



MEMORANDUM

TO: FMPA Executive Committee
FROM: Jacob Williams, General Manager & CEO
DATE: July 22, 2022
RE: **Special Called ARP Executive Committee Telephonic/Teams Meeting
Friday, July 29, 2022 at 9:30 AM**
PLACE: Via Teams and at Florida Municipal Power Agency
8553 Commodity Circle, Orlando, FL 32819
Executive Conference Room, Orlando, Florida

DIAL-IN: [Click here to join the meeting](#) or **+1 321-299-0575,,245305835401#**

(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. Possible Action Item – Gas Price Stability & Predictability Update**
- 6. Member Comments**
- 7. Adjournment**

The participants in the above referenced public meeting will conduct the public meeting by Teams/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 29, 2022

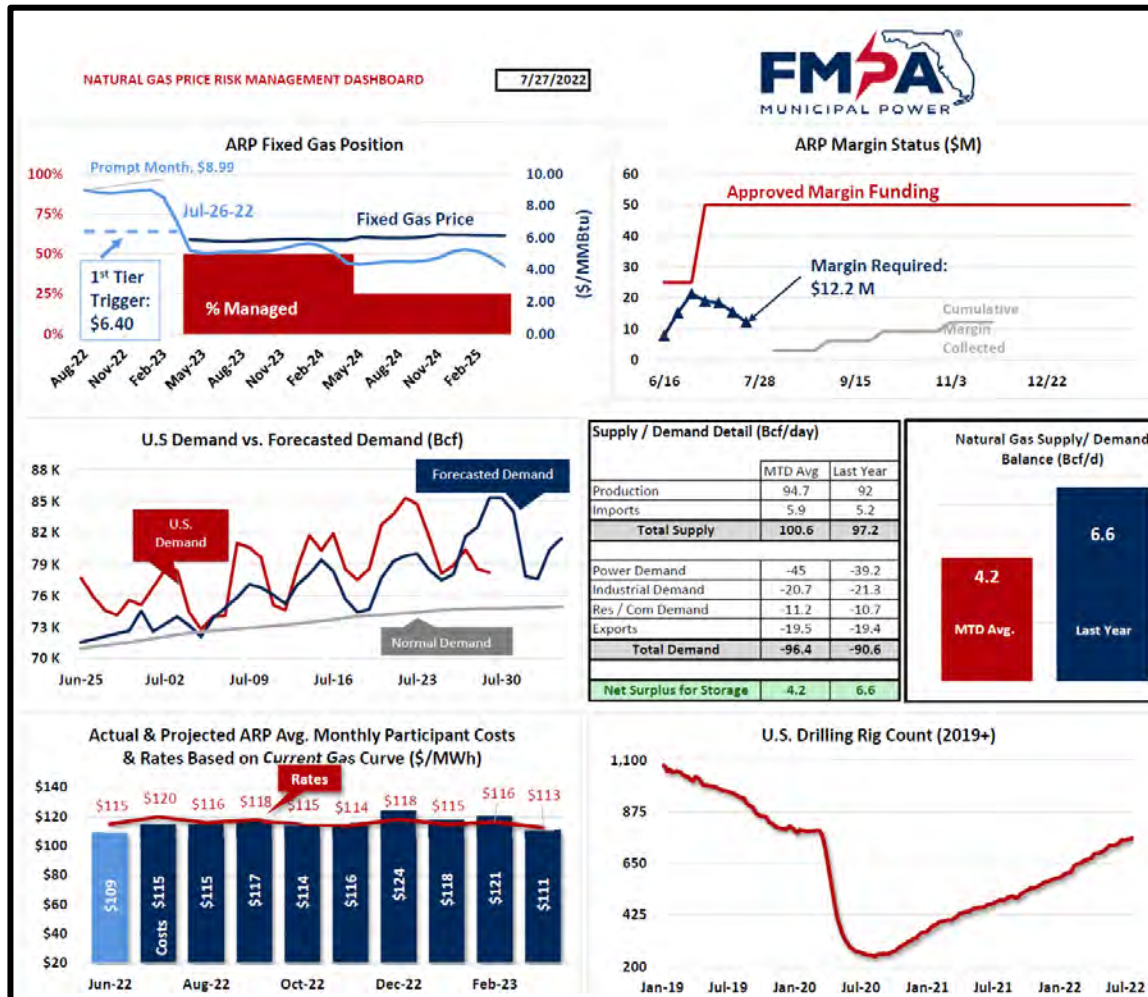


Weekly Dashboard Report



Natural Gas Price Risk Management Weekly Updates

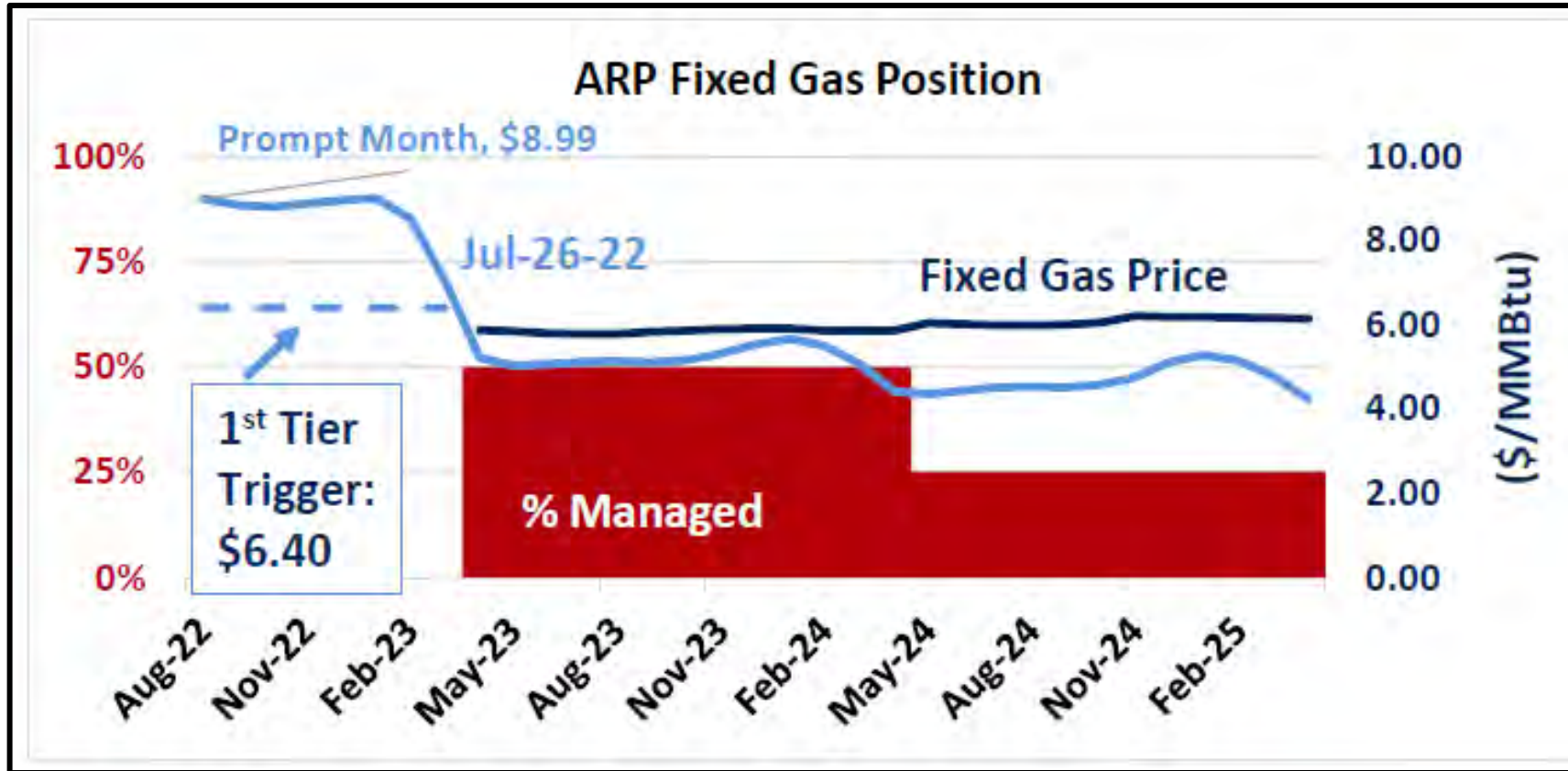
Will be sent every Friday to EC Members



- A one-page document to explain how the markets have affected the ARP position over the previous week.
- Information will be as of the close of business Thursday

Natural Gas Henry Hub Price Risk Management

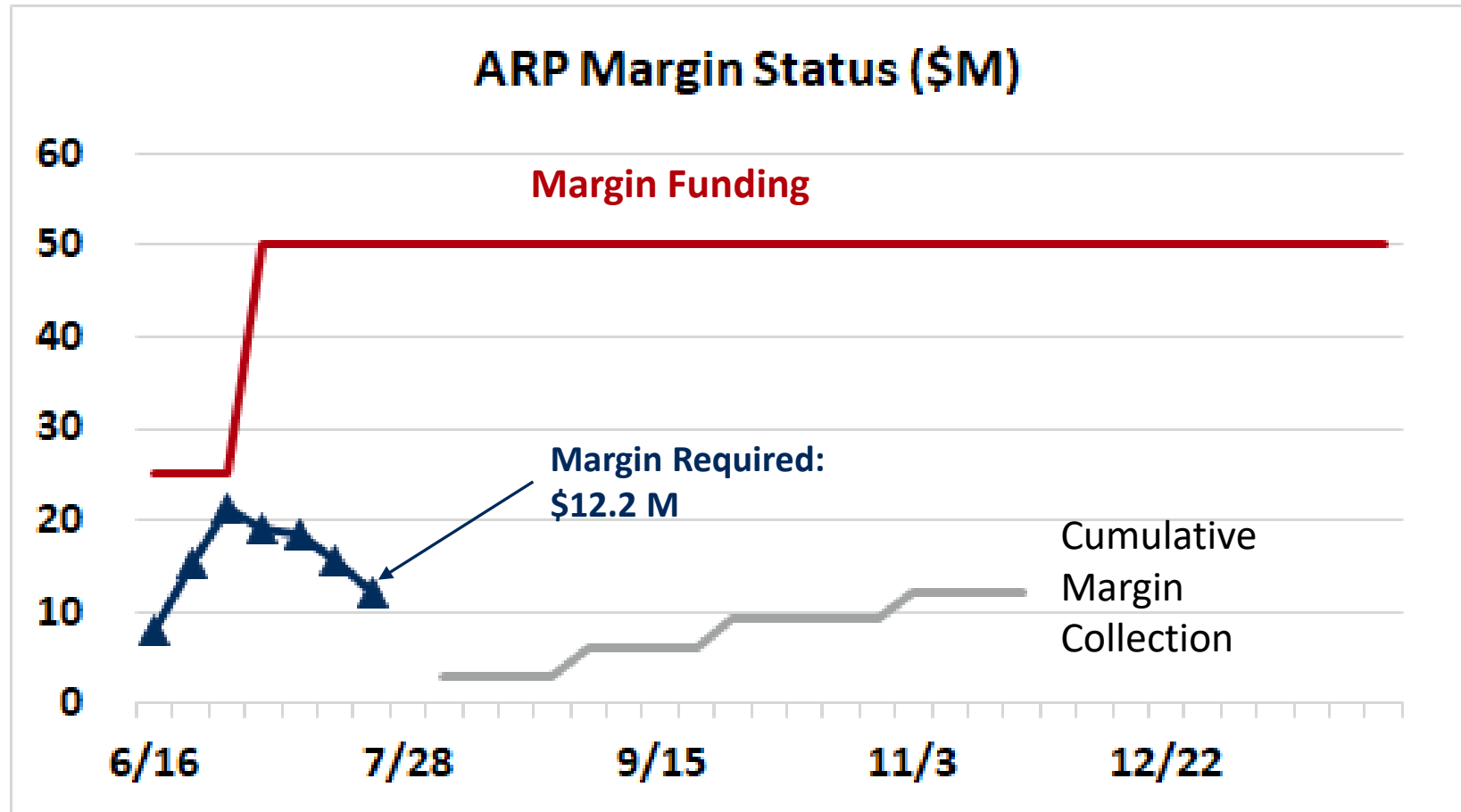
0% Managed Until Spring '23, 50% and 25% for Next 2 Seasons



- Forward natural gas price curve vs. the hedged and Target prices
- Red area shows percent of monthly volume hedged

