

# DISPATCH

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## FMPA Modernizes Its Governance

FMPA Changed Dramatically  
Since It Was Founded in 1978

Member Committee Advises  
Updating Agency's Structure

“DON'T think anybody really envisioned that we would do the things we have done over the years. I just don't think anyone envisioned that we would accomplish as much as we did.” - FMPA's first General Manager, Calvin Henze, in a 2003 interview.

When FMPA was founded in 1978, it had no staff, no office, no power generation projects, no revenues and no assets. Although it was uncertain what the Agency would eventually do or become, one thing was understood—the fledgling organization needed a sound, but flexible governance structure on which to grow.

Local governments are authorized by Florida Statutes to enter together into mutually advantageous arrangements, called interlocal agreements, that create a separate legal entity. FMPA was formed in this manner, and the interlocal agreement, signed by every member city, and by-laws established the Agency's governance system.

Almost like a government's constitution, the Agency's governance structure, embodied in the interlocal agreement, remained fundamentally unchanged in the many years that followed, providing for the principles and systems that FMPA operates under even today.

More than 29 years have passed since the interlocal agreement was first approved by FMPA's members. Today, FMPA supplies nearly 50 percent of its members' total power needs, operating five separate power

supply projects. The largest of these projects, the All-Requirements Project, operates as a complete power supply system—one of the largest in the state—and provides more than 1,500 MW at peak to its 15 member communities. Virtually everything about FMPA has changed, yet all the while its governance structure has remained largely unchanged.

### Early Years

Not knowing exactly what opportunities the Agency would seek in the future, FMPA's founding members designed the Agency's governance around a flexible project-oriented structure. That structure suited FMPA well in its early years, allowing members to gain ownership interests in a diverse mix of separate power facilities.

Since each project was independent of the others, each had its own advisory committee, which, in turn, reported to the Executive Committee. The interlocal agreement allows the Board to delegate many of its powers to the Executive Committee. Board approval is currently only required for a limited number of decisions, including debt issuance and annual budget approvals. The Executive Committee handles all other decisions.

### Changing Times

For many years, FMPA's governance structure worked well. Debt issuance and other decisions requiring Board approval were infrequent, and the Board of Directors met only once or twice annually.

However, in recent years, the All-Requirements Project has become a project developer to achieve lower costs for participating members. Developing new power generation is a lengthy process that includes many steps and many decisions for All-Requirements Project participants. Under the current system, each decision must be approved by

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Changes would streamline decision-making for FMPA's power supply projects.

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## A New Beginning

By Rebecca Matthey  
*Chairperson, All-Requirements Project and  
FMPA Governance Committee*



Rebecca Matthey

A confluence of changes has come in recent years to the utility industry, in general, and to FMPA, in particular. Increasing fuel prices, changing environmental regulations, rapid growth in the state of Florida—all these changes and more are influencing how we do business.

To respond to this challenge, FMPA's members had to evolve from past ways of thinking, open ourselves up to new possibilities and find new ways to achieve our mission of providing reliable power at a reasonable cost. And I believe we've been successful in doing so.

We now have a solid strategy in place and are working to accomplish our mission. We have developed sophisticated new tools to manage a variety of business risks. We have become a project maker, capable of controlling our own power supply future.

These new initiatives are bringing us success, but nothing comes without a price. As All-Requirements becomes a more robust power supply system with a complex mix of assets and liabilities, our responsibility as owners of the system grows.

As decision makers, our actions make or break the success of the All-Requirements Project. And those decisions are becoming more frequent, more rapid and more challenging. Managing the All-Requirements Project successfully requires an intense focus and commitment from every one of the project's owners. And our governance system, the framework for our decision making, must be structured to ideally support that focus.

Today's governance structure is not.

We now have the historic opportunity to change that structure to one that makes us the most efficient, effective, successful decision makers we can be. FMPA's Governance Committee has spent the past year-and-a-half developing a plan to modernize

our governance structure and the documents that control it.

I won't enumerate every detail of the committee's recommendations in this column. (See page three of this newsletter for a summary of the recommendations). But I will discuss what the changes mean to FMPA.

The recommended changes will sharpen All-Requirements members' focus on the project's day-to-day business. It will also relieve the burden placed on non-All-Requirements members, a number of whom have faithfully attended Executive Committee and Board of Directors meetings to provide the quorum needed to address All-Requirements' needs.

Giving the All-Requirements Project greater self-governance may sound novel, but the proposed structure actually mirrors that of many private utilities. Many investor-owned utility companies manage several subsidiaries that report to the parent company's board. However, each company's regulated, full-service utility operation is typically governed by a separate board, which is given great latitude to handle the numerous day-to-day, month-to-month decisions that are

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made by an operating utility system.

