Secretary

Approved: _____

Seal

PUBLIC NOTICE SENT TO CLERKS.....AUGUST 4, 2021
AGENDA PACKAGES SENT TO MEMBERSAUGUST 11, 2021

**MINUTES
EXECUTIVE COMMITTEE
ALL-REQUIREMENTS POWER SUPPLY PROJECT
TELEPHONIC RATE WORKSHOP
WEDNESDAY, AUGUST 11, 2021
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FLORIDA 32819**

COMMITTEE MEMBERS PRESENT VIA TELEPHONE

Christina Simmons, Bushnell
Lynne Mila, Clewiston
Jan Bagnell, Fort Meade
Allen Putnam, Jacksonville Beach
Lynne Tejada, Key West
Larry Mattern, Kissimmee
Maria Brooks, Ocala
John Holman, Starke

*arrived after roll call.

COMMITTEE MEMBERS ABSENT

Howard McKinnon, Havana
Paul Jakubczak, Fort Pierce
Bob Page, Green Cove Springs
Sabrina Hubbell, Leesburg
Bill Conrad, Newberry

STAFF PRESENT

Ken Rutter, Chief Operating Officer
Jody Finklea, General Counsel/Chief Legal 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

Lynne Tejada, Key West, Vice Chair, called the Executive Committee All-Requirements Telephonic Rate Workshop to order at 2:00 p.m. on Wednesday, August 11, 2021, via telephone. A speaker telephone for public attendance and participation was located in the 1st Floor Conference Room at Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida.

Item 2 – Information Items

Jason Wolfe gave a verbal update on the natural gas markets; provided an overview of the July loads and reviewed the July ARP rate calculation.

Item 3 – Member Comments

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

Approved

LT/bs

**AGENDA ITEM 7 – CONSENT
AGENDA**

- b. Approval of Treasury Reports as
of July 31, 2021**

**Executive Committee
September 16, 2021**



AGENDA PACKAGE MEMORANDUM

TO: FMPA Executive Committee
FROM: Gloria Reyes
DATE: September 16, 2021
ITEM: EC 7(b) – Approval of the All-Requirements Project Treasury Reports as of July 31, 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.
-

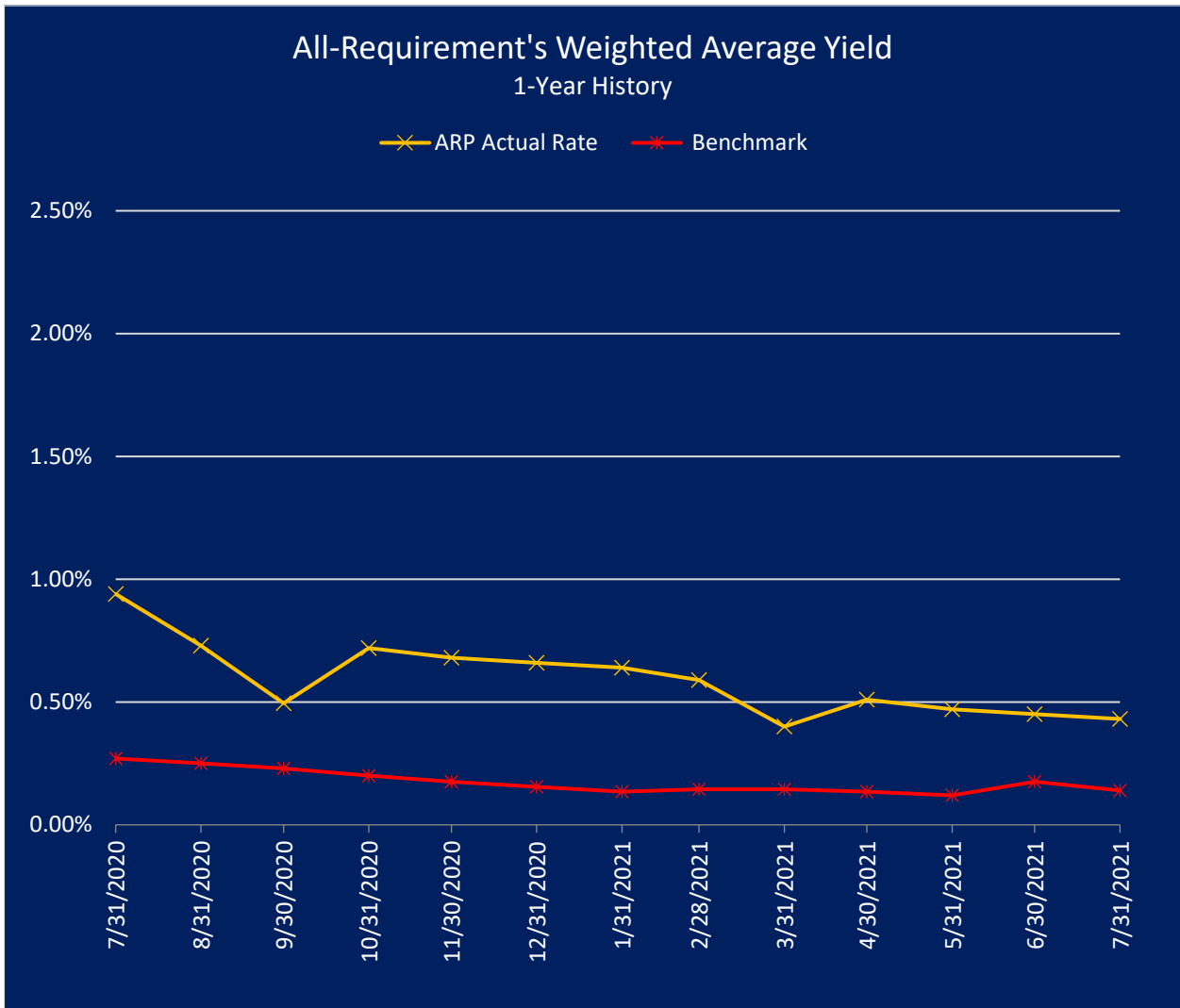
Debt Discussion

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 July 31, 2021 is \$35,118,999.01. The total amount of debt outstanding is \$873,865,000.

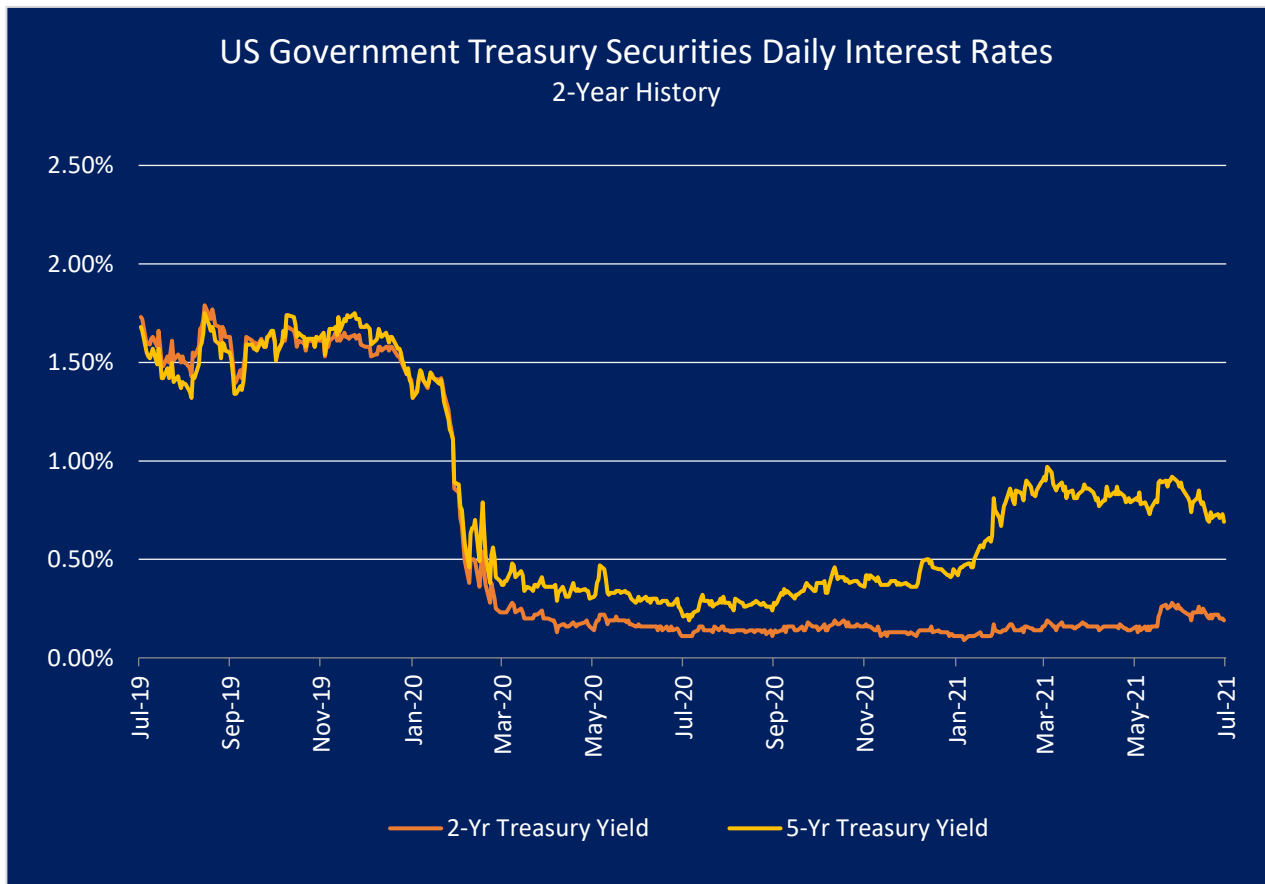
Investment Discussion

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 July 31, 2021, the All-Requirements Project investment portfolio earned a weighted average yield of 0.431%, 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 July at 0.19 %. The yellow line is the 5-year Treasury which was 0.69%.



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

Recommended
Motion

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

**AGENDA ITEM 7 – CONSENT
AGENDA**

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

**Executive Committee
September 16, 2021**



Linda S. Howard, CPA, CFP
Chief Financial Officer

MEMORANDUM

TO: FMPA Executive Committee
FROM: Linda Howard
DATE: September 7, 2021
SUBJECT: EC 7c – Approval of the Agency and All-Requirements Project Financials for the period ended July 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 July 31, 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 July 31, 2021.

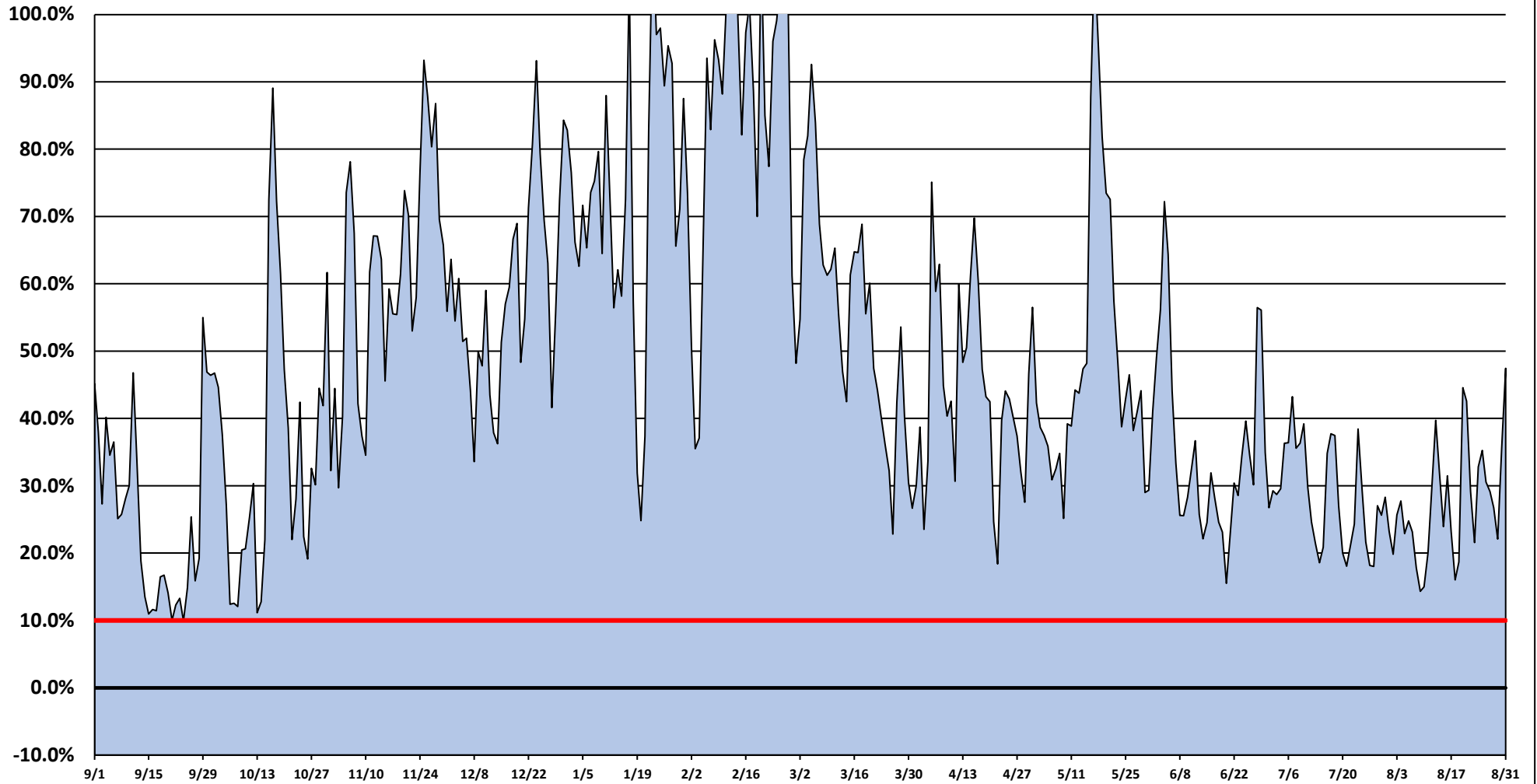
LH/GF

**AGENDA ITEM 7 – CONSENT
AGENDA**

**d. ARP 12-month Capacity Reserve
Margin Report**

**Executive Committee
September 16, 2021**

ARP Daily Reserve Margins September 2021 through August 2022



AGENDA ITEM 8 – ACTION ITEMS

- a. Approval to Pause Funding of
Rate Protection Account**

**Executive Committee
September 16, 2021**



8a – Approval to Pause Funding of Rate Protection Account

Executive Committee

September 16, 2021

Proposing Rate Protection Account Funding

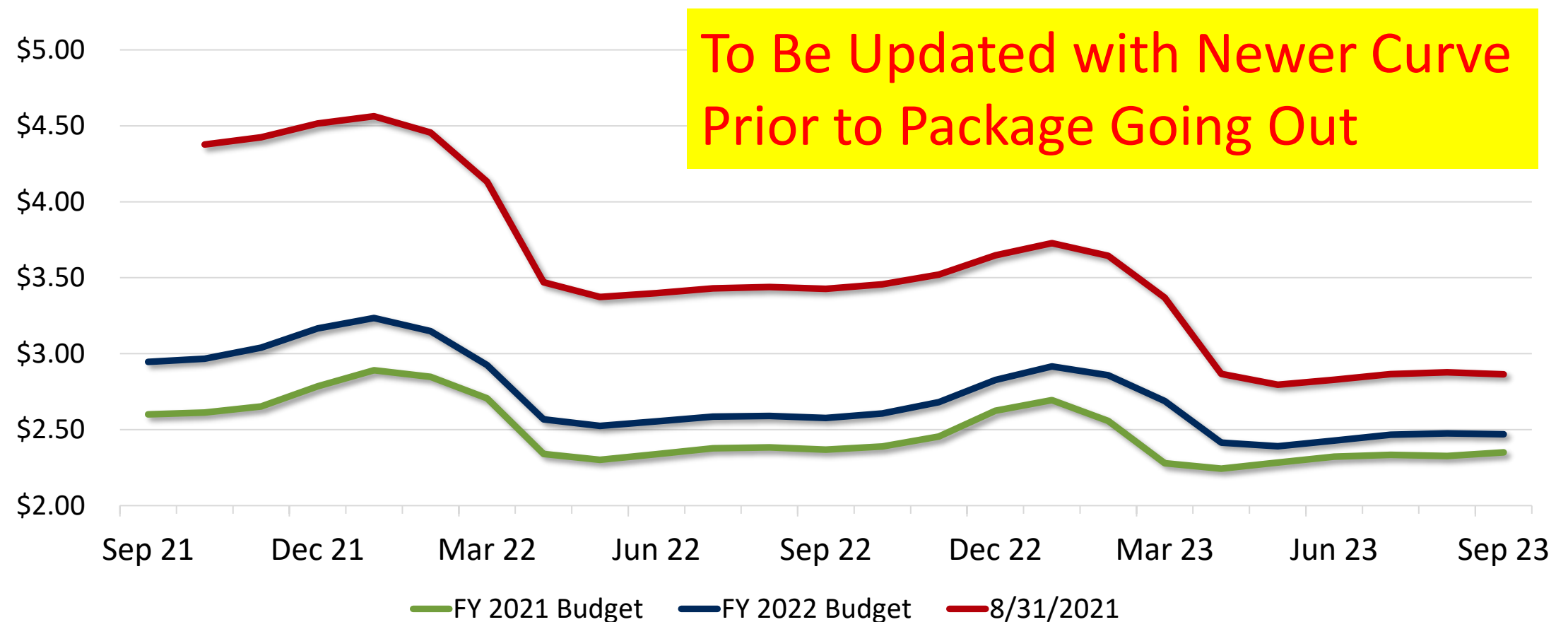
Would Help Lower Costs to Members Due to High Gas Prices

