

# DISPATCH

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## FMPA Credit Ratings Get a Boost

### Fitch, Moody's Assign A+/A1 To Three More FMPA Projects

### Strong Credit, Refinancings Reduce Costs by \$22 Million

**F**ITCH RATINGS and Moody's Investors Service upgraded and affirmed credit ratings for FMPA's power supply projects this summer in conjunction with more than \$230 million in cost-saving bond refinancings.

Fitch upgraded the underlying credit ratings of FMPA's Stanton, Tri-City and Stanton II projects to A+ from A. Moody's upgraded the projects' ratings to A1 from A2.

FMPA's Stanton, Tri-City and Stanton II projects are ownership interests in two coal-fired power plants primarily owned and operated by Orlando Utilities Commission.

The All-Requirements Project's ratings were affirmed at A+ by Fitch and A1 by Moody's. FMPA's All-Requirements Project supplies the wholesale power needs of 15 member cities.

The St. Lucie Project's ratings were affirmed at A- by Fitch and A3 by Moody's. The St. Lucie Project is an ownership interest in St. Lucie Unit 2, an 838 MW nuclear plant.

The revenue bonds for all of FMPA's projects are insured, which raises the credit ratings to triple-A.

"Ratings for all of Florida Municipal Power Agency's projects reflect the following credit characteristics: historically stable financial performance, court-validated power supply contracts, Florida's very slow transition to deregulation, and a solid management team," according to a Fitch Ratings report.

Beyond fundamental credit qualities, Moody's noted FMPA's risk management efforts. "FMPA management has focused significant attention on the development of a broader approach to risk management to include fuel risk, risks to liquidity, extended outage risk, counterparty risks, and other areas," according to Moody's.

"We are very pleased with these ratings," said Roger Fontes, FMPA's General Manager and CEO. "We think they reflect the excellent performance of our power supply projects and the FMPA Board of Directors' commitment to continually enhancing our competitiveness."

Further enhancing FMPA's competitiveness, the Agency has saved millions for members this summer by refinancing more than \$230 million in project bonds.

FMPA issued nearly \$120 million in fixed rate bonds in May at outstandingly low interest rates.

FMPA then sold almost \$110 million of auction-rate bonds in July. The initial rates on these bonds were extraordinarily low — as low as 0.85% on the seven-day market. To lock in today's low interest rates over a longer time period, the bonds were swapped to fixed-rate debt. Half were swapped to a fixed-rate of 4.08% and half were swapped to a fixed rate of 3.58%.

Combined, the refinancings are estimated to save at least \$22 million in present value debt service costs for FMPA's members. ♦



### FMPA Refinancings

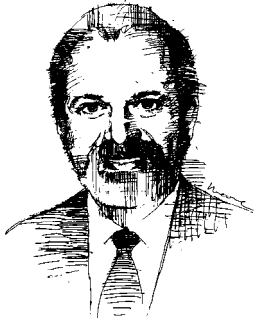
Refinancing at historically low interest rates saves \$22 million.

BOND ISSUE	AMOUNT <sup>1</sup>	INTEREST <sup>2</sup>	SAVINGS <sup>1</sup>
<b>Fixed Rate Refunding Revenue Bonds</b>			
All-Requirements Project	\$62.4	2.98%	\$6.5
Stanton II Project	\$18.3	3.12%	\$1.7
Tri-City Project	\$39.1	3.6%	\$5.3
<b>Auction Rate Refunding Revenue Bonds</b>			
All-Requirements Project	\$90.98	0.85% <sup>3</sup>	variable
Stanton Project	\$20.0	0.85% <sup>3</sup>	variable

<sup>1</sup> In millions <sup>2</sup> True Interest Cost <sup>3</sup> Initial Rate on seven-day market (variable)

# Saving Money

By Roger A. Fontes  
General Manager and CEO



Roger Fontes

In recent years FMPA has undergone rapid growth with a corresponding increase in our budget and program expenses. So it is both important and timely to comment on the frugality of FMPA staff. Increasing budgets also mean increasing opportunity and added importance of saving money. As FMPA's General Manager, I am constantly aware of the many successes that reduce costs and increase productivity.

To prepare this article, I asked the FMPA staff for examples of saving money during the last six months. I received over 50 responses in a few days. Needless to say, we are all proud of what we do for the Agency and its members. The depth and breadth of the cost savings prevent my repeating them all here. Let me just say that they run the gamut from saving millions on debt refinancing, many thousands on reduced consultant costs, to obtaining steeply discounted airline tickets and government rate hotels at one-half price or less.

Other notable examples have emerged from our comprehensive fuel hedging and risk management activities. I believe most FMPA members are well aware of the lower than spot market natural gas prices paid by the All-Requirements Project (ARP) during the most recent run-up in gas prices. It is no exaggeration to say the fuel hedging program has saved millions. Lesser known, but equally important, was the 50 MW power purchase contract negotiated by The Energy Authority for March 2003. That one-month contract allowed FMPA to significantly

reduce burning this year's highest priced natural gas and saved the ARP more than \$4 million.

Another prominent example of cost savings (as a result of using less consultant time) is the recent installation of meters, RTUs, CT/PTs at various ARP cities. A conservative estimate of these savings would be about \$65,000. We will continue this initiative in the future. Furthermore, our operations staff has been actively working to reduce generation costs – both at FMPA facilities and member-owned power plants. Using aggressive competitive bidding and negotiating maintenance contracts in advance of need has reduced maintenance costs by roughly \$285,000, while simultaneously producing better results.

