



## MEMORANDUM

**TO:** FMPA Executive Committee  
**FROM:** Jacob Williams, General Manager & CEO  
**DATE:** September 23, 2022  
**RE:** **Special Called ARP Executive Committee Telephonic/Teams Meeting  
Thursday, September 29, 2022 at 9:00 AM**  
**PLACE:** Via Teams and at Florida Municipal Power Agency  
8553 Commodity Circle, Orlando, FL 32819  
Executive Conference Room, Orlando, Florida  
**DIAL-IN:** 321-299-0575, Access Code 257 693 628 337  
[Click here to join the meeting](#) or [+1 321-299-0575,,257693628337#](#)

**(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 – Approval of Gas Price Stability**
- 6. Member Comments**
- 7. Adjournment**

The participants in the above referenced public meeting will conduct the public meeting by telephone, via Teams/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.



# **5 – Approval of Gas Price Stability**

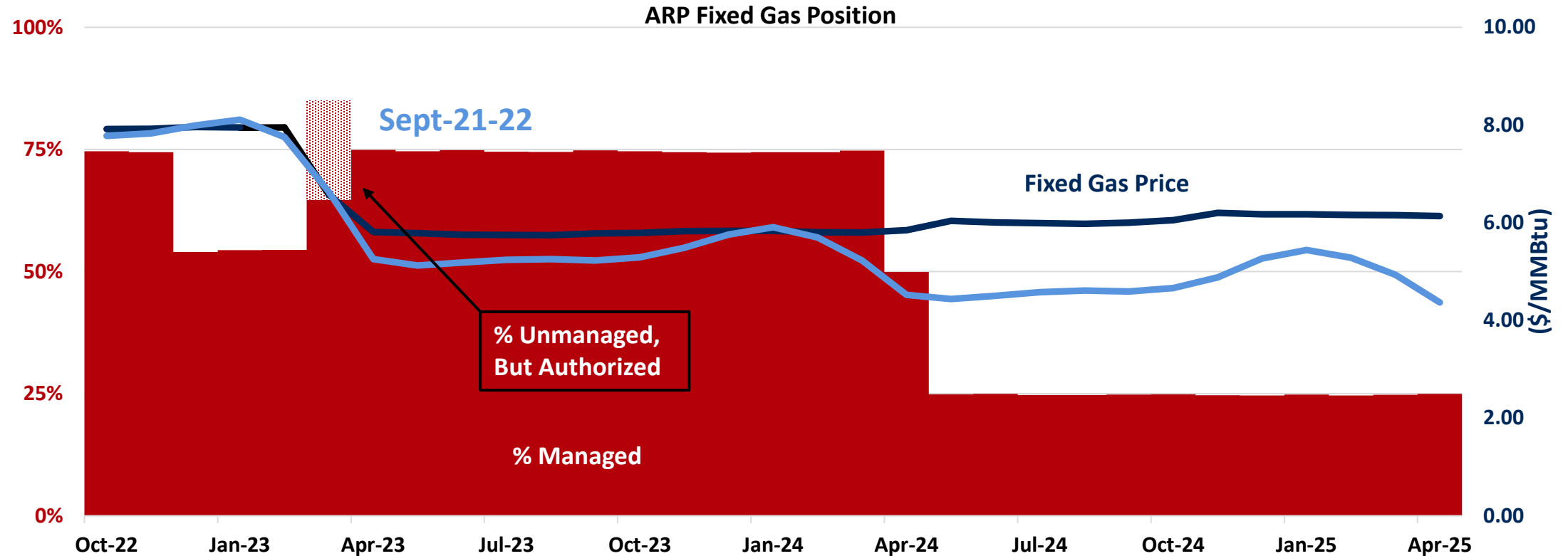
Executive Committee

Sept. 29, 2022



# Natural Gas Henry Hub Price Risk Management

## *Only March 2023 Authorizations Remain to be Executed*

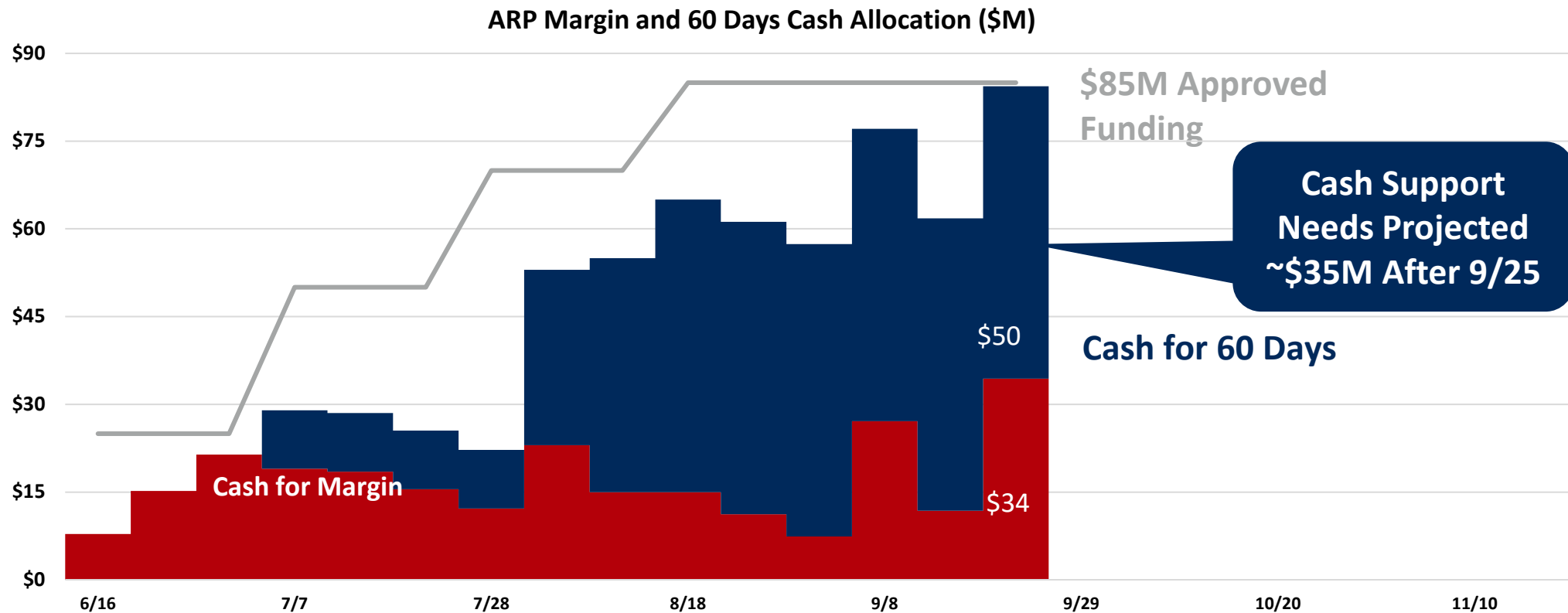


**Forward Natural Gas Price/Triggers vs. Fixed Gas Price Achieved**  
**Percent of Monthly Volume Fixed**

# ARP Funding to Manage Margin/Cash Now \$85M

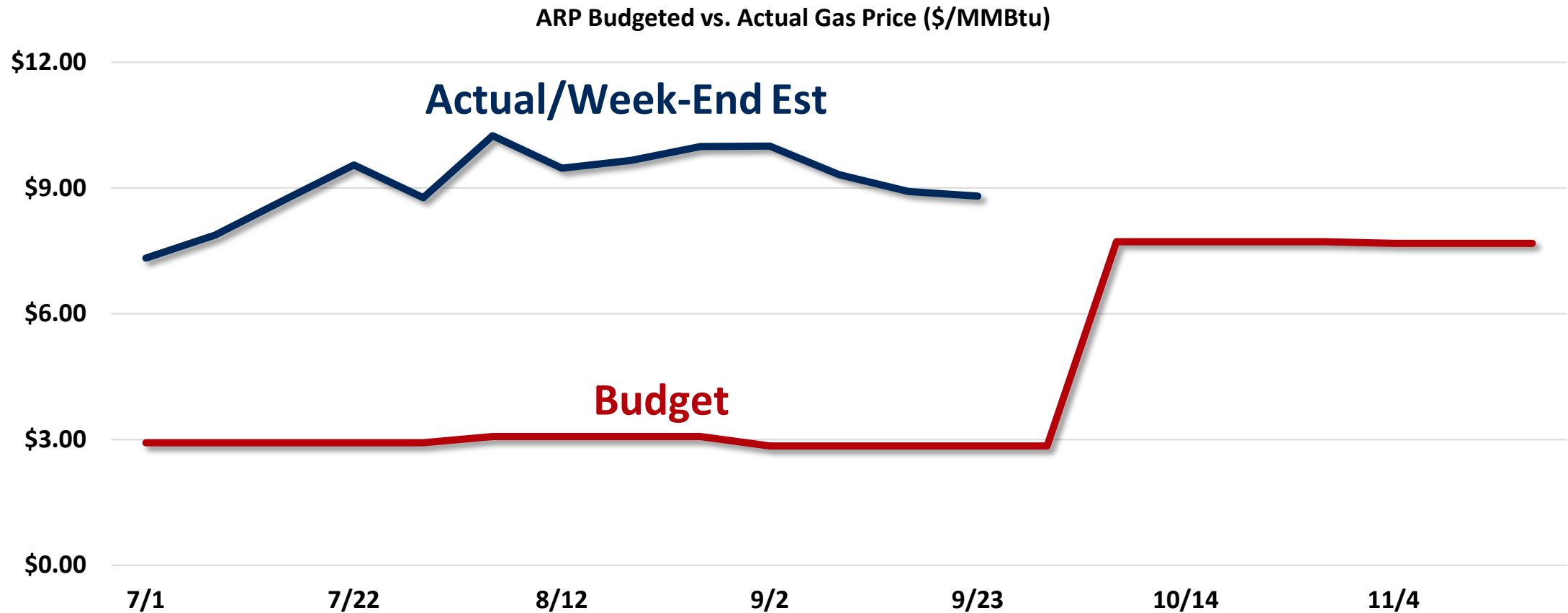
## *Approved Funding Sufficient to Manage Margin + 60 Days*