- In August, staff proposed pausing funding of Rate Protection Account (RPA) to lower near-term rates to members
- Significant jump in forward curve to >\$4/MMBtu through winter has put rate pressure on ARP Participants in fiscal 2022
- Pausing funding while gas prices are high enables savings to flow to members
- Also proposing a trigger mechanism for returning to EC in the future to review whether to resume funding

Current Curve >\$1.20/MMBtu > Budget through March

Currently Forecasted Above \$3/MWh Until Spring 2023

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



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

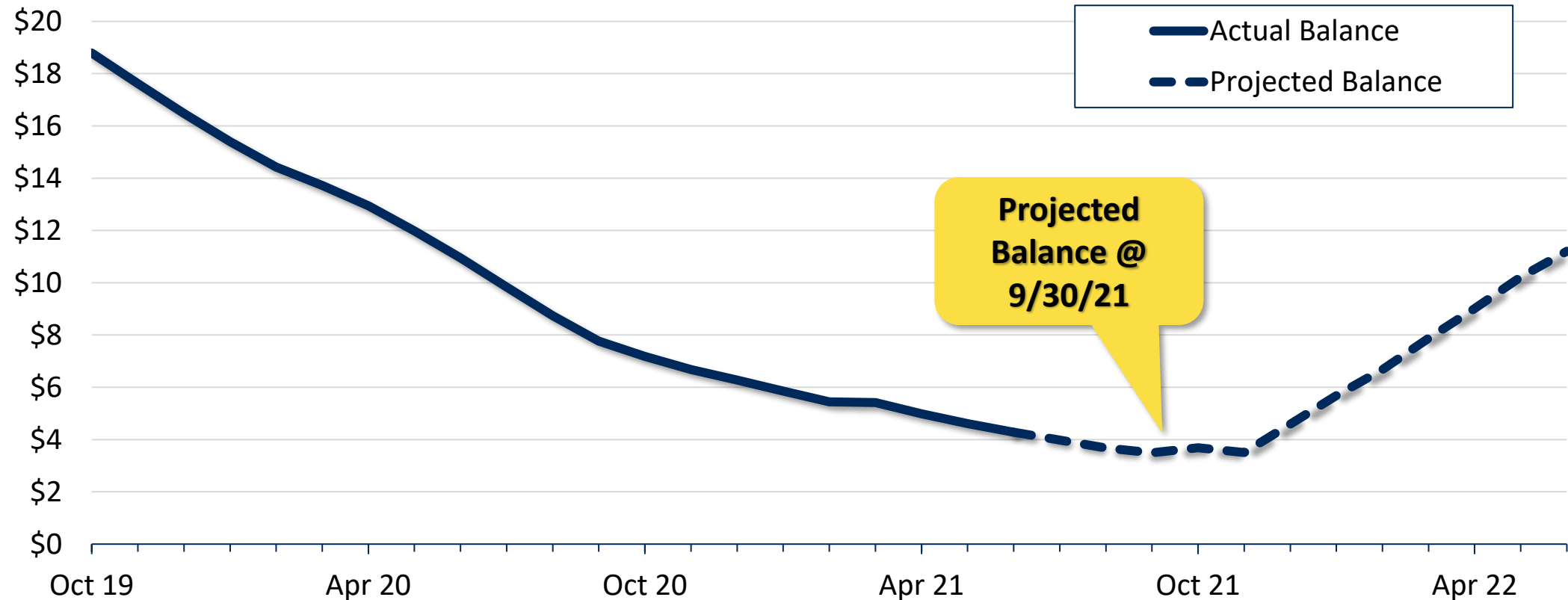
Existing Funds in RPA at 9/30/21 Would Remain for Future Use

| | Rate Protection Account with \$10M Cap | Rate Protection Account with No Cap |
|--|--|-------------------------------------|
| Deposits (Debt Savings) | \$16.6M | \$23.2M |
| Withdrawals (Project Costs > Market) | (\$10.0M) | (\$10.0M) |
| Total Net Deposit (Cost to Participants) | \$6.6M | \$13.2M |
| \$/MWh Cost Impact | \$1.10/MWh | \$2.20/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 Actions and Trigger Mechanism

- Continue funding RPA through end of fiscal 2021
- Pause contributions and withdrawals from RPA beginning October 2021 until EC votes to resume
- Trigger mechanism proposed as first-of-the-month gas prices dropping below \$3/MMBtu for three consecutive months
- Once trigger point reached, staff will review status with EC
- EC would vote whether to resume funding (requires demand rate change)

Recommended Motion

- Move approval of pausing deposits to or withdrawals from the Rate Protection Account, other than accrued interest on balances already in the account, beginning Oct. 1, 2021, until subsequent action is taken by the Executive Committee (it being understood that staff will bring the issue back to the Executive Committee after three consecutive months of first-of-the-month gas prices below \$3/MMBtu).

AGENDA ITEM 8 – ACTION ITEMS

- b. Approval of Cane Island Unit 3 RO/SO Upgrade**

**Executive Committee
September 16, 2021**



8b – Cane Island Unit 3 Upgrade

Executive Committee

September 16, 2021

Potential for 8+ MW Upgrade in Fall 2021

Inexpensive Pre-2025 Capacity Addition at ~\$1.30/kw-month

- Upgrade ideal, partial offset for Stanton coal retirement
- \$1.5 million for 8 MW amortized over 12 years results in relatively inexpensive capacity at \$1.30/kw-month
- Upgrade ideally must be installed during significant outage, next opportunity in 2025
- 8 MW increase in capacity plus 125 btu/kwh heat rate improvement
- Staff negotiated additional 2+ MW increase through firing adjustment, total increase expected >10 MW

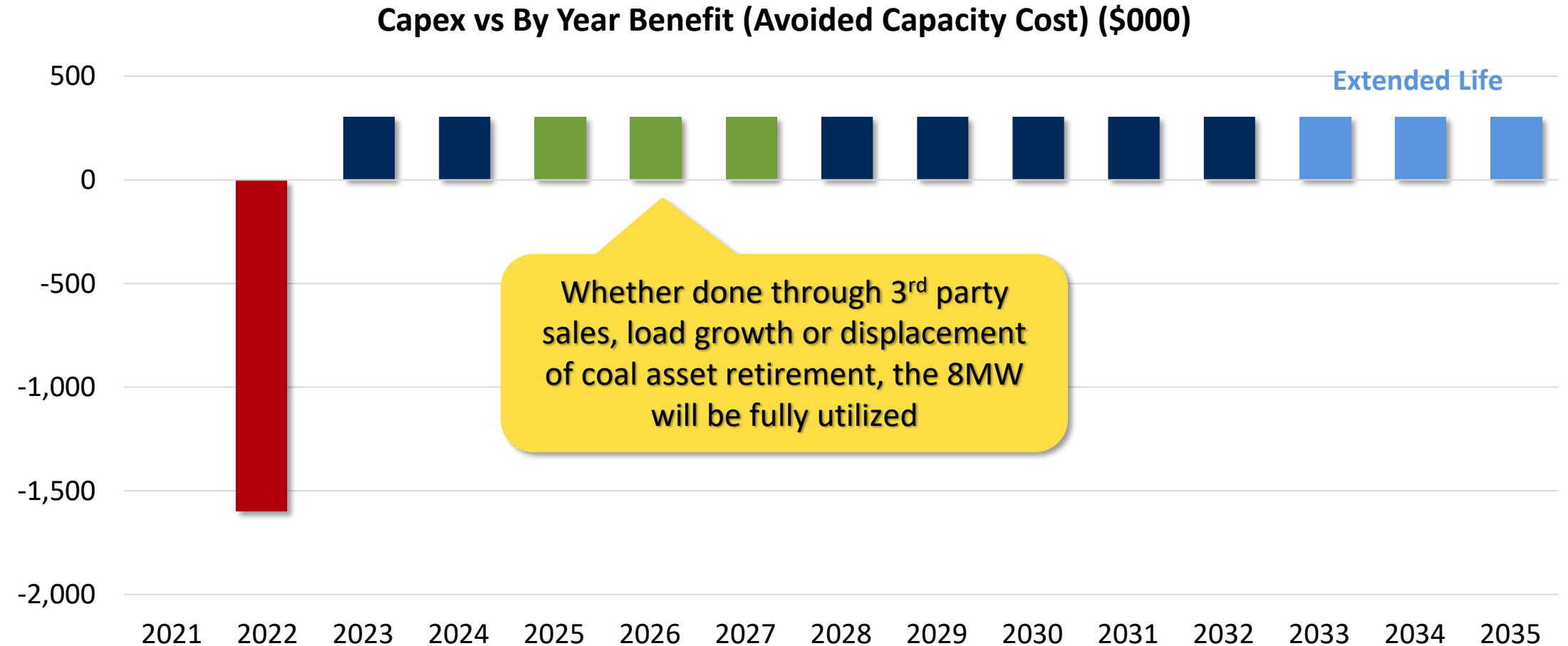
GE Accommodating Quick Turn Around on Upgrade

Full Output from Upgrade will be Realized After Spring Outage

- Negotiated pricing tied to actual capacity increase achieved
 - Target performance volume defined
 - Specific \$/kw rate negotiated cost
 - True up post implementation based on final performance testing
 - FMPA expense exposure capped at target capacity increase value
 - GE guaranteeing rotor terms if we keep this peaking operation <1000 hours/yr
- Blade and Vane replacement in Fall major outage
- Software tuning in Spring outage
- Firing adjustment as soon as practical

~\$1.30/kW-mo. Over 12 Years

Opportunities Exist to Fully Amortize The Upgrade



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
- Asset is low emitting and is expected to run past scheduled end-of-life
- Mitigates risk of load growth greater than forecasted
- Potential for short-term capacity sales to use capacity increase
- Cane Island Unit 3 expected to remain competitive through 2035
- Availability of alternative firm, low-cost dispatchable capacity increasingly uncertain given FRCC portfolio evolution
 - Recent RFP for capacity with dispatchable energy is more expensive than previously modeled

Recommended Motion

- Move approval to authorize the General Manager to execute purchase agreement at a \$187.50/kw cost, not to exceed \$1.65MM with General Electric for not budgeted R0/S0 Cane Island Unit 3 upgrade with other terms and conditions as represented, with approval of the General Counsel.

AGENDA ITEM 8 – ACTION ITEMS

- c. City of Starke Revocation and
Rescission of ARP Contract § 2
Notice**

**Executive Committee
September 16, 2021**



All-Requirements Project Costs and Contract Terms

Starke City Commission
September 7, 2021

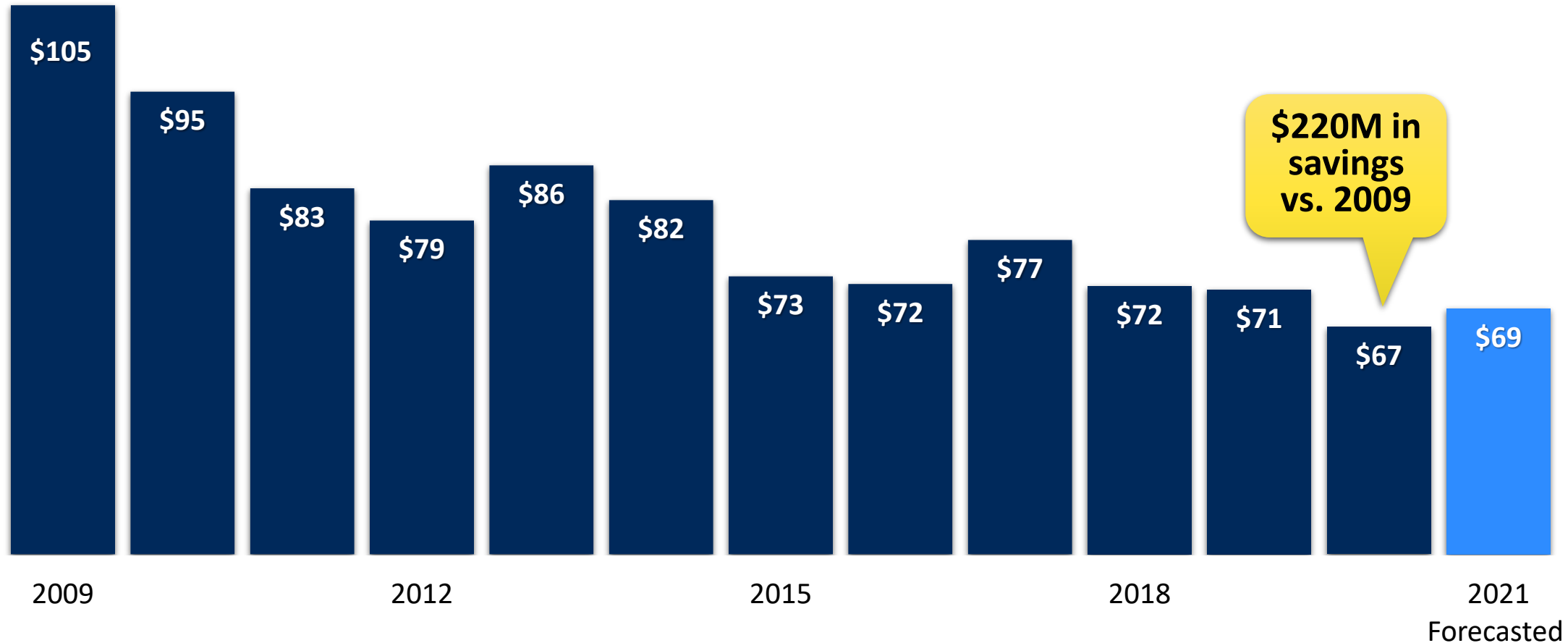
FMPA's ARP Members Among Lowest Cost Utilities

Efforts Help Make Munis Competitive Today and in the Future

- Power costs lowest since 2004, down 36% since 2009
- Cost reductions in fiscal 2021 saved nearly \$31 million, or \$5 per MWh
- Fixed costs expected to remain flat over next several years
- Debt payoff over next 12 years will reduce costs \$100 million, or \$16 per MWh
- Wholesale market prices increasing as excess supply reduces

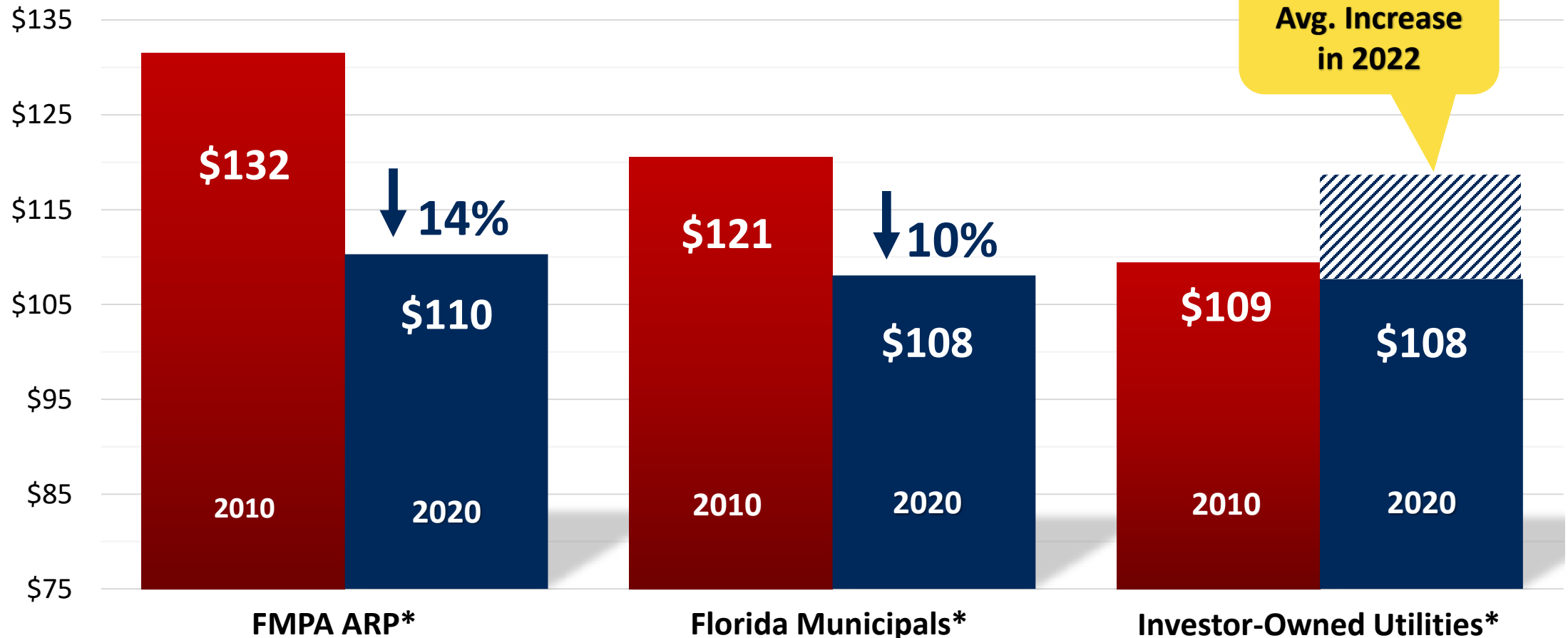
Power Costs Lowest Since 2004, 36% Below 2009