The commitment of FMPA's staff to saving money extends beyond the Agency to our member services, as well. Many FMPA members participate in the Joint Purchase Project. This program allows small- and medium-sized FMPA members to pay lower prices for distribution facility equipment by receiving discounts from national suppliers when soliciting large-quantity group orders. Moreover, our Member Services Department offers many other cost-savings opportunities for FMPA members.

The bottom line is this – FMPA will complete its fiscal year 2003 on Sept. 30 with almost \$1.2 million in net savings in the Agency's general budget account. I want to thank all FMPA employees for contributing to this achievement and again remind them that "saving money" for the Agency is an important priority for all. ♦

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## FMPA Looks Toward Future To Plan Potential Generation

### All-Requirements Kicks-Off Long-Term Capacity Planning

**F**MPA IS launching a comprehensive study to guide the All-Requirements Project's power supply development for the next quarter century.

The resulting report, called an Integrated Resource Plan (IRP), will help identify

generation expansion options over the next 20 to 30 years, including recommended technology, locations and timing of the additions.

The IRP planning method evaluates and selects the best combination of supply-side and demand-side resources to provide reliable electric service at the lowest system cost. IRP takes a systems approach when considering unit additions and retirements.

When All-Requirements was a smaller system, its power resources could be effectively planned by looking a decade

*Please see Planning, page 4*

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## Member Cities Unite to Form A New Joint Action Initiative Program Helps Cities Manage Rising Health Insurance Rates

**F**MPA MEMBERS can jointly purchase health insurance benefits to minimize rates and maximize coverage through a new joint action program called the Florida Joint Action Health Initiative (FJahi).

Skyrocketing rates and declining benefits in the healthcare insurance market have become a significant challenge for all employers. In response, an FMPA member suggested that member cities should work together to achieve economies of scale and strategic muscle when purchasing health insurance.

The concept is simple – by forming the FJahi, FMPA's members can obtain more comprehensive, lower-cost coverage than

individual cities could obtain on their own.

Since each city has unique healthcare needs, the FJahi was designed to act as an umbrella for participating cities, rather than a one-size-fits-all plan. Each city will select their own benefits plan from options including health, dental, life, disability and long-term care insurance. Rates will be developed separately for each city, based on their individual claims history. Local healthcare networks will be set up for each community.

FJahi is partnering with Bouchard Insurance, who can broker members' plans to third-party administrators. Bouchard has experience managing similarly structured healthcare plans.

During August, Bouchard is collecting bids from third-party administrators to develop rates for eight cities. Some cities plan to launch their plans on Oct. 1, some in January 2004. Cities can join FJahi at any time and developing a rate quote is free. For additional information, contact Sharon Adams at FMPA. ♦



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## QUICKLY

**New Officers.** FMPA's Board of Directors elected Elie J. "Bud" Boudreaux of Fort Pierce as Chairman for 2003-2004 at the FMEA-FMPA annual conference in July. Vince Ruano of Bushnell was elected Vice Chairman, Jim Welsh of Kissimmee was elected Treasurer, and Susan Freiden of Havana was elected Secretary.

The Board also established a new position, Past Chairman Ex-Officio, a special non-voting seat on FMPA's Executive Committee.

Dean Shaw of Ocala, FMPA's former chairman of 16 years became the first to be appointed to the position.

Kevin McCarthy of Clewiston was elected to a three-year term on the Executive Committee, and Robert Padron of Keys Energy and Lloyd Shank of Leesburg were both re-elected.



**Passing the Chairman's Gavel.** At the FMEA-FMPA conference in July, Dean Shaw (right), director of Ocala Electric Utility and FMPA's elected chairman for the last 16 years, passed the chairman's gavel and responsibilities to Elie J. "Bud" Boudreaux, director of Fort Pierce Utilities Authority.

**Project Chairmen.** Robert Padron of Key West was elected chairman of the Tri-City Project, and Lloyd Shank of Leesburg was elected chairman of the St. Lucie Project at the projects' meetings in May.

**2004 Budget.** FMPA's Board of Directors approved the fiscal 2004 budget in July. The total budget is \$502 million for the Agency and all of its operating projects.

**Member Services Guidelines.** FMPA's Executive Committee approved in May a set of member services guidelines proposed by the Member Services Advisory Committee. The guidelines establish a standard procedure for developing, evaluating and funding member services initiatives.

**License Extension.** The Nuclear Regulatory Commission (NRC) recently issued its final environmental impact statement and safety report on the proposed extension of St. Lucie Unit 1 and 2's operating licenses. In the reports, NRC staff found no factors that would preclude license renewal for an additional 20 years of operation. The Commission is expected to announce its final decision on the matter sometime in or after September. ♦

## Planning *continued from page 2*

ahead. Since All-Requirements has grown and matured into a 1,500 MW system, its planning needs have grown as well.

To best serve a system this size, FMPA must consider developing its own generation and leading new joint action partnerships. A long-term power supply plan will be an essential foundation to all these initiatives.

“Cultivating the right mix of efficient, economical, environmentally-sensitive generation is FMPA’s greatest challenge for the future,” said FMPA General Manager Roger Fontes. “The IRP is a fundamental step towards this goal and towards the ultimate goal of becoming the wholesale power supplier of choice in Florida.”

FMPA staff initiated the project in August. Initial study plans are scheduled to be presented at an All-Requirements Project meeting on Sept. 25 in Key West. Preliminary results of the study are expected in November and final results in January 2004.

Member feedback will be solicited throughout the process in discussions at Project meetings and by personal contact with many FMPA members. ♦



### 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)

## 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 29 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, 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.

General Manager and CEO: *Roger Fontes*  
Dispatch Editor: *Mark McCain*  
Dispatch Writer: *Diane Burel*

T. (407) 355-7767 (888) 774-7606  
F. (407) 355-5794 [www.fmpa.com](http://www.fmpa.com)