ARP Margin Requirements Has Declined from \$21M to 12M

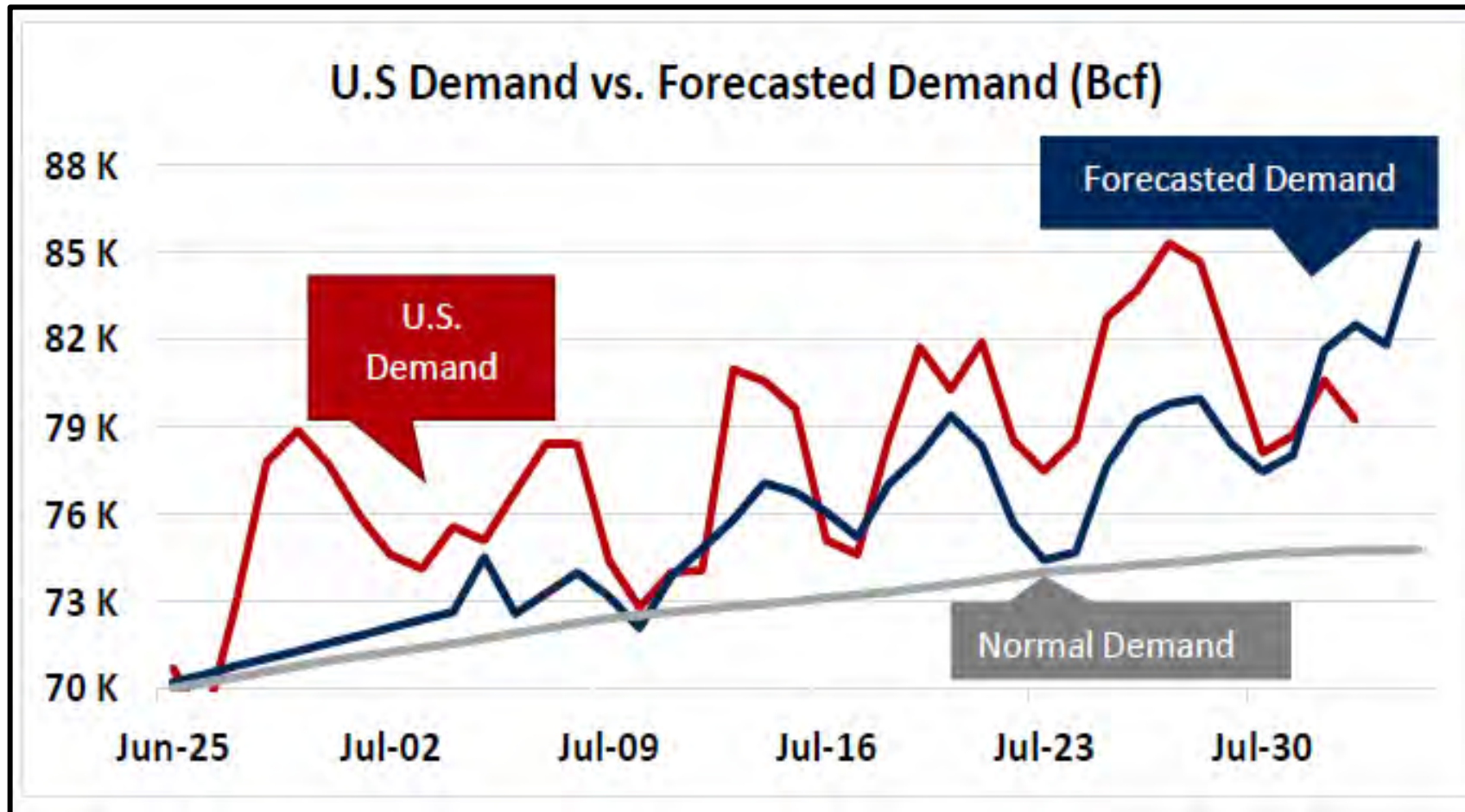
August Margin Collection a Quarter of Margin Posted on July 29



- Approved margin funding levels vs. the actual margin required and margin collection levels over 4 months

U.S Consumption of Natural Gas Up 3.3% Over Forecast

Some Relief in Demand in Upcoming Week



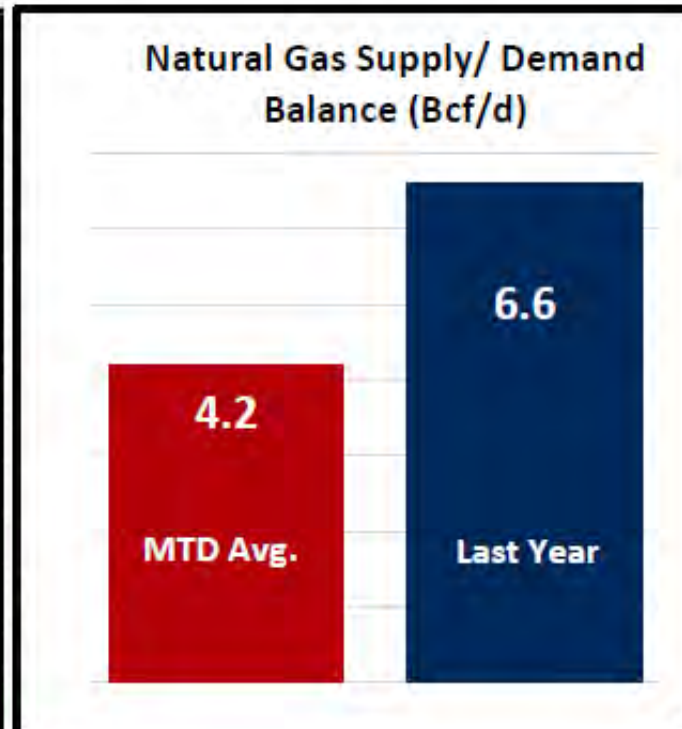
- US demand for natural gas vs. forecasted and normal levels
- This summer actual demands have increased due to increased power generation