All-Requirements Project Power Costs, 1,000 kWh



Munis Competitive, Projected to Be More in 2022

1,000 kWh Residential Bill Comparison

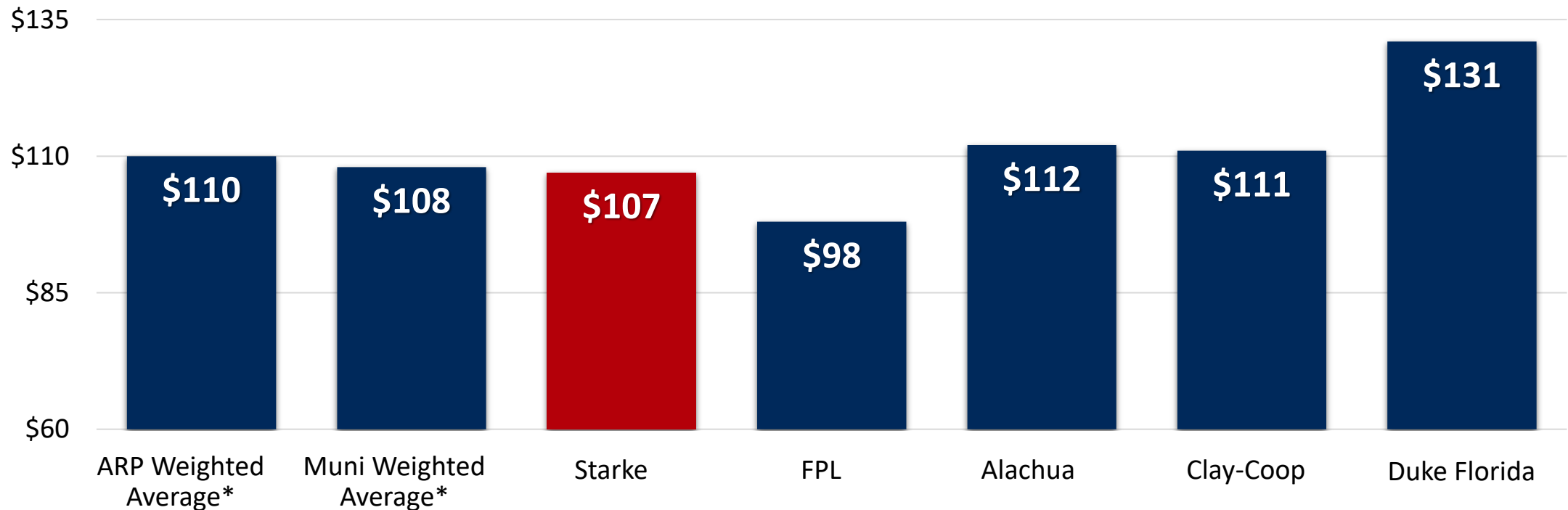


Retail Rates Competitive

Starke Among the Lowest Cost Electric Utilities

2020 Residential Bill Comparison

Cost per 1,000 kWh



Base Rates for Investor-Owned Utilities Going Up

Lowest IOUs Requested Rate Increases of 6-14% on 1/1/22

| Utility | Current Rate 1,000 kWh ¹ | Percent Increase in Residential Base Electric Rates by Effective Date | | | | Return on Equity |
|-----------------------------|--|---|--------|--------|--------|------------------|
| | | 1/1/22 | 1/1/23 | 1/1/24 | 1/1/25 | |
| FPL ² | \$103.02 | 6.3% | 3.5% | 1.9% | 1.3% | 10.6% |
| Duke Florida ³ | \$127.36 | 3-4% | 1-2% | 1-2% | -- | 9.85% |
| Tampa Electric ⁴ | \$105.25 | 14% | TBD | TBD | -- | 9.95% |

1 [Florida PSC](#), Florida investor-owned electric utilities total cost for 1,000 kilowatt hours residential service, May 1, 2021, through December 31, 2021

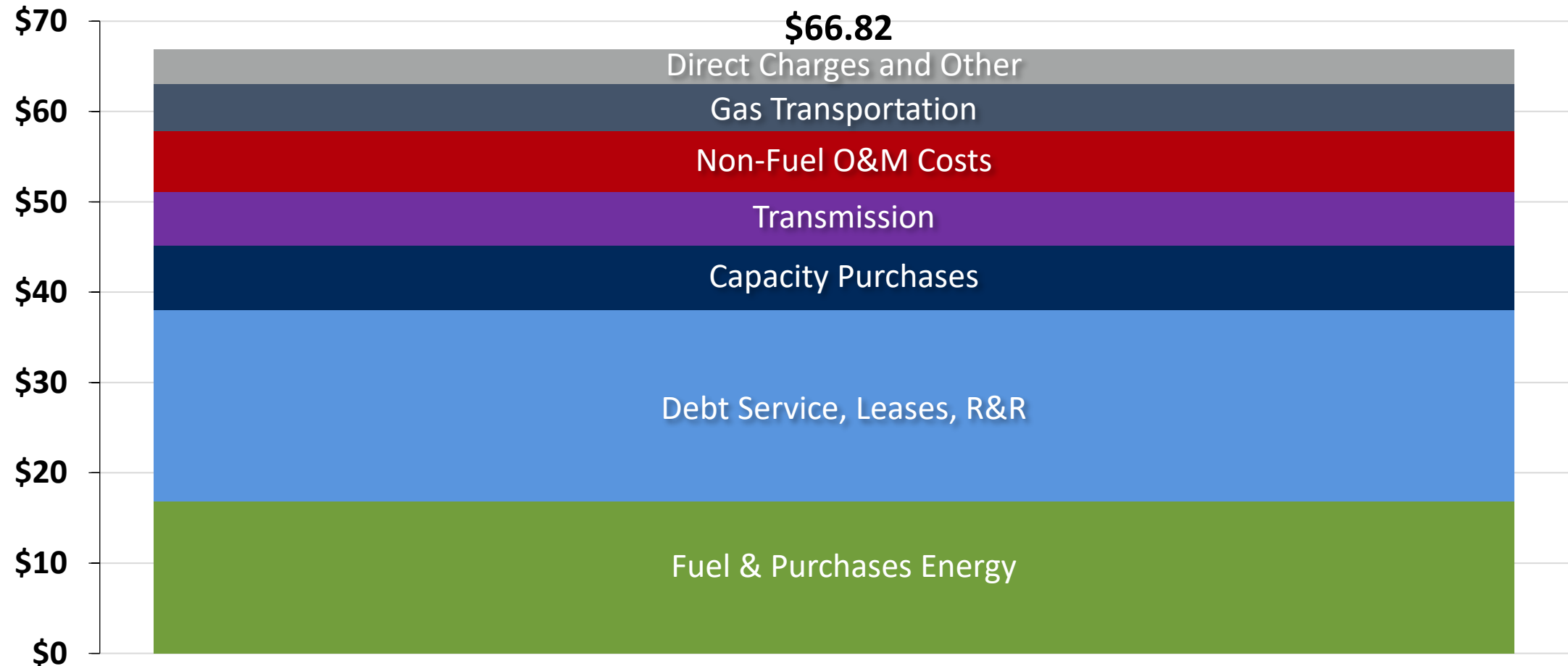
2 [FPL's](#) revised and proposed base rate increases and ROE as of August 2021, subject to approval by the Florida Public Service Commission.

3 [Florida PSC Approves Duke Energy Florida Rates Through 2024](#). The rate increases are in ranges because caveats in the approved rates, such as federal and/or state income-tax changes, could alter the increases.

4 [Tampa Electric's](#) revised and proposed base rate increases and ROE as of August 2021, subject to approval by the Florida Public Service Commission.

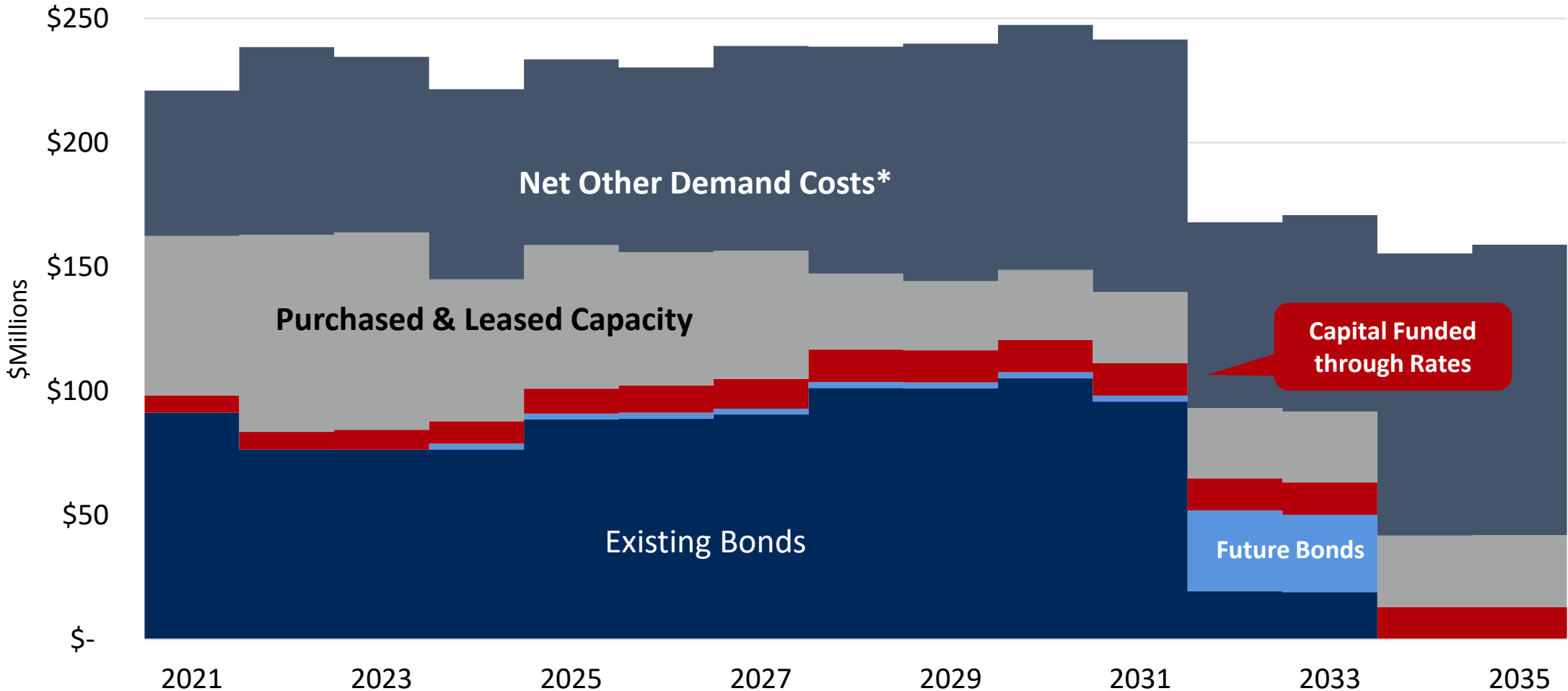
Debt Approximately One Third of Fiscal 2020 Costs

Fiscal 2020 Costs by Category (\$/MWh)



ARP Demand Costs Projected to Remain Stable

Debt Payoff by 2033 Reduces Fixed Costs ~\$100M (\$16/MWh)



* Primarily includes fixed O&M costs, gas transportation costs, and allocated Agency costs

ARP Participants Get More Value Post 2030

No Debt on Assets Will Help Keep Costs Low and Competitive

- Debt reduction projected to reduce power costs \$16 per MWh
- Remaining risk tied to natural gas prices, like all other utilities
- Wholesale market tightening, and cost for power increasing
 - Third-party sales increased during last two years
 - Load growth
 - Retiring of coal units
- Solar not low-cost, reliable source – natural gas needed as backup



All-Requirements Project (ARP) Contract Term

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 Sept. 11, 2003, which stopped the 2004 automatic extension and set Starke's contract term as October 1, 2035
- Current contract term is October 1, 2052

Starke's Desire to Reverse Its 2003 Decision

Next Steps for Revoking Starke's Section 2 Notice

- ARP contract does not prohibit a participant from revoking and nullifying its Section 2 notice (different from CROD notice)
- Starke Commission expressed a desire to consider this on Sept. 7
- Form of Revocation and Rescission of Notice has been provided to the city
- If approved by Starke, the same document would be brought to FMMPA's Executive Committee in September for FMMPA's acceptance
 - FMMPA Executive Committee acceptance is required
- 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 8 – ACTION ITEMS

- d. Approval of Resolution 2021-EC4
– Budget Amendment for All-
Requirements Project**

**Executive Committee
September 16, 2021**



8d – Approval of Resolution 2021-EC4 – Budget Amendment for ARP

Executive Committee

September 16, 2021

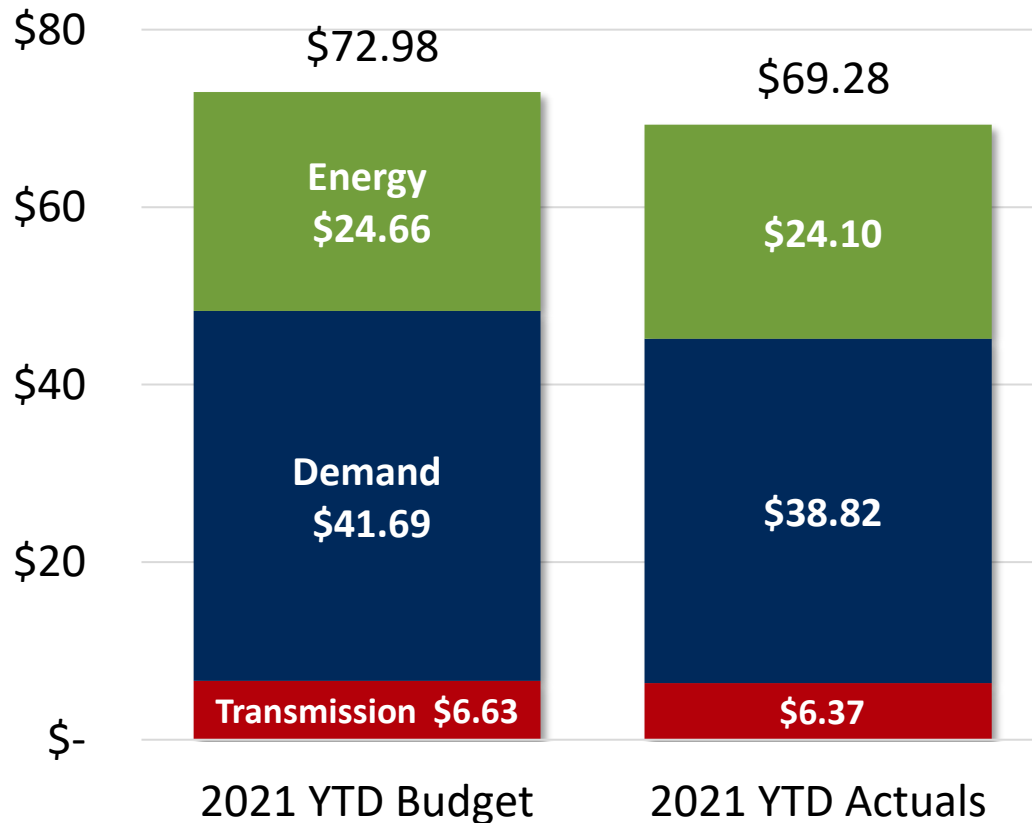
FY 2021 Budget Increase Requested for ARP

- ARP increase need driven by fuel expense above budget
 - YTD participant sales 3% above budget; 3rd party sales 19% above budget drive additional generation
 - Gas prices currently running well above budgeted levels
 - While \$ expenses above budget, \$/MWh participant costs \$3.70/MWh (5%) below budget, expected to finish year below \$71.07/MWh budget
- Requesting \$50M of additional spending authority, for a total of \$521M
- These additional funds ensure that FMPA has sufficient spending authority to pay Project expenses
- Additional requested funds do not impact FY 2021 demand or transmission rates; energy rate reflects actual costs