### Approved Funding vs. Actual Margin Cash and Cash Allocated for 60 Day Target



# ARP Actual Gas Prices Continue to Outpace Budget

*Budgeted Gas Increase in Fiscal 2023, Week-End Est. By FGU*

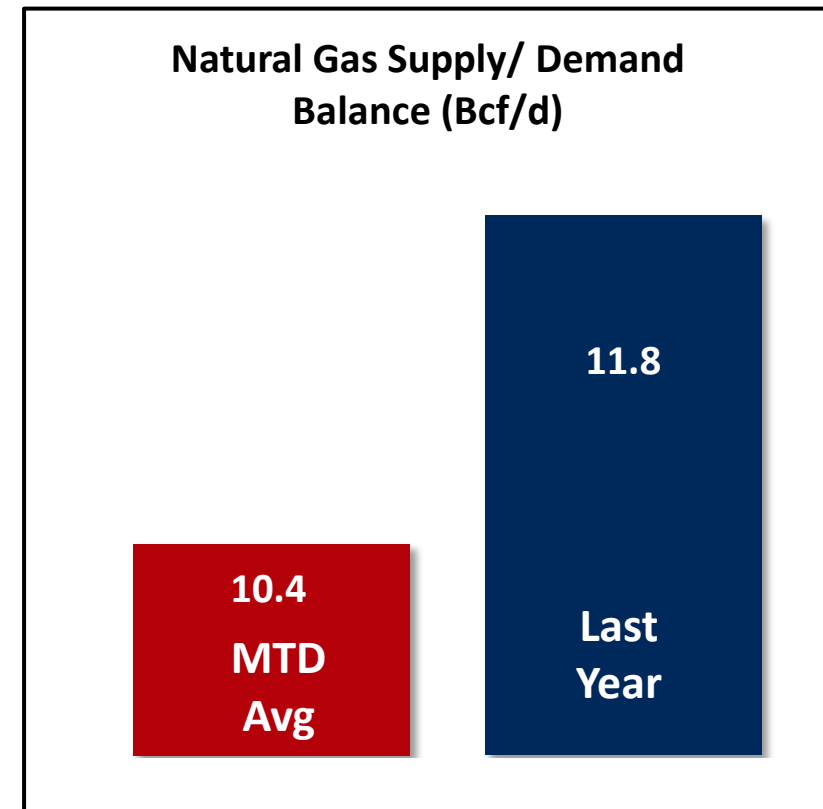


# Natural Gas Demand Growth Outpacing Supply Growth

*Supply Up 4 Bcf/Day, Demand Up 5.4 Bcf/Day*

## U.S. Gas Generation Increase Driving Growth

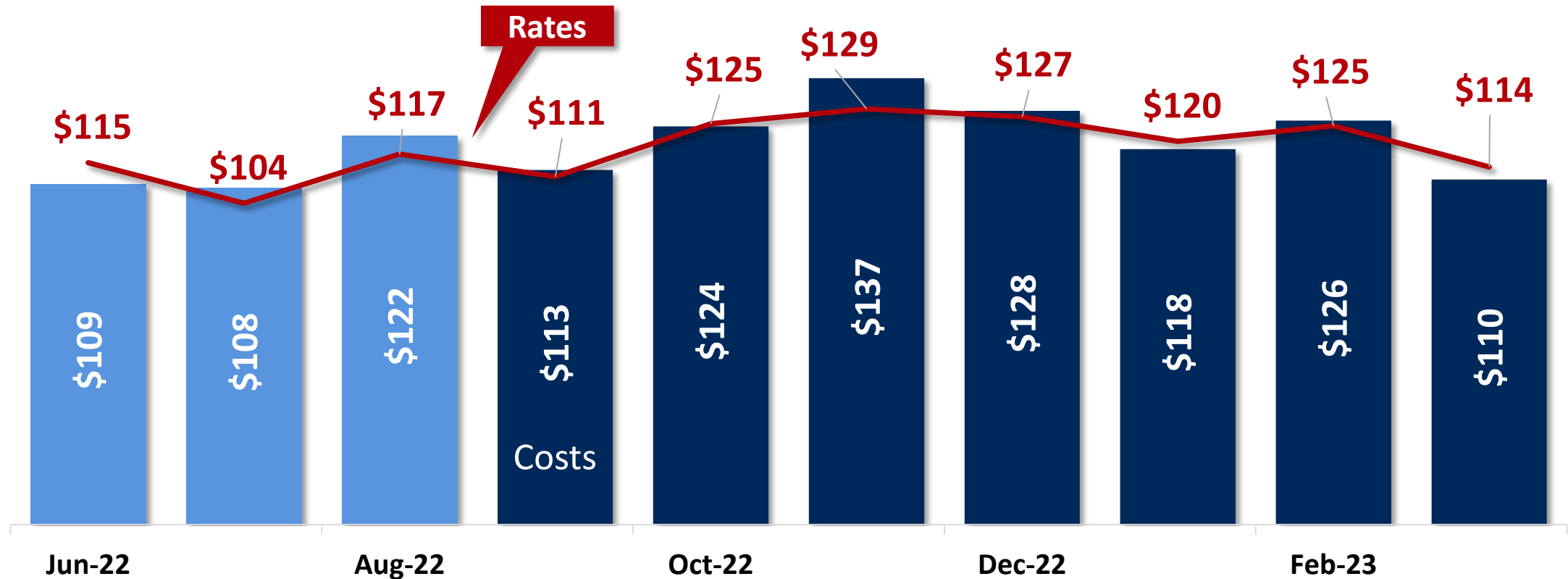
Supply / Demand Detail (Bcf/day)		
	MTD Avg	Last Year
Production	96.3	93.3
Imports	5.8	4.8
<b>Total Supply</b>	<b>102.1</b>	<b>98.1</b>
Power Demand	-39.7	-34.8
Industrial Demand	-21.3	-21.5
Res / Com Demand	-11.6	-11.5
Exports	-19.1	-18.5
<b>Total Demand</b>	<b>-91.7</b>	<b>-86.3</b>
<b>Net Surplus for Storage</b>	<b>10.4</b>	<b>11.8</b>



