



Florida Municipal Power Agency

BACKGROUND

What Is FMPA, and Why Does It Exist?

Almost immediately after Thomas Edison demonstrated in 1882 the feasibility of central station electric service in New York City, municipally owned electric utilities were established. Among the first cities in Florida to recognize power production and distribution as a natural extension of existing public services were Jacksonville, Ocala and Starke. Each of these cities formed community-owned electric utilities before the turn of the century. More than a century later, these utilities are still going strong, still in public hands and still providing reliable electricity at a reasonable cost for consumers. There was a time, though, during that history when one event rocked the entire electric utilities industry, and the legacy of that crisis lives on today.

In a dispute over the United States' support for Israel in the Arab-Israeli war, Arab nations embargoed oil shipments to the United States in October 1973. The oil embargo hit electric utilities with devastating effect, for as the embargo took hold, oil prices rose eightfold. The sudden fuel cost increases were passed along to electric consumers as fuel adjustment charges in monthly electric bills. In some cases, this caused electric prices to increase upwards of 50%. It was a national crisis.

The problem for some municipal electric utilities was that too much of their power generation was fueled by oil. After the first oil embargo, the utilities knew they needed generation with diverse fuel sources, but the cost-effective options available at the time—nuclear and coal plants—had to be built in such large sizes to be economical that the units were too big for individual municipals.

In other cases, municipal electric utilities purchased all their wholesale power needs from their surrounding investor-owned utilities. One consequence of the '70s energy crisis was that investor-owned utilities were filing many wholesale rate increases. In many instances, before one case could be decided, another was filed. At the time, there was little competition among wholesale power suppliers, so municipals were captive to their chief competitors, who had the power to increase municipal costs.

Birth of Joint Action

In response to mounting pressures and the desire to reduce costs, municipal electric utilities began forming regional “joint action agencies” that allowed individual systems to work together for mutual advantage. Through joint efforts, the utilities were able to finance larger generating plants, such as coal and nuclear units. And working together, they were able to create economies of scale by combining the wholesale power needs of several utilities and purchasing or building power resources to serve the larger group.

The first joint action agency was formed in 1957 in a coordinated effort to construct a dam. During the 1960s, several other joint action agencies were created in Arizona, California, Iowa and South Dakota. But it wasn't until the energy crisis in late 1973 that joint action took off. Between 1974 and 1980, 31 joint action agencies were formed around the United States.

In Florida, an existing law authorized local governments to cooperate with one another for mutual advantage. In the summer of 1977, an organizational committee was formed to establish the structure of a joint action agency. The organizational committee met in Tallahassee on Sept. 8, 1977, where nine municipal electric systems were represented: Lake Worth, New Smyrna Beach, Key West, Fort Pierce, Jacksonville Beach, Gainesville, St. Cloud, Sebring and Ocala.

Four months after the first organizational meeting, 13 cities had signed an interlocal agreement to form the Florida Municipal Power Agency (FMPA), and a number of other city officials expressed confidence they would do the same. Membership continued to rise with 23 municipals committed by FMPA's initial meeting on Feb. 24, 1978. In the following two months, three additional cities joined the agency, bringing the total to 26.

FMPA Today

FMPA's membership today includes 29 municipal electric utilities serving approximately 1.8 million Floridians. Fifteen members purchase all their power requirements from the Agency. Five municipals purchase some of their power requirements. In all, FMPA supplies more than 40% of its members' total power needs and has ownership interests in 12 operating power plants.

Each FMPA member appoints one representative to FMPA's Board of Directors, which governs the Agency's activities. FMPA is governmental legal entity with specific powers authorized by Florida law to undertake joint projects for its members and to issue tax-exempt bonds and other obligations to finance the costs of such projects.

Benefits

While most retail electric customers do not know that FMPA exists, the Agency plays an active role behind the scenes bringing competition to the wholesale power market. Through FMPA, municipals have been successful in significantly reducing power costs, diversifying power supply resources and providing a measure of competition in the wholesale market.

Another major accomplishment of FMPA's has been its role as a forum to bring municipal electric utilities together. Working together has given municipal utilities a stronger, unified voice. It has enabled them to pool their collective physical, financial and intellectual resources to enhance competitiveness. And it has fostered an indomitable one-for-all-and-all-for-one spirit, as the utilities unite in their commitment to serve their communities.

By pairing the strengths of individual, community-owned utilities with the strengths of a statewide organization, like FMPA, electric customers in FMPA's member communities get the best of both worlds. On one hand, a community-owned utility offers advantages like local service reliability, not-for-profit operations, local decision making and the personal touch of a hometown utility. Meanwhile, a statewide organization brings economies of scale, access to resources and

strength in numbers. This blending of community power and statewide strength enables municipal electric utilities to provide the personal service of a local utility backed by the resources of a statewide organization.

Ultimately, the combination of local service and statewide strength makes municipal electric utilities able competitors and valuable community assets that serve the highest goal of making their communities better places to live and work.

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