YTD ARP Participant Costs ~\$3.70/MWh (5%) < Budget

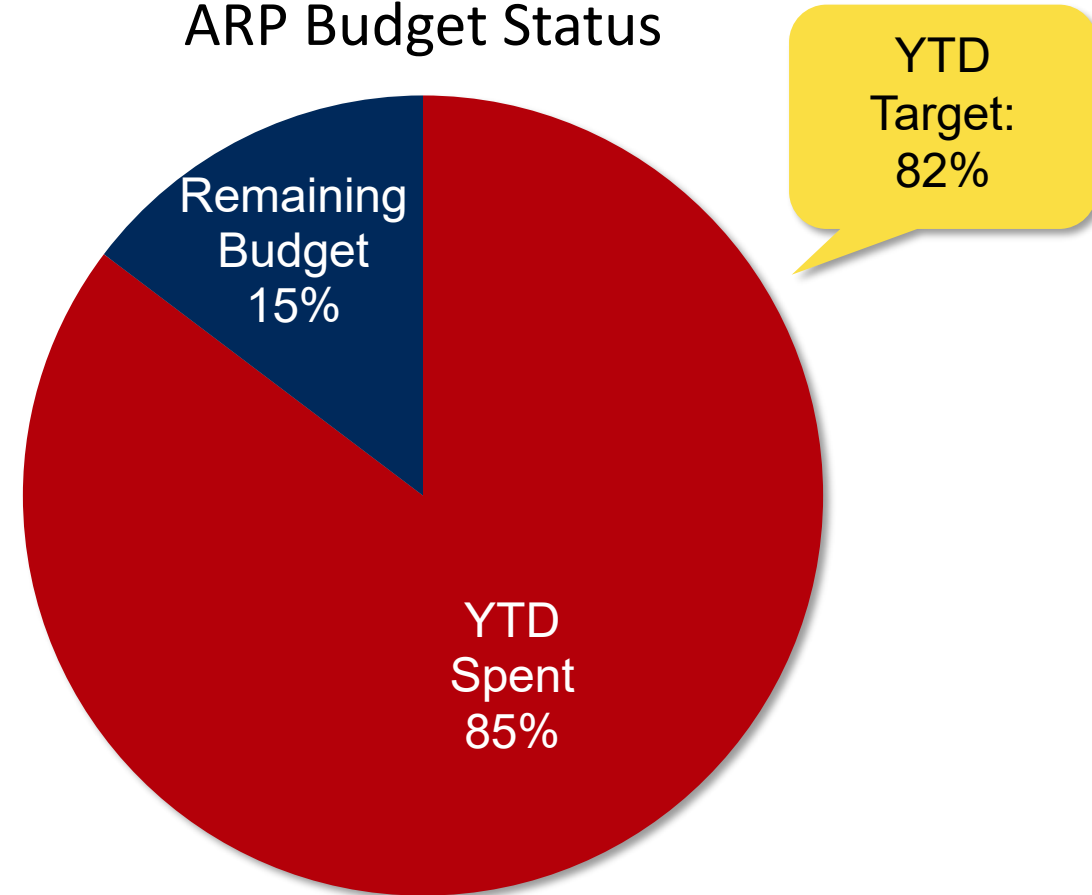
\$/MWh Savings Primarily Driven by MWh Sales 3% > Budget

ARP Participant Costs (\$/MWh)



Results shown through July 2021

ARP Budget Status

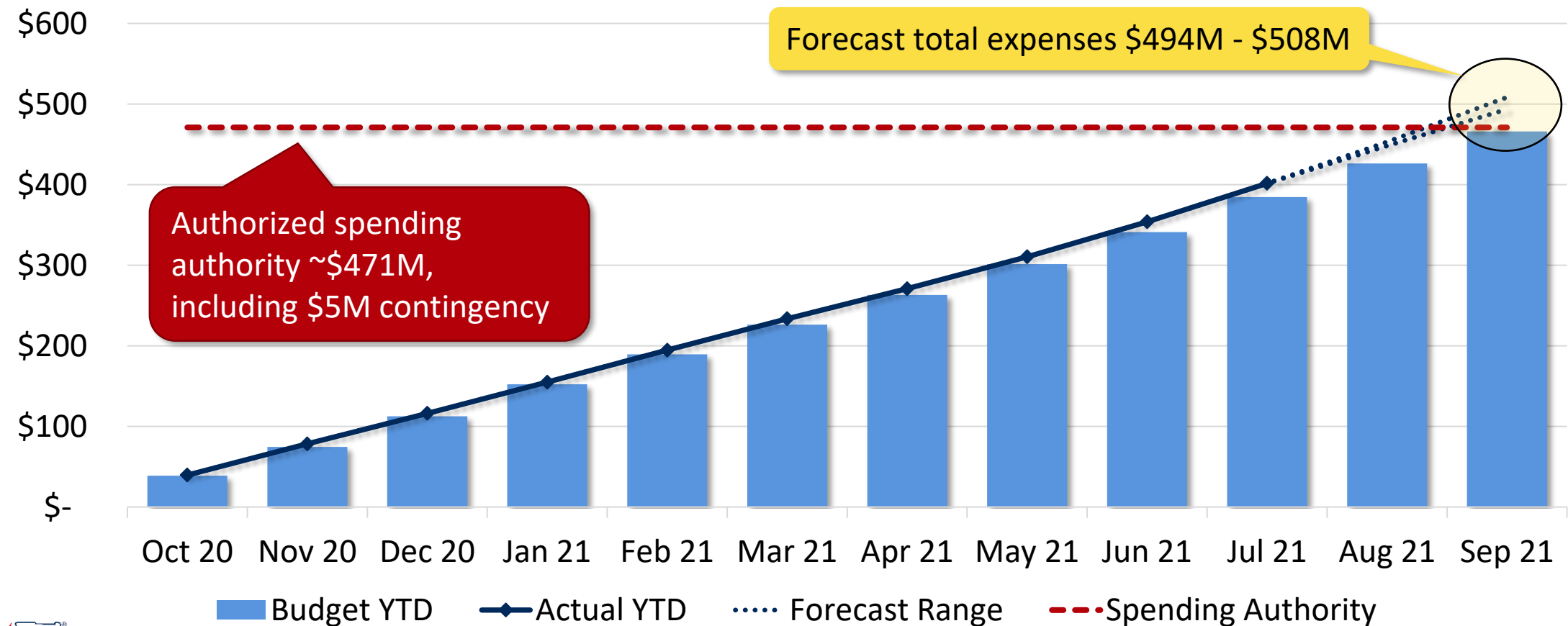


Note: remaining budget includes \$5M approved spending authority contingency

ARP Forecasted \$23M to \$37M > Budget + Contingency

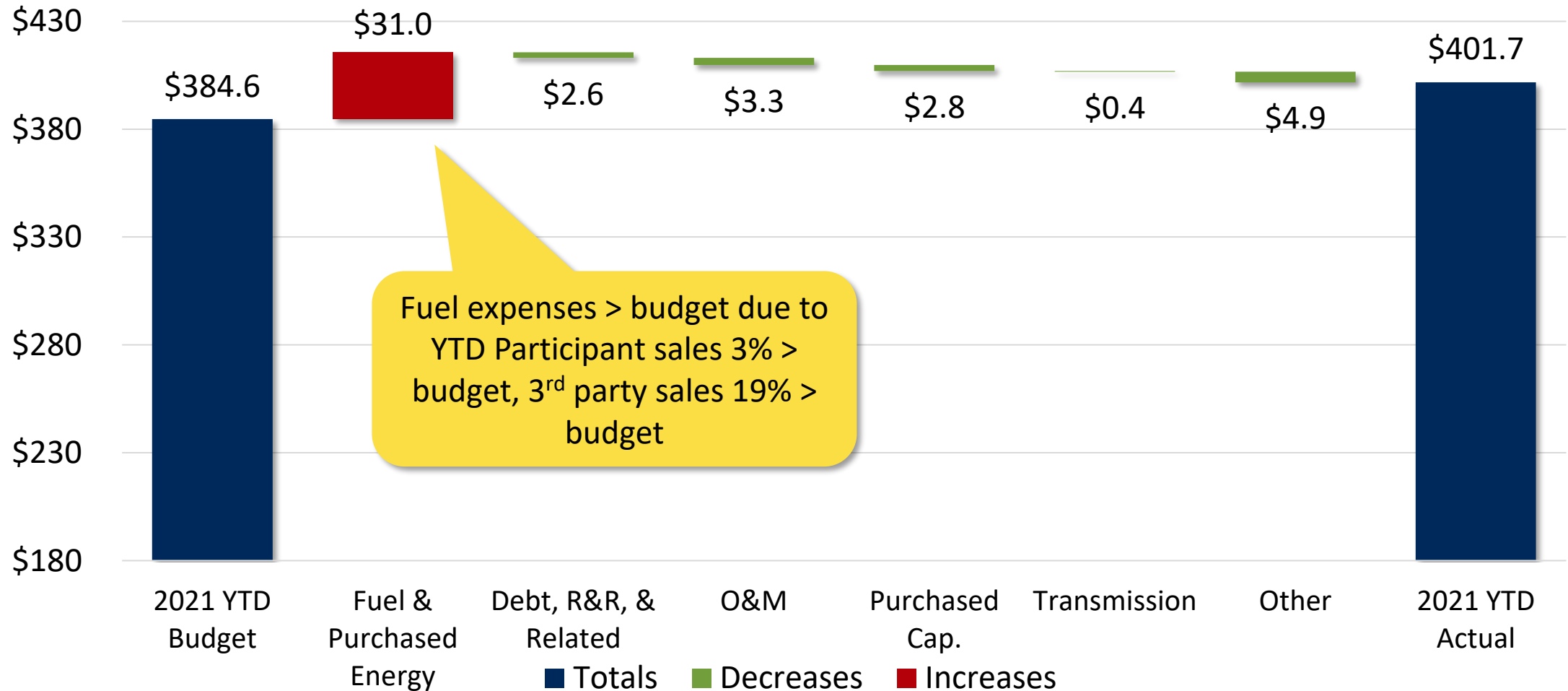
Driven by Sales > Budget, Higher Summer Gas Curve

ARP FY 2021 Cumulative Budget vs. Actual Expenses (\$Millions)



ARP \$17M > YTD Budget through July

ARP FY 2021 YTD Budget vs. Actual Expenses through July (\$Millions)



Recommended Motion

- Move approval of Resolution 2021-EC4 to increase the FY 2021 All-Requirements Project budget spending authority by \$50,000,000.

RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE FLORIDA MUNICIPAL POWER AGENCY: (I) AMENDING THE ALL-REQUIREMENTS POWER SUPPLY PROJECT BUDGET FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2020, AND ENDING SEPTEMBER 30, 2021; (II) ADOPTING THE AMENDED BUDGET FOR THE ALL-REQUIREMENTS POWER SUPPLY PROJECT FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2020, AND ENDING SEPTEMBER 30, 2021; AND (III) PROVIDING AN EFFECTIVE DATE.

Whereas, pursuant to resolution 2020-EC2 adopted on June 18, 2020, the Executive Committee of the Florida Municipal Power Agency (the “**Agency**”) adopted the All-Requirements Power Supply Project budget for the fiscal year beginning October 1, 2020, and ending September 30, 2021 (“**Fiscal Year 2021**”) authorizing total expenditures of \$470,938,000;

Whereas, pursuant to Section III of resolution 2020-EC2, a proposed amendment to the Fiscal Year 2021 budget for the All-Requirements Power Supply Project has been duly submitted to the Executive Committee of the Agency for approval; and

Whereas, the Executive Committee of the Agency hereby finds and determines that the proposed budget amendment of \$50,000,000 is needed to adjust expenditures for higher-than-expected fuel and other costs and increased sales from the All-Requirements Power Supply Project to the Agency’s other member utility systems, which provided lower MWH costs for the Participants in the All-Requirements Power Supply Project and benefitted such other member utility systems with lower pricing for wholesale power than was otherwise competitively available in the market.

BE IT RESOLVED BY THE EXECUTIVE COMMITTEE OF THE FLORIDA MUNICIPAL POWER AGENCY THAT:

SECTION I. **Amendment to All-Requirements Power Supply Project Budget.** The All-Requirements Power Supply Project budget for Fiscal Year 2021 is hereby amended from total expenses of \$470,938,000 to total expenses of \$520,938,000.

SECTION II. **Adoption of Budget Amendment.** The All-Requirements Power Supply Project budget for Fiscal Year 2021 as amended by Section I of this resolution is hereby approved and adopted.

SECTION III. **Effective Date.** This resolution shall take effect immediately upon its adoption.

This Resolution 2021-EC4 is hereby approved and adopted by the Executive Committee of the Florida Municipal Power Agency on September 16, 2021.

Chairperson of the Executive Committee

I HEREBY CERTIFY that on September 16, 2021, the above Resolution 2021-EC4 was approved and adopted by the Executive Committee of the Florida Municipal Power Agency, and that this is a true and conformed copy of Resolution 2021-EC4.

ATTEST:

Secretary or Assistant Secretary

SEAL

AGENDA ITEM 8 – ACTION ITEMS

- e. Approval of Appendix C
Investment Policy Changes**

**Executive Committee
September 16, 2021**



Approval of Investment Policy Changes

BOD 8h – EC 8e

Board of Directors & Executive Committee
September 16, 2021

Investment Policy

Major Areas Covered

- Investment Objectives
- Allowable Investments
- Benchmarking
- Internal Controls
- Reporting
- Oversight Structure

Investment Policy Changes

Diversification, Terms and Administrative Updates

| Section | Changes |
|---------------------|--|
| 5.5 Diversification | Clarification for both municipal and corporate debt includes bonds and notes |
| Glossary of terms | Added two terms: Free Receipt and Municipal Note |
| Throughout | Administrative updates |

Recommended Motion

- Approval of the changes as presented to the Investment Risk Management Policy and recommended by the finance committee

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

INVESTMENT RISK MANAGEMENT POLICY

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INVESTMENT RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Investment Risk Management Policy (the “Policy”) and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency (FMPA) may engage in activities to identify, measure and minimize future business risk resulting from the investment and management of FMPA’s financial assets. This Policy is Appendix C of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee (EC) and Board of Directors (BOD) of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Sections 3.0 and 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse effect on FMPA’s ability to invest funds of the Agency and its Projects in a manner that will balance investment return with principal security, such that FMPA will meet the daily and long term cash flow demands of the Agency and its Projects.

It is the Policy of the EC and BOD that:

- ❖ The investment program shall conform to all federal, state, and local legal requirements.
- ❖ Authority is delegated to the Chief Financial Officer (CFO) to create procedures to administer this Policy.
- ❖ The preservation of capital is the foremost objective of the risk-considered investment practice strategies.
- ❖ Investments using derivatives are prohibited unless specifically approved by the EC or BOD.
- ❖ The CFO shall establish benchmarks against which portfolio performance shall be compared regularly.

INVESTMENT RISK MANAGEMENT POLICY

(Continued)

- ❖ Authority is delegated to the CFO to establish a system of written internal controls to regulate investment activities.
- ❖ The Treasurer and Risk Director shall provide investment reports for each regular meeting of the EC and BOD.
- ❖ Deviations from this Policy shall be reported to the Finance Committee (FC).

This Policy is created to ensure the prudent management of the Agency and its Projects' funds, and the availability of operating funds, bond proceeds and capital funds as needed. This Policy is applied individually to each Project, not in any combination of Projects. This Policy applies to all monetary assets of the Agency and all Projects with the exception of employee deferred contribution funds. The employees deferred contribution funds are placed with a third party administrator and are self-managed by the employees.

The standard of prudence to be used by FMPA investment staff shall be the "prudent person" rule as defined in Florida Statute 218.415: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

2.0 Scope

Investments purchased by the Agency shall conform to all federal, state, and local legal requirements governing the investment of Public Funds, including all bond resolutions and ordinances adopted by the EC or BOD. Responsibility for investment decisions, including day-to-day transactions undertaken, is hereby delegated to the Treasurer and Risk Director or designated Treasury staff, under the direction of the CFO. No person may engage in an investment transaction except as provided under the terms of this Policy.

FMPA may appoint an outside investment manager as "Agent" for the Agency's cash and investment reserves. The outside investment manager must meet the requirements detailed in the Investment Procedures.

3.0 Types of Investment Risk

This Policy is intended to define responsibility, clarify investment goals, establish strategies, achieve stated goals and set up the method of evaluation and control of all investment operations. The CFO will cause Investment Procedures to be written that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the following provides insight into the major areas of investment risk exposure for FMPA

3.1 Credit Risk:

The risk that a change in the credit quality of an institution will affect the value of a security or portfolio. An example of credit risk might occur if the issuer of a bond that FMPA has purchased as an investment defaults on its obligations, causing the loss of some or all of the investment value. Such risks can be reduced by diversifying securities and maturities.

3.2 Liquidity Risk:

The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Some investments are highly liquid and have low liquidity risk (such as money market funds) while other investments are highly illiquid and have high liquidity risk (such as real estate). An example of liquidity risk might occur if FMPA attempted to convert an investment into cash for operating needs, but was unable to do so due to the illiquid nature of the security. Such risk can be reduced by selecting investments with the liquidity to meet FMPA's cash flow needs.