U.S. Natural Gas Demand Growth Outpacing Supply Growth

Demand Up 6.3 bcf/day; Supply Only Up 3.5 bcf/day for July

U.S. Gas Generation Increase Driving Growth

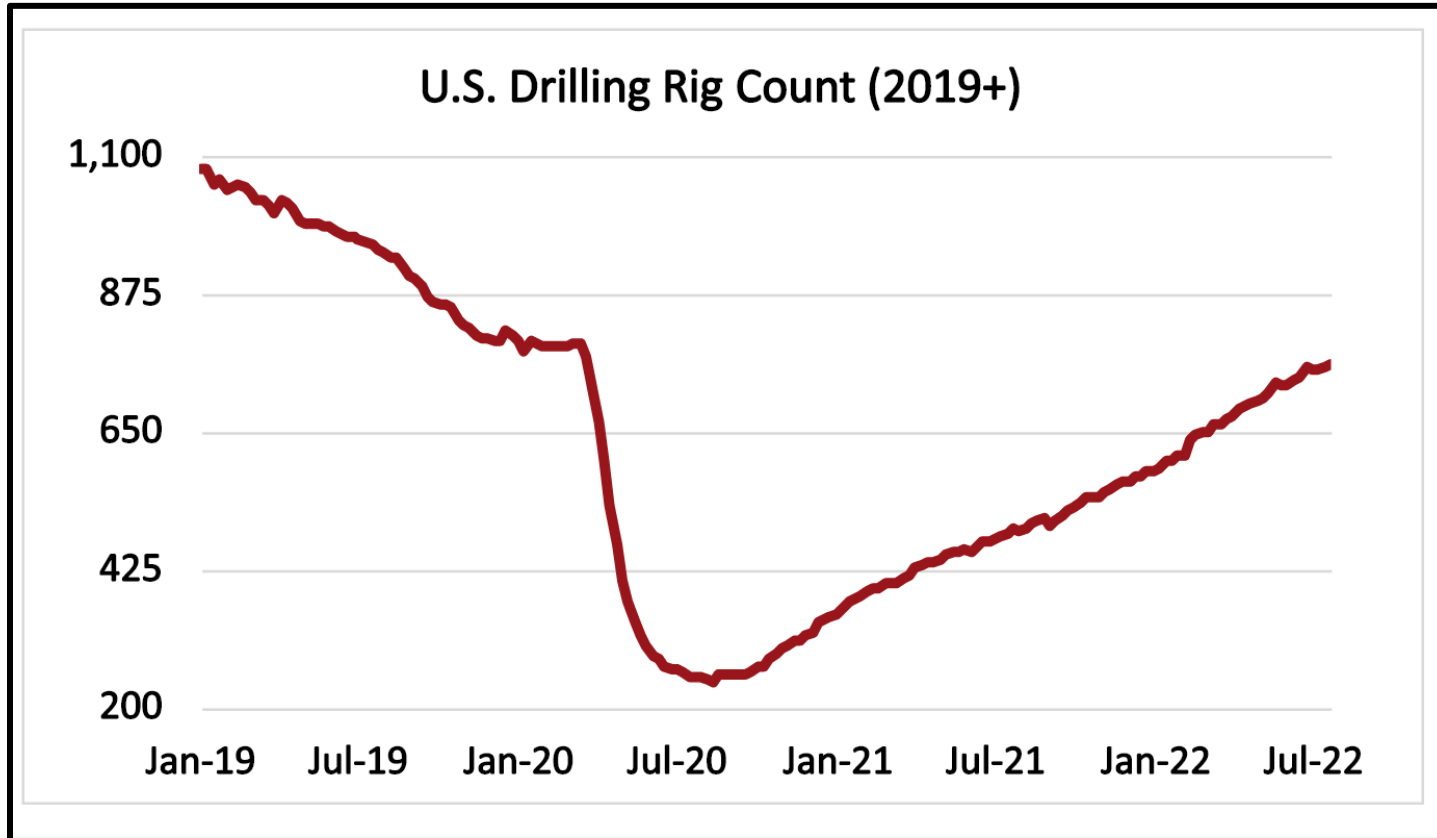
Supply / Demand Detail (Bcf/day)		
	MTD Avg	Last Year
Production	94.7	92
Imports	5.9	5.2
Total Supply	100.6	97.2
Power Demand	-45	-39.2
Industrial Demand	-20.7	-21.3
Res / Com Demand	-11.2	-10.7
Exports	-19.5	-19.4
Total Demand	-96.4	-90.6
Net Surplus for Storage	4.2	6.6



- US supply and demand and overall YOY net impact (bar chart)

U.S. Drilling Rig Count

Indicator of potential growth in production & supply



- Rig count is a leading indicator if supply is anticipated to increase in future
- Current rig count levels remain below levels in 2019



Summer Z3 Basis Price Spike



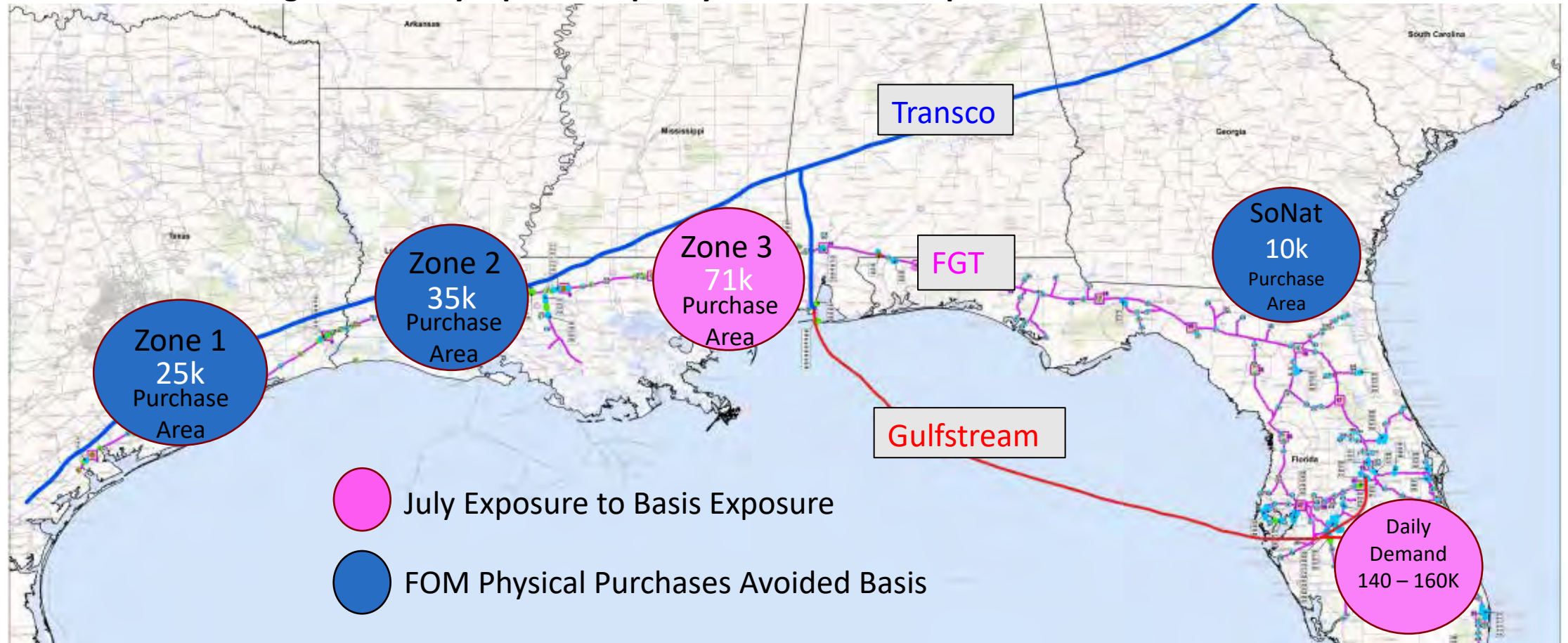
Florida Z3 Natural Gas Pricing Spiked in June & July

Strong Power Demand & Pipeline Constraints Primary Drivers

- Natural gas basis spike impacting monthly ARP rate ~\$15/MWh
- For two decades pricing in FL essentially flat to Henry Hub (HH) pricing
- June pricing started to deviate for HH and Southeast natural gas markets
- FL pricing has averaged \$3.44/MMBtu higher than HH daily pricing for July
- 45% of natural gas not exposed to HH to FTZ3 basis
- 3rd party/pool sales priced considering Z3 index – ~15% of gas use
- ~40% of gas monthly summer gas exposed to HH to FTZ3 basis
- Very limited methods to mitigate this basis blowout