# Monthly Participant Rates Forecasted < \$130/MWh

*Assumes Cash Support \$35M for September Rates*

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



# Support for Manchin Bill Tenuous as Deadline Nears

## *Language Released 9/21, Both Sides Voicing Opposition*

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- To secure Sen. Manchin's support of Inflation Reduction Act, Sen. Schumer agreed to allow a bill to streamline permitting for significant energy infrastructure projects
- Revised language for Energy Independence and Security Act of 2022 released on 9/21
- Directs president to identify 25 high-priority energy projects to expedite, setting two-year max timeline for National Environmental Policy Act (NEPA) reviews
  - Only five fossil fuel-based project types including LNG export terminals
  - Requires balance with “clean tech” minerals, renewable energy, storage, and electric transmission
- Estimated to require more bipartisan support than may be available, including near unanimous Republican support to offset Democratic opposition
- Probability of passage eroding by the day



# Gas Prices Drive Costs

*Avg. All-In Cost Up ~\$6.50/MWh for Every ~\$1 Increase in Gas*

Gas Price Assumed (\$/MMbtu)	Projected All-In Cost April '23 – March '24 (\$/MWh)
\$3	\$78
\$4	\$85
\$5	\$92
\$6	\$99
\$7	\$105
\$8	\$112
\$9	\$118
\$10	\$124

# Near-Term Price Stability Target Trigger Levels

*Lock in Fixed Volumes if Prices Hit Certain Thresholds*

Period	Threshold \$/MMBtu	Incremental Volume Managed (%)	Executed	Projected All-In Cost (\$/MWh) <sup>2</sup>
Oct '22 – Nov. '22	\$7.92 <sup>1</sup>	10%	Yes	\$111
	\$7.75 <sup>1</sup>	10%	Yes	\$110
	\$8.25 <sup>1</sup>	15%	Yes	\$114
	\$7.99 <sup>1</sup>	15%	Yes	\$112
	\$7.75 <sup>1</sup>	25%	Yes	\$110
Dec. '22 – Feb. '23	\$8.19 <sup>1</sup>	15%	Yes	\$113
	\$8.06 <sup>1</sup>	15%	Yes	\$112
	\$7.75 <sup>1</sup>	25%	Yes	\$110

<sup>1</sup>Actual average price executed.

<sup>2</sup>Projected ARP cost w/ 100% of gas set to Threshold price.

# Longer-Term Price Stability Target Trigger Levels

*Lock in Fixed Volumes if Prices Hit Certain Thresholds*

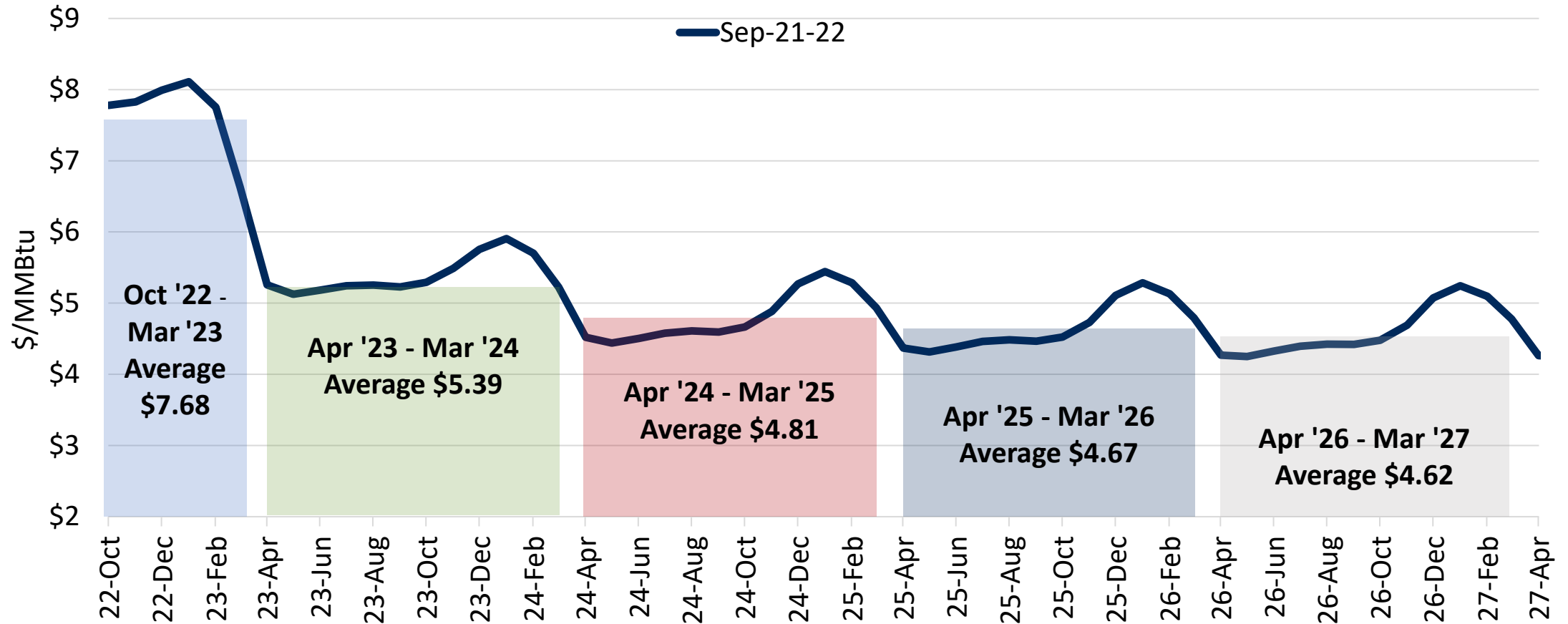
Period	Threshold \$/MMBtu	Incremental Volume Managed (%)	Executed	Projected All-In Cost (\$/MWh)
<b>Mar. '23</b>	\$6.34 <sup>1</sup>	40%	Yes	\$101
	\$6.95 <sup>1</sup>	25%	Yes	\$105
	\$6.00	20%	No	\$99
	\$5.50	15%	No	\$95
<b>Apr '23 – Mar. '24</b>	\$5.84 <sup>1,2</sup>	50%	Yes	\$97
	\$5.69 <sup>1</sup>	25%	Yes	\$96
<b>Apr. '24 – Apr. '25</b>	\$6.07 <sup>1,2</sup>	25%	Yes	\$99