4.0 Investment Objectives

Investment selections should balance the primary objectives of FMPA's investment program. In priority order, the objectives are

4.1 Safety:

Preservation of capital in the overall portfolio is the highest of the risk based investment practice objectives. To attain this objective, investment securities shall be selected from those deemed authorized and suitable as described in Section 5.0 of this Policy. Speculative strategies shall not be undertaken. Management defines speculation as the process of selecting investments in an attempt to profit from fluctuations in prices.

4.2 Liquidity:

The portfolio should be structured so that securities mature concurrent with cash needs to meet anticipated demands. Investments considered to be liquid are those held until maturity where maturity is less than three months. A sufficient level of liquidity must be maintained to meet the next thirty days of expected operating expenses and other disbursements, plus an extra, reasonable amount to meet unusual and unexpected needs.

4.3 Return:

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio. Funds should be invested in high credit quality investment instruments (as allowed by Project Bond Resolutions and summarized in Appendix A) in anticipation of achieving a fair return. The methods used in selecting investments should balance market, credit, and liquidity risks.

5.0 Authorized and Suitable Investment Securities

FMPA is empowered by Ordinance 87-1, as amended, to invest in the types of securities listed in Appendix A for the Agency and its Projects. FMPA may buy or sell securities for other securities to improve yield, maturity, or reduce credit risk. Investment in securities that "derive" their value through financially engineered derivative indices or are highly interest-rate sensitive are not permissible unless specifically recommended in writing and approved by the EC or BOD. FMPA will not allow leveraging (the borrowing of funds for the expressed purpose of reinvesting those funds) or invest in securities with a rating below that

required in Appendix A at the time of purchase. The Treasurer and Risk Director must report on a monthly basis any security whose rating has fallen below the rating level identified in Appendix A after purchase and submit a rationale for maintaining such security if it has not been sold

5.1 Authorized Financial Institutions, and Broker/Dealers:

The Treasurer and Risk Director will cause to be maintained a list of financial institutions that meet the qualifications detailed in the Investment Procedures and are authorized to provide investment services. An annual (each fiscal year) review of the ratings from national rating agencies and financial condition of all qualified financial institutions and broker/dealers will be conducted in accordance with Investment Procedures.

5.2 Method of Selection:

FMPA shall select securities that provide the highest rate of return within the risk parameters of this Policy, given the current objectives, diversification, cashflow needs, and maturity requirements. Selection of securities shall be made using either competitive offers, wherein FMPA solicits proposals from at least three firms; or comparison to the current market price as indicated by one of the market pricing resources available, including but not limited to Bloomberg. Records will be kept of the bids or offers accepted, and if necessary a brief explanation of the decision which was made regarding the investment.

5.3 Maximum Maturities:

The funds of Agency and Project Operating accounts are invested to achieve a market rate of return while meeting the Agency's and its Projects' cash flow needs. FMPA will match investment maturities with known cash needs and anticipated cash flow requirements, not to exceed maximum maturity requirements.

Unless matched to a specific cash flow, FMPA shall invest securities maturing in accordance to Appendix B and the following.

INVESTMENT RISK MANAGEMENT POLICY

(Continued)

| Fund/Account | Invested to Mature as Shown |
|--|---|
| <i>Operations and Maintenance Fund</i> | |
| 1. Operations and Maintenance Account | The month-end duration of the Account will be less than 1.00. |
| 2. Working Capital Account | Within 5 years. |
| 3. Rate Stabilization Account | Within 5 years. |
| <i>Debt Service Fund</i> | |
| 1. Debt Service Account | Not later than when needed for payment to be made from such Account. |
| 2. Debt Service Reserve | Not later than the final maturity date of any Bonds that are outstanding. |
| 3. Subordinated Debt Fund | Not later than when needed for payment to be made from such Account. |
| <i>Construction Fund or Proceeds Fund</i> | Not later than when needed for payments to be made from such fund. |
| <i>Reserve and Contingency Fund</i> | |
| 1. Contingency Account | Within 5 years or when needed to make payments. |
| 2. Renewal and Replacement | Within 5 years or when needed to make payments. |
| <i>General Reserve Fund</i> | |
| 1. General Reserve Account | Within 5 years or when needed to make payments. |
| <i>Decommissioning</i> | Not later than when needed. (Applicable only to St. Lucie) |

5.4 Collateralization:

Collateralization, as detailed in the Investment Procedures, may be required for investments such as repurchase agreements and any approved investment agreement contract or agreement.

5.5 Diversification:

FMPA must diversify to avoid incurring unreasonable risks associated with over-investing in specific investments, individual financial institutions, maturities and by geographic area or by any other reasonably determinable characteristic. Compliance with the specific diversification requirements shown in the chart below will be measured using market value at the time of purchase and monthly thereafter. In the

INVESTMENT RISK MANAGEMENT POLICY

(Continued)

event that a particular category exceeds the scheduled maximum percentage by 10% (for example, if Repurchase Agreements exceed 22%) for two consecutive months, the Treasurer and Risk Director must report such deviation and submit for approval a strategy for handling each such deviation. For risks potentially resulting from investments with high concentrations of other characteristics not itemized in the chart above, the Treasurer and Risk Director should bring these investments to the attention of the CFO for review. If the concentration risk is deemed significant enough by any one of the three noted here, the CFO must bring this concentration concern to the FC.

| Diversification by Investment Type: | Percentage at time of purchase: |
|--|--|
| US Treasury Obligations | 100% |
| Municipal Bonds and Notes | 100% |
| US Gov. Agency and US Gov. Sponsored Instrumentality | 100% |
| Banker's Acceptances | 50% |
| Commercial Paper | 50% |
| Corporate Bonds and Notes (A or above) | 20% |
| Florida Local Government Surplus Fund Trust Fund (SBA) | 50% |
| Local Government Investment Pools | 25% |
| Collateralized CDs and Time Deposits | 25% |
| Money Market Mutual Funds | 25% |
| Repurchase Agreements | 20% |
| Guaranteed Investment Contracts (GICs) | 15% |
| Or as approved by the EC or BOD | |

| Diversification by Institution: | Percentage at time of purchase: |
|--|--|
| Money Market Mutual Fund | 25% |
| US Gov. Agency by Agency | 25% |
| Municipal Bonds and Notes by Issuer | 20% |
| Commercial Banks (CDs, Time Deposits, or Commercial Paper) | 10% |
| Bankers' Acceptance by Bank | 10% |
| Corporate Bonds and Notes | 10% |

INVESTMENT RISK MANAGEMENT POLICY

(Continued)

| Diversification by Geographic Location: | Percentage of Portfolio |
|---|-------------------------|
| Within individual state | Not more than 25% |

5.5.1 Exceptions:

Diversification percentages can be exceeded by approval from the EC / BOD.

6.0 Custody

All investment security transactions, including collateral for repurchase agreements, entered into by FMPA shall be settled on a delivery versus payment (DVP) basis. Securities will be held by a third party Custodian or Trustee designated by the CFO and evidenced by trade confirmations and bank statements.

All securities purchased by FMPA will be properly designated as an asset of the Agency or its Projects and held by a third party Custodial or Trustee institution. The Custodial or Trustee institution shall annually (each fiscal year) provide a copy of their most recent report on internal controls (Statement on Standards for Attestation Engagements No. 16 (SSAE 16). The Treasurer and Risk Director or designated Treasury Staff will provide this report, upon receipt, to the CFO.

7.0 Benchmarking Performance

The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates, taking into account investment risk constraints and cash flow needs. The CFO shall cause to be established a series of appropriate benchmarks against which portfolio performance shall be compared on a regular basis. Guidelines on selecting and managing benchmarks, which may include the use of duration and convexity as performance measurement tools, are contained in the Investment Procedures.

Any external investment managers, if hired, shall not independently select benchmarks. All benchmarks used by external investment managers must be approved by the CFO. Specific description and the source, including date of such benchmarks, should be provided in any external investment manager's performance report along with the exact methodology used in calculating the yields/returns on the portfolio and the benchmark.

8.0 Internal Controls and Ethics

The CFO shall cause to be established a system of written internal controls to regulate investment and related activities, consistent with this Policy and Investment Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. The controls shall be designed to meet the requirements as listed in Florida State Statute Section 218.415. As part of the year-end audit, the external auditors will be required to state whether the Agency has complied with Florida State Statute Section 218.415, regarding the investment of public funds.

The CFO and the Treasurer and Risk Director, or their designees, may do placement of funds. Accounting staff will not have any responsibility for investing funds. Further internal controls are established in the Investment Procedures to address safekeeping, repurchase agreement, collateral/depository agreements, banking service contracts, delivery vs. payment procedures, and separation of transaction authority from accounting and record-keeping, and may include security controls contained within Treasury software programs.

The Agency Internal Audit Manager shall be responsible to review all documented internal controls and procedures established to ensure they comply with the FMPA Risk Management Policy and adequately mitigate all applicable risks. If, after review, the Agency Internal Audit Manager identifies areas of concern, the documented internal controls weakness(s) will be communicated to the CFO and FC as appropriate.

8.1 Policy and Procedure Compliance

Internal Audit staff shall ensure that compliance with this Policy and the Investment Procedures are monitored on an ongoing basis. Any unresolved compliance issues will be presented to the FC by the Agency Internal Audit Manager at the next regularly scheduled meeting.

8.2 External Parties

All dealers, financial institutions, investment managers, or individuals, collectively referred to as the parties, investing on behalf of FMPA will be sent a copy of the Investment Policy by the Treasurer and Risk Director, along with a list of employees

who are authorized to transact investment trades on behalf of FMPA. These parties will be required to respond, in writing, that the Policy was received, read, understood and will commit to adhere to the Policy. FMPA will pursue full recovery of all associated costs resulting from deviations from the Investment Policy.

8.3 Continuing Education

The CFO, Treasurer and Risk Director and other appropriate investment staff will be required to complete annually (each fiscal year) a minimum of 8 hours of continuing professional education (CPE's), or more as required by State Regulations, in subject courses of study related to investment practices and products.

9.0 Reporting

The Treasurer and Risk Director will produce investment reports in accordance with Investment Procedures and provide these reports to the General Manager and the CFO as and when requested, but for no less than each meeting of the EC and/or BOD.

The CFO shall cause any deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be completed by the FC as described in Section 7.0 of the FMPA Risk Management Policy. The Treasurer and Risk Director shall report on the current risk environment affecting FMPA's investment program to the CFO as needed, and initiate and/or participate in any necessary discussion prior to moving items to the FC.

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(See Also Glossary of Terms in FMPA's Risk Management Policy)

ACCRUED INTEREST: The interest to be paid on a security from the last interest accrual date to the settlement date. The buyer of the security pays the market price plus accrued interest. Also called "Purchased Interest".

AGENCY: Florida Municipal Power Agency.

AGENCY SECURITIES: Corporations, such as GNMA, FNMA or FHLMC, which have varying degrees of federal sponsorship and/or regulatory oversight.

ANNUAL AUDIT: The official audit report for FMPA. It includes combined statements for each individual fund and account group prepared in conformity with GAAP.

BASIS POINT: One one-hundredth of a percent (0.01 %).

BOND RATINGS: Evaluations by independent services such as Moody's, Fitch, or Standard & Poor's of a bond's investment quality and credit worthiness.

BROKER-DEALER: A broker-dealer firm is in the business of buying and selling securities—stocks, bonds, mutual funds, and certain other investment products—on behalf of its customers (as broker), for its account (as a dealer), or both.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

CONVEXITY: A volatility measure, used in conjunction with duration, of how the price of a bond changes as interest rates change.

CORPORATE BONDS and NOTES: Public or private corporations and organizations issue corporate bonds and notes for the purpose of funding capital improvements,

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

expansions, acquisitions or debt refinancing. Investors essentially are lending money to the issuer.

COUPON RATE: The amount of interest return based upon par value which the issuer agrees to pay the bondholder.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer (unsecured, no liens or pledges on specific assets).

DELIVERY VERSUS PAYMENT: Delivery versus payment is delivery of securities with an exchange of money for the securities.

DELIVERY VERSUS RECEIPT: Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value; e.g. U. S. Treasury bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DON'T KNOW (DK): A term designating the lack of knowledge of a delivery in a securities transaction.

DURATION: The weighted average time to the receipt of value of the future cash flows of a security weighted by the present value of each of the cash flows in the series. Duration is used as a measure of the relative sensitivity of the price of the security to a change in market required yield.

FACE VALUE: The dollar amount the issuer promises to pay the bondholder at maturity. Also called par value.

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The FHLB play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing & Urban Development, H.U.D. It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM ("FED"): The Central Bank of the United States created by Congress and composed of the presidentially appointed Board of Governors in

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

Washington, D.C., the Federal Open Market Committee, 12 Regional Federal Reserve Banks, numerous private U.S. member banks, and various advisory councils.

FORWARD DELIVERY AGREEMENT (FDA) and FORWARD SALE AGREEMENT (FSA): See “Forward Contracts” in Agency-wide Risk Management Policy Glossary.

FREE DELIVERY: a trade where delivery of the financial Instrument is made to a client or Counterparty without receiving payment

FREE RECEIPT: a trade where receipt of the financial instrument is made without the simultaneous exchange of associated payment.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FMHM mortgages. The term “pass-through” is often used to describe Ginnie Mae.

GOVERNMENT SECURITIES: Securities that qualify under government securities are issued or guaranteed by more than 15 different entities/agencies of the U.S. government and corporations created by acts of Congress. Some are backed by the full faith and credit of the U.S. and some are not. The direct and guaranteed obligations of the U.S. government, where the securities are backed by the full faith and credits of the U.S., are considered AAA rated. A comprehensive listing of qualified investments for AAA financing is provided in Appendix A.

INTERNAL RATE OF RETURN (IRR): The discount rate that makes the present value (sum of the discounted values) of a cash flow of an instrument equal to the price of the instrument.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase--reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date a security comes due and fully payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUNICIPAL BOND: A bond issued by a political unit, such as a state, county, city, town, or village or a political unit's agencies or authorities. In general, interest paid on municipal bonds is exempt from federal income taxes and state and local income taxes within the state of issue.

MUNICIPAL NOTE: A municipal note is debt issued by state and local governments to finance capital expenditures, such as construction projects. Municipal notes mature in one year or less, offer fixed income, and are exempt from income tax at the federal and/or state levels.

NASD: National Association of Securities Dealers.

NEW HOUSING AUTHORITY BONDS: A bond issue by a local public housing authority to finance public housing secured by U.S. Government assistance agreements which guarantees full payment of interest and principal. Also called Public Housing Authority Bonds (PHA's).

OPEN MARKET OPERATIONS: Purchases and sales of government securities and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

the opposite effect. Open market operations are the Federal Reserve's most important and flexible monetary policy tool.

PAR VALUE: See "Face Value".

PAYMENT DATE: The date at which the interest on a bond is due.

PORTFOLIO: Collection of securities held by an investor.

PROJECTS: St Lucie, Stanton, All-Requirements, Tri-City, Stanton II, Pooled Loan, and Solar I & II

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state- the so-called legal list. In other states the trustee may invest in a security if it is one that would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state which has segregated eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

REPURCHASE AGREEMENT (RP OR REPO): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on a specified later date.

RIDING THE YIELD CURVE: Buying long-term bonds in anticipation of capital gains as yields fall with the declining maturity of the bonds.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SEC RULE 15C3-1: See "Uniform Net Capital Rule".

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES ACT OF 1933: A federal law for the purpose of protecting the public in the issuance and distribution of securities by requiring full disclosure by the issuer.

SECURITIES AND EXCHANGE COMMISSION: The government agency responsible for regulating and supervising the securities industry.

SECURITIES EXCHANGE ACT OF 1934: A federal law for the purpose of protecting the public in the trading of securities on the stock exchanges and the over-the-counter market.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the yield curve.

TWO HIGHEST CREDIT RATING CATEGORIES: For long-term debt the two highest rating categories, namely AAA and AA, without regard to any gradation of that rating by a numerical, symbol or other such modifier however done by any of the different Rating Agencies. See table below. The two highest credit rating categories are **highlighted**. Likewise, short-term ratings of the two highest categories by rating firm are also

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

highlighted. Table of ratings categories; partial listing of upper portion of complete table as herein needed:

| Moody's | | S&P | | Fitch | |
|-----------|------------|-----------|------------|-----------|------------|
| Long-term | Short-term | Long-term | Short-term | Long-term | Short-term |
| Aaa | P-1 | AAA | A-1+ | AAA | F1+ |
| Aa1 | P-1 | AA+ | A-1+ | AA+ | F1+ |
| Aa2 | P-1 | AA | A-1+ | AA | F1+ |
| Aa3 | P-1 | AA- | A-1+ | AA- | F1+ |
| A1 | P-1 | A+ | A-1 | A+ | F1 |
| A2 | P-1 | A | A-1 | A | F1 |
| A3 | P-2 | A- | A-2 | A- | F2 |
| Baa1 | P-2 | BBB+ | A-2 | BBB+ | F2 |

Please note, the table shown above is just the relevant part of a comprehensive ratings table in order to clarify the Investment Risk Management Policy meaning for the term “two highest credit rating categories.”

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than ten years.

TREASURY NOTES: Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years.