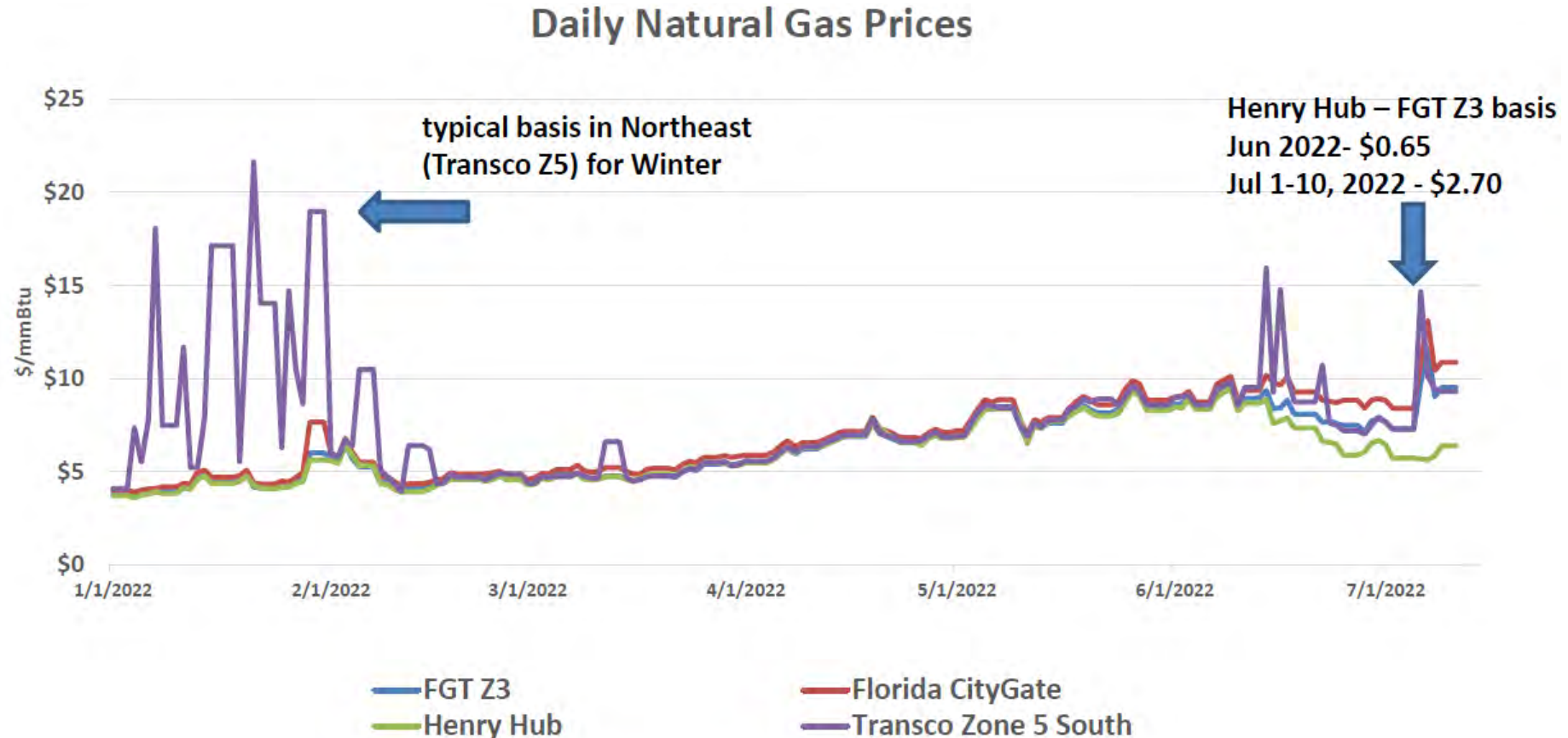
~60% of Receipt Point Volume Exposed to HH to Z3 Basis *For Nearly Two Decades Basis of HH to Z3 was Flat*

FMPA Volumetric Rights for Daily Pipeline Capacity at Various Receipt Points



Mid June Florida Delivered Gas Diverged from Henry Hub

Maintenance Driven Constraints Limited Flows With Higher Demand



For Nearly Two Decades Basis Typically \$0.01-\$0.05/MMBtu

Multiple Drivers for Southeast Basis Price Spike

Relief Expected After Pipeline Maintenance Complete in September

- Pipeline Operational Constraints

- Transco Compressor Station 60 in Louisiana – planned through September
 - Constrains about 800,000 MMBtu of normal flow on Transco
- Southern Natural Gas Pipeline's (SoNat) Ellerslie Compressor Station in Georgia (connecting 1.5 BCFD southbound flows) operated at reduced capacity through mid-September
- Interregional flows from the Midcontinent to Southeast through the Transco pipeline jumped over 30% YoY in May-July

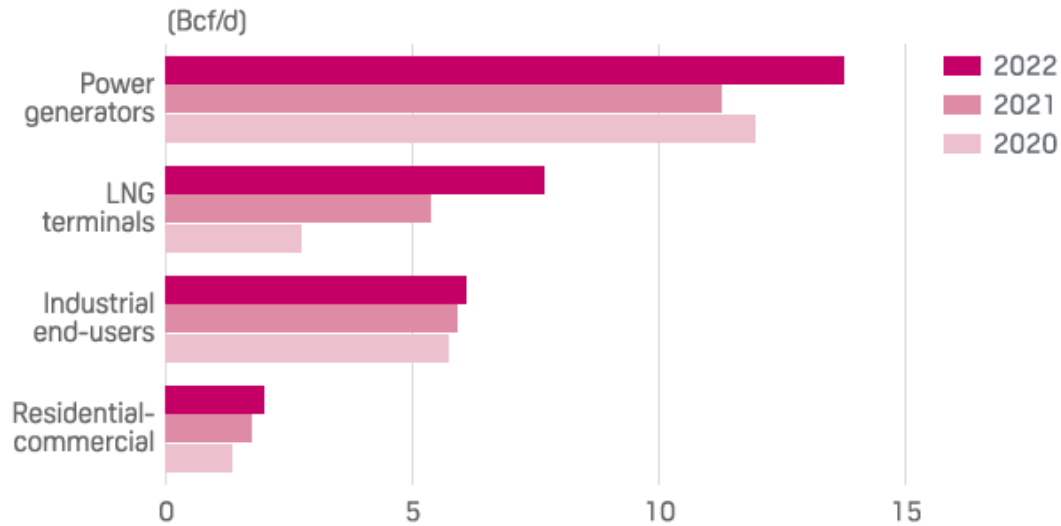
- Increased Demand In Southeast Region

- Power demand up substantially from 3-year averages
 - Coal price increases & availability preventing fuel switching
- LNG demand up substantially, increased domestic demand offsetting stranded LNG exports

