



## MEMORANDUM

**TO:** FMPA Executive Committee  
**FROM:** Jacob Williams, General Manager & CEO  
**DATE:** July 5, 2022  
**RE:** **Special Called ARP Executive Committee Telephonic/Teams Meeting Thursday, July 7, 2022 at 2:00PM**  
**PLACE:** Via Teams and at Florida Municipal Power Agency  
8553 Commodity Circle, Orlando, FL 32819  
1<sup>st</sup> Floor Conference Room, Orlando, Florida  
**DIAL-IN:** [Click here to join the meeting](#) or [+1 321-299-0575,,860292149#](#)

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

## AGENDA

**Chair Howard McKinnon, Presiding**

- 1. Call to Order, Roll Call, Declaration of Quorum**
- 2. Set Agenda (By Vote)**
- 3. Recognition of Guests**
- 4. Public Comments (Individual Public Comments limited to 3 minutes)**
- 5. Action Item – Increase Withdrawal Authorization from Series 2021B Bond Proceeds (Line of Credit Replacement) for Gas Price Risk Mitigation**
- 6. Member Comments**
- 7. Adjournment**

The participants in the above referenced public meeting will conduct the public meeting by telephone, via a telephone conference hookup. There will be a speaker telephone made available for any interested person to attend this public meeting and be fully informed of the discussions taking place by telephone conference hookup at FMPA's headquarters, located at 8553 Commodity Circle, Orlando, Florida 32819-9002. If anyone chooses to appeal any decision that may be made at this public meeting, such person will need a record of the proceedings and should accordingly ensure that a verbatim record of the proceedings is made, which includes the oral statements and evidence upon which such appeal is based. This public meeting may be continued to a date and time certain, which will be announced at the meeting. Any person requiring a special accommodation to participate in this public meeting because of a disability, should contact FMPA at (407) 355-7767 or 1-(888)-774-7606, at least two (2) business days in advance to make appropriate arrangements. Any interested person may contact FMPA for more information on this public meeting by calling (850) 297-2011 or (877) 297-2012 or writing to: Open Government Law Compliance Coordinator, Florida Municipal Power Agency, 2061-2 Delta Way, Post Office Box 3209, Tallahassee, Florida 32315-3209.



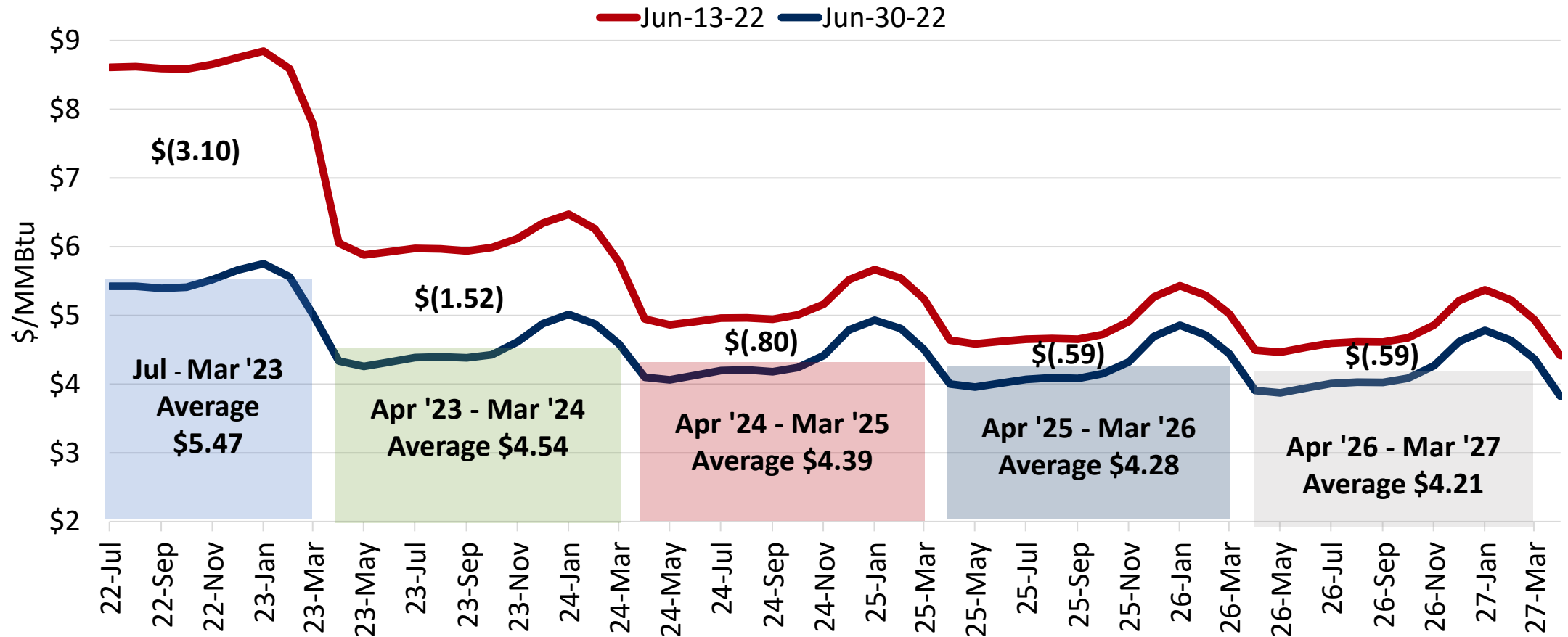
# Natural Gas Price Risk Management Update

