



## **FINANCE COMMITTEE AGENDA PACKAGE**

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**September 18, 2024  
2:00 p.m.  
Dial-in Info: 1-321-299-0575  
Meeting ID: 210 801 832 840 #**

### **Committee Members**

Jim Williams, Leesburg – Chair  
Howard McKinnon, Havana-Vice Chair  
Javier Cisneros, Fort Pierce  
Barbara Quiñones, Homestead  
Karen Nelson, Jacksonville Beach  
Jesse Perloff, Key West  
Kevin Crawford, Kissimmee  
Steve Langlely, Mount Dora  
Dallas Lee, Newberry  
Efren Chavez, New Smyrna Beach  
Marie Brooks, Ocala  
James Braddock, Wauchula

### **Meeting Location**

**Florida Municipal Power Agency  
8553 Commodity Circle  
Orlando, FL 32819  
(407) 355-7767**



# MEMORANDUM

TO: FMPA Finance Committee  
FROM: Rich Popp  
DATE: September 11, 2024  
SUBJECT: FMPA Finance Committee Meeting  
September 18, 2024 at 2:00pm  
PLACE: Florida Municipal Power Agency Board Room  
8553 Commodity Circle,  
Orlando, FL 32819

**DIAL-IN INFORMATION: 321-299-0575, Meeting 210 801 832 840#**  
**(If you have trouble connecting via phone or internet, please call 407-355-7767)**  
[Click here to join the meeting](#)

*Chairperson Jim Williams, Presiding*

## AGENDA

- 1. Call to Order, Roll Call, Declaration of Quorum .....4
- 2. Recognition of Guest.....5
- 3. Public Comment (Individual public comments limited to 3 minutes) .....6
- 4. Set Agenda (by vote) .....7
- 5. Consent Agenda
  - a. Approval of Minutes – Finance Committee Minutes – Meeting Held  
August 21, 2024.....9
- 6. Chairperson’s Remarks.....15
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**8. Action Items**

- a. Approval of Truist as Credit Provider for Pooled Loan Program (Sena Mitchell) .....18
- b. Approval of Spending Authority & Procurement Requirements for FY 2025 (Danyel Sullivan-Marrero).....24
- c. Recommended Approval of Resolution 2024-EC4 for Budget Amendment for All-Requirements Power Supply Project (Denise Fuentes).....34
- d. Recommended Approval of Allowing Certain Previously Budgeted ARP Capital Project Dollars to be Spent During FY 2025 (Jason Wolfe) .....42
- e. Recommended Approval of Moving Stanton II Project Funds (Louis DeSimone) .....53
- f. Recommended Approval of the 2022-2023 OUC Audit Report (Liyuan Woerner) .....59

**9. Information Items**

- a.Operational Audit Report – Procurement Audit (Victor Gaines) .....81
- b.All-Requirements Debt Financing Plan (Rich Popp) .....93

**10. Reports**

- a. Risk Compliance Review Report (Liyuan Woerner).....102

**11. Comments .....111**

**12. Adjournment.....112**

RP/lj

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 1-(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**

**Finance Committee Meeting  
September 18, 2024**

**AGENDA ITEM 2 – RECOGNITION OF  
GUESTS**

**Finance Committee Meeting  
September 18, 2024**

**AGENDA ITEM 3 – PUBLIC  
COMMENTS (Individual Public  
Comments Limited to 3 Minutes)**

**Finance Committee Meeting  
September 18, 2024**

**AGENDA ITEM 4 – SET AGENDA (By  
Vote)**

**Finance Committee Meeting  
September 18, 2024**

**AGENDA ITEM 5 – CONSENT  
AGENDA**

- a. Approval of Minutes – Finance  
Committee Minutes - Meeting  
Held August 21, 2024**

**Finance Committee Meeting  
September 18, 2024**



CLERKS DULY NOTIFIED .....AUGUST 15, 2024  
AGENDA PACKAGE SENT TO MEMBERS.....AUGUST 14, 2024

**MINUTES  
FINANCE COMMITTEE MEETING  
WEDNESDAY, AUGUST 21, 2024  
FLORIDA MUNICIPAL POWER AGENCY  
8553 COMMODITY CIRCLE  
ORLANDO, FL**

**PARTICIPANTS  
PRESENT**

Barbara Mika, Fort Pierce  
Howard McKinnon, Havana  
Barbara Quiñones, Homestead (virtual)  
Karen Nelson, Jacksonville Beach (virtual)  
Jesse Perloff, Key West  
Kevin Crawford, Kissimmee  
Jim Williams, Leesburg  
Efren Chavez, New Smyrna Beach (virtual)  
Marie Brooks, Ocala  
James Braddock, Wauchula

**PARTICIPANTS  
ABSENT**

Steve Langley, Mount Dora  
Dallas Lee, Newberry

**OTHERS  
PRESENT  
VIRTUALLY**

Javier Cisneros, Fort Pierce (virtual)  
Dan Goetz, Kissimmee (virtual)  
Charlene Pollette, Ocala (virtual)  
Kathryn Eno, Purvis, Gray & Co  
Tim Westgate, Purvis, Gray & Co  
Michael Mace, PFM

**STAFF PRESENT**

Rich Popp, Chief Financial Officer  
Jody Finklea, General Counsel and Chief Legal Officer  
Sharon Adams, Chief People and Member Services Officer  
Ken Rutter, Chief Operating Officer  
Jason Wolfe, Financial Planning, Rates and Budget Director  
Chris Gowder, Vice President IT/OT and Syst.  
Danyel Sullivan-Marrero, Controller  
Lindsay Jack, Senior Administrative & Member Services Assistant  
Sena Mitchell, Treasurer Manager  
Liyuan Woerner, Audit Manager  
Wayne Koback, IT Manager  
Louis DeSimone, Financial Planning and Rates Analyst II  
Melissa Cain, Investments Treasury Analyst II  
Mackayla Cross, Administrative Assistant

**ITEM 1 – Call to Order, Roll Call and Declaration of Quorum**

Board Chair Jim Williams, Leesburg, called the FMPA Finance Committee Meeting to order at 2:00 p.m. on Wednesday, August 21, 2024. A video and audio connection for public attendance and participation was broadcast in the Frederick M. Bryant Board Room, FMPA, 8553 Commodity Circle, Orlando, Florida. The roll was taken, and a quorum was declared, with 10 of 12 members present.

**ITEM 2 – RECOGNITION OF GUESTS**

Timothy Westgate and Kathryn Eno of Purvis, Gray and Company.  
Michael Mace of PFM

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

None.

**ITEM 4 – SET AGENDA (BY VOTE)**

**MOTION:** Howard McKinnon, Havana, moved approval to set the agenda as presented. Kevin Crawford, Kissimmee, seconded the motion. Motion carried 10-0.

**ITEM 5 –CONSENT AGENDA**

- a. Approval of Meeting Minutes, Meeting held June 6, 2024

**MOTION:** Howard McKinnon, Havana, moved approval of the Consent Agenda. Barbara Quinones, Homestead, seconded the motion. Motion carried 10-0.

**ITEM 6 – CHAIRPERSONS REMARKS**

Jim Williams, Leesburg, explained item 9e-Interim Audit Update will be moved to the last item and will be presented after 9f. At that time, if anyone would prefer not to have the staff present, that can be mentioned, and staff will leave prior to the Interim Audit Update with PFM.

**ITEM 7 – CFO REPORT**

Rich Popp explained that with the successful edition of the Mulberry Plant and the Sand Lake Energy Center, an action item will be presented to request some changes with procurement spending authority. He further explained that with new plants being added, the workload is increasing, and FMPA is evaluating the efficiency of our processes.

Rich Popp said FMPA has been proactive over the summer with investments, extending the

duration and capturing higher interest rates.

Rich Popp explained that the workload regarding invoices has significantly increased with the addition of Mulberry Plant and Sand Lake Energy Center. The volume of invoices and the approval process for these invoices were evaluated. A comparison with our peers was conducted to determine how we could improve our approval process to ensure we are getting payments out in a timely manner.

Howard McKinnon, Havana, asked if we have the staff for the increased workload.

Rich Popp explained many of the processes have been automated to help with efficiency. The automated invoices apply to the simple bills. However, the increased volume of invoices are related to the plants and those invoices are harder to automate.

Sharon Adams added there is some support for the additional invoices at the plant and internal staff has also helped with the increased workload.

Rich Popp said FMPA would have a better idea of the actual workload in October or November and will be able to evaluate if any additional help is needed. Once evaluated, if the recommendation is brought to the Board to add additional staff, it is because we have done everything we possibly can and it has been determined to be the best option.

Rich Popp concluded by explaining that staff will bring forward an ARP financing debt plan soon.

## **ITEM 8 – ACTION ITEMS**

### a. Approval of Depository Bank Contract Extension

Melissa Cain presented the Approval of Depository Bank Contract Extension. Melissa explained the contract with Wells Fargo will be up in October 2024. Wells Fargo is offering a two year contract extension.

Howard McKinnon, Havana, questioned how much of the total savings of \$47,000 is not due to interest rates.

Melissa Cain confirmed that the savings amount was \$15,000.

Howard McKinnon, Havana, asked what the current options are if there was an option to renew the contract for only one year instead of two years.

Melissa Cain explained there is an option to renew the contract for only one year, however, we are proposing to extend the contract for two years since Wells Fargo is offering to waive our current fees of \$8,000 if we renew for two years.

Sena Mitchell added additional benefits of Wells Fargo, including the automation of our payment process, reduction in risk, top public depositor in the state of Florida, the level of communication offered, and Wells Fargo's willingness to inform us of any benefits we are not currently utilizing.

Rich Popp explained more than the savings, the main benefit of extending the contract with Wells Fargo involves the investment that has already been made to integrate our systems. If FMPA chose a different bank, we would have to remap those systems.

**MOTION:** Howard McKinnon, Havana, moved to approve of the two-year Depository Banking agreement extension option with Wells Fargo and recommend the same to both the Board of Directors and Executive Committee. Kevin Crawford, Kissimmee, seconded the motion.  
Motion carried 10-0.

b. Approval of Procurement and Spending Authority Modifications for FY 2025

Danyel Marrero presented the Approval of Procurement and Spending Authority Modifications for FY 2025.

Jason Terry, Kissimmee, asked why the procurement threshold should not be increased to \$250,000.

Rich Popp explained that the staff discussed the idea of a larger amount but wanted to start smaller.

Ken Rutter added for the projects for FY25, there weren't many between \$100,000-\$200,000 to justify requesting the larger threshold.

**MOTION:** Howard McKinnon, Havana, moved approval of the revised Procurement and Spending Authority Limits as presented and recommended to the Board of Directors and Executive Committee. Efren Chavez, New Smyrna Beach, seconded the motion.  
Motion carried 10-0.

**ITEM 9 – INFORMATION ITEMS**

a. ARP Pooled Loan Early Payoff

Sena Mitchell presented the ARP Pooled Loan Early Payoff.

b. Trustee Services Overview and Future Direction

Sena Mitchell presented the Trustee Services Overview and Future Direction.

Howard McKinnon, Havana, asked for clarification on what the “third-party review” was in regard to the review of the trustee services. He assumed it meant a third party and not FMPA.

Sena Mitchell explained that the third-party review was FMPA’s review of trustee services.

Jim Williams commented that Bank of New York has been the best option in his recent experience, with the best pricing as well.

Sena Mitchell explained the benefits of the current trustees: TD Bank and Bank of New York. Both trustees have competitive pricing and have offered trusting business relationships.

Howard McKinnon, Havana, asked if this item was strictly informational.

Rich Popp confirmed that FMPA was asking for guidance, and it was just informational. Mentioned possibly doing an RFP after the next two years when there is no longer a risk while FMPA is currently financing.

#### **c. Pooled Loan Program New Credit Provider**

Sena Mitchell presented the Pooled Loan Program New Credit Provider.

Sena Mitchell outlined the current options offered by the potential new credit provider, Truist, compared to the current credit provider, First Horizon.

Jim Williams asked for clarification on the “make the whole language”. Jody Finklea explained the bank calculates whatever the bank's net profit is on the loan, and you have to pay that amount.

Jody also stated there are few credit providers to choose from who will offer these programs. Truist has been willing to work with FMPA.

Howard McKinnon, Havana, asked if First Horizon was unwilling to continue business with FMPA.

Jody Finklea said Truist was willing to work with us. We decided internally as a team that we needed to bring to you the membership a pooled loan credit provider. We wanted you to evaluate the risk yourself. It's better to have a less than perfect credit provider than having no provider at all. First Horizon doesn't want to extend it or give a loan unless we would do additional business with them.