Southeast Generation Demand Up 20% YOY

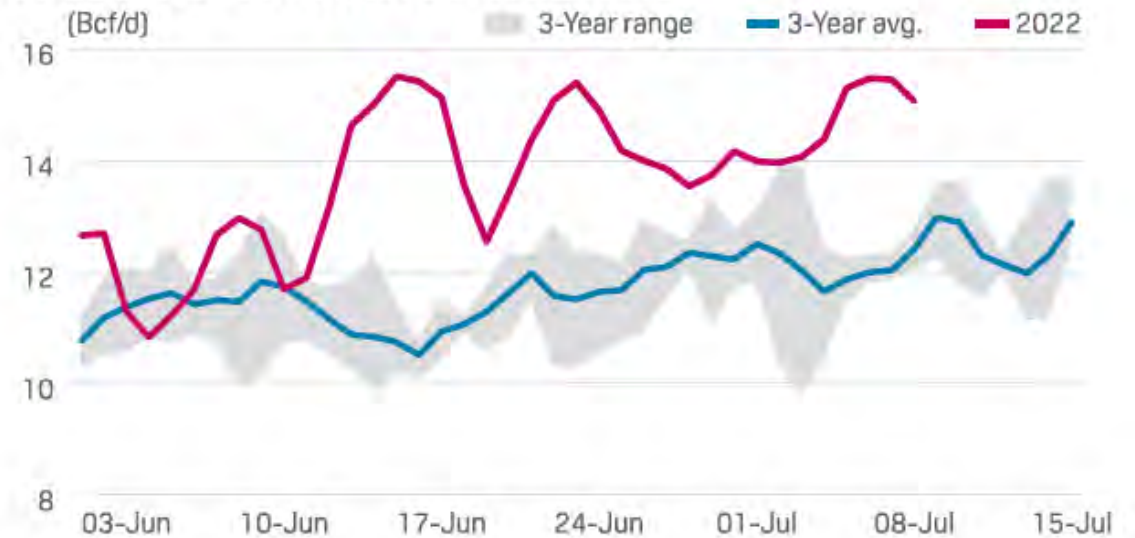
SE LNG Exports Up ~50% YOY

US SOUTHEAST GAS DEMAND BY SECTOR: JUNE 1 TO DATE



Source: S&P Global Commodity Insights

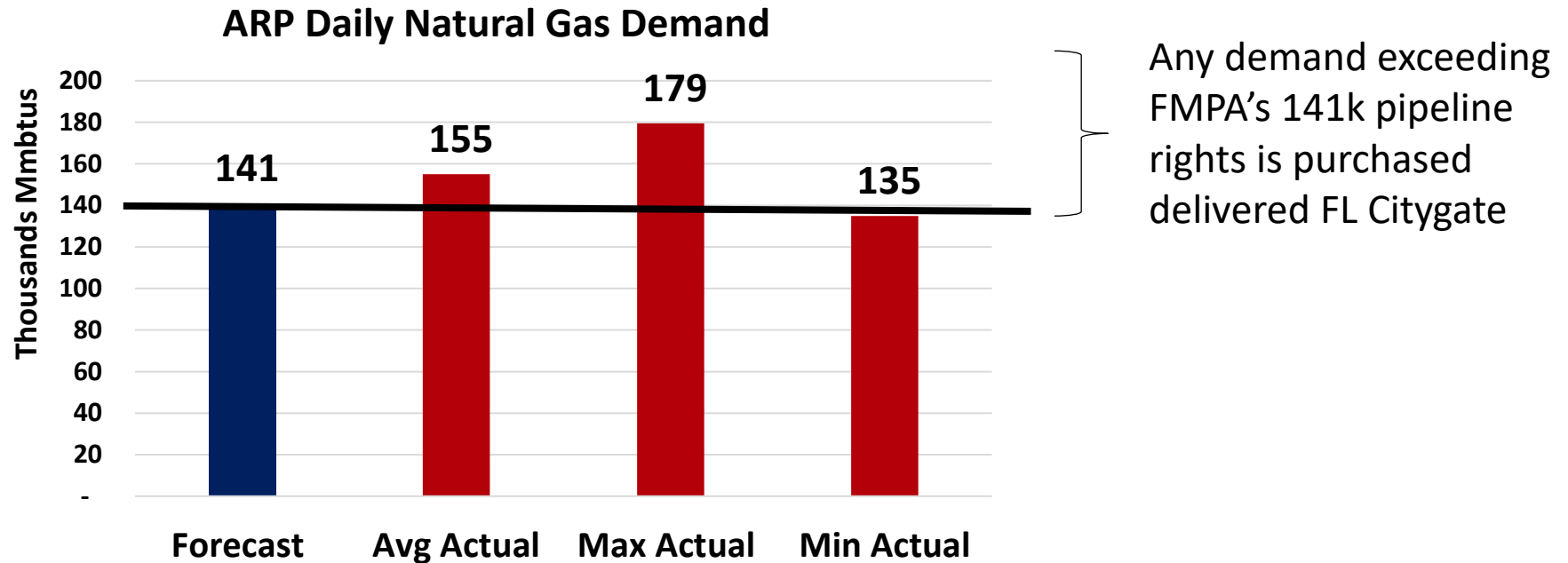
US SOUTHEAST POWER BURN DEMAND



Source: S&P Global Commodity Insights

ARP Summer Position Requires Daily Gas Purchases

July Position Leaves 40% Exposed to Daily Basis Pricing



Additionally, ARP share of Stanton Coal units, Stanton A & Indian River burn 15.5k MMBtus/day. FGU does not manage these gas positions and are exposed to basis risk.