Executive Committee

July 2022

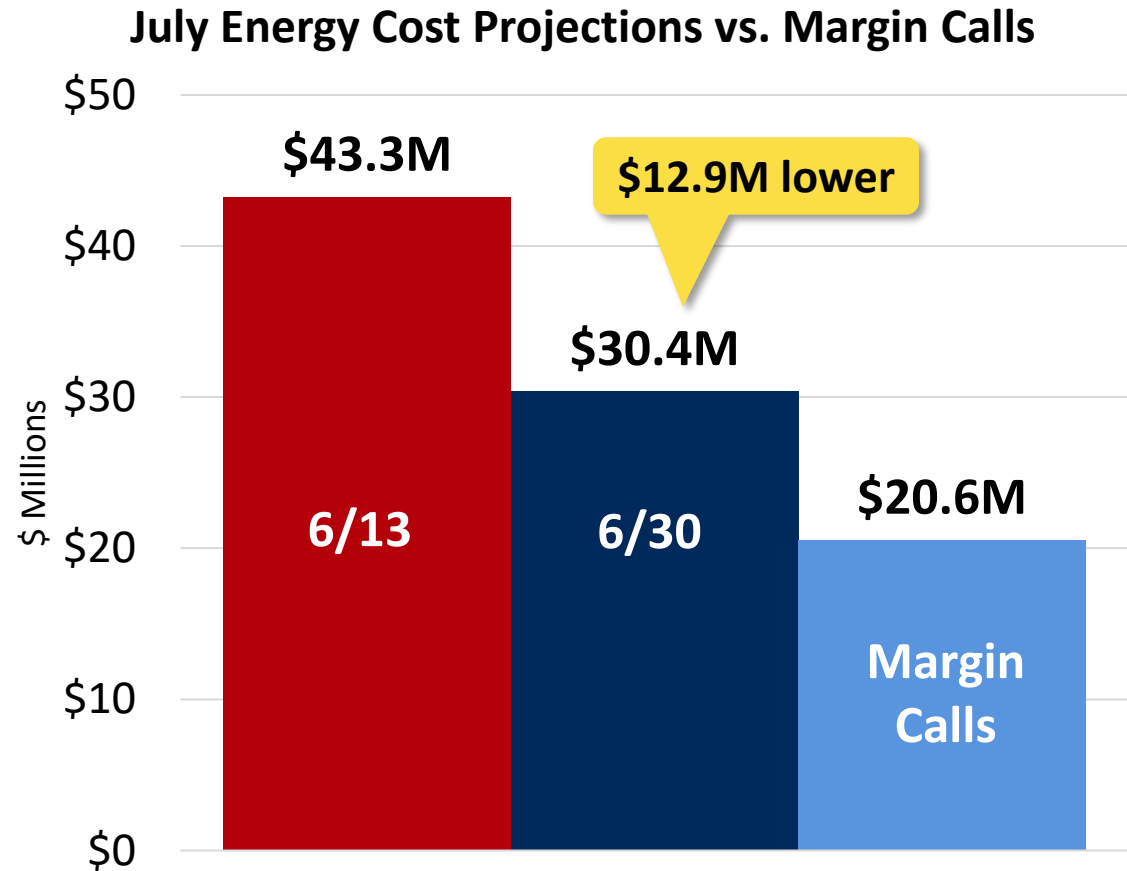
