

DISPATCH

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Two Utilities Join FMPA Project

Kissimmee, Lake Worth Approve All-Requirements Membership

Adding Utilities to the Project Enhances Economies of Scale

unanimously June 18 to join All-Requirements. Assistant City Manager/Utilities Director Pat Miller said, "Joining All-Requirements is strategically in the best interest of our city to help provide competitive and more stable utility rates for our customers."

Since All-Requirements was formed in 1986 with five original members, adding electric systems to enhance economies of scale has been a goal.

For example, if no additional cities had joined since the original five, the generation resource requirements, including a 20% reserve margin, at this time would be approximately 720 MW. This is too small to take advantage of today's common 250 MW combined cycle generating units, such as Cane Island Unit 3. FMPA has a planning criterion of not committing to a single power resource that is greater than 15% of All-Requirements' peak demand.

With 15 cities, the power needs of All-Requirements, including a prudent reserve, will be 1,670 MW, making it feasible for FMPA to take full advantage of state-of-the-art generation with or without another partner. For the same reason, the All-Requirements Project can now fully support development of a new plant site, if it is economically advantageous to do so.

Joint planning for a large group of utilities creates savings that flow to the All-Requirements cities, and there are many other aspects of integrated utility operations that produce economies of scale, as well.

Roger Fontes, FMPA's general manager and CEO, said, "As our industry grows more competitive, I sincerely believe that combining the resources of municipals serves the best interests of our members and, ultimately, their retail customers." ♦

AFTER A THOROUGH analysis of long-term power supply options, Kissimmee Utility Authority and Lake Worth Utilities decided to join with 13 other municipal electric utilities in a strategic alliance with FMPA's All-Requirements Project.

The combination of the two new utilities with the existing cities will increase the All-Requirements Project's size by approximately 357 MW, or 32%. Together, the 15 cities are projected to have a coincident winter peak demand of 1,400 MW, making All-Requirements the second largest municipal electric system in Florida.

Kissimmee and Lake Worth will continue to operate and maintain their generating units, but the project will schedule how units are used to maximize operational efficiency. Cities that bring generation to the project, like these utilities, receive credits that offset the cost of operating the units and purchasing power from FMPA.

KUA's Board of Directors voted unanimously April 10 to join All-Requirements. Jim Welsh, KUA's president and general manager, said, "We are pleased and proud to be part of an organization that provides a low-cost and reliable source of power to municipal utilities throughout the state. We believe both our customers and the project will benefit from KUA's participation."

The Lake Worth City Commission voted

There It Grows Again

FMPA's All-Requirements Project participants' projected non-coincident winter peak demand January 2003 (in Megawatts)

Existing Project Members

1. Bushnell	6.6
2. Clewiston	26.3
3. Fort Meade	12.1
4. Fort Pierce	125.3
5. Green Cove Springs	28.1
6. Town of Havana	5.2
7. Jacksonville Beach	206.3
8. Keys Energy Services*	104.2
9. Leesburg	106.3
10. Newberry	6.6
11. Ocala	279.6
12. Starke	15.7
13. Vero Beach	183.5

New Project Members

14. Kissimmee	277.3
15. Lake Worth	79.5

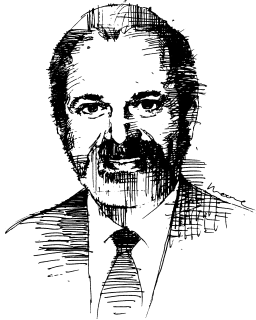
Total Megawatts 1,462.6

* Formerly Key West City Electric System
Source: FMPA 2003 Load Forecast



A Spring of Strategic Accomplishments

BY ROGER A. FONTES
General Manager and CEO



Roger Fontes

Several significant milestones have been achieved recently by the Agency, including:

- ▶ KUA's joining All-Requirements
- ▶ Lake Worth's joining All-Requirements
- ▶ Stanton and Stanton II debt refinancing
- ▶ FY 2002-2003 Budget approved by the Executive Committee
- ▶ All vacant professional staff positions have been filled
- ▶ St. Lucie debt refinancing set to close mid-July

Expanding the All-Requirements Project to 15 participants is a historic event. The project's total peak demand will be approximately 1,400 MW, an increase of more than 30%. KUA and Lake Worth will bring additional generating resources to the project. I am confident that in the future FMPA members will look back on the spring of 2002 with pride and a sense of strategic accomplishment.

I am very pleased to report the expected results from our pending St. Lucie Project

refinancing. We understand the importance of lowering the cost of power from this project, and we've undertaken several initiatives over the years to do just that.

When the refinancing is completed, annual debt service (the major cost component for this project) will be reduced to about \$16.5 million. This is a significant reduction from last year when FMPA members paid about \$21.5 million in St. Lucie debt payments. To gain this savings, we developed a sophisticated refunding package that takes advantage of current historically low variable interest rates.

Because of continuous efforts over the years, the St. Lucie annual debt payments have steadily decreased from \$27 million in 1983 when the unit began operation to \$16.5 million when our refinancing is completed – nearly a 40% total reduction!

I am proud of our entire team: our Board members, Finance Advisory Committee, Agency staff and outside professionals for their considerable assistance in bringing this refinancing to fruition. ♦

Bond Refinancings Approved For Three FMPA Power Projects Refundings Will Reduce Costs Or Strategically Alter Debt Ratio

FMPA APPROVED refinancings for three of its power projects to reduce costs or strategically alter the ratio of fixed- to variable-rate debt.