#### **d. Fiscal Year 2024 Budget Status through June**

Louis DeSimone presented the Fiscal Year 2024 Budget Status

It was further discussed that Stanton II, Stanton, and Tri-City participants are in ARP. ARP picks up their costs for being in those projects except for cities of Lake Worth Beach and Homestead. Ownership of coal is roughly 30%. Participants are locked into this risk.

**Presented prior to Item 9e**

**f. Operational Audit Report**

Liyuan Woerner presented the Operational Audit Report.

Howard McKinnon, Havana, asked what FMPA would do if there was an employee who continued to make the same errors when submitting receipts and/or did not have sales tax removed when appropriate.

Rich Popp explained that while FMPA has not experienced an employee who continued to make those mistakes repeatedly, appropriate action would be taken, and it would be possible that the corporate credit card would be revoked from the employee.

**e. Interim Audit Update**

Danyel Marrero and Tim Westgate presented the Interim Audit Update

\*FMPA staff was requested not to be present for the Interim Audit Update. All FMPA staff left the room and logged off from the meeting during this presentation.

**ITEM 10 – REPORTS**

None

**ITEM 11 – COMMENTS**

None

**ITEM 12 – ADJOURNMENT**

There being no further business, the meeting was adjourned at 3:42 p.m.

Approved Date \_\_\_\_\_

RP/lj

**AGENDA ITEM 6 – CHAIRPERSON'S  
REMARKS**

**Finance Committee Meeting  
September 18, 2024**

**AGENDA ITEM 7 – CFO REPORT**

**Finance Committee Meeting  
September 18, 2024**



**AGENDA ITEM 8 – ACTION ITEMS**

- a. Approval of Truist as Credit Provider for Pooled Loan Program**

**Finance Committee Meeting  
September 18, 2024**



# **8a – Approval of Truist as Credit Provider for the Pooled Loan Program**

Finance Committee

September 18, 2024

# Pooled Loan Program

## *Potential Partnership with Truist to Support Program*

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- Engaged in discussions with Truist since February 2024 on potential partnership.
- Truist has been the only bank to express interest in supporting the Pooled Loan Program.
- Truist's detailed review of our program and loan documents has led to several changes that modify the existing document language and terms.
  - Proposed modifications mostly align with current trends for bank loans today.

# Proposed Modifications (as previously presented)

## *Key Changes with Truist as Credit Provider*

	First Horizon	Truist modifications**
Minimum Loan Amount	\$1 million	\$2 million
Rate Lock	Varies, ~ 7 days prior to closing	30, 60, 90-day options available
Term	10 years max	20 years max
Capacity	\$25 million commitment	\$50 million <b>un</b> committed line <i>*lender can terminate unused commitment – provide 5 business days notice.</i>
Loan Approval	All	Minimum standard guidelines <i>*intention for all loans to be approved if meet guidelines.</i>
Prepayment Optionality	Year 1 – 103% Year 2 – 102% Year 3 – 101% No prepayment penalty after year 3	<ul style="list-style-type: none"> <li>• Subject to bank’s standard make whole language</li> <li>• Up to 10% of par without being subject to make whole</li> </ul>

# Proposed Modifications (as of September 2024)

## Key Changes with Truist as Credit Provider

	First Horizon	Truist modifications**
Legal Entity Representation	One entity for all loan types	<ul style="list-style-type: none"> <li>• Truist Commercial Equity, Inc. for Tax-exempt loans</li> <li>• Truist Bank for Taxable loans</li> </ul> <p><i>*All loan decisions made by same credit group</i></p>
Trustee for New Loans	TD Bank, N.A.	<p>Truist Corporate Trust (possibly)</p> <p><i>*Potential efficiencies in making loan payments</i></p>
Advance Fees	<ul style="list-style-type: none"> <li>• Bank Fee - \$5,000</li> <li>• Bank Legal Fee - \$7,000</li> </ul>	<ul style="list-style-type: none"> <li>• Bank Fee - none</li> <li>• Bank Legal Fee – varies depending on size and structure</li> </ul> <p><i>*Does not include Trustee &amp; Legal Fees</i></p>
Grace & Notice Periods	In general, timeframes reduced from 90/60/30 to 60/30/10	
Consent Rights	<p><b>Added Lender consent rights for any Supplemental Resolution that amends an Event of Default</b></p>	

# Recommended Motion

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- Move approval of Loan Agreement and Participant Loan Agreement documents adding Truist as the Credit Provider for the Initial Pooled Loan Project.

**AGENDA ITEM 8 – ACTION ITEMS**

- b. Approval of Spending  
Authority & Procurement  
Requirements for FY 2025**

**Finance Committee Meeting  
September 18, 2024**



# **8b – Approval of Spending Authority & Procurement Requirements for FY 2025**

Finance Committee

September 18, 2024



# Proposed Changes in Procurement Thresholds

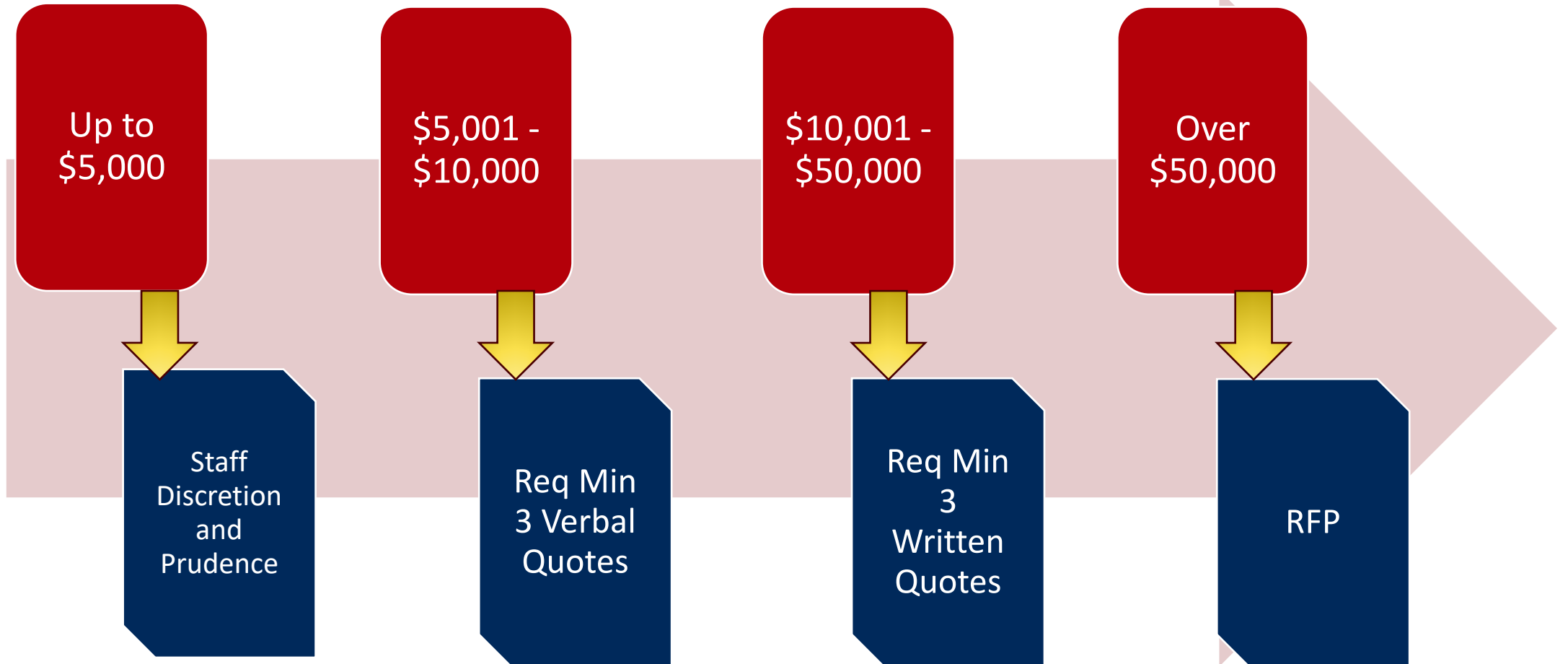
## *Why Increase the Thresholds?*

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- Align with other generating municipality thresholds, for example:
  - JEA – RFP > \$300,000 \$50,000 - \$300,000 Informal Published Bid to Request Quotes
  - OUC – RFP > \$50,000 Projects >\$100,000 Must go to the commission for funding approval
  - GRU – RFP > \$100,000
- Thresholds have not been changed to reflect inflation over many years
- Allow for quicker & more efficient decision-making
- Reduce administrative burden
- Proposing to adjust every 3 years, index to the Consumer Price Index, rounding to the nearest \$2,500 Agency and nearest \$10,000 for ARP

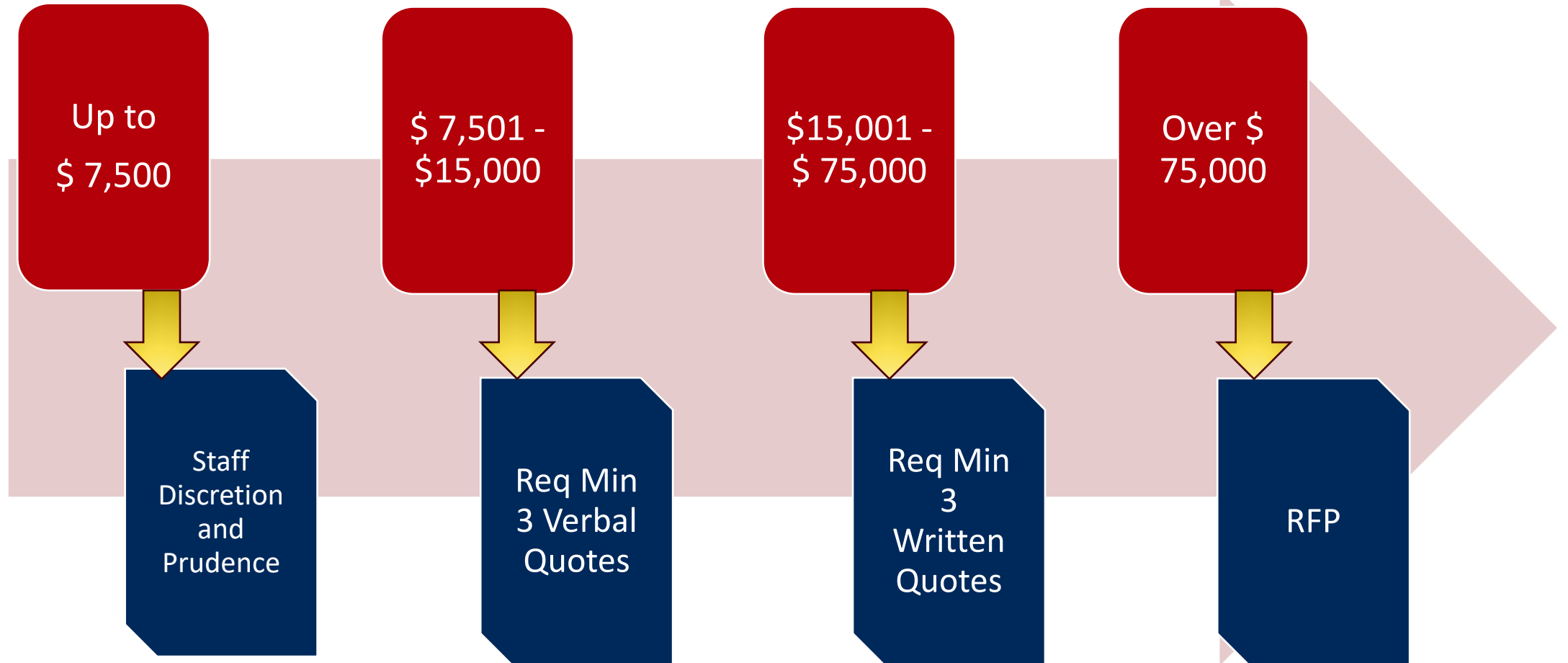
# Agency & ARP Current Procurement Thresholds