In the short-term, FMPA members are likely to notice how the governance changes improve the efficiency and convenience of the decision-making process. In the long term, I believe the impact will be far greater.

Collaboration is the lifeblood of a joint action agency. FMPA's success hinges upon how well we work together to develop a shared vision and make wise decisions. If we can sharpen our focus on matters at hand, remove barriers to participation and further empower our members, how much more can we achieve in the future?

Modernizing our governance system is the cap stone to the process of growth, exploration and redefinition that FMPA has undergone in the past several years. We're on the threshold of a new beginning. Let's open the door together. ♦

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both the All-Requirements Project committee, as well as the Executive Committee.

FMPA has also become more active in issuing and managing long-term debt. The issuance of debt currently goes through three layers of approval—even when it is needed promptly to fund an important power supply project.

The increased number of decisions has made the multilayered approval process increasingly unwieldy, and the All-Requirements Project's increased activity means that Executive Committee and Board members who are not in All-Requirements must regularly volunteer hours of their time to research, discuss and vote on items that will not impact their cities.

### Governance Committee

As the cumbersomeness of the current governance system became more pronounced, the Agency recognized the need for a plan. To give this challenging assignment the focus it deserved, the Chairman of the Board appointed a special task force to conduct a detailed study.

That group, known as the Governance Committee, was appointed in November 2005. The nine-member panel was selected to represent FMPA's diverse membership by including systems of varying sizes and both All-Requirements and non-All-Requirements members.

The committee's first action was to create a mission statement to establish the goals and principles for their work. The mission statement is: "To recommend balanced and fair governance proposals and guidelines for the benefit of all members of the Florida Municipal Power Agency, while ensuring satisfactory accommodations for each member utility's interests in the Agency and its power supply projects."

With its mission defined, the committee set out to better understand the existing governance structure. They studied a decision tree diagram to understand exactly how different types of decisions pass through the approval process.

Studying the current situation enabled the Committee to understand what issues needed to be addressed and to develop two main principles for the reorganization. First, the committee agreed to update the Agency's

documents to be modern, clear and proactive in anticipating future policy questions or issues. Second, the committee agreed that the All-Requirements Project should have greater autonomy to secure a reliable, economical power supply for its customers.

During the 15-month study process, the committee gradually formed a concrete plan to achieve its objectives. At a workshop in March, the committee unveiled its recommendations to the Board of Directors and offered a forum to discuss the recommendations with the wider membership family.

### The Recommendations

The Governance Committee recommends numerous changes to the Agency's interlocal agreement, Agency by-laws and the annual performance evaluation process for the General Manager and General Counsel.

The bulk of the changes are associated with giving the All-Requirements Project greater self-governance through the reorganization of the Executive Committee.

Under the new system, FMPA's Board of Directors has responsibility for making all final decisions for the projects of FMPA, except the All-Requirements Project, and for Agency business not directly related to All-Requirements.

The Executive Committee will be redesigned to include only the appointed representative from each All-Requirements member, rather than being an elected body. Under the terms of a new set of by-laws, the Executive Committee has power to govern and manage the business affairs of the All-Requirements Project. The All-Requirements Project advisory committee will cease to exist, since its membership will be identical to the Executive Committee. Delegated decisions of the Executive Committee will no longer need approval by the Board of Directors.

Each decision, whether for All-Requirements or a different project, only needs to go to one governing body for approval, either the Executive Committee or Board—not both. This is expected to streamline the voting process, as well as reduce the time demands on non-All-Requirements members. As well, the members who have the most at stake in the All-Requirements Project, the participants themselves, will be the direct and final decision-makers charting the future of the All-Requirements Project.

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## How will FMPA's Decision-Making Process Change?

Certain types of decisions (for example, budget approval and issuance of debt) are approved by three different governing bodies under the current system. Updating the governance structure will streamline the process, as illustrated below.



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Besides these structural changes, the Governance Committee's recommendations will also help institutionalize some of the Board of Directors' policies and procedures that are currently in use but never officially recorded. Adding these provisions to the interlocal agreement or by-laws will help ensure the Agency adheres to its policies through the years, despite any changes in the make-up of the Board or the Agency staff.

### Next Steps

The Governance Committee presents its plan for Board approval May 24.

If the recommendations are approved, FMPA staff will make necessary changes to the Agency's legal and financial documents, seeking approvals from outside the Agency as necessary.

An organizational meeting of the newly reconstituted Executive Committee has been scheduled for July 12. The committee would be capable of serving in its new role at the FMEA-FMPA Annual Conference on July 17 through 20. ♦



### The Dispatch Via E-Mail

The FMPA Dispatch is available electronically. Sign up to receive an Adobe PDF version of the newsletter by sending an e-mail to [diane.burel@fmpa.com](mailto:diane.burel@fmpa.com)



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