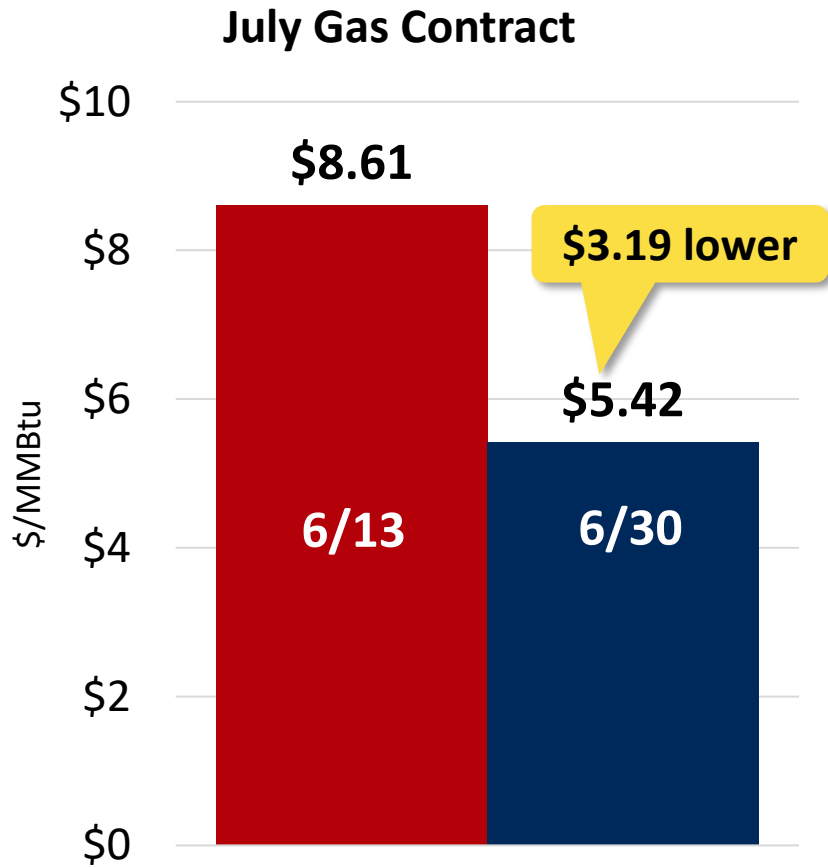
# Prompt Gas Prices \$3.10 Lower Since June 13