## *Total Cost & Procurement Requirements*



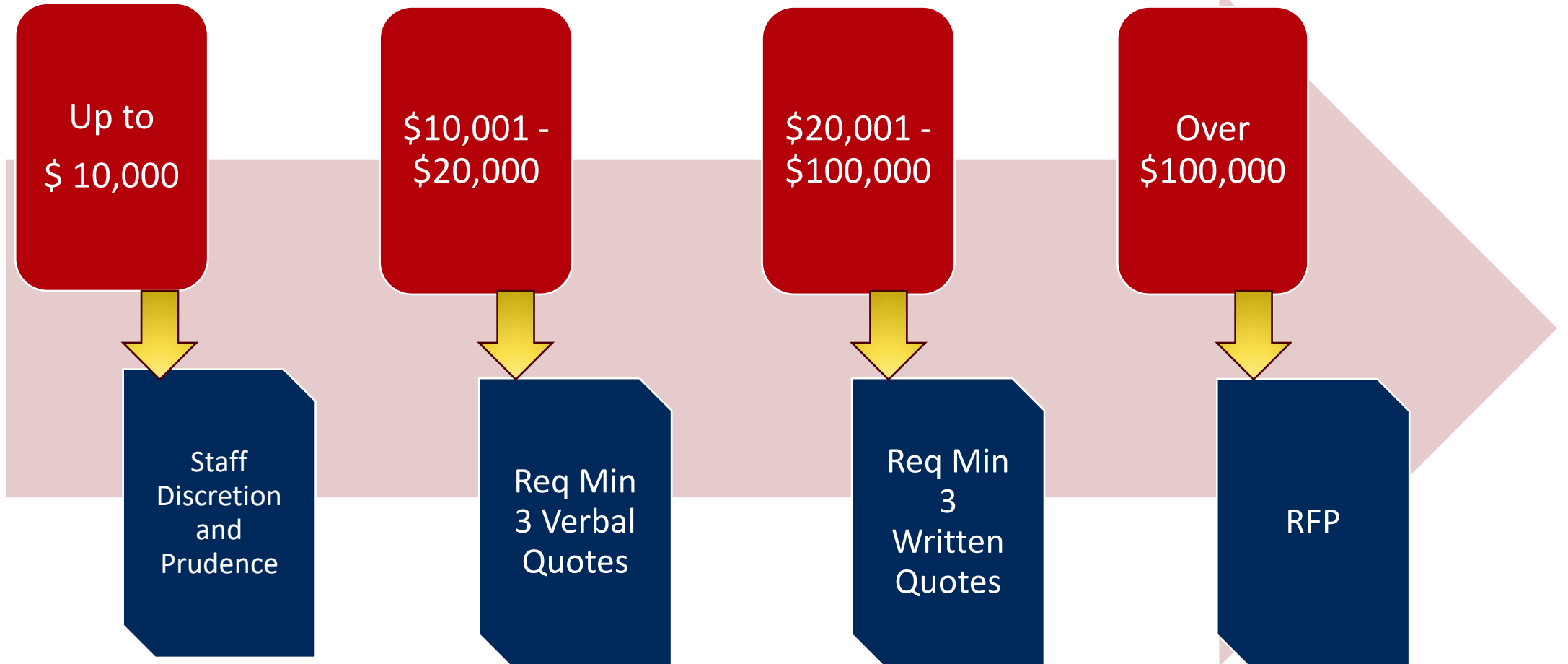
# Proposed Agency Procurement Thresholds

*Total Cost & Procurement Requirements (To reflect Inflation since 2014)*



# Proposed ARP Procurement Thresholds

## *Total Cost & Procurement Requirements*



# Proposed Changes in Spending Authority

## *Why Increase the Spending Authority?*

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- These spending levels have not been adjusted for inflation in many years
- Reduce administrative burden by reducing the number of invoice approvals required
- Proposing to adjust every 3 years, by the Consumer Price Index, rounded to the nearest \$5,000

# Proposed Increased Spending Authority

## *By Authority Level & Project*

Authority Level	Current Agency	Proposed Agency	Current ARP	Proposed ARP
General Manager	\$200,000	\$250,000	\$200,000	\$250,000
Chief Operating Officer	\$50,000	No Change	\$100,000	\$150,000
Generation Fleet Engineering Director	\$5,000	\$10,000	\$50,000	No Change
Generation Fleet Operations Director	\$5,000	\$10,000	\$50,000	No Change
General Counsel	\$20,000	\$50,000	\$20,000	\$50,000
VP IT/OT & Systems Ops	\$20,000	\$50,000	\$20,000	\$50,000

# Proposed Increased Spending Authority

## *By Authority Level & Project*

Authority Level	Current Agency	Proposed Agency	Current ARP	Proposed ARP
Chief People & Member Services Officer	\$20,000	\$50,000	\$20,000	\$50,000
Chief Financial Officer	\$20,000	\$50,000	\$20,000	\$50,000
Generation Support & Environmental Manager	\$5,000	\$10,000	\$20,000	No Change
Power Generation Engineer & Project Manager	\$5,000	\$10,000	\$20,000	No Change
Managers & Directors Deputy General Counsel	\$5,000	\$10,000	\$5,000	\$10,000
Cybersecurity Operations & Project Supervisor	\$5,000	\$10,000	\$5,000	\$10,000
Manager delegated to non-managerial staff	\$0	\$2,500	\$0	\$2,500

# Recommended Motion

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- Move approval of the revised procurement and spending authority limits as presented and recommend to the Board of Directors and Executive Committee.



**AGENDA ITEM 8 – ACTION ITEMS**

- c. Recommended Approval of Resolution 2024-EC4 for Budget Amendment for All-Requirements Power Supply Project**

**Finance Committee Meeting  
September 18, 2024**



# **8c – Recommended Approval of Resolution 2024-EC4 for Budget Amendment for All-Requirements Project**

Finance Committee

September 18, 2024

# ARP Budget Amendment Requested

## *Expenses Expected to Be Close/Exceed Approved Spending Authority*

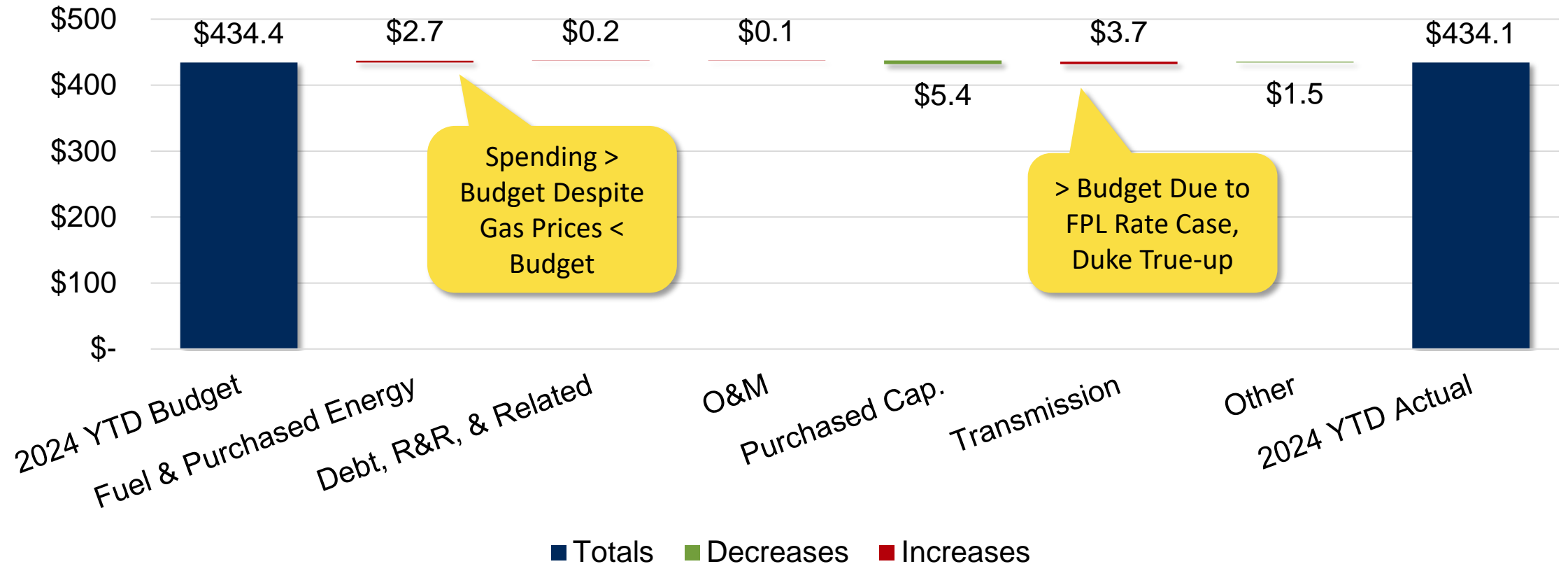
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- Based on current projections, ARP expected to be within \$1M of approved spending authority
- Natural gas prices well below budget, but ARP has had much higher than budgeted energy and physical gas sales to others
- While these revenues provide rate savings to Participants, the associated costs count against spending authority
- Staff requesting EC approve additional \$10M spending authority for FY 2024 - ensures FMPA has sufficient spending authority to pay FY 2024 project expenses
- Additional requested funds will not impact demand or transmission billings to participants; energy billings reflect actual costs

# YTD ARP Expenses at Target

*Primary Driver is Cost to Serve Energy and Physical Gas Sales, Which Provide Overall Rate Benefit to Participants*

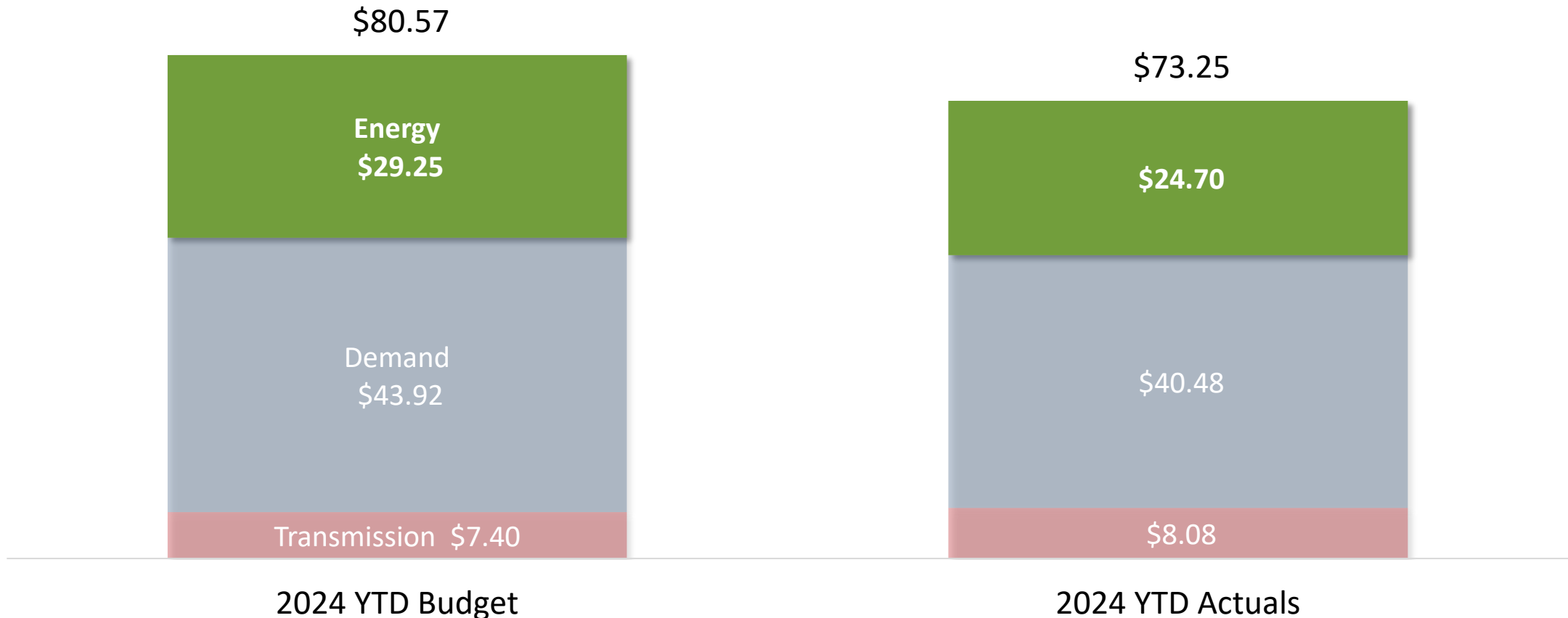
ARP FY 2024 YTD Budget vs. Actual Expenses through July (\$Millions)