INVESTMENT RISK MANAGEMENT POLICY

Glossary of Terms

(Continued)

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms, as well as nonmember broker-dealers in securities, maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Investment Risk Management Policy

Appendix A

Allowable Investments by Project

Agency, All Requirements, St. Lucie, Stanton, Stanton II and Tri-City, Pooled Loan and Solar I & II Projects

| Authorized Investments | | Credit Rating/Security/Collateral |
|------------------------|---|---|
| 1. | U.S. Gov. obligations including Federal Agencies unconditionally guaranteed by the U.S. Govt. | Guaranteed by the U. S. Government. |
| 2. | Non-callable bonds or other obligations of any U.S. State, Agency, Instrumentality or local Gov. unit. | Guaranteed by cash or U.S. Gov. securities or rated in the highest category by a nationally recognized bond rating agency. |
| 3. | Bonds, debentures or other indebtedness issued or guaranteed issued by any Agency or Instrumentality of the United States of America. | Issued or guaranteed by any agency or corporation of the U.S. Gov. |
| 4. | New Housing Authority Bonds and Project notes fully secured. | Fully secured by payment agreement with U.S. Gov. |
| 5. | Direct and general obligations of any State, Agency or Instrumentality of the U. S. or any agency, instrumentality or local government. | Rated in either of the two highest credit rating categories. |
| 6. | Obligations of any state agency or instrumentality of the U.S. Gov. | Rated in either of the two highest credit rating categories. |
| 7. | Certificates that evidence ownership of the right to payment as long as those securities are those described above, under 1, and are held by a trust company or bank. | Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories. |
| 8. | Certificates that evidence ownership of the right to payment as long as those securities are those described above, under 1, and are held by a trust company or bank. | Guaranteed by the U.S. Gov. |
| 9. | Certificates of deposit and banker's acceptance of the 50 largest banks in the U.S. or commercial paper issued by the parent holding company. | Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories. |
| 10. | Commercial Paper other than that issued by a bank holding co. | Rated in the highest rating category or issued by a U.S. Corp. which has an unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories. |
| 11. | Repurchase agreements with banks or trust companies. | Banks with combined capital of no less than \$50 million or primary dealer secured by securities described under 1, 3, 4, 9, or 10 above. |
| 12. | Shares of Investment Companies organized under Inv. Co. Act 1940, which invests its assets exclusively in obligations described above, under 1, 6, 9, 10, or 11. | |
| 13. | Local Gov. Surplus Trust Fund of the State of Florida. | |
| 15. | Money Market Funds. | Rated in the highest category of comparable types of obligations. |
| 16. | Investment agreements or guaranteed investment contracts. | Rated in the highest credit rating category. |
| 17. | CORPORATE BONDS and NOTES: Public or private corporations and organizations issue corporate bonds and notes for the purpose of funding capital improvements, expansions, acquisitions or debt refinancing. Investors essentially are lending money to the issuer. | Minimum rated A without regard to any gradation of that rating by a numerical, symbol or other such modifier, by all rating agencies. |

Investment Risk Management Policy

Appendix A

Allowable Investments by Project

(Continued)

Decommissioning Funds - St. Lucie Unit No. 2

| Authorized Investments | | Credit Rating/Security/Collateral |
|-------------------------------|---|---|
| 1. | Securities or other obligations of the Federal, State government or any agency or instrumentality. | |
| 2. | Time deposits or demand deposits of the Trustee. | Insured by an agency of the Federal Gov. |
| 3. | Forward delivery agreements. | Guaranteed by any agency of the U.S. Gov. |
| 4. | In accordance with instructions from FMPA subject to the provisions of Section 5 of the Trust Fund Agreement. | |

Investment Risk Management Policy

Appendix B

Flow of Funds Under the Resolution

Pursuant to the Resolution, all revenues are deposited with FMPA to the credit of the Revenue Fund established under the Bond Resolution. In each month, funds are to be first transferred from the Revenue Fund to the Operation and Maintenance Fund (i) for credit to the Operation and Maintenance account in the amount, if any, required so that the balance credited to said Account shall equal the amount necessary for the payment of Operation and Maintenance Expenses for the succeeding month, (ii) for credit to the Working Capital Account in the amount budgeted therefore, and (iii) for credit to the Rate Stabilization Account in the amount, if any, budgeted therefore. After these transfers from the Revenue Fund, FMPA will make in each month the following deposits from the Revenue Fund in the order of priority set forth below:

First, to the Debt Service Account held by the Trustee, the amount required so that the balance in such Account (excluding capitalized interest on deposit therein in excess of the amount thereof to be applied to pay interest accrued and to accrue on all outstanding Bonds to the end of the then current calendar month) shall equal the Accrued Aggregate Debt Service;

Second, to the Debt Service Reserve Account held by the Trustee (and each sub account therein), after giving effect to any surety bond, insurance policy, letter of credit or other obligation deposited therein pursuant to the terms of the Resolution, the amount required to be deposited into such Account in such month to make up any deficiency in the Debt Service Reserve Requirement;

Third, to the Subordinated Debt Fund held by FMPA for credit to the various accounts therein, including the Offered Securities Account, the amount, if any, required to pay principal or sinking fund installments of and interest on each issue of Subordinated Debt (including the Offered Securities) and reserves therefore, as required by the supplemental Bond Resolution authorizing such issue of Subordinated Debt;

Fourth, to the Reserve and Contingency Fund held by FMPA (a) for credit to the Renewal and Replacement Account, the amount budgeted therefore, and (b) for credit to the Contingency Account the amount required for such account to equal the Contingency Requirement;

Fifth, for deposit to the Decommissioning Fund (which is not pledged to the Offered Securities), the amount budgeted therefore; (applicable for St. Lucie Project) and

Sixth, for credit to the General Reserve Fund held by FMPA, any remaining monies in the Revenue Fund.

Investment Risk Management Policy
Appendix C
Reporting Calendar

| Florida Municipal Power Agency Risk Management Reporting Calendar Investment Risk Management Reporting Requirements | | | | |
|--|---------------------|-----------------------------|--------------------------|--|
| Reporting Item | Frequency Of Report | Responsible Party | Policy Section Reference | Policy Category Reference |
| Security Ratings Compliance | Monthly | Treasurer and Risk Director | Section 5.0 | Authorized and Suitable Investment Securities |
| Financial Condition | Annually | Treasurer and Risk Director | Section 5.1 | Authorized Financial Institutions, and Broker/Dealers: |
| Diversification Percentage | Monthly | Treasurer and Risk Director | Section 5.5 | Diversification: |
| SSAE 16 Report for Trustees and Custodians | Annually | Treasurer and Risk Director | Section 6.0 | Custody |
| Policy Compliance Deviations | As Needed | Agency Audit Manager | Section 8.1 | Policy and Procedure Compliance |
| Investment Reports | EC/BOD meetings | Treasurer and Risk Director | Section 9.0 | Reporting |
| Policy Operation and Effectiveness | Annually | FC | Section 9.0 | Reporting |

**AGENDA ITEM 9 – INFORMATION
ITEMS**

- a. Mid-20s Capacity and Resource
Position Update**

**Executive Committee
September 16, 2021**



9a – Mid 20s Capacity & Resource Position Update

Executive Committee

September 16, 2021

ARP's Capacity Needs Are Peaking in Nature

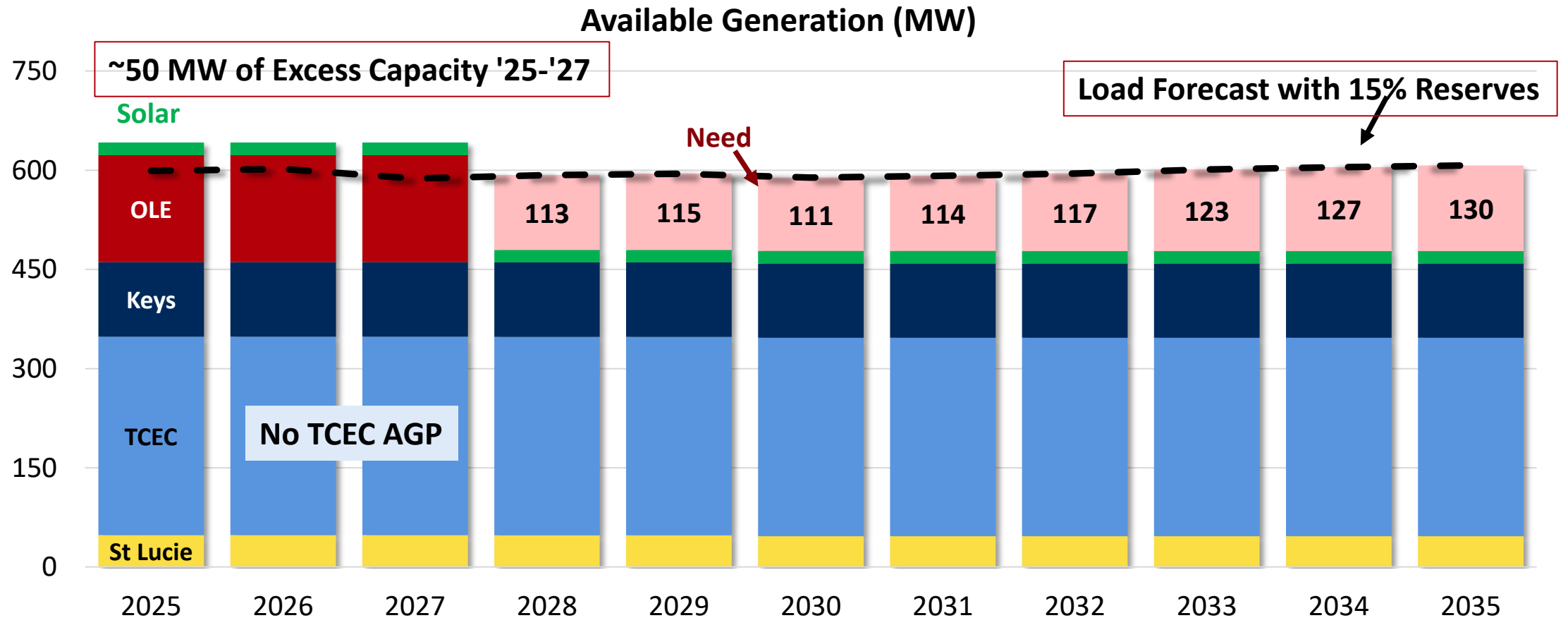
A Diverse Combination of Solutions May Provide the Best Value

- The ARP has regional needs for at least 80 MW of peaking capacity starting in 2025
- Options for filling needs
 - Upgrades at Cane Island and Treasure Coast
 - Demand management implementation
 - Third-party power purchases
 - Solar / battery additions
 - Existing merchant assets



East Summer Capacity Need ~110 MW Starting 2028

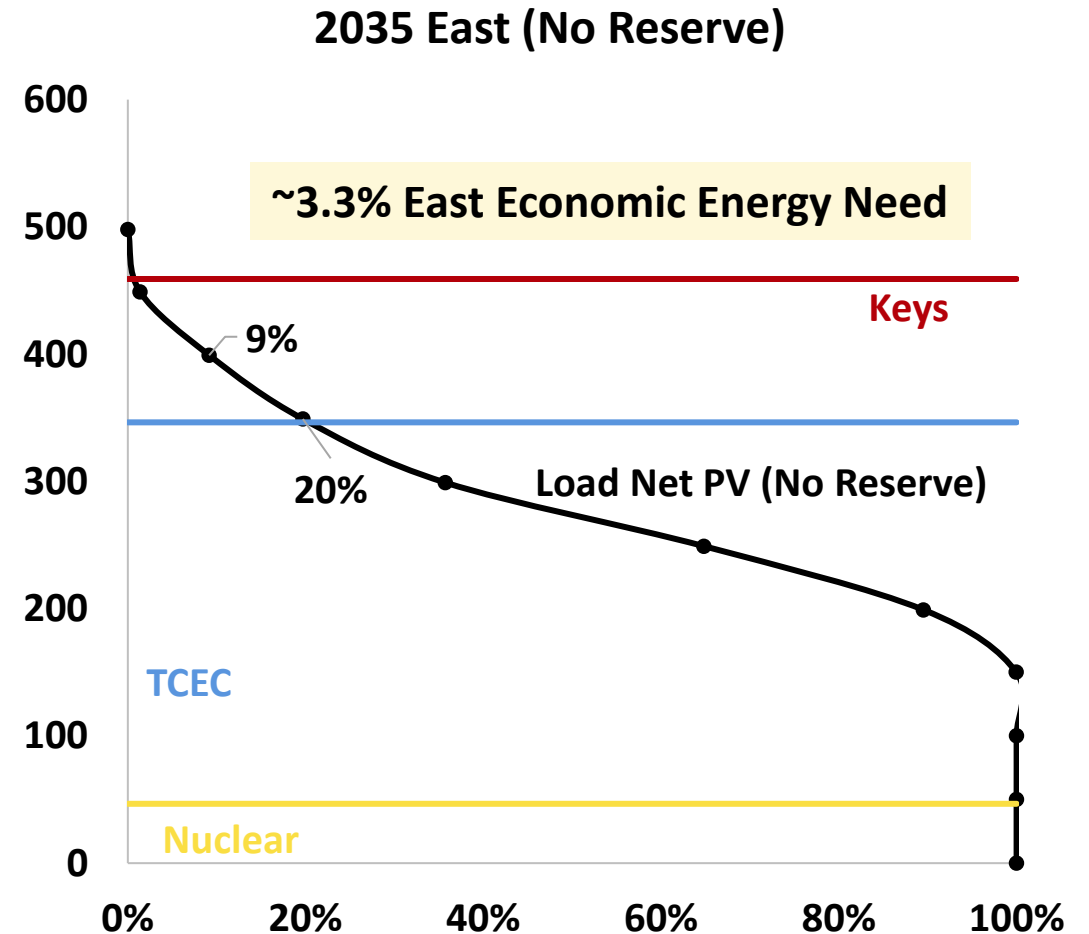
Loss of Stanton 1 and Oleander Create Need



East Energy Needs Minimal, Limited to Peaking

Reserve Capacity Typically Offset with Cheaper Energy

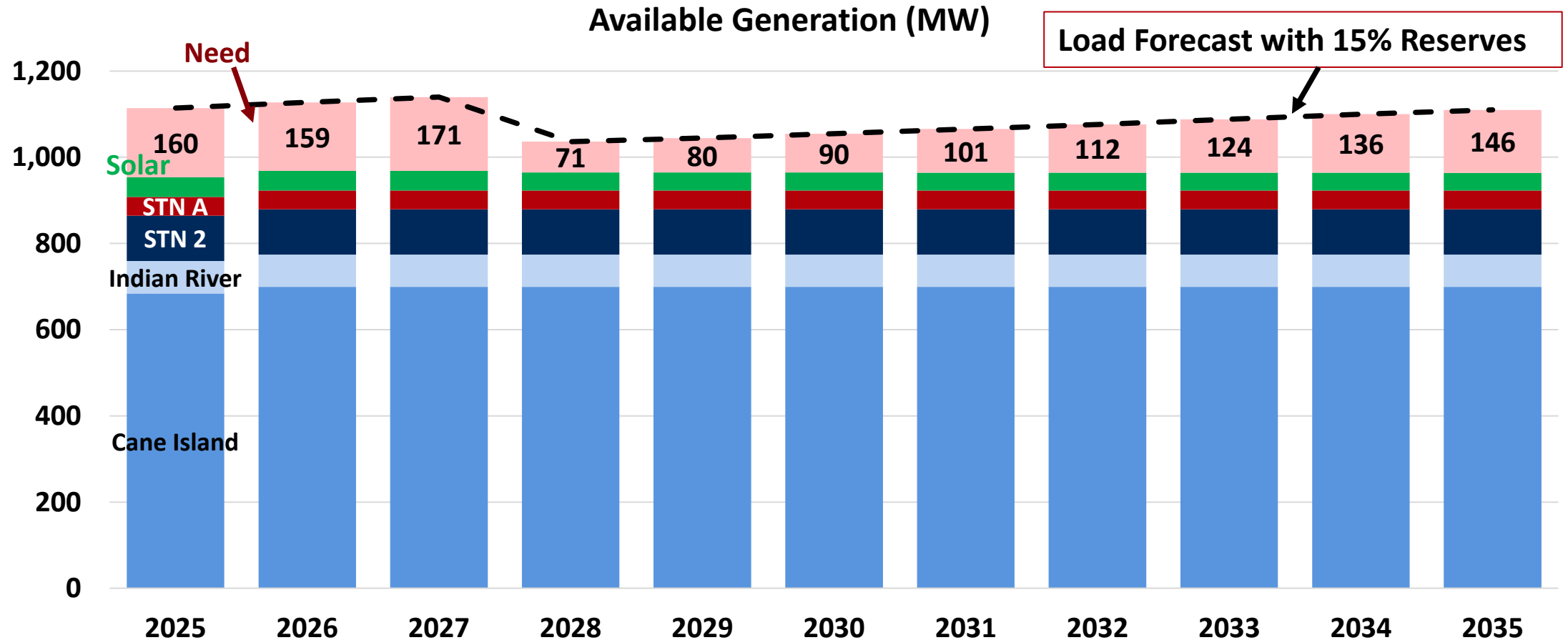
- St. Lucie share and Treasure Coast cover vast majority of East ARP cities' projected load
- Energy needs above that level minimal, can be replaced with economy from a range of sources
- Reserve capacity required to maintain planning margin
- East requires load following solution to comply with FPL transmission