*Summer 2023 Averages \$4.36 vs. \$5.41 for Summer 2022*



# Gas Prices \$3.19 Lower, July Costs ~\$20 MWh Less

*Margin Calls Recovered in Two to Three Months*



# **\$21.9 M of the \$25 M Margin Funds Used As of July 5**

*More Margining Required Given Current Price Volatility*

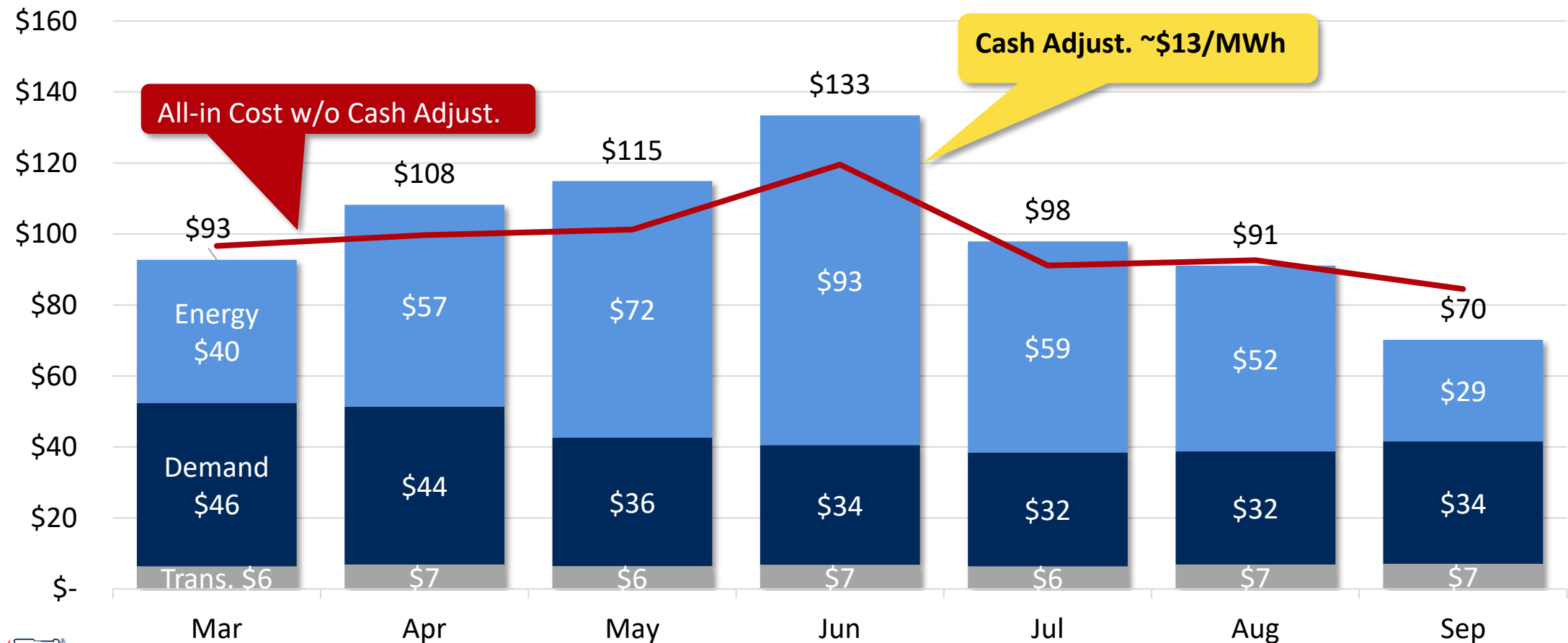
---

- Initial margin posting \$4.6 M
- Mark to market \$17.3 M
- Total liquidity committed \$21.9 M
- Remaining funds available \$3.1 M
- Recommend \$25 M more margining funds

# Balance of Year Projected Below \$100/MWh After June

*Cash Adjustments Much Lower, Due to Decline in Curve*

Projected FY 2022 ARP Avg. All-In Billed Costs Based on Current Gas Curve (\$/MWh)



# 100% of ARP Directive Volumes Secured at Fixed Price

*~55% Financial, 45% Physical w/ Blended Price \$5.92/MMBtu*

---

- Physical gas purchases only had one interested counterparty
- Physical gas included delivery cost of ~\$0.25/MMBtu to FTZ3
  - Also includes cost of margining for seller plus a profit margin
- ~\$149M worth of gas price risk managed at \$5.92/MMBtu
  - Volume weighted towards '23-'24 season (65% of total) consistent with directive, which lowers fixed volume to 25% of est. burn for '24-'25