# Energy & Gas Sales Bring \$/MWh Benefit to ARP

*Energy Costs ~\$4.50/MWh < Budget Despite Higher \$ Expense*

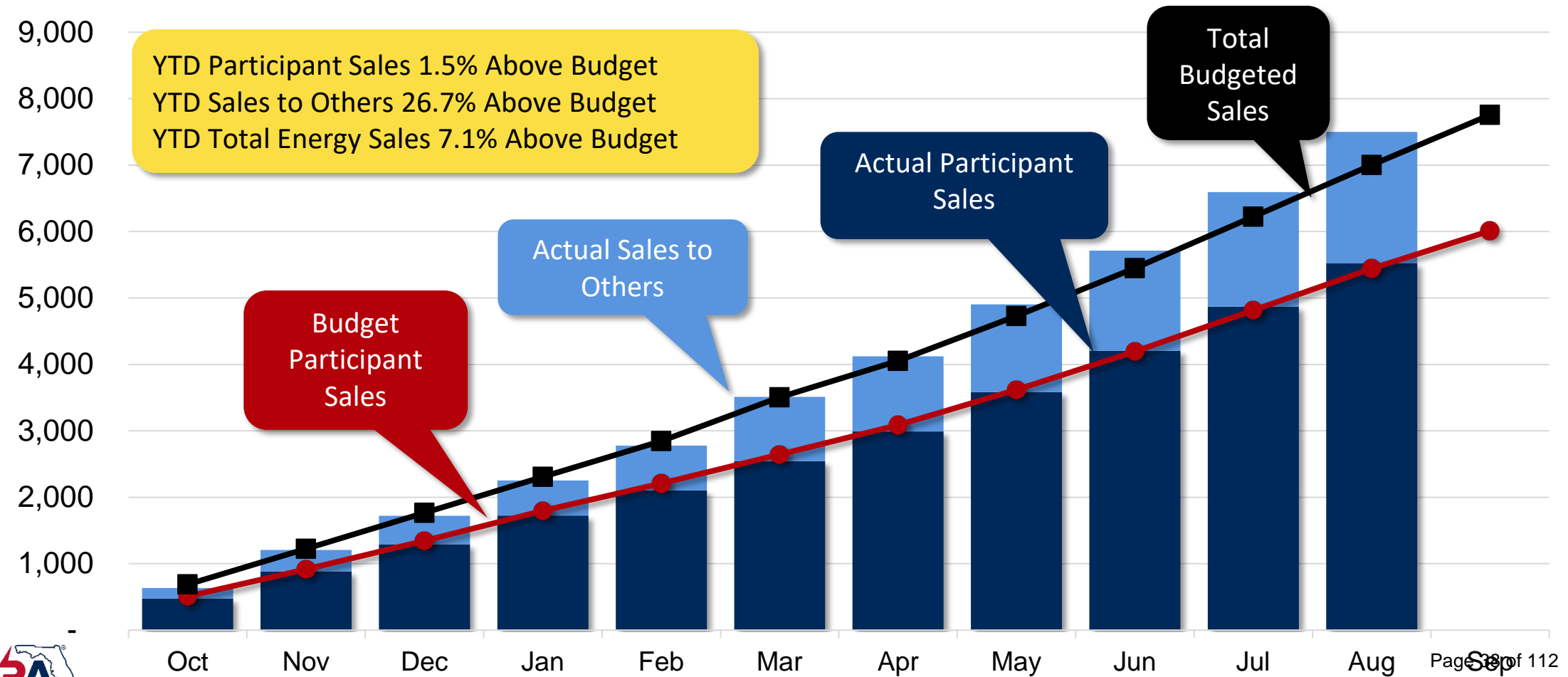
ARP FY 2024 YTD Budget vs. Actual Participant Costs through July (\$/MWh)



# YTD ARP Sales 1.5% Above Budget through August

## *Sales to Others Bring Total Energy Sales 7% Above Budget*

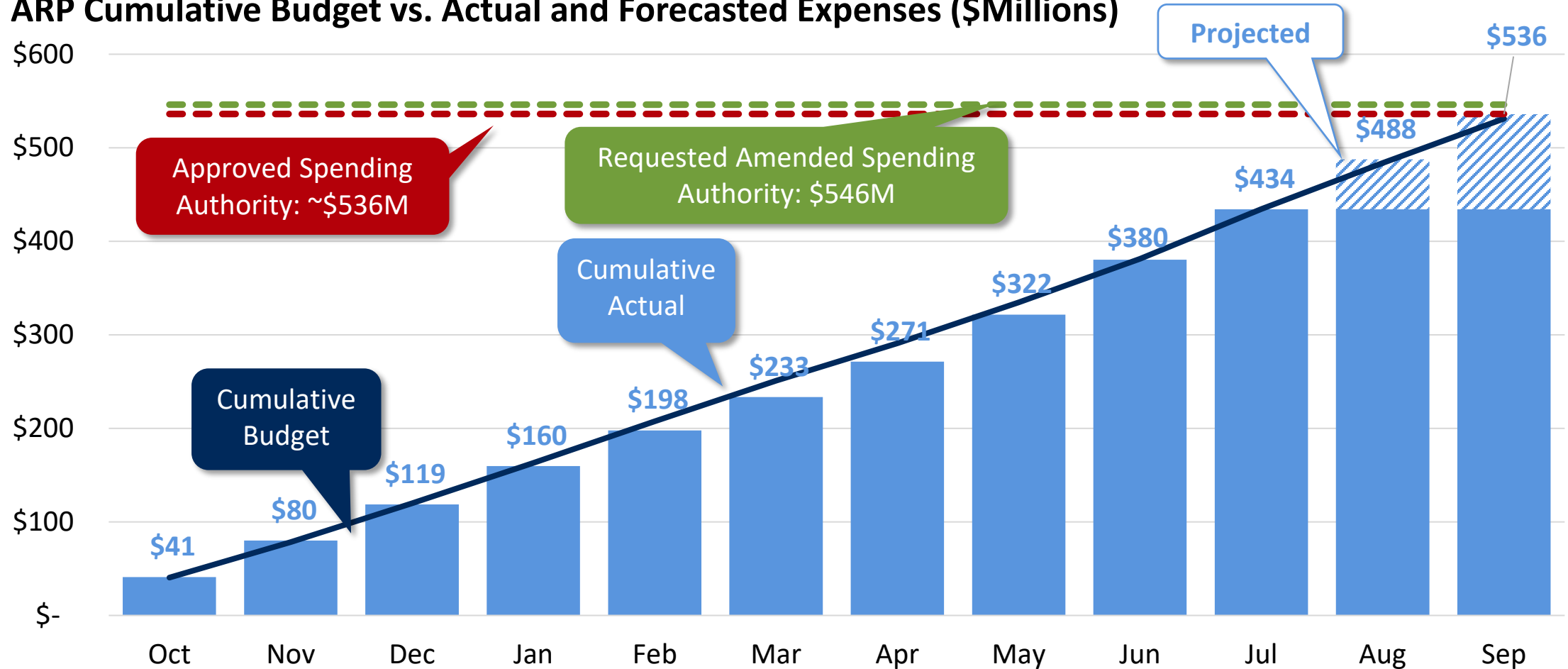
ARP FY 2024 Cumulative Sales vs. Budget (GWh)



# Requesting \$10M Budget Increase

*Provides Cushion for Likelihood of Exceeding Current Spending Authority*

## ARP Cumulative Budget vs. Actual and Forecasted Expenses (\$Millions)



# Recommended Motion

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- Move approval of recommendation of Resolution 2024-EC4 to the Executive Committee for approval to increase the Fiscal Year 2024 All-Requirements Project budget spending authority by \$10,000,000.



**AGENDA ITEM 8 – ACTION ITEMS**

- d. Recommended Approval of  
Allowing Certain Previously  
Budgeted ARP Capital Project  
Dollars to be Spent During FY  
2025**

**Finance Committee Meeting  
September 18, 2024**



# **8d – Recommended Approval of Allowing Certain Previously Budgeted ARP Capital Project Dollars to be Spent During FY 2025**

Finance Committee

Sep. 18, 2024

# Capital Needs Increasing w/ Acquired & Existing Plants

## *Projects Delays Can Cause Budgetary Issues*

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- As ARP has acquired new plants and existing plants reach higher run hours, capital budget is increasing to maintain reliability, safety, etc.
- Each year's capital budget includes the projects that are expected to be completed during that year
- Capital projects can be delayed for a variety of reasons
  - Materials/labor availability, lead times, or vendor responsiveness
  - Change to outage schedule or timing need
  - Other projects becoming more critical
- Budget does not include a rollover provision (to continue spending authority from one fiscal year to the next)
- Asset Management & Operations Policy limits annual capital spending to total budgeted amount without prior EC approval

# Illustration of Capital Budgeting Challenge

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- In spring 2023, a \$1M project is planned to be spent in September 2024 as part of the FY 2024 capital budget
- Funding for the project is included in the FY 2024 operating budget
- In spring 2024, the project is still expected to be completed in September 2024, so it is not re-budgeted for FY 2025
- In summer 2024, staff issues a \$1M P.O. to the vendor for the work
- Staff later learns the vendor is unable to perform until October 2024 (next fiscal year)
- Even though the P.O. has been issued in FY 2024, the \$1M is not considered spent until FY 2025
- To stay within the FY 2025 total capital budget, \$1M of FY 2025 projects would then need to be deferred or canceled

# ~\$4.3M FY 2024 Capital Projects Delayed to FY 2025

*All But ~\$700k Have Purchase Orders Issued*

**Cost of FY 2024 Capital Projects to Be Completed in FY 2025 by Plant (\$Thousands)**

Plant	FY 2024 Budgeted Projects Not Yet Started [1]	FY 2024 Budgeted Projects in Process [2]	FY 2024 Unbudgeted Projects in Process [3]	Total [4]
Cane Island	\$0	\$2,336	\$181	\$2,517
Treasure Coast	\$190	\$688	\$192	\$998
Stock Island	\$245	\$114	\$0	\$359
Sand Lake	\$250	\$73	\$96	\$419
<b>Total [4]</b>	<b>\$685</b>	<b>\$3,211</b>	<b>\$397</b>	<b>\$4,292</b>

[1] No P.O. issued to date

[2] P.O. has been issued, but materials not yet received or work not completed

[3] Emergent FY 2024 projects originally expected to be completed in FY 2024, not included in FY 2025 budget

[4] Amounts may not total due to rounding

# Recommended Motion

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- Recommend approval of allowing \$4.3 million of specified FY 2024 capital projects to be completed during FY 2025 without counting towards the FY 2025 capital budget for spending purposes, pursuant to the Asset Management & Operations Policy.



# Supplemental Information – Detailed List of Projects



# Cane Island Capital Projects Rolling to FY 2025

Project Description	PO Issued Amount (\$)	Amount to Roll to FY 2025 (\$)
2008 Yale Forklift Replacement	\$57,499	\$57,499
Gas Pipeline Protection During SR 532 Widening	\$1,605,814	\$1,416,447
Install Fiber Line to Connect Gas Yard to Cane Island [1]	\$100,523	\$100,523
New Chemineer Mixer and Catwalk Structure [1]	\$100,506	\$80,405
ST Battery Replacement	\$39,228	\$39,228
4kV Relays Upgrade	\$542,379	\$347,238
Winterization	\$915,302	\$475,544
<b>Total</b>	<b>\$3,361,252</b>	<b>\$2,516,884</b>

[1] These projects were not included in the FY 2024 budget, were identified and determined to be necessary during FY 2024, and were originally intended to be completed during FY 2024



# Treasure Coast Capital Projects Rolling to FY 2025

Project Description	PO Issued Amount (\$)	Amount to Roll to FY 2025 (\$)
Winterization & Dual Fuel Readiness	\$1,500,270	\$400,270
Replace Bushing Assemblies on 2 Circuit Breakers	\$230,309	\$68,620
Replace Cooling Tower Fill and Drift Eliminator	\$2,243,290	\$100,000
Replace Emergency Diesel Generator Enclosure	\$119,520	\$119,520
Replace Blow Down Pumps [1]	\$119,620	\$119,620
Generator Protection Panel Relay Replacement	\$0	\$40,000
HRSG – Replace 2 Manway Doors	\$0	\$50,000
Fire Pump – Pump House Major Maintenance	\$0	\$100,000
<b>Total</b>	<b>\$4,213,009</b>	<b>\$998,030</b>

[1] These projects were not included in the FY 2024 budget, were identified and determined to be necessary during FY 2024, and were originally intended to be completed during FY 2024

# Stock Island Capital Projects Rolling to FY 2025

Project Description	PO Issued Amount (\$)	Amount to Roll to FY 2025 (\$)
CT 1, 2, 3, 4 and Gen. Collector Bus Relays and Lockouts	\$328,000	\$45,446
Battery Replacements – All Units – CT4	\$59,912	\$18,409
CT1 AVR/Exciter Upgrade	\$222,265	\$50,000
CT3 Atomizing Air Cooler Retube	\$0	\$45,000
MSD Oil Pump Inverter (Supports Black Start Capability)	\$0	\$100,000
EP2 DC System – DC Panel Wiring UV Screen	\$0	\$100,000
<b>Total</b>	<b>\$610,177</b>	<b>\$358,855</b>

# Sand Lake Capital Projects Rolling to FY 2025

Project Description	PO Issued Amount (\$)	Amount to Roll to FY 2025 (\$)
Integration with IT/OT Systems – Maximo, Pi, etc.	\$84,422	\$72,706
GT and Lube Oil Cooling Water Pipe Modification [1]	\$217,838	\$95,959
Automated Blowdown System Upgrade / HRSG Seals	\$0	\$250,000
<b>Total</b>	<b>\$302,260</b>	<b>\$418,665</b>