Note: Summer capacities shown

West/KUA Summer Capacity Need ~150 MW in 2025

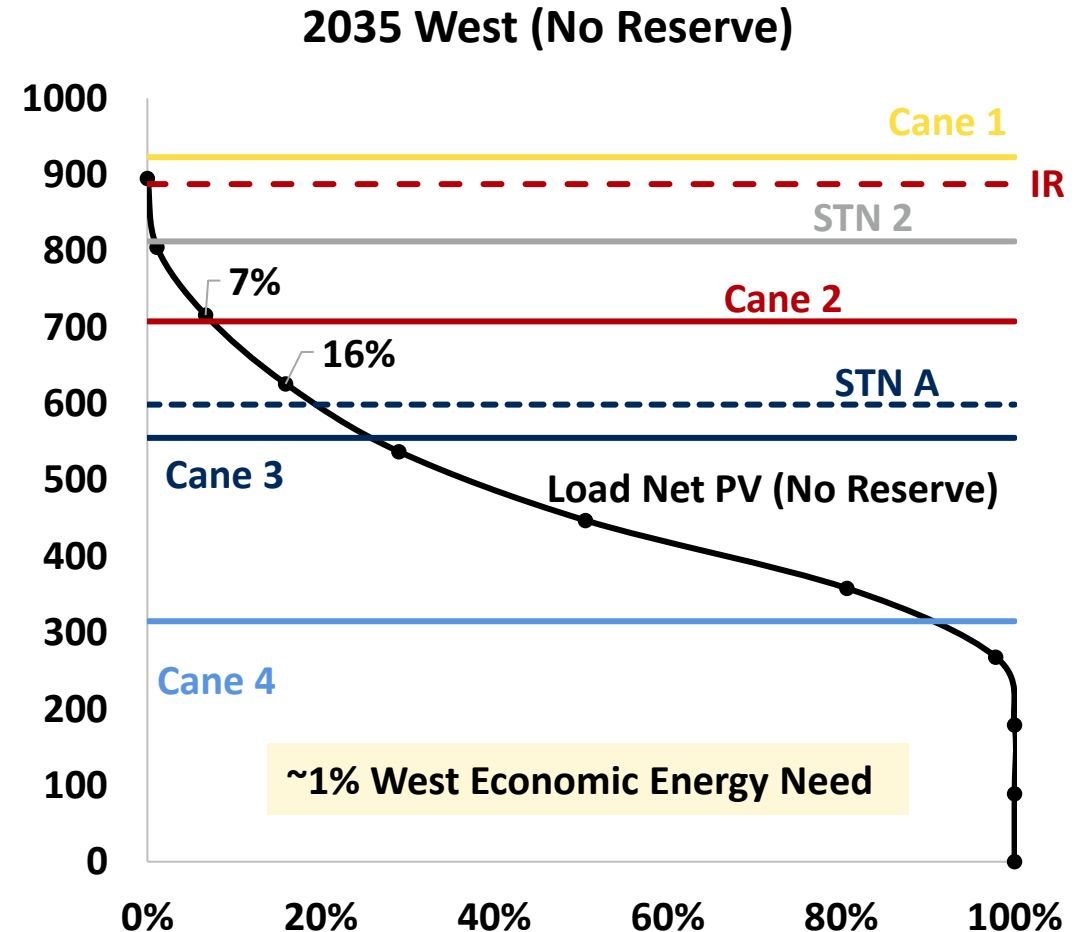
Loss of Stanton 1 Creates Partial Need



West Energy Needs Minimal, Limited to Peaking

Reserve Capacity Typically Offset with Cheaper Energy

- Workhorse Cane Island resources provide strong baseload position
- Stanton A has flexibility to move between regions using OUC transmission
- Indian River, Stanton 2 and Cane 1 serve as peaking
- Need is effectively reserve capacity needed to maintain planning margin



Note: Includes any sale obligations during each period. Summer capacities shown. Page 97 of 129 6

Investigating Internal Solutions Cost Effectiveness

Member Driven Solutions Need Further Exploration

Upgrades (~78 MW Estimated)

- Cane Island or TCEC, likely will not fill entire need
- May require more gas transportation capacity, evaluations underway

Solar + Storage Solution

- Customer interest and emissions reductions drivers
- Working with FMPA members to determine interest

Demand Management

- Requires Phase I survey of members' resources (ongoing)
- FMPA is currently analyzing the potential magnitude

External Solutions Also Being Evaluated

Required Flexibility May Come From External Resources

Power Purchase Agreements

- Defers significant investment in highly uncertain regulatory time
- Staff will bring back evaluation results of recent capacity RFP

Acquisition of Additional Assets

- Reduced market exposure in terms of future capacity price increases
- Staff is investigating and gathering data for various potential opportunities

East Region Requires a "Bandwidth" Solution

Stanton Resource Retirement Forces Decision

ARP East resources needed to load follow with Stanton 1 Retirement

Stanton PPA Solution

- PPA w/ OUC for load balancing product pointed to FPL
- Designated asset would have to be an efficient generator

Treasure Coast Modification

- Not configured to load follow on the East
- Would require additional investment to make a viable option

FPL PPA

- A specific load following product is required
- Could be a flexible and cost-effective solution

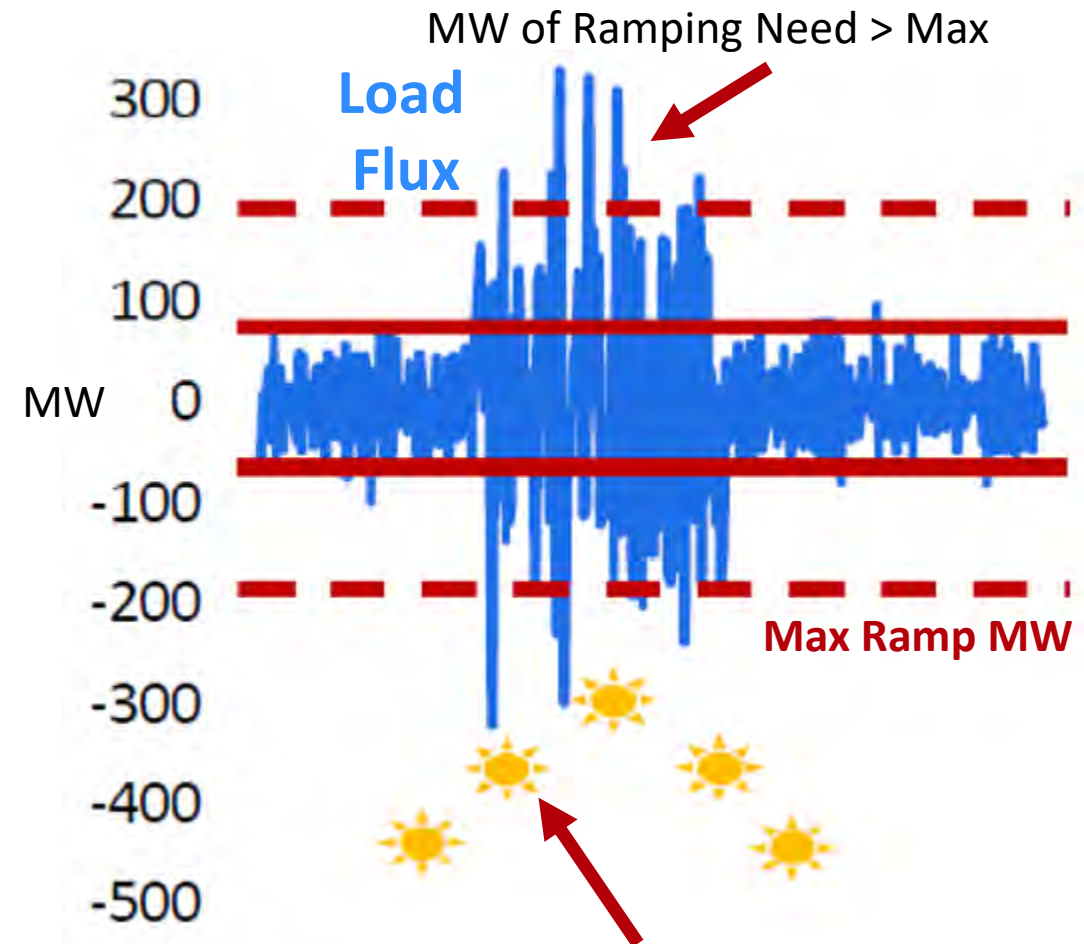
Balancing Authority Change

- Take East load and put into the FPL balancing authority
- Would require further investigation

Pool Needs Evolving Due to Renewable Objectives

FMPPA's Solving Stand Alone, But Considering Other Value Drivers

- Today FMPP is heavy baseload units
- Significant additions of solar will drive a need for:
 - Quick start
 - Quick ramp
 - Backup fuel capabilities
- Locational diversity will also bring value by dispersing PV fluctuation



Staff Evaluating and Seeking Best Value for ARP

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
- GE final quotes on upgrades due by end-of-month and internal balance of plant impacts and costs being evaluated
- 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 by December

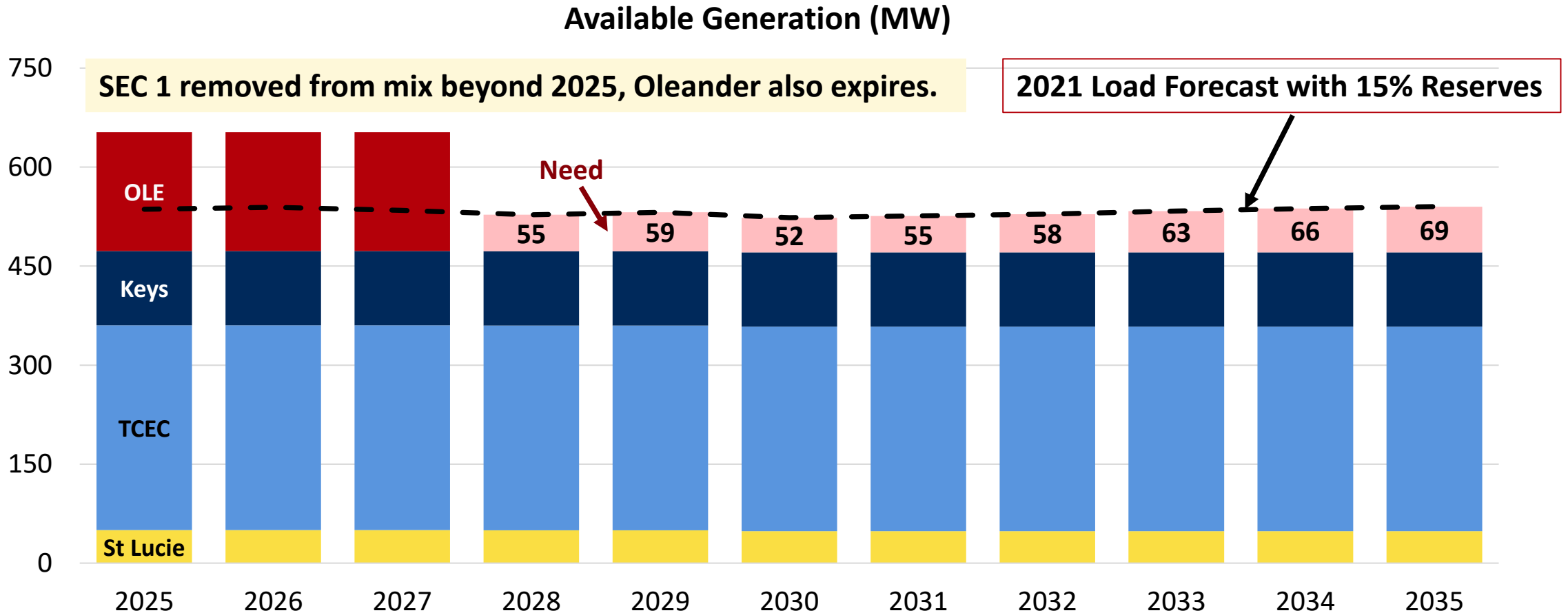


Appendix – Winter Position



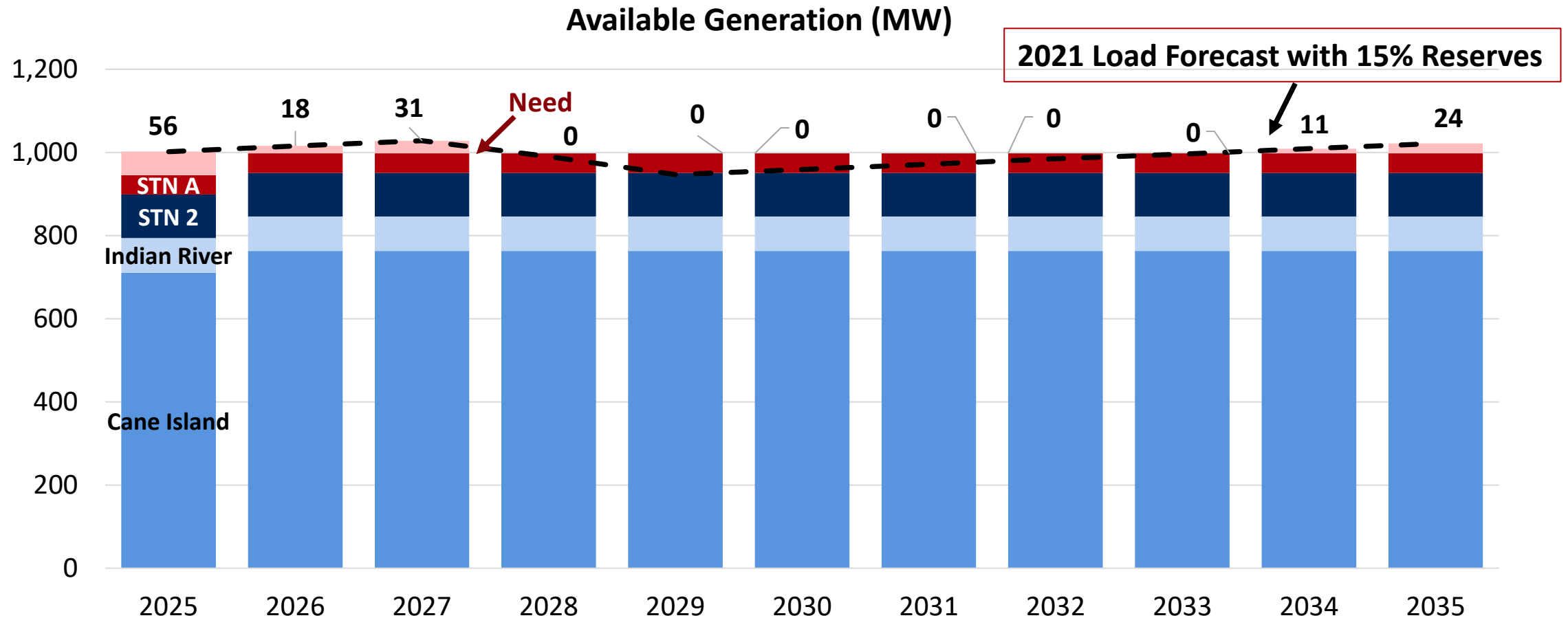
East Winter Capacity Need ~55 MW Starting 2028

Solar Expected to be Zero During Winter Peak



West/KUA Winter Capacity Need ~24 MW in 2035

Solar Expected to be Zero During Winter Peak



**AGENDA ITEM 9 – INFORMATION
ITEMS**

**b. Amendment No.1 to Transmission
Improvement Cost Sharing
Agreement**

**Executive Committee
September 16, 2021**



9b – Amendment No.1 to Transmission Improvement Cost Sharing Agreement

Executive Committee

September 16, 2021

Keys STATCOM Upgrades Increases Transfer Capacity

Three-Party Agreement Requires Amendment to Accommodate

- In 2011 FMPA, KEYS and FKEC split the cost of transmission system improvements
 - FMPA/KEYS Split via Transmission Cost Sharing Agreement
 - FKEC and KEYS Split via Amendment to Long Term Joint Investment Agreement
 - Multiple improvements in the project, including two STATCOMs, one 138 kV series capacitor, and automated load shedding control system
 - Improvements drove significant reduction in fuel costs from running Stock Island
 - FMPA recovered capital investment in roughly three years
- FMPA/KEYS Transmission Cost Sharing Agreement stipulates that FMPA ARP pays 1/3 of ongoing O&M for assets associated with the transmission system improvements.
 - System modifications which increase system capability are not contemplated
 - Although budgeted, project requires EC approval due to Amendment dollar threshold