# Margin Calls

## *Funding Options*

---

- Increase use of 2021B Bond proceeds – up to \$50 M recommended
- Take out a pooled loan up to \$15 M maximum allowable
- Use General Reserve funds
  - \$5M balance as of 6/1/22
  - Will impact days cash on hand
- Seek external line of credit from one of our known banking partners
  - Time to execute a concern



# Prices at \$5.50 through Next Spring, Sub \$4.50 After

## *Potential to Partially Stabilize Prices at \$85-\$95/MWh*

---

- Near-term prices have fallen ~\$5.50 with Spring to Spring of '23-'24 and '24-'25 at \$4.40-\$4.60
- Presents opportunity to stabilize ARP costs at ~\$95/MWh through March 2023
- Opportunity to stabilize ARP costs at sub \$90/MWh for Spring-to-Spring seasons starting Spring '23 and '24

# Gas Prices Drive Costs

*All-In Cost Up ~\$6.50/MWh for Every ~\$1 Move Up for Gas*

Gas Price Assumed (\$/MWh)	Projected All-In Cost April '23 – March '24 (\$/MWh)
\$3	\$78
\$5	\$92
\$6	\$99
\$7	\$105
\$9	\$118
\$11	\$131
\$13	\$144

# Suggested Action

## *Approving Bond Funding Option*

---

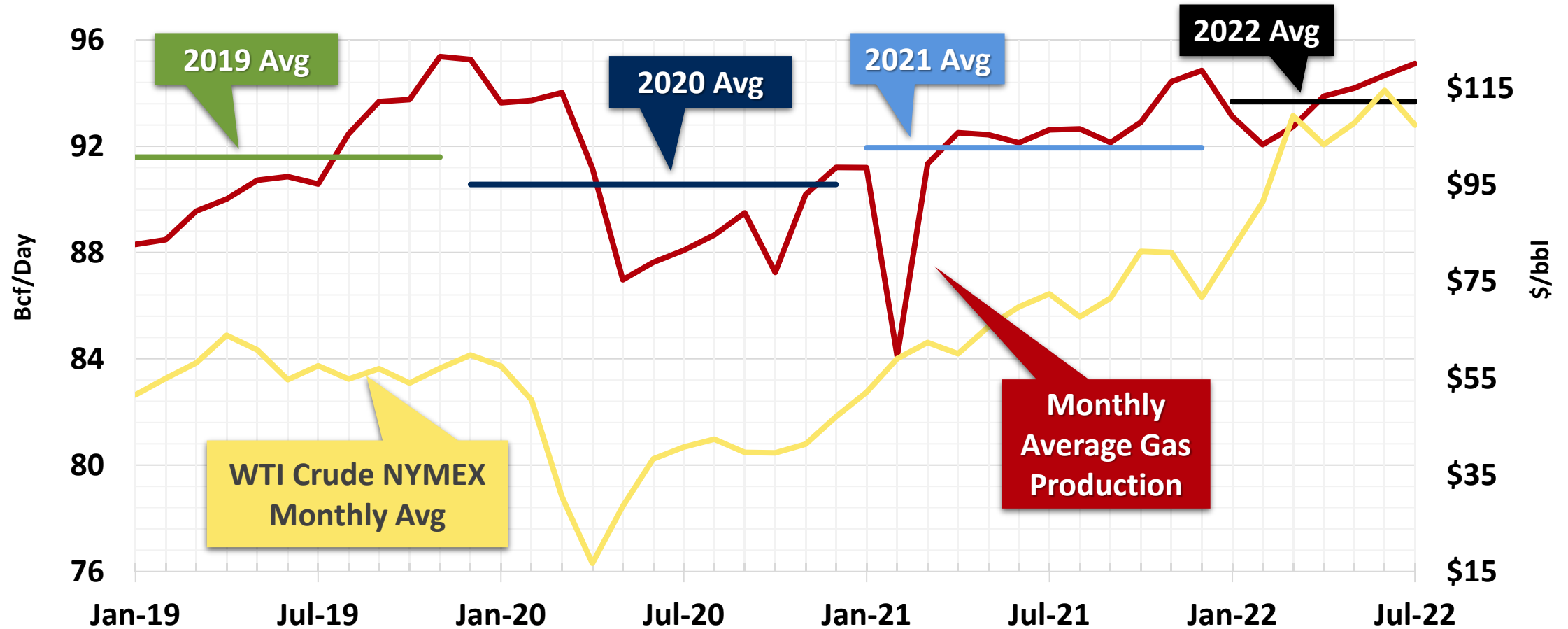
- Move to approve the use of \$25 M additional 2021B Bond proceeds for potential additional Margin Calls for a total of up to \$50 M