[1] This project was not included in the FY 2024 budget, was identified and determined to be necessary during FY 2024, and was originally intended to be completed during FY 2024

**AGENDA ITEM 8 – ACTION ITEMS**

- e. Recommended Approval of  
Moving Stanton II Project**

**Finance Committee Meeting  
September 18, 2024**



# **8e – Recommended Approval of Moving Stanton II Project Funds**

Finance Committee

Sep. 18, 2024

# Stanton II Project Cash Running Low

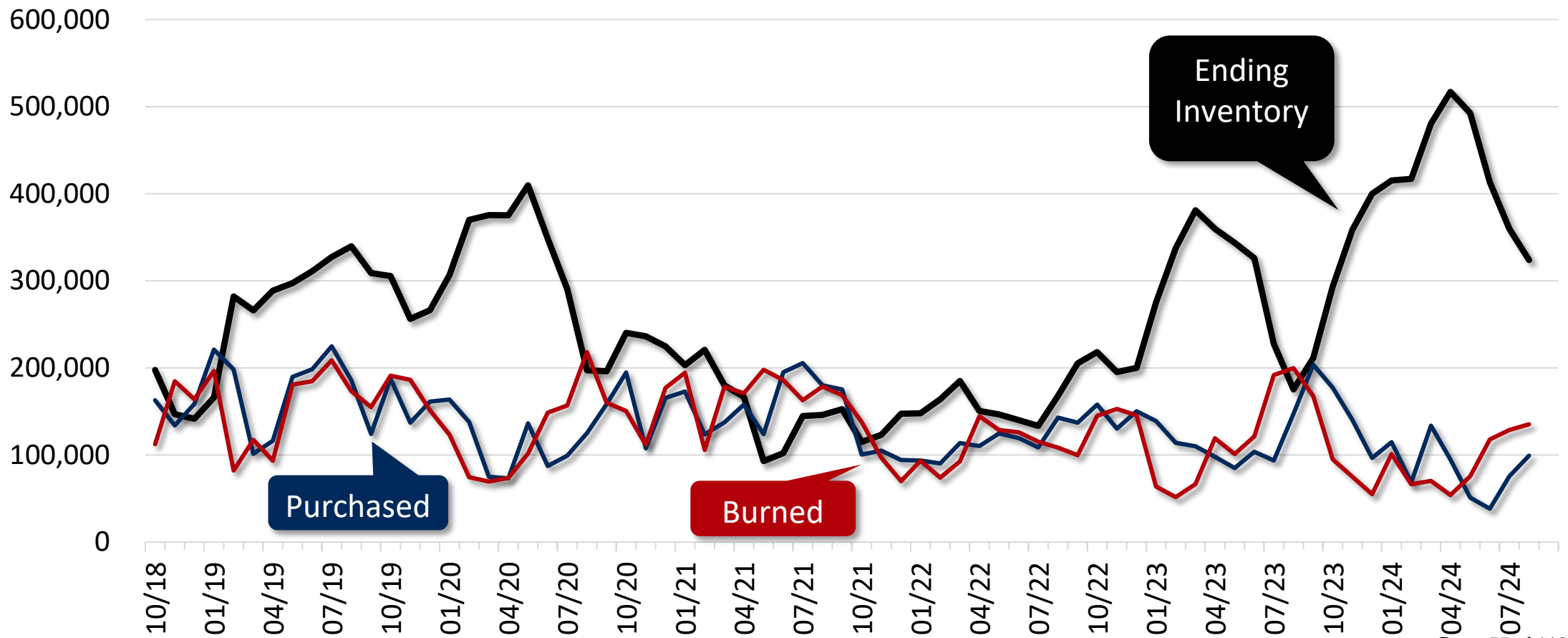
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- Stanton II Project O&M cash dropped to near 30 days at end of June due to coal purchases and cash returned to Participants
- Coal pile built to record levels through last spring, \$3.5M net cash reduction through payments to OUC
  - Project pays OUC based on tons of coal purchased but doesn't collect payment from Participants until the coal is burned
- True-up in FY 2024 is \$2.5M cash return to Participants
  - FY 2024 Budget had forecasted collection from Participants
- Project's cash position should improve in FY 2025, but interim liquidity support needed

# Stanton Coal Inventory > 500k Tons in April 2024

*37% Higher Level than 2023 Peak Inventory*

## Stanton Monthly Coal Activity and Inventory (Tons)



# Stanton II Liquidity Support Plan

---

- Seeking \$3M transfer from General Reserve Fund (GRF) to O&M to build cash to near 60-day target
- GRF balance at 8/31/24 was \$31.8M
- Currently, only planned usage of GRF is for payoff of debt in FY 2027 and transfer of inventory and common facilities after Unit 1 shutdown
- Repayment of borrowed funds to General Reserve can be included as part of FY 2026 budget



# Recommended Motion

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- Move approval of recommending to the Board of Directors that \$3 million be transferred from the Stanton II Project General Reserve Fund to the Project's Operation and Maintenance Fund, with repayment of the funds planned to be included as part of the proposed FY 2026 Stanton II Project budget.

**AGENDA ITEM 8 – ACTION ITEMS**

f. Recommended Approval of the  
2022-2023 OUC Audit Report

**Finance Committee Meeting  
September 18, 2024**



# **8f– Recommend and Approve 2022-2023 OUC Audit Report**

Finance Committee

September 18, 2024

# Over \$970k of Audit Findings Returned to FMPA

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- SEC-B Shared Facilities Variable O&M Charges \$335,785 (Credit Received)
- Benefit Participants Currently and Future
  - A&G Allocation Proposed Changes - Osceola Generation \$ 157,610
  - O&M Allocation Proposed Changes - Osceola Generation \$20,881
  - Fuel Services Allocated at 80% vs 60% per Minority Reports \$7,323
- Benefit Participants Currently
  - Hurricane Recoveries \$254,056
  - SEC-A Shared Facilities Revenues - FY22 & FY23 True-ups \$191,609
  - Three other Audit Findings \$10,043
- Interest owed \$67,482

# Audit Finding Summary

## *KUA Findings Flow to ARP Under the TARP Agreement*

	SEC1	SEC2	CTs A&B	CTs C&D	Total
Stanton Project	\$ (111,918)		\$ (174,662)	\$ (2,781)	\$ (289,361)
Stanton II Project	\$ -	\$ (140,649)	\$ -	\$ -	\$ (140,649)
All Requirements	\$ (49,135)	\$ (31,308)	\$ -	\$ -	\$ (80,442)
Tri-City	\$ (40,036)	\$ -	\$ -	\$ -	\$ (40,036)
<b>FMPA Total:</b>	<b>\$ (201,088)</b>	<b>\$ (171,956)</b>	<b>\$ (174,662)</b>	<b>\$ (2,781)</b>	<b>\$ (550,488)</b>
<b>KUA Total:</b>	<b>\$ (36,396)</b>	<b>\$ -</b>	<b>\$ (54,638)</b>	<b>\$ -</b>	<b>\$ (91,034)</b>
<b>Total FMPA &amp; KUA</b>	<b>\$ (237,485)</b>	<b>\$ (171,956)</b>	<b>\$ (229,300)</b>	<b>\$ (2,781)</b>	<b>\$ (641,522)</b>

# Open Items-Continuation of A&G Disagreement

---

## • A&G Open Items

- Delivery and setup for Solar Event
- Vikocell 100Pcs a grade monocrystalline solar cell panel
- Retail remittance processing
- Marketing communication services, graphic design and messaging for spring advertising campaign
- Florida trend advertising
- Lake Lorna Doone Park Solar Pavilion
- UFT site licenses
- Distribution related expenses
- Osceola county subdivision process
- Lake Ivenhoe related expenses
- Evok Advertising, etc.

# Open Items (Cont'd)

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- OUC disagreed with these audit findings and stated *"Not all A&G expenses are going to be directly attributable to the plant, and as such, we use the allocable expense formula as defined in Exhibit S which uses headcount. The attorney fees and the others fit the description for FERC 923"*

# Open Items (Cont'd)

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- SEC-B Shared Facilities/Wastewater Processing Assets
- Orange County Water Impact – Lost Opportunity

- OUC Response:

*“To be addressed by leadership -not part of the audit.”*





## Discussion

# Recommended Motion

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- Move to approve 2022-2023 OUC Audit Report and recommend to the Board of Directors



# **Stanton I & II, IRCTs A-D Participation Agreement Audit Report**

**Audit Performed By:**  
Veda Sharma, CGAP, MS  
Victor Gaines, CGIP, CFE, PHD  
Steve Ruppel, CPA  
Liyuan Woerner, CPA, MBA

September 18, 2024

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## Executive Summary

We have audited the actual costs billed to FMPA and KUA under the Stanton Energy Center Unit No. 1 (“SEC1”- Stanton I Project, ARP SECI, Tri-City, KUA) Participation Agreements, the Stanton Energy Center Unit No. 2 (“SEC2” – Stanton II Project, ARP SEC II) Participation Agreements, the Indian River Combustion Turbines A & B (“CTs A&B”) Participation Agreements and the Indian River Combustion Turbines C & D (“CTs C&D”) Participation Agreements, for the two year period from October 1, 2021 through September 30, 2023. This is the sixteenth audit of SEC1, the twelfth audit of SEC2, the fifteenth audit of CTs A&B, and the fifteenth audit of CTs C&D.

Based on our audit procedures, issues were noted in several areas including O&M, A&G, Shared Facilities, Brine Plant water usage, Indian River CTs #2 fuel expense, Fuel Service Department allocation, etc.

The audit findings or exceptions, result in net refunds or payments of (\$201,088), (\$171,956), (\$174,662), and (\$2,781) to the SEC1, SEC2, CTs A&B and CTs C&D Participants, respectively. FMPA projects’ and KUA’s share of these refunds are (\$36,396) and (\$54,638), respectively. KUA share is returned to FMPA’s ARP due to the revised capacity & energy sales contract.

	SEC1	SEC2	CTs A&B	CTs C&D	Total
Stanton Project	\$ (111,918)		\$ (174,662)	\$ (2,781)	\$ (289,361)
Stanton II Project	\$ -	\$ (140,649)	\$ -	\$ -	\$ (140,649)
All Requirements	\$ (49,135)	\$ (31,308)	\$ -	\$ -	\$ (80,442)
Tri-City	\$ (40,036)	\$ -	\$ -	\$ -	\$ (40,036)
<b>FMPA Total:</b>	<b>\$ (201,088)</b>	<b>\$ (171,956)</b>	<b>\$ (174,662)</b>	<b>\$ (2,781)</b>	<b>\$ (550,488)</b>
<b>KUA Total:</b>	<b>\$ (36,396)</b>	<b>\$ -</b>	<b>\$ (54,638)</b>	<b>\$ -</b>	<b>\$ (91,034)</b>
<b>Total FMPA &amp; KUA</b>	<b>\$ (237,485)</b>	<b>\$ (171,956)</b>	<b>\$ (229,300)</b>	<b>\$ (2,781)</b>	<b>\$ (641,522)</b>

Per Section 8.02 of each of the SEC1CTs A&B, CTs C&D , and Section 9.02 of the SEC2 Participation Agreements, these adjustments qualify for interest. Interest is not included in the amounts shown above. See General Comment A for interest payment due information.

## Scope and Objectives

The scope of this audit consisted of reviewing SEC1, SEC2 (collectively referred to as “SEC”), CTs A&B, and CTs C&D (collectively referred to as “CT”) Participant billings to FMPA and KUA from October 1, 2022 through September 30, 2023.

All components of the monthly invoices were reviewed and included the following: #6 oil expenses, coal burn, landfill gas, capital additions, operation & maintenance expenses (“O&M”), inventory use charges, common/external facilities use charges, replacement units use charges, shared facilities revenues and fixed assets, reserve power, property and liability insurance expenses, administrative & general expenses (“A&G”), SEC coal and freight payments, coal car repair and maintenance expenses, CT fuel expenses and the CT variable operation and maintenance expenses.

The objectives of this audit were to determine whether:

- (a) Costs billed followed the terms of the Participation Agreements.
- (b) OUC’s billing process produced/captured costs in compliance with the terms of the Participation Agreements.
- (c) Costs billed were supported by OUC’s accounting records and other appropriate documentation.
- (d) Allocations, which are necessary for billing certain costs, were reasonable and in compliance with the terms of the Participation Agreements, especially those necessary to assign costs among SEC1, SEC2, CTs A&B and CTs C&D.

## Background Information

SEC1 is a 425 MW coal-fired plant jointly owned by OUC, FMPA, and KUA. The plant is operated by OUC who owns 68.5542%. FMPA's Stanton, All-Requirements, and Tri-City Projects own a combined total of 26.6265%. KUA owns 4.8193%.

