

DISPATCH

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Journey Back to Competitiveness

Strategic Planning Lays Out Road Map Back to Success

Action Plan Half Complete; FMPA Working on Its Vision

2009 WAS a defining year for FMPA and its members. Uneconomical fuel contracts and uncompetitive wholesale costs frustrated customers, member cities and staff alike. Challenged but undeterred, FMPA's members pulled together to analyze the situation, develop a plan and take action. The result of that process was a strategic plan and a comprehensive 45-point action plan, a road map to FMPA's future.

Today, nearly two years after the strategic action plan was approved, FMPA is in a much better place. FMPA General Manager and CEO Nicholas Guarriello said, "FMPA has grown stronger and more unified during our two-year journey back to competitiveness."

Members Focus on the Future

That journey began with a two-day strategic planning session on Feb. 5 and Feb. 6, 2009. More than 30 individuals participated. The session's goals were to: 1) assess FMPA's mission statement and competitive position, 2) establish long-range goals, and 3) recommend strategies to achieve those goals.

As a result of the workshop, FMPA's members decided to revise the Agency's vision, mission and values statement. To achieve this vision, members also agreed on five long-range goals and identified 16 key strategies.

Staff developed an action plan to implement each strategy. The plan was approved by members in July 2009, setting the course for the staff's work since then.

Strategic Vision Leads FMPA Forward

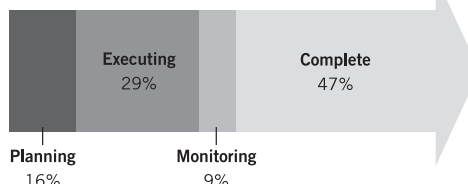
An update in February on the status of these 45 action items shows that nearly half were fully complete and another quarter are being executed.

Among the most important are action items related to FMPA's goal to "be the lowest cost wholesale electricity provider in Florida." Examples include:

- FMPA members studied the All-Requirements Project's business model and made recommendations to enhance efficiency or boost performance.
- FMPA's members updated the hedging program to mitigate risk while allowing FMPA to participate in a declining market.
- FMPA members and staff evaluated reserve capacity and the resource mix, and they developed a generation optimization plan, gas management and dispatch procedures and a power marketing plan to enhance how FMPA manages and markets its power resources.

Strategic Actions Half Completed

21 out of 45 action items are complete; remaining actions are underway.



Among action items in the planning stage ...
14% have been worked extensively
57% have been postponed due to constraints
29% await Board input

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Turning the Corner

by Nicholas Guarriello

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Turning the Corner

By Nicholas P. Guarriello
General Manager & CEO, FMPA



Nicholas P. Guarriello

Twenty five years ago, five cities made a decision that would define their future and the future of other cities throughout the state of Florida.

FMPA was creating a new power supply project called All-Requirements. Projected savings were conservatively small, but the young Agency offered something that no other wholesale provider could—control of their destiny. The cities would finally be owners, not just renters, of their power resources.

It wasn't an easy decision to take a chance on a new wholesale supplier. But Bushnell, Green Cove Springs, Jacksonville Beach, Leesburg and Ocala knew that if someone didn't step up, the new project wouldn't get off the ground, and there would be no competition in the marketplace.

The bravery of All-Requirements' founders proved that it's not the size of your utility that matters, but the depth of your determination. That determination is as strong today as it was in 1986.

In recent years, FMPA and its members have weathered one of the most difficult periods in our history and in our nation's economy. Together, we survived and proved our competitors and naysayers wrong again.

As we emerge from this difficult time, it's clear that FMPA is turning the corner and

making strides back to competitiveness. But we still have further to go. We will not rest until we reach our goals. The good news is that thanks to our founders' foresight and courage, we have the freedom to make that goal a reality. We choose our own path and control our own destiny.

In 2009, FMPA's members developed a strategic plan that set bold goals for the Agency, and staff developed an action plan to make those goals a reality. In the two years

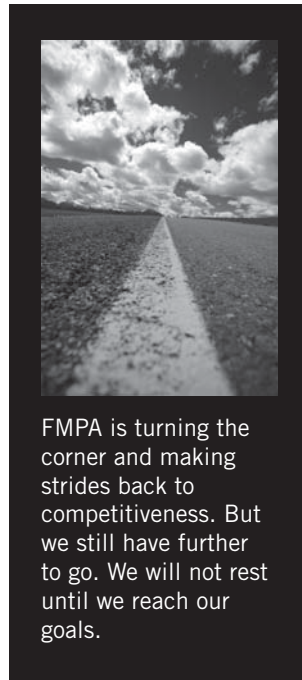
since that action plan was approved, we've made great progress. Nearly half of the action items are complete, and many more are underway.

We've made great strides in improving efficiency. In the past five years alone FMPA has made changes to our generating fleet that will allow us to generate each megawatt of electricity with nearly 9% less fuel.

Even more importantly, rates have come down. Our above-market hedges are expiring, and the natural gas market has stayed low. The average rate for 2011 is projected to be lower than 2009 and 2010. If you look at the rate comparison Florida Municipal Electric Association puts together each

month, All-Requirements Project members are once again competitive on a statewide basis. As of May, one was lower than the IOU average and several were below the municipal average in the state.

All of this is good news, but we're not content to rest. The electric utility industry faces major changes ahead. Fortunately, the spirit of self-determination that inspired All-Requirements' founders to strike out on their own a quarter-century ago is still very much alive at FMPA, and it's what will lead us forward even in uncertain times. We have a destination—being the lowest cost wholesale power provider—and a road map, our strategic plan. We've turned the corner, and better times are ahead of us. Let's roll. ♦



FMPA is turning the corner and making strides back to competitiveness. But we still have further to go. We will not rest until we reach our goals.