70k MMBtus / Day on Average Remain Open to Z3 Basis

ARP Has Some Insulation From Full Impact In Surplus Power Sales

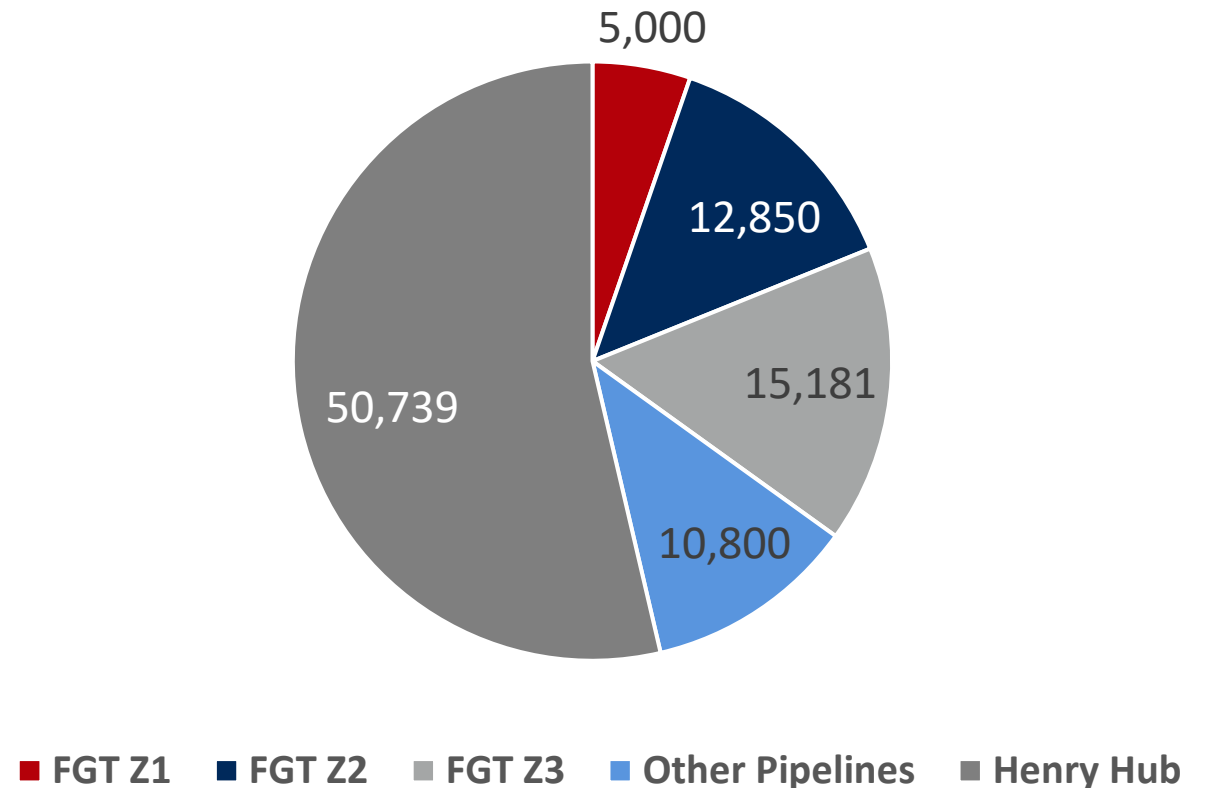
- 45% priced first-of-month at \$6.34 / MMBtu
- Daily spot physical purchases through 7/18 averaging \$10.29
- Through 7/18 all-in aggregate weighted average price for month \$7.95*
- Other Financial Offsets to Basis for ARP
 - 3rd party and FMPP sales priced with pass through at FGTZ3 Pricing – ~15% of overall natural gas demand
 - FMPPA has storage withdrawal capability of 10,000 MMBtus/day
 - FGU withdraws when HH/Z3 Spread >\$5.50, injects when <\$3.00

First of Month HH Purchases - Some Price Protection

Purchases at Typical Locations HH & FGT Zones 1, 2 & 3

- FGU & FMPA Staff setup July with 94,570 MMBtus of fixed price purchases
- 50,739 MMBtus of these were tied to Henry Hub
- Weighted average pricing for advance HH purchases was \$5.78/MMBtu
- Actual pricing thus far for HH is \$7.53 resulting in \$1.75 protection for these purchases

ARP Fixed Price Purchases Prior to Month





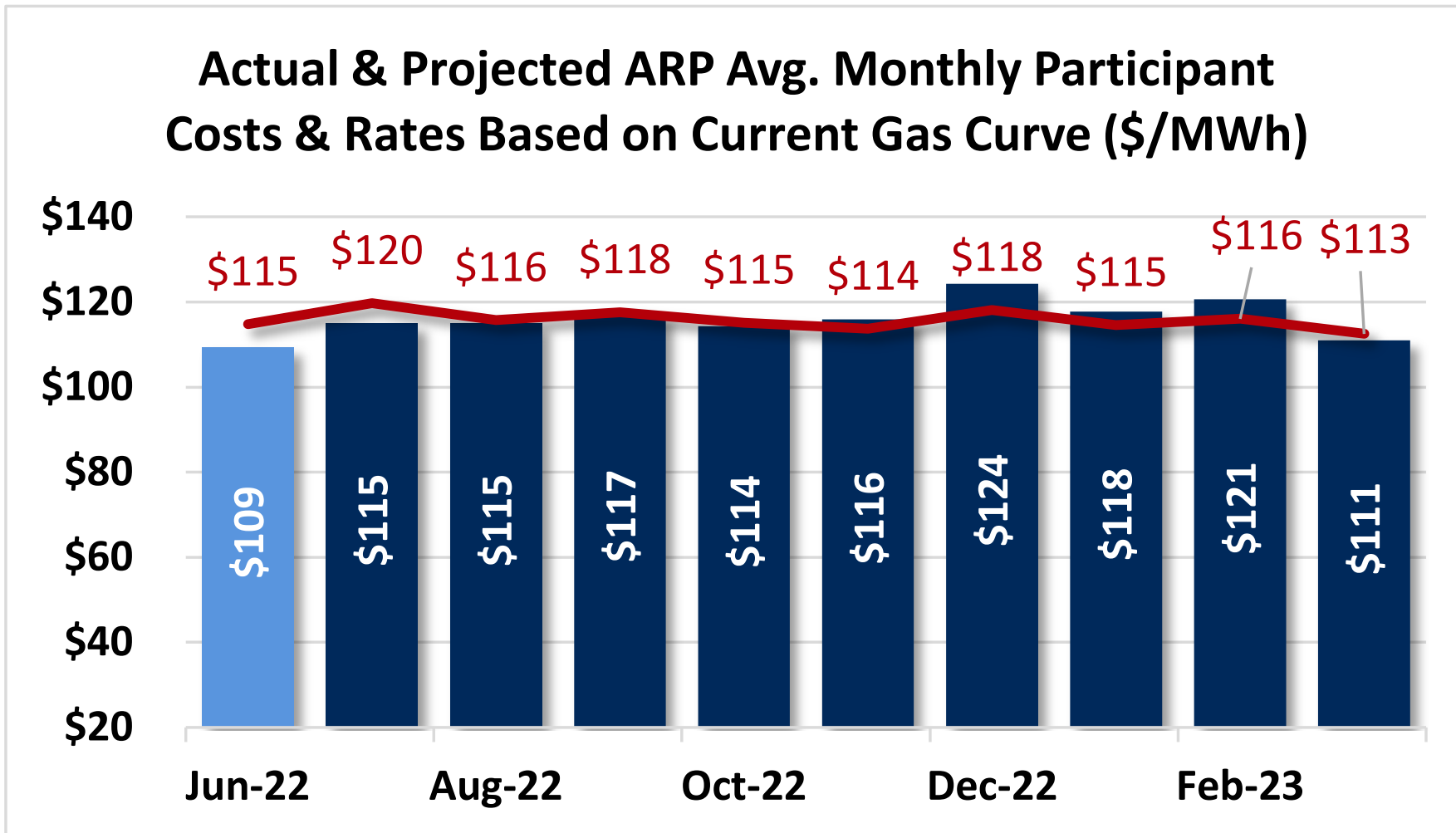
ARP Rate Summary



Monthly Participant Rates Forecasted < \$120/MWh

Assumes up to \$40 Million Used for Cash Support

Actual & Projected ARP Avg. Monthly Participant Costs & Rates Based on Current Gas Curve (\$/MWh)



