

DISPATCH

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Innovative Plan Unites Utilities

Consumer-Owned Utilities Sign Historic Mutual Aid Agreement

Consumers Protected From Cost Of Lengthy Generation Outages

EIGHT OF the Southeast's largest community-owned utilities have entered into an innovative agreement to mitigate the financial risk of unexpected generator failure.

Insurance against catastrophic generation failure has in recent years become prohibitively expensive and difficult to obtain for an individual utility. As a cost-effective alternative, FMPA, Gainesville Regional Utilities, JEA, Lakeland Electric, Orlando Utilities Commission, Municipal Electric Authority of Georgia, Seminole Electric Cooperative and Tallahassee have crafted an agreement to provide cost-based catastrophic relief for participants' base-load generating units.

"We all agree that protecting consumers from the potential costs of an extended outage is the right thing to do," said Roger Fontes, FMPA's General Manager and CEO. "When insurance carriers were not able to help us do that, community-owned utilities created their own plan—one that carries no upfront costs."

Under the five-year agreement, if one of the participants' 15 base-load units suffers

an extended outage longer than two months, the other participants have agreed to provide a designated share of their base-load capacity at a cost-based energy price for up to a year. FMPA is participating with a portion of its Stanton, Stanton II and Cane Island Unit 3 generating capacity.

As perhaps the first agreement of its kind in the nation, the mutual aid plan has grabbed the attention of the utility industry and the insurance industry alike.

"Insurance carriers are interested," said Fontes, "because it would make it feasible for them to provide additional business

interruption insurance at an affordable price."

Other community-owned utilities are interested in how they could use similar agreements to cost-effectively limit their risk exposure. Fontes was invited to speak on the subject at the Electric Public Power Insurance Consortium (EPPIC) annual conference on Oct. 20-22. EPPIC is a risk purchasing group created to help public power utilities work together to obtain reasonably priced insurance.

While occurrences of extended outages are relatively rare—perhaps once every 20 years—FMPA and the region's other community-owned utilities believe in taking no chance with their communities' future.

"This agreement is a fine example of how our region's community-owned utilities are using innovation and cooperation to do what is right for consumers," said Fontes. ♦

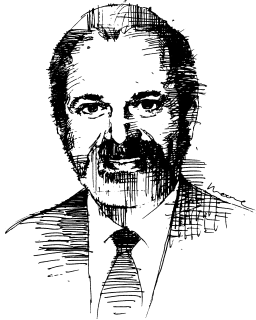
"Our region's community-owned utilities are using innovation and cooperation to do what is right for consumers."

Roger Fontes
General Manager
and CEO
FMPA



Expanding Joint Action

By Roger A. Fontes
General Manager and CEO



Roger Fontes

As FMPA members know, joint action can take many forms. For many years, our agency has been at the forefront of innovative joint action programs and generation projects, and we continue to develop new ways to benefit our members.

For example, the newly created Joint Health Insurance Program may help FMPA and its members control the high cost of health insurance. The Executive Committee recently established a Member Services Advisory Committee to help evaluate potential new programs and enhance the effectiveness of existing member services.

Moreover, FMPA has established new business relationships with other consumer-owned utilities that promise expanded opportunities for joint action. The newly executed major generator outage mutual aid agreement is one prime example. Both existing FMPA members and, for the first time, community-owned non-members are signatories to this historic agreement.

Not surprisingly, most of these utilities are also major supporters of FMPA's public

power solid-fuel plant, which is currently undergoing site and design feasibility analysis. This project will lessen our dependence on volatile natural gas markets as we supply electricity to our consumers.

Further, the leaders of this group of consumer-owned utilities (dubbed "The Good Guys") are actively investigating other joint projects and programs, which could yield significant long-term benefits. Among current initiatives is the preliminary evaluation of constructing a liquefied natural gas facility in Florida. While a long way off, with significant obstacles to completion, such a facility could be yet another important hedge against natural gas price volatility and gas deliverability problems for many years into the future. The Good Guys are also examining the possibility of more closely coordinating major equipment purchases, such as combustion turbines and turbine maintenance parts or large electrical transformers.

Expanded joint action promises significant cost savings and expanded opportunities for all community-owned utilities, and FMPA is helping to lead these efforts. ♦

QUICKLY



Engineering Selection. All-Requirements Project Chairman Tom Richards of Fort Pierce appointed a committee in September to evaluate proposals to provide engineering services for the construction of gas- or oil-fired generating plants. The Engineering Selection Committee includes Skip Jansen of Keys Energy Services, Tom Richards of Fort Pierce, Dean Shaw of Ocala, Jim Welsh of Kissimmee Utility Authority, and Claude L'Engle, Bob Williams and Rick Casey of the FMPA staff. The Committee has selected five firms for further consideration and will recommend a short list ranking for approval at FMPA's All-Requirements Project and Executive Committee meetings on Dec. 12-13. A final agreement for engineering services will be presented to FMPA's Board of Directors in January.