SEC1's commercial operation date was July 1, 1987, with a total useful life of 40 years.

SEC2 is a 429 MW coal-fired plant jointly owned by OUC and FMPA. The plant is operated by OUC who owns 71.5909%. FMPA's Stanton II and All-Requirements Projects own a combined total of 28.4091%.

SEC2's commercial operation date was June 1, 1996, with a total useful life of 40 years. SEC2 was updated in 2013 resulting in a 480 gross MW capability.

CTs A&B are each 48 MW units and are jointly owned by OUC, FMPA's All-Requirements Project, and KUA. The CTs are operated by OUC who owns 48.8%. FMPA's All-Requirements Project owns 39% and KUA owns 12.2%.

CTs A&B's commercial operation dates were June 1, 1989, and July 1, 1989, respectively, with minimum useful lives of 25 years each.

CTs C&D are each 128 MW units and are jointly owned by OUC and FMPA's All-Requirements Project. The CTs are operated by OUC who owns 79%. FMPA's All-Requirements Project owns 21%.

CTs C&D's commercial operation dates were August 28, 1992, and October 1, 1992, respectively, with minimum useful lives of 25 years each.

Through individual Participation Agreements with OUC, FMPA and KUA pay their ownership share of costs to construct, operate, maintain, and improve the projects, and in return, are entitled to their ownership share of capacity and energy.

### Summary of Audit Recommendations

	FMPA Audit Recommendation	SEC1	SEC2	CTs A&B	CTs C&D	Total	
1*	Purchasing OH Rate doubled on Capital Assets	(2,563)	(2,316)	-	-	(4,879)	a
2*	IRCTs Fuel Expense	-	-	(232)	(1,439)	(1,671)	a
3*	Maintenance Work Orders Classification Incorrect	(36,175)	32,681	-	-	(3,493)	a
4*	SEC-A Shared Facilities Revenues - FY22 & FY23 True-ups	(100,665)	(90,944)	-	-	(191,609)	a
5*	Fuel Services Allocated at 80% vs 60% per Minority Reports	(3,847)	(3,476)	-	-	(7,323)	a
6*	O&M Allocation Proposed Changes - Osceola Generation	(10,970)	(9,911)	-	-	(20,881)	a
7*	A&G Allocation Proposed Changes - Osceola Generation	(81,515)	(73,643)	(1,176)	(1,276)	(157,610)	a
8*	Hurricane Recoveries	(1,750)	(24,349)	(227,893)	(65)	(254,056)	a
	<b>Total amount due FMPA</b>	<b>(237,485)</b>	<b>(171,956)</b>	<b>(229,300)</b>	<b>(2,781)</b>	<b>(641,522)</b>	
9**	SEC-B Wastewater System (Brine Plant & Pond) Capital Buy-in	(3,442,270)	(3,109,852)	-	-	(6,552,122)	
10**	Orange County Water - Lost Opportunity	(2,279,267)	(2,481,717)	-	-	(4,760,984)	
		-	-	-	-	-	
	<b>Due to (Participants)/OUC</b>	<b>(5,959,022)</b>	<b>(5,763,525)</b>	<b>(229,300)</b>	<b>(2,781)</b>	<b>(11,954,628)</b>	

\* OUC has agreed to this audit recommendation

\*\* OUC has disagreed with this audit recommendation

a Per Section 8.02 of each of the SEC1, SEC2, CTs A&B , CTs C&D and Section 9.02 SEC2 Participation Agreements, these adjustments qualify for interest. Interest is not included in the amounts shown above. As of August 31, 2024, net interest of \$67,482 would be due to FMPA for the above adjustments.



## Audit Finding and Recommendations

### 1. Purchasing Overhead Rate Doubled on SEC Common Capital Assets

Per OUC Overhead Rates, a purchasing overhead rate of 5% is charged to both capital and O&M work orders. Testing of the FY2022 and FY2023 capital work orders closed to SEC Common Fixed Assets and billed to the Participants, identified several SEC Common assets that had 10% versus the 5% purchasing overhead rate charged to them. SEC Unit 1 and SEC Unit 2 capital work orders closed to fixed assets tested okay, as well as the maintenance work orders in the test sample.

#### OUC Response

Our Fixed Assets group reviewed, and it appears that the SEC Common business unit was unintentionally added twice to this recurring journal entry, therefore it was calculating the 5% x2. This was discovered and corrected this past December during a larger review.

#### Audit Follow-up

Per review of the Fixed Assets included in the monthly bills for February 2024, the fixed asset values have not been corrected for the excess purchasing overhead allocated to them. As a result, the Participants request refunds of \$2,563 for the SEC1 Participants and \$2,316 for the SEC2 Participants. The interest impact is not included in the audit adjustment values above. See General Comment A for more detail. The interest impact is not included in the audit adjustment values above. See General Comment A for more detail.

#### OUC Follow-up Response

OUC agreed with this audit finding and will include \$2,563 for the SEC1 Participants and \$2,316 for the SEC2 Participants in future invoices.

### 2. Indian River CTs #2 Fuel Expense

In April 2023, OUC transferred 656 barrels of #2 Fuel Oil from the Indian River CTs site to their Osceola Gas Generation Site. The quantity of 656 barrels was removed from the inventory balance. However, the \$ value of the fuel oil was not removed. This error increased the average cost of #2 fuel oil used at the Indian River CTs (for consumption and generation) in the following month.

Proper removal of the associated value of \$83,240.08 related to the 656 barrels, lowers the average #2 Fuel oil inventory carrying price from \$152.69 to the correct average price of \$127.59.

This error impacts the billing of all usage of and generation on #2 Fuel Oil at the Indian River CTs A-D site beginning in April 2023 and impacts all billings to Participants through the current date.

#### Audit Request

The Indian River CTs A-D Participants request refunds totaling \$232 for IRCTs A&B and \$1,439 for the IRCTs C&D through January 2024 for the overbilling resulting in overstated pricing beginning April 2023 and continue to current. The interest impact is not included in the audit adjustment values above. See General Comment A for more details.

OUC Response

OUC agreed with this audit finding and will include \$232 for IRCTs A&B and \$1,439 for the IRCTs C&D Participants in future invoices.

**3. Maintenance Work Orders Improperly Classified**

Review of the Work Order set-up data identified that several SEC Unit #1 and SEC Common maintenance work orders were incorrectly coded to the wrong business unit.

Correction of the misclassification results in \$36,175 in refunds due to the SEC 1 Participants and the SEC2 Participants owing OUC a total of \$32,681, for a net correction of \$3,493 due to the Participants. The interest impact is not included in the audit adjustment values above. See General Comment A for more details.

OUC Response

OUC agreed with this audit finding and will include \$3,493 for the participants in future invoices.

**4. SEC-A Shared Facilities**

The revenues credited to the SEC1 and SEC2 Participants for the Stanton Unit A variable and fixed charges were understated due to an erroneous debit entry related to miscellaneous electric revenue reductions to the revenue accounts being allocated to the Participants in both Fiscal Years 2022 and 2023. Per OUC's response to the data request, a clean-up of FERC accounts in the General Ledger was completed at some time during the audit period, causing the revenue accounts that flow through the Participant's invoices to be understated.

Audit Request

The SEC1 and SEC2 Participants request the correction of the Stanton Unit A Shared Facilities revenue for FY2022 and FY2023. Refunds of \$100,665 and \$90,944 to SEC1 and SEC2 Participants are being requested, respectively. The interest impact is not included in the audit adjustment values above. See General Comment A for more details.

OUC Response

OUC agreed with this audit finding and will include \$100,665 for the SEC1 Participants and \$90,994 for the SEC2 Participants in future invoices.

**5. Fuel Services Department Allocation**

Support provided by OUC in the current audit for allocation of the Fuel Services Department provided that the department should have been allocated 60% to Stanton Energy Center, 20% to Indian River and 20% to Other for both FY2022 and FY2023. However, the billings to the SEC 1 and SEC 2 Participants continued to use the previous allocation factor of 80% for both fiscal years.

Application of the proper 60% allocation rate to the total Fuel Services Department expenses for Stanton Energy Center for both fiscal years 2022 and results in \$3,847 due to the SEC1 Participants and \$3,476 due to the SEC2 Participants. The interest impact is not included in the audit adjustment values above. See General Comment A for more details.

Additional refunds will also be due to the Participants for the rebilling of the FY2024 invoices for the period of October 1, 2023, to current.

OUC Response

OUC agreed with this audit finding and will include \$3,847 for the SEC1 Participants and \$3,476 for the SEC2 Participants in future invoices.

**6-7. Allocation Percentages – Headcount Allocations Proposed Changes impacting O&M and A&G**

Prior to FY2023, OUC added the Osceola Gas Generation facility to its electric generation mix. However, there have been no changes in the allocation of Operation & Maintenance (O&M) expenses for Power Resources departments of Administrative, Safety & Training, Development & Support, Fuel Services, Contract & Settlements or Engineering.

The audit inquired about any allocation changes being made during the audit period of Fiscal Years 2022 and 2023, and OUC responded that none had been made. Implementing these changes effective October 1, 2022 (for the FY2023) would result in the following allocation changes to the Power Resources Business Unit:

	<u>Current</u>	<u>Proposed</u>	<u>Change</u>
<b>Power Resources Business Unit Allocation to:</b>			
Stanton Energy Center Units 1 & 2	79.40%	73.81%	-5.59%
Indian River CTs A-D	3.52%	3.33%	-0.19%

These changes would also impact the Administrative & General (A&G) Overhead Allocations:

<b>A&amp;G Overhead Allocations to:</b>	<u>Current</u>	<u>Proposed</u>	<u>Change</u>
SEC	18.6905%	18.0046%	-0.6859%



The interest impact is not included in the audit adjustment values above. See General Comment A for more details.

#### OUC Response

OUC Agreed with this audit findings and will include \$227,893 to Indian River CTs A&B, \$65 to Indian River CTs C&D, \$1,750 to the Stanton Unit 1 and \$24,349 to the Stanton Unit 2 Participants in the future invoice.

### **9. SEC-B Shared Facilities/Wastewater Processing Assets – Buy-in**

Stanton Unit B's commercial operation date was October 27, 2009. Since then, the SEC-1 and SEC-2 Participants have questioned OUC on the allocation of shared facilities and common facilities. FMPA's review of the Stanton coal contracts indicates that a process sets forth how to allocate fixed common facilities and shared facilities capital costs. Section 4.12 of the Participation Agreements for Stanton Unit 1 and Section 4.13 of the Participation Agreement for Stanton Unit 2 specify how new site capacity should participate in common fixed costs. More specifically, the units on the Stanton Energy Center site that use common or shared facilities of Stanton Unit 1 and Unit 2, will purchase a pro-rata share of the Common Facilities from the current Owners.

In the FY 2012 – 2013 audit, OUC responded to data requests stating that "SEC-B was not interconnected to the Brine Plant. However, the used water does get deposited in the pond so I guess we could investigate what incremental amount that might be for the usage of the pond".

In subsequent years, a diagram of the interconnection of Stanton B was provided to the Participants and the Brine plant and other Shared Facilities were found to be interconnected to Stanton B. This is evidenced by Stanton B paying variable costs for the use of those facilities. However, Stanton B still has not contributed to the common or shared facilities assets capital as required in the SEC 1 and SEC 2 contracts.

#### Audit Request

The Participants are requesting refunds related to Stanton B paying for its share of the Common and Shared Facilities capital assets. An allocation of the capital asset costs to Stanton B was presented to OUC in which the Participants are requesting refunds of \$3,442,270 and \$3,109,852 for SEC-1 and SEC-2 Participants, respectively. The interest impact is not included in the audit adjustment values above. See General Comment A for more details.

#### OUC Response

OUC replied: "To be addressed by leadership -not part of the audit."

**10. Orange County Water Impact – Lost Opportunity**

During the water treatment model review, FMPA discovered that 435,000+ gallons of water per day are injected into the “recycle basin loop” from the Orange County supplied makeup water supply pond. This flow is at OUC discretion and results in roughly 28 days of out of economics operation per year.

Description	Value	Units
Orange County Water Introduced into Recycle Basin Loop	435,000	gal/day
Annual equivalent	158,775,000	gallons
Daily SEC Unit 1 & 2 FGD _ cooling tower evaporation	5,816,642	gal/day
Days equivalent Orange County water to evaporate	27	days
Unit 1 0.40 capacity factor daily operational MWhs	4,426	mwhs
Unit 2 0.48 capacity factor daily operational MWhs	5,334	mwhs
Total MWhs over 28 days	266,398	mwhs
Lost opportunity financial spread coal to gas	\$ 12	\$/MWh
Annual extended value	\$ 3,196,777	dollars
5 year extended value	\$ 15,983,886	dollars

FMPA seeks cost recovery for this imprudent operation decision for the last five years for its impact on the SEC-1 and SEC-2 Participants. Refunds of \$2,279,267 and \$2,481,717 are being requested for the SEC-1 and SEC-2 Participants, respectively. The interest impact is not included in the audit adjustment values above. See General Comment A for more details.