<sup>1</sup> Actual average price executed

<sup>2</sup> 45% of the gas managed is physical gas at FTZ3 which was ~\$0.25/mmbtu higher for the Henry Hub to FTZ3 basis

# Gas Forward Curve Shows Steep Drop for Spring 2023

*Post April 2024 Pricing Fairly Flat on Average ~\$4.65/MMBtu*



# Potential Further Long-Term Price Stability Targets

*Lock in Fixed Volumes if Prices Hit Certain Thresholds*

Period	Threshold \$/MMBtu	Incremental Volume Managed (%)	Executed	Projected All-In Cost (\$/MWh) <sup>2</sup>
Apr. '24 – Mar. '25	\$6.06 <sup>1,2</sup>	25%	Yes	\$99
	Market	15%	Proposed	\$90
	\$5.00	15%	Proposed	\$92
	\$4.75	10%	Proposed	\$90

<sup>1</sup> Actual average price executed.

<sup>2</sup> Projected ARP cost w/ 100% of gas set to Threshold price.

# Current Funding of Fuel/Power Cost Stabilization

## *2021B Bonds, Pooled Loan and Solar Recoupment*

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- FMPA has \$100M from the 2021B Bond sale
  - The EC has authorized the use of \$85M to support fuel/power cost stabilization (margin calls and 60-day cash target)
- EC has authorized a \$15M pooled loan for further stabilization
- The ARP will use the recouped \$13M from solar investment as added stabilization
- ARP will have \$115M to support the "cash needs" of the fuel/power cost stabilization.
- Current requirements are ~\$84M to support all fixed volumes purchased by FGU as of 9/22/22

# Margin Call Implications of Proposed Further Targets

*~\$5M Increased Exposure Based on \$1.00 Shaped Drop Case*

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- Based on one year of history, modeled \$1.00 price drop scenario in front month (Oct. 2022) with shaped drop in succeeding months based on historical relationship across time
- Results in drop ~\$0.30 - \$0.50 in outer periods
- Would reflect ~\$21.7M in margin posting for currently locked volumes through April 2025
- Increasing overall fixed volume to 65% for April 2024 – March 2025 with same scenario would require ~\$5M in additional margin posting
- Initial margin posting still applies, with cash management needs declining in this scenario if front month declines