# Backup – Natural Gas Fundamentals

# Natural Gas Production Increasing with Oil Price Changes

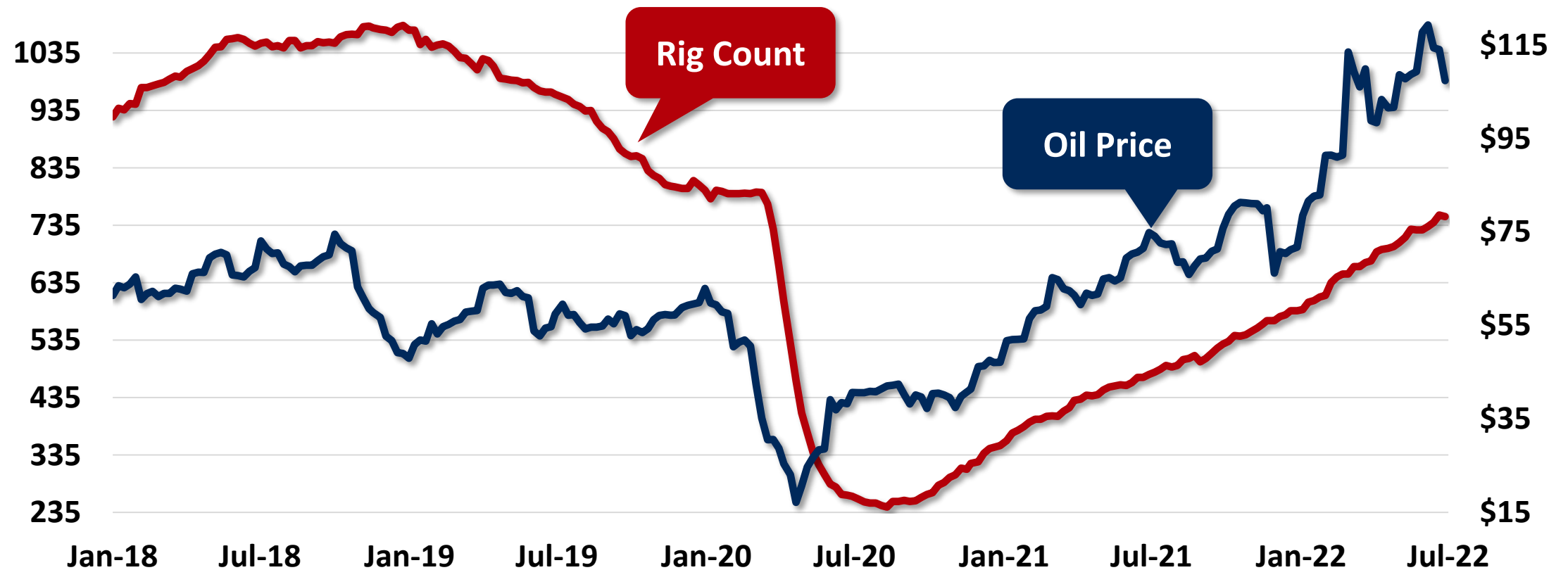
*Average Monthly Change Since 2019 (as of July 5)*



# Rig Count Slightly Increases, Oil Prices Remain High

*WTI Prices above \$100 for Past 5 Months (as of July 1)*

U.S. Drilling Rig Count vs WTI Prompt



# Gas Storage Inventory as of Week Ending July 1

*2022 Storage Season to Remain in Lower Level of 5-Year Avg.*