OUC Response

OUC replied: “To be addressed by leadership -not part of the audit.”

## General Comments

### A. Interest

Per Section 8.02 of each of the SEC1, SEC2, CTs A&B, C&D And Section 9.02 of SEC2 Participation Agreements, these adjustments qualify for interest. Interest charges are not included in the amounts shown above. As of August 31, 2024, a net interest charge of \$67,482 would be due to FMPA for these adjustments.

### B. Open Items

#### 1. Administration & General Expenses

Based on the support provided during our audit, we identified possible non-billable expenses included in the Participants billing related to A&G expenses as follows:

- Delivery and setup for Solar Event
- Vikocell 100Pcs a grade monocrystalline solar cell panel
- Retail remittance processing
- Marketing communication services, graphic design and messaging for spring advertising campaign
- Florida trend advertising
- Lake Lorna Doone Park Solar Pavilion
- UFT site licenses
- Distribution related expenses
- Osceola county subdivision process
- Lake Ivenho related expenses
- Evok Advertising, etc.

Pursuant to Sections 1.10 and 1.13 of the Participation Agreements, billable expenses shall include that portion of expenses incurred by OUC and determined to be allocable to the Project in satisfying OUC's responsibility to manage, control, operate and maintain the Project.

Pursuant to Section 8 – Accounting and Auditing, *“Nothing in this Agreement shall require OUC to change, or otherwise affect, the accounting practices and procedures used by it. All accounting practices, procedures and records necessary to obtain a proper allocation of costs to the Project and Common and External Facilities under this Agreement may be maintained independently of OUC’s accounting records and/or may include allocations not otherwise utilized by OUC. The manner in which accounts are kept pursuant to this Agreement is not intended to be a determination of the manner in which they are treated in the separate books of account of the Parties.”*

FMPA is not challenging OUC's accounting practices and procedures. However, FMPA is challenging billing of the costs to the Participants for the expenditures listed above. Review of the charges identified that the expenditures were global in nature (applied to all functional operations) or were not allocable to the operations of the jointly owned generation facilities. Per review, the evidence obtained during the invoice testing supports removing these costs.

**AGENDA ITEM 9 – INFORMATION  
ITEMS**

**a. Operational Audit Report –  
Procurement Audit**

**Finance Committee Meeting  
September 18, 2024**





# 9a – Operational Audit Report - Procurement Audit

Finance Committee

September 18, 2024

# Procurement Audit

## *Objective and Scope*

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- Objective: Ensure adequate policies and procedures in place for proper internal controls
- Scope:
  - Purchasing Thresholds
  - Sole Source Criteria
  - Authorization
  - Contract Review

# Procurement Audit

## *Methodology*

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- Review policies and procedures
- Document understanding
- Obtain sample transactions
- Perform analytical audit procedures
- Testing selected samples

# Procurement Audit

## *Plants & Projects Covered*

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- Treasure Coast Energy Center (TCEC)
- Stock Island Generating Facility (KEYS)
- Cane Island Power Plant (CANE)
- Sand Lake Energy Center (SLEC)
- FMPA Agency Project (AGENCY)

# Procurement Audit

## *Testing Performed*

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- Tested areas including:
  - Sole source criteria
  - Purchasing thresholds
  - Authorization

# Procurement Audit

## *Audit Findings*

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- Based on our review, there were no audit findings for FY 2024 procurement transactions.



# Procurement Audit Review Report FY 2024

Audit Performed By:

Victor Gaines, DBA, CIA, CGIP, CFE  
Liyuan Woerner, MBA, CPA

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<b>AUDIT METHODOLOGY</b> .....	4
<b>AUDIT FINDINGS AND RECOMMENDATIONS</b> .....	4



## **EXECUTIVE SUMMARY**

We have audited the procedures related to the Procurement Policy in the following four sites:

- Treasure Coast Energy Center (TCEC)
- Stock Island Generating Facility (KEYS)
- Cane Island Power Plant (CANE)
- Sand Lake Energy Center (SLEC)
- FMPA Agency Project

Based on our audit procedures, no exceptions noted.

## BACKGROUND INFORMATION

### Procurement Policy

In accordance with the BOD April 2017 approved Procurement Policy within the FMPA Policy and Employee Manual (“Policy”), FMPA is required to purchase goods on a competitively selected basis, unless these goods are \$5,000 or less, or are an exception within the Policy.

### Purchasing Thresholds

Unless the purchased goods are \$5,000 or less, or are an exception within the Policy, the goods are required to be purchased under a competitive process using the following thresholds:

Threshold Amount	Competitive Requirement
\$ 5,001 - \$10,000	3 Request for Quotes
\$10,001 - \$50,000	3 Written Quotes
> \$50,001	3 Formal Bids/Proposals

### Sole Source Criteria

Under the Policy guidelines, goods and services may be purchased without a competitive process, if at least one of the following criteria is met:

- The provider is the original manufacturer (OEM) of the item,
- The requested good is not interchangeable with those from another manufacturer,
- No other goods are available to meet FMPA’s specialized needs or intended functions,
- Detailed justification establishing that provider is the only source that is practically available to provide the goods, or
- The good must be purchased on an expedited or emergency basis per the Sr. Manager.

### Authorization

Purchase requisitions (PR) are authorized in Maximo by utilizing the workflow function. Authorization requirements are as follows:

Position	Current Policy
GM/CEO	Up to \$200,000*
COO	Up to \$100,000
Power Gen. Fleet Manager	Up to \$50,000
Plant Manager	Up to \$5,000

*\*All expenditures over \$200,000 must be reported to BOD/EC*

## **AUDIT OBJECTIVE AND SCOPE**

The scope of this audit consisted of the following:

- 1) Obtained a list of purchase requisitions and made sample selections by location.
- 2) We selected **60** samples with a total value of **\$998,019** out of **1702** transactions with a total value of **\$45,711,779** for testing.
- 3) Tested selections by determining:
  - a. If sole sourced items comply with sole source criteria per Policy.
  - b. If non-sole sourced items are purchased under a competitive process based on threshold amount.
  - c. If the selected items have been properly approved.
- 4) Followed-up with site locations and obtained additional explanations and/or documentations for any discrepancies

The primary objective of this audit is to verify that FMPA Management has assessed the procurement risks in their everyday operations by ensuring its compliance with Agency Policy.

## **AUDIT METHODOLOGY**

The contract compliance audit team utilized a risk-based approach from planning to testing in the Procurement Policy Compliance review. To obtain a thorough understanding of the Procurement process, the auditors compiled information through walkthroughs, research, interviews, observations, and analytical data reviews.

The following steps were taken to accomplish the audit objective:

- Identified applicable FMPA policies, procedures, and other supporting documents related to the Procurement process
- Interviewed responsible agency management and staff
- Reviewed agency documentation of competitive bids solicited from outside vendors
- Verified that management conducted a review of purchase requisitions had appropriate documentation.
- Reviewed Maximo database for evidence that controls, policies, and procedures are being followed.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

Based on our audit procedures, there was no exceptions noted in the management of FMPA's Procurement policy, therefore, no recommendation necessary.

**AGENDA ITEM 9 – INFORMATION  
ITEMS**

**b. All Requirements Debt Financing plan**

**Finance Committee Meeting  
September 18, 2024**



# 9b – All-Requirements Debt Financing Plan

Finance Committee

September 18, 2024

# Significant Debt Activities Over Next Two Years

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- Two Callable Series coming up to their call dates
  - 2015 \$56.4M outstanding, 10/1/2025
  - 2016 \$238.4M outstanding, 10/1/2026
  
- New Money
  - Plant purchases will be financed with taxable debt, \$40m
  - Capital improvements/replacements for generation fleet, \$40M
  
- Replacement of \$100M liquidity matures on 10/1/26

# Series 15 & 16 Callable Debt Expected to Result in PV Savings

## *Economies of Scale Combining Other Debt Needs With Refinancing*

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- Refinance 2015 \$56.4M in the summer of 2025
  - PV Savings of \$4.5M (using current interest rate curve)
- Refinance Series 2016 \$238.4M in the summer of 2026
  - PV Savings of \$16.3M (using current interest rate curve)
  - “Forward” Refunding in 2025 PV savings of \$7.8M
    - “Forward” Lock in interest rate savings ahead of call date
      - Assumption lock-in rates in the summer of 2025

# Summary of Refunding Results, provided by BOA

## Near-Term FMPA Refunding Opportunities

### **\$56.44 million of the Series 2015B bonds and \$238.45 million of the Series 2016A bonds become callable on October 1, 2025 and October 1, 2026, respectively**

- Based on prevailing market rates, a current refunding of the Series 2015B bonds generates \$4.5 million of PV savings (or 8% of refunded par amount)
- A current refunding of the Series 2016A bonds generates \$16.3 million of PV savings (or 6.8% of refunded par amount)
- At the time of refunding the Series 2015 bonds next year, the Agency could also price a forward refunding of the Series 2016A bonds, which would produce \$7.8 million of PV savings, representing approximately 48% of the savings available to the Agency if it waited for a current refunding at the call date (assuming rates are unchanged)
  - Rates would need to increase significantly – about 102 bps – for the forward refunding to have been more economic than waiting to current refund the Series 2016A bonds
- As rates are expected to decline over the next year, we also show the refunding results assuming rates fall 25 bps

FMPA Refunding Results						
	Current Market Rates			Current Market Rates - 25 bps		
	Series 2015B	Series 2016A		Series 2015B	Series 2016A	
	Current Refunding	Forward Refunding	Current Refunding	Current Refunding	Forward Refunding	Current Refunding
Pricing Date	06/12/25	06/12/25	06/12/26	06/12/25	06/12/25	06/12/26
Delivery Date	07/03/25	07/03/26	07/03/26	07/03/25	07/03/26	07/03/26
Par Amount	\$52,220,000	\$229,200,000	\$221,480,000	\$51,755,000	\$227,295,000	\$219,620,000
Refunded Par Amount	\$56,440,000	\$238,450,000	\$238,450,000	\$56,440,000	\$238,450,000	\$238,450,000
All-In TIC	2.80%	3.42%	2.79%	2.55%	3.17%	2.53%
Average Life	3.9 yrs	3.6 yrs	3.6 yrs	3.9 yrs	3.6 yrs	3.6 yrs
<b>PV Savings (\$)</b>	<b>\$4,520,761</b>	<b>\$7,831,932</b>	<b>\$16,310,950</b>	<b>\$5,072,018</b>	<b>\$9,922,628</b>	<b>\$18,459,775</b>
<b>PV Savings (%)</b>	<b>8.0%</b>	<b>3.3%</b>	<b>6.8%</b>	<b>9.0%</b>	<b>4.2%</b>	<b>7.7%</b>
Cashflow Savings	\$4,965,931	\$8,698,028	\$17,708,133	\$5,520,864	\$10,921,061	\$19,878,117
Breakeven to Current	-	102 bps	-	-	101 bps	-



# \$80 Million New Money for New Plants and Capital

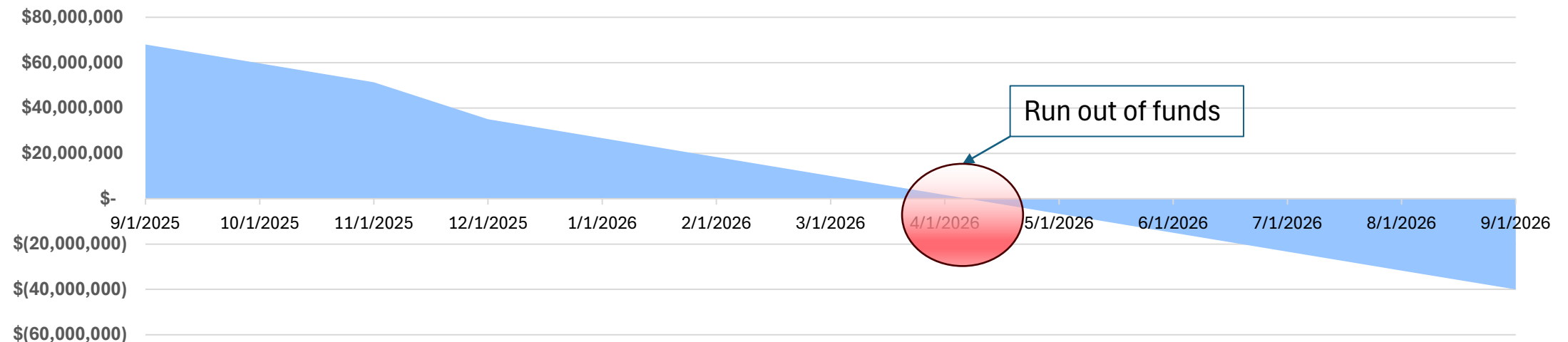
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- 2025 Budget Planned for Debt Issue to finance significant capital items over the next three years
  - \$40 Million of Capital Improvements combined with Series 2015 Refinancing
  - Sampling of capital items as presented in the FY 2025 Budget
    - IRP Light Oil Expansion \$3.3M
    - SLEC Cooling Tower \$4M
    - TCEC AGP Upgrade \$15M
    - TCEC Rotor Refurbishment \$6.8M
- Series 2026 Refinancing combined with \$40 million for new plants