Funding Source

- Current source of funding for margin calls and 60-day cash needs
 - 2021B Bond proceeds
 - To cover margin calls - \$50 M
 - To cover 60-day cash needs -\$20 M
- Proposed funding – flexibility to use \$70M 2021B bond proceeds as needed for margin calls and 60-day cash needs as Staff deem necessary
- Future funding options, if/as needed
 - Pooled Loan - \$15M
 - Additional use of 2021B Bond proceeds



Executive Committee Authorized Target Pricing



Outline of Price Stability Target Trigger Levels

Lock in Fixed Volumes If Prices Hit Certain Thresholds

Period	Threshold \$/MWh	Threshold \$/MMBtu	Incremental Volume Managed (%)
Aug '22 – Mar. '23	\$100	\$6.40	40%
	\$96	\$6.00	20%
	\$95.50	\$5.50	15%
Apr. '23 – Mar. '24	\$90	\$4.70	0%
	\$87.50	\$4.35	0%
	\$85	\$4.00	0%
Apr. '24 – Mar. '25	\$88	\$4.40	0%
	\$86	\$4.15	0%
	\$83.50	\$3.90	0%

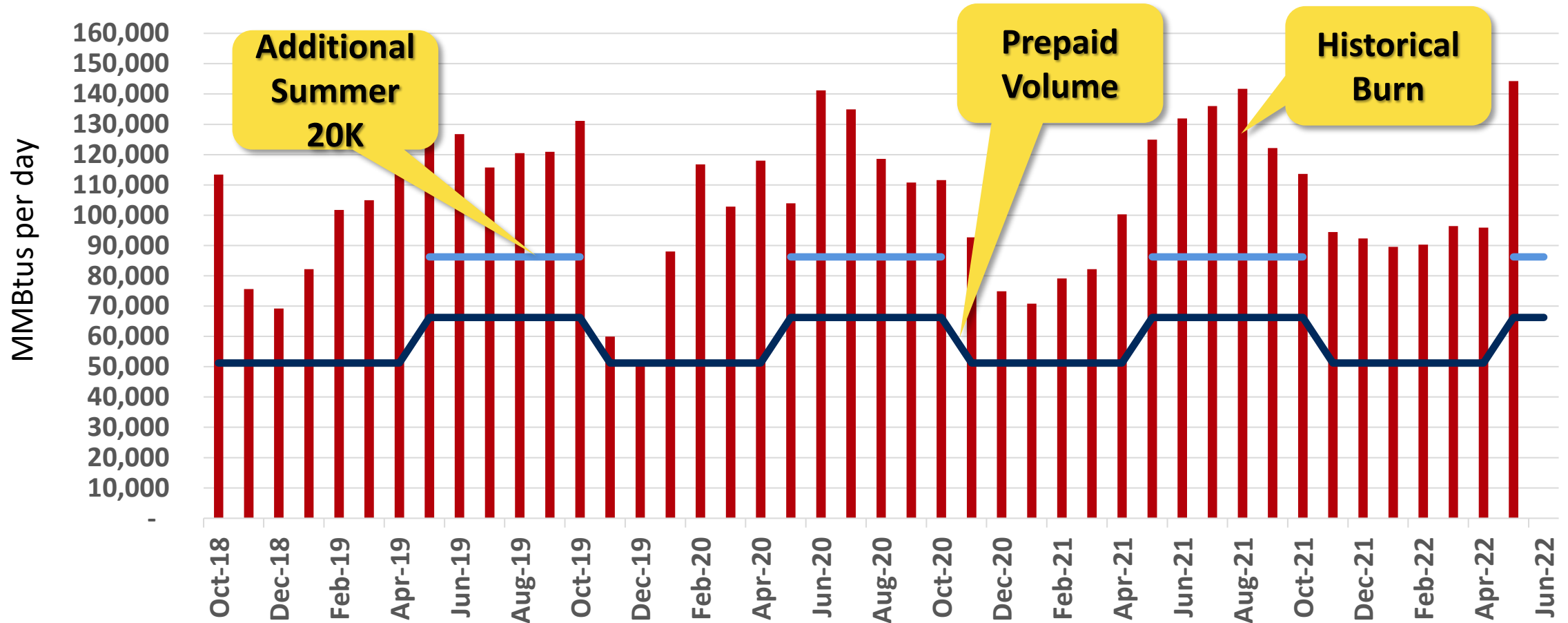


Additional Prepaid Gas Request



ARP System Demand Supports Additional Summer Transactions

Three Baseload Combined Cycles ~124K MMBtu per day



Summer Only Prepaid Transactions Opportunities

Summer Only Best Match for ARP

- Municipal Gas Authority of Georgia (Main Street)
- Savings start on May 1, 2023
 - 10,000 per day, discount \$0.57 per MMBtu, \$1,043,000 annual savings
 - Term 30 years with 6 year “Put” i.e., reset discount period 23 cent min
 - Same FGU Directive as prior transactions with Main Street
- Additional Summer Volume Request
 - Staff seek authorization for additional summer only volume up to 10k MMBtu per day
 - Discount of at least \$0.30 per MMBtu, minimum \$549,000 annual savings
 - No longer than 30 years
 - Same FGU Directive as prior transactions

Prepaid Gas Portfolio Detailed

Annual Savings Over \$7.5M When All Transactions Close

Prepaid Gas Transactions	Daily MMBtu Volume	Discount off First of Month Price*	Annual Savings	Saving Start Date
Main Street/RBC	2,750	\$0.40	\$401,500	April 1, 2019
Main Street/RBC 21	5,000	\$0.30	\$547,500	June 1, 2022
Main Street/Macquarie	2,500	\$0.30	\$273,500	April 1, 2019
Main Street/TD Bank	8,000	\$0.31	\$905,200	July 1, 2019
Main Street/Citi	1,830(W)/2,600(S)	\$0.35	\$282,966	April 1, 2022
Main Street/Citi	10,000(S)	\$0.57	\$1,043,100	May 1, 2023
PEAK/BP Energy (April 2026)	3,000	\$0.08	\$87,600	Nov. 1, 2020
TEAC/GS	5,000	\$0.30	\$547,500	April 1, 2022
Black Belt Energy/Morgan Stanley	10,000	\$0.32	\$1,168,000	Nov. 1, 2019
BBE/2021	3,170(W)/2,400(S)	\$0.30	\$328,320	April 1, 2022
BBE/RBC	10,000	\$0.32	\$1,168,000	Oct 1, 2022
Minnesota Gas Agency/RBC	15,000(S)	\$0.30	819,000	May 1, 2022
Totals	51,250(W)/76,250(S)		\$7,572,186	

Recommended Motion

- Move approval allowing staff to direct FGU for an additional Summer Only (May-October) 20,000 MMBtu per day of pre-paid gas with at least first of month discount of \$0.30 per MMBtu.