Original STATCOM Poles at End-of-Life

Upgrade Opportunity Results from Equipment Re-build

- STATCOM inverter poles reach end of life at 10 years (2011 – 2021).
Options:
 - Re-build with original design: \$937,000 (FMPA ARP = \$312,333)
 - Re-build with upgraded output and capabilities: \$966,000 (FMPA ARP = \$322,000)
- Upgraded output is estimated to provide 5 MW of incremental transmission system capability over current system for an incremental cost of \$29,000 (FMPA ARP = \$9,666.67) over the O&M replacement
- Positive NPV to ARP in upgrading inverter poles versus re-building as-is

Amendment Consistent with Existing Sharing

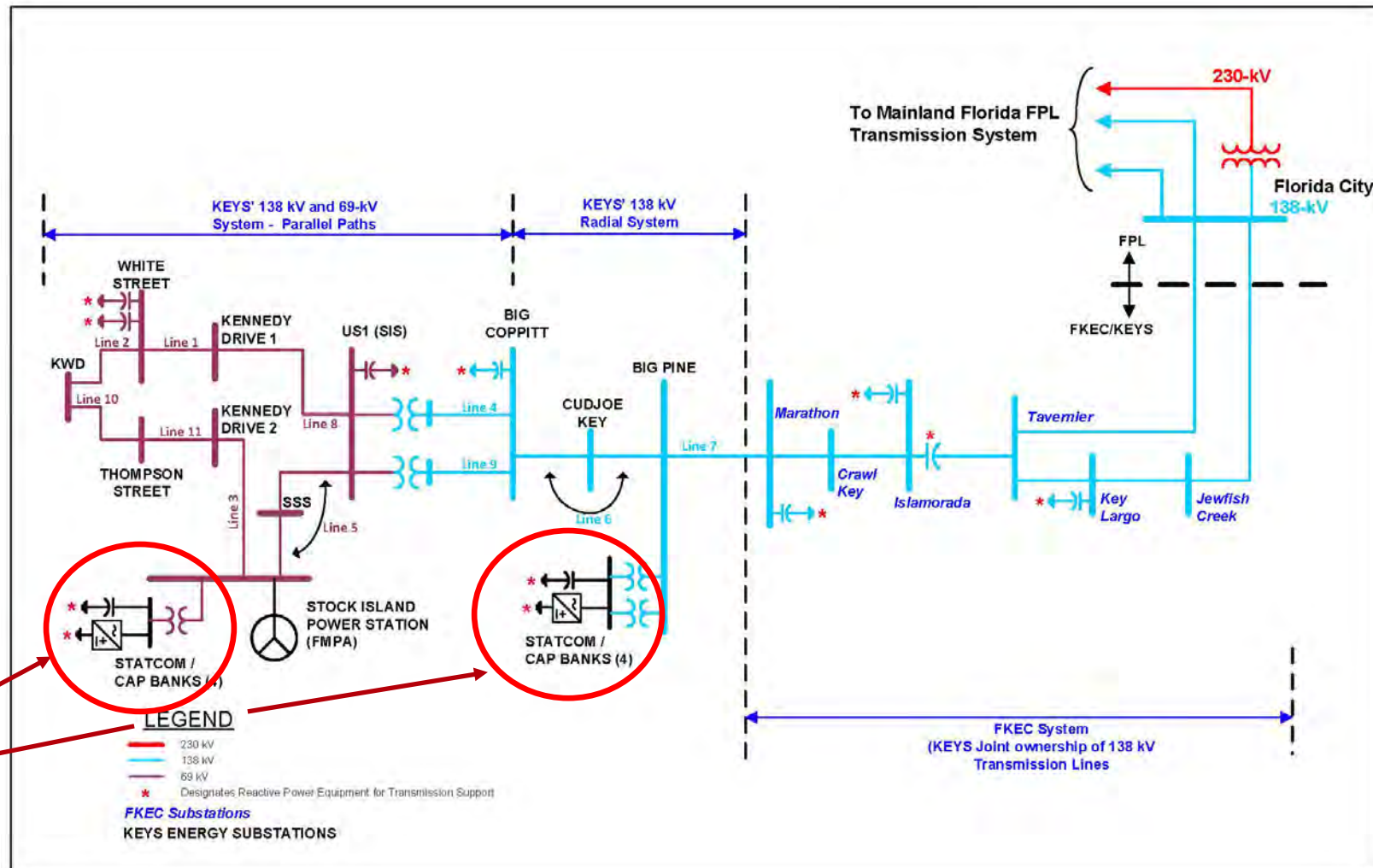
Co-op & Keys Energy Have Already Agreed to Enhancements

- Project cost is \$966,000 – FMMPA ARP pays 1/3 = \$322,000
- New Amendment #3 to KEYS/FKEC LTA
- New Amendment #1 to KEYS/FMMPA Transmission Improvement Cost Sharing Agreement
 - FKEC has approved LTA Amendment
 - KEYS Board is reviewing KEYS/FMMPA Cost Sharing Agreement – will include final signed copy in October EC package.
- ARP portion was included in FY22 budget package



Appendix – Florida KEYS Electric System

System One-Line



Two STATCOMs
72 Inverter
Poles at Each
Site

AMENDMENT NO. 1 TO
TRANSMISSION IMPROVEMENT COST SHARING AGREEMENT

This amendment is dated as of [August 1, 2021], and is between FLORIDA MUNICIPAL POWER AGENCY (ALL-REQUIREMENTS POWER SUPPLY PROJECT), a governmental legal entity created and existing pursuant to Florida law (“**FMPA**”), and THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, DOING BUSINESS AS KEYS ENERGY SERVICES, a body politic organized, validly existing and in good standing under the law of the State of Florida (“**KEYS**”).

FMPA and KEYS are parties to that certain transmission improvement cost sharing agreement, dated as of May 26, 2011 (the “**Cost Sharing Agreement**”).

KEYS and the Florida Keys Electric Cooperative Association, Inc. (“**FKEC**”) are parties to that certain Long-Term Joint Investment Transmission Agreement, dated January 1, 1992, as previously amended (the “**LTA**”). Recently KEYS and FKEC have further amended the LTA (by amendment no. 3) to provide for cost sharing and other details related to the STATCOM Pole Upgrades (as defined in section 5 of this amendment). Amendment no. 3 to the LTA is attached to this amendment as schedule A.

As set forth in this amendment, the parties now desire to amend certain provisions of the Cost Sharing Agreement.

FMPA and KEYS therefore agree as follows:

1. **Defined Terms.** Defined terms used but not defined in this amendment are as defined in the Cost Sharing Agreement.
2. **Amendment to Recitals.** The second paragraph of the Cost Sharing Agreement is hereby amended and restated as follows:

*FMPA and KEYS are parties to the revised, amended, and restated capacity and energy sales contract, dated as of January 1, 2011, (the “**TARP C&E Contract**”) pursuant to which it was agreed that future improvements to the transmission infrastructure facilities system serving the Florida Keys, including static synchronous compensator (“**STATCOM**”) installations, would be paid for as subsequently agreed between the parties, as provided for in section 7.4 of the TARP C&E Contract. Since entering into the TARP C&E Contract, the parties have agreed, with the Florida Keys Electric Cooperative Association, Inc. (“**FKEC**”), to install and share in the cost of certain transmission infrastructure improvements including installation of STATCOMs, series capacitors, a special protection system, and certain other related improvements at the Big Pine Key substation, Stock Island substation, and the Islamorada substation (individually a “**Keys Import Upgrade**” and, collectively, the “**Keys Import Upgrades**,” which term also includes*

the equipment contributed by KEYS pursuant to clauses (1)(A) and (B) and (2)(B) of section 4(a) and the STATCOM Pole Upgrades (as defined in section 18)).

3. **Amendment to Section 2(a).** Section 2(a) of the Cost Sharing Agreement is hereby amended as follows: (1) by deleting the word “and” at the end of clause (2); (2) by deleting the period at the end of clause (3) and replacing it with “; and”; and (3) by inserting the following as a new clause (4):

(4) *\$966,000 for the STATCOM Pole Upgrades described in section 18.*

4. **Amendment to Section 5(d).** Section 5(d) of the Cost Sharing Agreement is hereby amended by adding after clause (6) the following new clause (7).

(7) *As defined in this section 5(d), “Operating and Maintenance Work” includes the repair, replacement, reconstruction, and upgrade of machinery and equipment, except that any upgrade, including the replacement of machinery or equipment with a newer OEM model or a different, upgraded piece of machinery or equipment that has additional capacity, capability, or functionality, is only included in “Operating and Maintenance Work” if it does not have the effect of increasing the import limit on the existing transmission tie between the mainland and the Florida Keys, as described in the fourth paragraph of this agreement.*

5. **New Section 18.** The Cost Sharing Agreement is hereby amended by adding after section 17 the following new section 18:

18. **Replacement of STATCOM Invertor Poles.** *FMPA and KEYS hereby agree to share equally KEYS’ two-thirds responsibility for the design, procurement, construction, installation, testing, and commissioning costs for replacing and upgrading the invertor poles of the existing American Superconductor (AMSC) “DVAR” STATCOMs to increase peak dynamic reactive power output at the Stock Island and Big Pine Key substations (the “STATCOM Pole Upgrades”). This will increase total transmission system import capability. Currently the cost estimates for the design, procurement, construction, installation, testing, and commissioning of the STATCOM Pole Upgrades is \$966,000 (with FMPA and KEYS each paying for approximately \$322,000 of the costs for the STATCOM Pole Upgrades).*

6. **Remaining Terms Unchanged.** Except as modified in this amendment, all other terms and conditions of the Cost Sharing Agreement remain unchanged.

[Signature Page Follows]

The parties are signing this amendment as of the date stated in the introductory clause.

FLORIDA MUNICIPAL POWER AGENCY
(ALL-REQUIREMENTS POWER SUPPLY
PROJECT)

By: _____
Jacob A. Williams
General Manager and CEO

UTILITY BOARD OF THE CITY OF KEY
WEST, FLORIDA

By: _____
Mona C. Clark
Utility Board Chair

*[Signature Page to Amendment No. 1 to Transmission Improvement Cost Sharing Agreement
between FMPA and KEYS, dated as of [August 1, 2021]*

Schedule A

AMENDMENT NO. 3 TO THE LTA

**AMENDMENT NO. 3 TO THE
LONG TERM JOINT INVESTMENT TRANSMISSION AGREEMENT
BETWEEN THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA AND
FLORIDA KEYS ELECTRIC COOPERATIVE ASSOCIATION, INC.
Dated 01/01/1992**

This is Amendment No. 3 to the Long Term Joint Investment Transmission Agreement (LTA) between the **Utility Board of the City of Key West, Florida doing business as Keys Energy Services (KEYS)** and **Florida Keys Electric Cooperative Association, Inc. (FKEC)** date as of January 1, 1992, as previously amended. The LTA does not account for electrical facilities located in the KEYS service area that will have a mutual benefit on the jointly-owned Transmission System (System). Hence, the parties desire to amend the LTA upon the following recitals, terms and conditions:

1.0 RECITALS AND BACKGROUND. In 2011, KEYS and FKEC entered into Amendment No. 2 to the LTA to improve the transmission limit of the System to approximately 320 MVA (the thermal limit of the facilities) and to provide for the addition of facilities within the System (as defined in Section 1.18 of the LTA), as well as facilities located in the KEYS service area, that provide mutual benefit to both parties within or within the System area. In the furtherance of such mutual benefits, the parties hereby desire to amend the LTA further as set forth herein.

2.0 PROJECT DESCRIPTION. The project to be undertaken by the parties to further the improvement of the transmission limit, as previously stated, by the replacement and upgrade of the STATCOM inverter poles at the Big Pine Key (BPS) substation and the KEYS Stock Island (STI) plant.

2.1 Big Pine Key Project Breakdown:

- Upgrade 72 inverter poles located in three (3) 4 MVA units (24 poles each).

2.2 Stock Island Plant Project Breakdown:

- Upgrade 72 inverter poles located in three (3) 4 MVA units (24 poles each).

3.0 FUNDING RESPONSIBILITY. The parties recognize the unique nature of facilities located in the KEYS service area that provide mutual benefit on the System. KEYS also recognizes that a percentage of the additional facilities at Big Pine Key (BPS) and Stock Island (STI) also have a partial benefit to KEYS to support VAR losses and stability of the System. Therefore, KEYS agrees to a greater percentage of financial responsibility to the construction and installation of the facilities described herein and recurring O&M expenses for those facilities that will be located within the KEYS service area as follows: KEYS – 2/3, FKEC – 1/3.

The parties preliminarily estimate that the replacement and upgrade of the STATCOM inverter poles at BPS and STI will cost approximately \$966,000, and the funding allocation between the parties will be two-thirds (2/3) KEYS and on-third (1/3) FKEC.

The funding allocation/cost-sharing arrangement as described in this paragraph is solely for the project described in this amendment and shall not be used by either party as a precedent for any future improvements. Any other future improvements shall be mutually agreed to by FKEC and KEYS. FKEC acknowledges that KEYS and FMPA will enter into a separate agreement on how KEYS' share of the project will be funded.

4.0 FMPA RELATIONSHIP. FKEC recognizes that KEYS has wholesale power contracts with the Florida Municipal Power Agency (FMPA), as the KEYS wholesale power supplier. FMPA is not a party to the LTA, as amended by this Amendment No. 3. KEYS represents that no agreement or permission is required from FMPA as a condition precedent to KEYS' execution of this amendment.

5.0 PROJECT CONSTRUCTION OVERSIGHT. The cost of the project design and construction oversight will be shared by the parties as follows: KEYS – 2/3 and FKEC – 1/3. KEYS will perform contract construction oversight responsibilities for the project.

6.0 OPERATION AND MAINTENANCE. Article 7 of the LTA covers operation and maintenance of the transmission system and describes the procedures for operation and maintenance costs. Due to the unique nature of this project, the following O&M cost sharing will apply, notwithstanding Article 7 of the LTA:

6.1 Replacement and Upgrade of STATCOM Inverter Poles at BPS: KEYS – 2/3 and FKEC – 1/3.

6.2 Replacement and Upgrade of STATCOM Inverter Poles at STI: KEYS – 2/3 and FKEC – 1/3.

7.0 CAPACITY ENTITLEMENT. This amendment shall not effect or change the capacity entitlement as stated in Section 4.1 of Article 4 of the LTA. Hence, that capacity entitlement shall remain as: KEYS – 40%, FKEC – 60%.

8.0 EXISTING CONTRACT TERMS AND CONDITIONS. Except as specifically modified as provided herein, the terms and conditions of the LTA dated as of January 1, 1992, as previously amended, are hereby ratified and confirmed.

UTILITY BOARD OF THE CITY OF KEY WEST,
FLORIDA (KEYS)

ATTEST:

By: _____
Secretary

By: _____
Utility Board Chair Date
Mona C. Clark

FLORIDA KEYS ELECTRIC COOPERATIVE
ASSOCIATION, INC. (FKEC)

By: _____
Chief Executive Officer Date
Scott Newberry

**AGENDA ITEM 9 – INFORMATION
ITEMS**

c. Regulatory Compliance Update

Executive Committee

September 16, 2021



BOD 9b/EC 9c – Regulatory Compliance Update

Board of Directors & Executive Committee
September 16, 2021

Roles of FMPA Regulatory Compliance Department

- FMPA Regulatory Compliance Department perform three main functions related to NERC mandatory reliability standards
 - FMPA Compliance
 - Member Support
 - Industry Influence

FMPA Compliance

Internal Compliance

- Verbal compliance exception given by SERC regarding former CIP-003 self-report. Official status is “determination in progress”.
- Submitted CIP-003 self-report regarding “scanning of removable media” at Cane Island
- Compliance team is conducting our annual Internal Compliance Program (ICP) review as part of our internal controls. We are updating the organizational compliance structure to reflect new hire and retirement.
- NERC Alert - Cold Weather Preparedness

FMPA Compliance

Generation Support

- Compliance team traveled to CI to participate in FMPA employee orientation training and a plant tour.
- Compliance team plans to have one-on-one meetings with plant personnel this quarter to go over applicable standards and best practices.

FMPA Compliance

Member Support

- Compliance and Member Services team traveled to FPUA to assist with PRC-005 and EOP-004-4 program review.
- OUC FAC-008-3 peer review (Thank you to FMPA's Power resources team and Lakeland Electric for assistance).
- Other pending member requests for peer reviews.
- FMPA 2021 Fall Compliance Workshop (Sept. 7-8).
 - Topics included: FAC-003; ERO Align Portal; Cold Weather Standards Development; CIP Standards; DER & IBR Developments; Internal Investigation & Self Report Best Practices, Audit lessons learned, FAC-008, and etc

Industry Influence

Cold Weather Standard Development

- FERC approved the Cold Weather Standards August 24, 2021
- FERC & NERC joint cold weather event report coming late summer to early fall.

Industry Influence

- FMPA continues participation in Cold Weather Preparedness standard development & implementation efforts
- Align release 2 went live July 19th. Release 3 TBD.
 - TFEs – July 19th
 - Periodic Data submittals (PDS) – October 1st
 - Self-Certifications – October 1st



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**AGENDA ITEM 10 – MEMBER
COMMENTS**

**Executive Committee
September 16, 2021**

AGENDA ITEM 11 – ADJOURNMENT

**Executive Committee
September 16, 2021**