# Need To Replace \$100M Liquidity Funds by May 2025

- New plant purchases funded by liquidity funds
  - \$68M currently available, \$32 million used for SLEC and Mulberry
  - Use of \$8 million for Orange/Bartow Plant January 2026
  - Required Debt Service Deposits start October 2025 (\$8,333,000 per month)

Liquidity Funds Available



# Two Options to Replenish \$100M Liquidity

## *\$40M Needed Before May 2025, Cover Debt Service Obligation*

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- **Option 1**

- \$50 million Line(s) of Credit

- Expected to be lower costs than outright borrowing
  - Terms and Conditions will be challenging based on history
- Two separate lines having different durations (closing Spring 2025)
  - \$25M expiring in 2029,
  - \$25M expiring in 2031

- \$50 million debt borrowing combined with Series 2016 Refinancing

- **Option 2**

- \$50 million debt borrowing combined with Series 2015 Refinancing
- \$50 million debt borrowing combined with Series 2016 Refinancing

# Timeline Summary

*Lots of Moving Parts Over Next Two Years*

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## Spring 2025

\*\$25M(2) Lines Of Credit

Use new liquidity for 2021B  
DSR payments after May  
2026

## Summer 2026

\*2016 Refinancing

\*\$50M Liquidity

\*\$40M New Plant  
Financing

## Summer 2025

\*2015 Refinancing

\*\$40M Capital New  
Money

Option 2: \$50  
Liquidity (if LOCs not  
completed)

## Oct 2026

\*Repayment  
\$100M  
Series 2021B

**AGENDA ITEM 10 – REPORTS**

- a. Risk Compliance Review Report**

**Finance Committee Meeting  
September 18, 2024**

**FMPA Risk Management Department  
Policy Compliance Review  
Contract Administration Policy (Appendix F)**

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This Policy compliance review is conducted by the Internal Audit Department (IAD) to assess the status of risk management practices for the time period noted below. The Internal Audit Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate Chief Officer and the CEO prior to being presented to the Finance Committee (FC) as an information item.

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**Review period:** June 2023 to July 2024

**Responsible Manager(s):** Jody Finklea (General Counsel – Chief Legal Officer)

<i>Policy Compliance:</i> Indicate whether the following items required in the Contract Administration Policy were completed during the review period.			
REQUIREMENT	YES	NO	EXPLANATION
General Manager (in consultation with General Counsel) caused procedures to be established (Section 3.0)	X		
Staff consulted with General Counsel before entering into contract negotiations. (Section 4.1)	X		
All proposed contracts or amendments were approved by General Counsel before submitted to governing body. (Section 4.1)	X		
Internal Audit Manager was consulted for audit rights parameters (Section 4.2.1)	X		
CFO made aware of all negotiations for contracts with base term greater than 7 years or with a present value over \$1 million. (Section 4.2.2)	X		
CFO reviewed all contract language involving insurance requirements. (Section 4.2.2)	X		
Contracts with a term greater than 7 years were approved by appropriate governing body. (Section 4.3)	X		
Contracts with value greater than dollar value in approved budget were approved by appropriate governing body. (Section 4.3)	X		
All contracts, agreements, and/or Master Agreement will be reviewed and approved by the Office of the Chief Legal Officer prior to execution. (Section 4.5)	X		

FMPA Risk Management Department  
 Policy Compliance Review  
**Contract Administration Policy (Appendix F)**

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<i>Internal Control Assessment:</i> Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.					
OBJECTIVE	1	2	3	4	EXPLANATION
Controls are in place to identify and assess risks related to contract administration activities.			X		
Applicable laws concerning negotiation and execution of contract are followed.			X		
Contracts comply with all Risk Management Policies (such as Credit and Origination).			X		
Favorable business parameters and requirements are discussed internally prior to negotiations.			X		

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Are there any concerns related to contract administration risk management which should be brought to the attention of the CEO as part of this review? Yes  No  If yes, describe below.

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Are there internal control concerns related to contract administration risk management which require immediate attention?

Yes  No  If yes, describe below including any change to risk inventory controls score.

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FMPA Risk Management Department  
 Policy Compliance Review  
**Contract Administration Policy (Appendix F)**

Rate the overall functioning of contract administration risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

**Additional comments from responsible Manager(s):**

Are there any emerging risks or environmental changes which impact contract administration risk management?

Yes  No  If yes, describe below including any proposed changes to risk inventory.

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Other comments:

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*Liyuan Woerner*  
 \_\_\_\_\_  
 Internal Audit Manager Signature

07/18/2024  
 \_\_\_\_\_  
 Date

*Richard M. Popp*  
 \_\_\_\_\_  
 Chief Financial Officer Signature

07/18/2024  
 \_\_\_\_\_  
 Date

*Jody Lamar Finklea*  
 \_\_\_\_\_  
 Chief Legal Officer Signature

07/19/2024  
 \_\_\_\_\_  
 Date

*Jacob Williams*  
 \_\_\_\_\_  
 Chief Executive Officer Signature

07/22/2024  
 \_\_\_\_\_  
 Date



FMPA Risk Management Department  
Policy Compliance Review  
**Contract Administration Policy (Appendix F)**

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Rating scale for Policy compliance reviews:

- 1 = Risk management practices not in place.
- 2 = Risk management practices in place are not effective in meeting Policy requirements.
- 3 = Risk management practices in place meet Policy requirements.
- 4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

**FMPA Risk Management Department  
Policy Compliance Review  
Origination Transaction Policy (Appendix K)**

This Policy compliance review is conducted by the Internal Audit Department (IAD) to assess the status of risk management practices for the time period noted below. The Internal Audit Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate Executive and the CEO prior to being presented to the Finance Committee (FC) as an information item.

**Review period: April, 2023 to March, 2024**

**Responsible Manager(s): Chris Gowder, Vice President IT/OT and Systems OPs**

<i>Policy Compliance:</i> Indicate whether the following items required in the Origination Policy were completed during the review period.			
REQUIREMENT	YES	NO	EXPLANATION
Chief Operating Officer (COO) caused processes to be documented, as deemed appropriate, that identify risks and ways to measure, control and mitigate FMPA's exposure to these risks. (Section 3.0)	X		
The designated Manager authorized to approve trading transactions with a term no more than three months in duration with a notional value not to exceed \$5 million. (Section 4.1)			N/A
The COO authorized to approve trading/origination transactions less than or equal to three years in duration and a notional value not to exceed \$25 million. (Section 4.1)			N/A
The CEO is authorized to approve trading/origination commodity transactions less seven years in duration with a notional value not to exceed \$50 million. (Section 4.1)	X		Transactions approved by CEO within authorized thresholds.
All trading/origination commodity transactions equal to or greater than seven years in duration or with a notional value in excess \$50 million were approved by the EC. (Section 4.1)	X		EC approved all natural gas hedging transactions.
All commodity transactions exceeding three (3) months in duration or \$5 Million of notional value were presented to the Generation Review & Assessment ("GR&A"). (Section 4.2)		X	Revised policy will terminate GR&A due to leadership team and EC oversight.
FMPA did not commit to any firm electric commodity trading transaction which would result in its monthly peak capacity reserve levels falling below 10% of projected capacity requirements, exclusive of planned outages, at the time of commitment. (Section 4.3.1)	X		In the EC packages for each month - item 7D.
When initiating electric origination transactions, FMPA strived to maintain annual peak planning capacity reserve levels above 15%. (Section 4.3.2)	X		

**FMPA Risk Management Department  
Policy Compliance Review  
Origination Transaction Policy (Appendix K)**

If any month capacity reserve position fell below 10% due to a planned generation outage, staff purchased a capacity or firm energy transaction to cover the shortfall within 30 days prior to the start of the relevant month. (Section 4.3.4)	X		We remedied any shortfalls resulting from planned outages within the appropriate timeframe.
FMPA internally maintained the official book of record for trading/origination transactions greater than thirty-one days in duration if such is not maintained by the applicable Agent. (Section 4.4)	X		FMPA staff, FGU, TEA, and FMPP maintain records separately.
Vice President IT/OT and Systems OPs confirmed transactions with counterparty and the responsible manager of each respective transaction forwarded all invoicing information to the Accounting Department. (Section 4.5)	X		
The COO maintained evidence of a system of internal controls necessary to ensure origination transactions adhere to and are consistent with this Policy and applicable Origination Procedures. (Section 5.0)	X		
The COO or the assigned designee entered into origination transactions and reported all such transactions to the individual(s) responsible for maintaining the official book of record. The individual that entered into the origination transactions did not have the ability to directly change the book of record or resulting reports. (Section 5.2)		X	Leadership believes other controls were present to understand the portfolio.
Each Manager with responsibilities related to trading/origination activity ensured that appropriate staff developed and maintained an applicable level of knowledge regarding the trading/origination of commodity transactions. (Section 5.3)	X		Staff giving directions to agents (FGU, TEA, FMPP) carrying out trading activities have received training.
The Vice President IT/OT and Systems OPs presented the forward twelve months reserve levels to be reported monthly to the EC in the consent agenda. (Section 6.1.1)	X		Reserves reported to EC each month – item 7D.
Upon request, the Agency Risk Director coordinated an FC report of all FMPA staff committed trading/origination transactions, if any, in the prior year that had a term greater than three (3) months. (Section 6.1.2)			N/A
An annual report on the operation and effectiveness of this Policy was presented to the FC as described in Section 7.0 of the FMPA Risk Management Policy. (Section 6.2)	X		In the May 2023 report.
The Agency Risk Director caused any material deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. (Section 7.0)	X		

**FMPA Risk Management Department  
Policy Compliance Review  
Origination Transaction Policy (Appendix K)**

*Internal Control Assessment:* Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.

OBJECTIVE	1	2	3	4	EXPLANATION
Controls are in place to identify and assess risks related to commodity transaction origination activities.			X		Segregation of duties
Applicable laws concerning negotiation and origination of commodity transactions are followed.			X		
Operations and planning staff coordinate to fulfill mid-term resource needs.			X		
Origination of commodity transactions follows other Risk Management Policy guidelines.			X		
Origination of commodity transactions complies with Code of Ethics of the Electric Power Supply Association.			X		

Are there any concerns related to origination transaction risk management which should be brought to the attention of the General Manager as part of this review?

Yes  No  If yes, describe below.

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Are there internal control concerns related to origination transaction risk management which require immediate attention?

Yes  No  If yes, describe below including any change to risk inventory controls score.

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Rate the overall functioning of origination transaction risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As the price risk management matures, management is committed to improving segregation of duties.

**Additional comments from responsible Manager(s):**

FMPA Risk Management Department  
Policy Compliance Review  
**Origination Transaction Policy (Appendix K)**

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Are there any emerging risks or environmental changes which impact origination transaction risk management?

Yes  No  If yes, describe below including any proposed changes to risk inventory.

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Other comments:

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*Liyuan Woerner*

41E87DB4176A81106637A461E1078F68F  
**Internal Audit Manager**

06/10/2024

Date

*Richard M. Popp*

8F3C29F56A44E0B613D0640B6D5585E8  
**Risk Manager Signature**

06/10/2024

Date

*Richard M. Popp*

8F3C20F5CA44E1B613D0640B6D5585E8  
**Responsible Manager Signature**

06/10/2024

Date

*[Signature]*

**Responsible Manager Signature**

06/11/2024

Date

FMPA Risk Management Department  
Policy Compliance Review  
**Origination Transaction Policy (Appendix K)**

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Rich, Ken, Chris and Liyuan

Rating scale for Policy compliance reviews:

- 1 = Risk management practices not in place.
- 2 = Risk management practices in place are not effective in meeting Policy requirements.
- 3 = Risk management practices in place meet Policy requirements.
- 4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

**AGENDA ITEM 11 – COMMENTS**

**Finance Committee Meeting  
September 18, 2024**

**AGENDA ITEM 12 – ADJOURNMENT**

**Finance Committee Meeting  
September 18, 2024**