FMPA Strategic Plan

Vision: Being the preferred power and service provider for municipal electric utilities and the company of choice for employees.

Mission: To provide competitively priced, reliable power and value-added services for municipal electric utilities through joint action.

Goals:

- Be the lowest cost wholesale electricity provider in Florida
- Have highly effective, qualified, responsible leadership and staff
- Optimize member services
- Comply with regulatory requirements
- Foster a positive communication culture

FMPA Enhances the Efficiency Of Its Power Generating Fleet

New Combined Cycle Unit Enters Commercial Operation

MORE THAN three years of work came to fruition July 12 when the 300 megawatt (MW) Cane Island Unit 4 began commercial operation for the 14 cities in FMPA's All-Requirements Project.

Unit 4 is a major investment in All-Requirements' power supply resources that is expected to produce high efficiency and low emissions right away with low costs and high reliability for the long-term.

Unit 4 Designed to Perform

Unit 4 is located at Cane Island Power Park, a 1,000-acre power generation facility located in Intercession City, Fla., near Kissimmee. The unit is wholly owned by FMPA and operated under contract by Kissimmee Utility Authority. It is the largest, most efficient generator of the four units at Cane Island.

The addition of Unit 4 at Cane Island was approved unanimously by the Florida Public Service Commission on Aug. 4, 2008, and by the Florida Department of Environmental Protection on Dec. 19, 2008. FMPA broke ground on the \$479 million project in March 2009. Construction was completed in a little more than two years, on time and on budget. The project created more than 600 temporary construction jobs.

Unit 4 is a combined-cycle consisting of a 150 MW General Electric F-class combustion turbine in combination with a heat recovery steam generator and a 150 megawatt steam turbine. The unit is fueled by natural gas and is equipped with evaporative cooling and duct firing to increase output. As a base-intermediate-load unit, Unit 4 is expected to operate a high percentage of the year, producing power for All-Requirements.

High Efficiency, Low Emissions

Modernizing FMPA's fleet of generators is

part of the All-Requirements Project's plan to minimize power costs. In recent years, FMPA has updated its power generating resources to improve the fleet's overall efficiency, much like converting to a fleet of fuel-sipping hybrid cars. Since 2006, FMPA has added three new units: one in Key West, one in Fort Pierce and the unit at Cane Island. With these additions and improvements, FMPA is able to generate each megawatt of electricity with nearly 9% less fuel.

Unit 4 is one of the most efficient, cleanest plants in Florida. It is estimated to be 40% more efficient than older generation units it replaces. Unit 4 uses best available control technology and a clean-burning fuel to limit emissions. The unit's projected air emissions are well below Ambient Air Quality Standards, established to protect human health and the environment.

Low Costs, High Reliability

Before committing to build at Cane Island, FMPA undertook a detailed study of its long-term power generation needs, and the results identified Unit 4 as the most cost-effective



Cane Island Unit 4 is among the cleanest, most efficient power plants in Florida.

option. FMPA investigated alternative power supply options, including renewable energy generation and energy conservation. FMPA researched demand side management programs that

would encourage consumers to conserve electricity and use less during peak hours. FMPA even issued a request for proposals seeking to purchase power from another entity rather than build a new unit. All investigations showed that building Unit 4 was the best, most economical option to provide reliable power at the lowest cost.

Unit 4 is a near twin of FMPA's Treasure Coast Energy Center Unit 1 in Fort Pierce, Fla., which recently completed its third anniversary of commercial operation and has performed exceptionally well. Like Treasure Coast Unit 1, Cane Island Unit 4 is expected to be one of FMPA's primary generating resources. With proven, efficient combined-cycle technology and a low cost to operate, Cane Island Unit 4 is expected to be a valuable resource for FMPA's All-Requirements Project for years to come. ♦

Road map to Competitiveness Strategic Plan *continued from page 1*



Save a Tree Go Paperless

The FMPA Dispatch is available electronically. Sign up to receive an Adobe PDF version of the newsletter by sending an e-mail to diane.nelson@fmpa.com

- FMPA established a feed-in tariff for customer-owned renewable generation.
- FMPA is a strong advocate for its members in regulatory and legislative matters.
- FMPA's members reviewed financial policies and practices that support FMPA's creditworthiness.
- FMPA's members identify, understand and manage risk, including conducting a risk inventory and risk awareness education.

For the longer-term, FMPA has taken steps to offset the impact of fuel prices—its largest expense—by modernizing its generating resources for greater efficiency (see page three). Getting more power from each unit of fuel is good for consumers and the environment.

“FMPA has traveled a long way in the past two years, and these milestones are the beginning of a new era for the Agency,” said Guarriello. “FMPA will continue to follow our members’ road map to achieve the vision of being the preferred power and service provider for municipal utilities.” ◆

A Newsletter of the Florida Municipal Power Agency THE FMPA DISPATCH

The FMPA Dispatch is published by the Florida Municipal Power Agency. FMPA is a wholesale power company owned by municipal electric utilities. FMPA provides economies of scale in power generation and related services to support community-owned electric utilities.

FMPA's members include Alachua, Bartow, Blountstown, Bushnell, Chattahoochee, Clewiston, Fort Meade, Fort Pierce, Gainesville, Green Cove Springs, Havana, Homestead, Jacksonville Beach, Key West, Kissimmee, Lake Worth, Lakeland, Leesburg, Moore Haven, Mount Dora, New Smyrna Beach, Newberry, Ocala, Orlando, Quincy, St. Cloud, Starke, Vero Beach, Wauchula and Williston.

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