Member Services. FMPA Chairman Dean Shaw appointed five members in

September to a new committee that will advise staff on current and future member services. The Member Services Advisory Committee includes: Lee Garner of Chattahoochee as chairman, Skip Jansen of Keys Energy Services, Pat Miller of Lake Worth, Al Minner of Fort Meade and Gary Quick of Jacksonville Beach.

Risk Oversight Committee. Risk Oversight Committee members elected Gary Quick of Jacksonville Beach as chairman at its inaugural meeting in September. The Committee also scheduled its next two meetings for Monday, Nov. 18 at noon and Thursday, Dec. 12 at 12:30 p.m.

St. Lucie Swap Extensions. FMPA's St. Lucie Project extended four agreements in September to swap the project's variable-rate debt for fixed-rate debt. A significant

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FMPA Optimizes Resources With The Energy Authority's Services Partnership Enhances Marketing For Medium-Term Power Deals

FMPA HAS ENTERED into an agreement with The Energy Authority, Inc. (TEA) for services to strategically optimize the All-Requirements Project's generation resources.

This partnership will help All-Requirements pursue new ways to market medium-term excess capacity in Florida and nationwide, purchase additional capacity at more economical rates and obtain additional credit risk management support.

All-Requirements recently experienced tremendous growth with the addition of two new generating cities, Kissimmee Utility Authority and Lake Worth. The project's newly expanded capacity makes this an opportune time to more aggressively market power.

TEA is a non-profit corporation located

in Jacksonville, Fla. It was founded by several large municipal utilities to provide energy marketing, trading and risk management services exclusively to community-owned utilities at a fraction of the usual cost. TEA uses staff expertise and advanced risk models to build strategies to manage energy risk exposure. TEA's members and partners benefit from an expanded market reach, well-managed transactions and efficient energy trades.

Under the new agreement, TEA will model FMPA's load and resources to develop medium-term sales and purchasing opportunities. TEA will support FMPA staff when gauging counter-party creditworthiness and market analysis for each transaction.

TEA's services will compliment short-term power marketing provided by the Florida Municipal Power Pool and long-term strategic planning by the FMPA staff.

In addition, TEA will also maximize FMPA's intellectual resources by presenting ongoing training in risk management to FMPA staff and Board and possibly assisting with development of the Agency's risk management procedures. ♦

FMPA Considers 10-Year Deal With Gulfstream Gas Pipeline Cane Island Units Can Benefit From Additional Fuel Source

FMPA'S ALL-REQUIREMENTS Project could benefit from the addition of a second natural gas transportation pipeline in Florida under the terms of a prospective deal approved by FMPA's Executive Committee in September.

FMPA was authorized to negotiate a 10-year contract for firm natural gas transportation to the Cane Island Power Park through the Gulfstream Natural Gas System, a 581-mile natural gas pipeline spanning the Gulf of Mexico. If the contract is finalized by the end of this year as anticipated, transportation would begin as soon as the interconnection is installed, probably in early 2003.

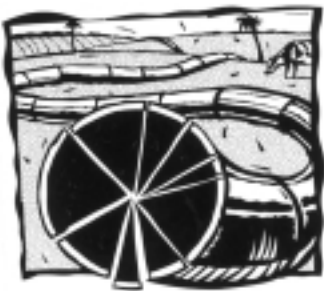
Placed into service in May 2002,

Gulfstream is Florida's first new natural gas pipeline in more than 40 years. The additional gas transportation it provides would benefit Florida consumers by introducing competition into the gas transportation market and ensuring sufficient capacity to meet the state's growing energy demands.

For example, during peak load periods this summer, the state's original pipeline, Florida Gas Transmission (FGT), was issuing overage alerts and operating with little capacity to spare. FMPA has utilized more than 90% of its available firm gas transportation during the hottest days of the season.

Adding another source of gas transportation to the Cane Island site would ensure that fuel needs are met for the three existing Cane Island units and enable more units to be added in the future.

FMPA plans to minimize installation costs by putting in certain preliminary interconnection elements coincident with a roadway construction project scheduled for early November. ♦



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drop in interest rates this summer enabled FMPA to lock in additional debt service savings with this extension. The Project's innovative refinancing strategy has lowered the overall interest cost on St. Lucie 2002 bonds to less than 3.9 % through 2010.

GridFlorida Update. The Florida Public Service Commission (PSC) in a Sept. 3 order approved most elements of the GridFlorida applicants' proposed ISO structure. On Oct. 10, the Florida Office of Public Counsel filed an appeal of the PSC's order with the Florida Supreme Court, which, under public rules, functions as an automatic stay for all GridFlorida proceedings until the appeal process is complete. The PSC may vacate the stay if a party makes a motion to do so, but the GridFlorida applicants have not exercised that option. Appeal proceedings are expected to last a year and will likely delay GridFlorida's completion by more than a year, perhaps until after the Federal Energy Regulatory Commission has finalized its standard market design policy. ♦



**The Dispatch
Via E-Mail**

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The FMPA Dispatch is published by the Florida Municipal Power Agency. FMPA is a nonprofit, joint action agency formed by 29 municipal electric utilities in Florida.

FMPA is a public agency whose primary purpose is to develop competitive power supply projects and related services. FMPA's members include Alachua, Bartow, 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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