Two bond issues were completed April 30 for the Stanton and Stanton II projects. The refinancings were undertaken to lock in historically low fixed interest rates while reducing the projects' exposure to variable-rate debt.

FMPA issued \$45.8 million of Stanton Project Refunding Revenues Bonds, Series 2002. The proceeds refunded a portion of the project's variable-rate bonds, Series 1997, and funded a debt service reserve.

Underlying credit ratings for the Series

2002 bonds are "A" and "A2" from Fitch and Moody's, respectively. The bonds are insured by FSA and carry a triple-A rating.

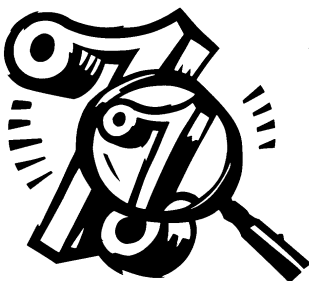
In a simultaneous but separate bond offering, FMPA issued \$85 million of Stanton II Project Refunding Revenue Bonds, Series 2002. Proceeds from this issue refunded all Stanton II Project variable-rate subordinated refunding bonds, Series 1997, and a portion of the project's subordinated refunding bonds, Series 2000.

Underlying credit ratings for the Series 2002 bonds are "A" and "A2" from Fitch and Moody's. The bonds are insured by AMBAC and carry a triple-A rating.

Fitch also upgraded Stanton II's outstanding junior lien bonds to "A" from "A-" as a result of an amendment in the Series 2002 resolution that upgraded the remaining \$40 million in junior lien bonds to senior lien status.

Both issues shifted the projects' debt exposure from predominately variable-rate

Please see Refinancings, page 4



Florida PSC Hears Comments On Latest GridFlorida Proposal

FMPA Concerned the Proposal Limits RTO's Potential Benefits

A REGIONAL transmission organization can provide benefits for all Floridians, FMPA told the Florida Public Service Commission at a workshop May 29, and the GridFlorida proposal has made steps in that direction, but substantial revisions in several areas are still necessary.

The PSC listened to nearly seven hours of comments about GridFlorida from representatives of municipal utilities, rural electric cooperatives and consumer groups. Representatives from FMPA were among several speakers expressing concerns about the current proposal.

Last December, the PSC decided that investor-owned utilities were prudent to consolidate their transmission facilities in a

transmission facilities to an independent system operator.

The GridFlorida applicants—Florida Power & Light, Florida Power and Tampa Electric—submitted a new proposal March 20 in response to the Commission's decision. The workshop on May 29 was to hear comments on the latest proposal.

In FMPA's filed comments and in its workshop presentation, the Agency expressed concern that the applicants' revisions—and in some cases their failure to revise problematic provisions—may unnecessarily impair GridFlorida's ability to realize the benefits that the Commission expects of an RTO.

Fred Bryant, FMPA's general counsel, said, "Their filing seeks approval based on how far they have come, as opposed to approval based on arriving at where they should be."

FMPA detailed substantial revisions still necessary, particularly in the areas of structure, governance, planning, operations, market design, market power and rates.

FMPA's comments specifically did not address whether the filing complies with requirements of the Federal Energy Regulatory Commission (FERC) but, instead, focused on the extent to which the filing fulfills the letter and spirit of the PSC's order.

Bryant said, "We should not allow the applicants to avoid FERC's and this Commission's orders requiring the applicants to fully comply with the legal

requirements for a totally independent, fully transparent and non-discriminatory GridFlorida. GridFlorida, as proposed by the applicants, does not meet these legal standards, nor does their filing meet the requirements necessary for success."

The PSC staff recommendation is due on July 25. The Commission meets on Aug. 6. ♦



FMPA to Help Cities Verify Transmission Charges for Possible RTO

FMPA's Executive Committee approved the creation of an ad hoc transmission project on May 31 that will help interested members account for transmission assets in preparation for implementation of a regional transmission organization.

Recent rulings from the Federal Energy Regulatory Commission confirm that for a municipal electric utility to receive proper payments for its transmission assets its books and records must be in proper order and the basis for its charges must be comparable with other utilities.

FMPA's preliminary review of several test cities showed considerable under-account-

ing for transmission as a separate asset. In many cases, it was included in production or distribution.

To receive proper credits from the RTO, the accounting records need to be unbundled or separated to show the true transmission assets.

A detailed study to evaluate a city's transmission investment, transmission operating and maintenance costs and debt associated with the transmission system needs to be conducted.

This effort will be funded by participating members. For more information, contact Bob Williams at FMPA. ♦

regional transmission organization (RTO), although the Commission concluded that aspects of the proposal were not in the best interest of retail ratepayers.

The Commission required that utilities should retain ownership of their transmission assets and that they should only transfer operational control of their



The Dispatch Via E-Mail

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Refinancings *continued from page 2*

bonds to approximately 75% fixed-rate debt and 25% variable-rate debt. For both projects, Fitch said, "Exposure to interest rate risk related to variable-rate debt is at a manageable level of 25% of total debt, after the 2002 bonds are issued."

The St. Lucie deal was approved in April and will be completed in July. In this situation, St. Lucie's existing fixed-rate debt will be refinanced with variable-rate bonds then, using staggered swaps of three to five years, two-thirds of the variable debt will be swapped to fixed interest rates. St. Lucie's refinancing strategy was structured to reduce debt service costs and to provide flexibility for a future decision related to extension of the plant's operating license.

When the deal is completed in mid-July, the refinancing is expected to reduce debt service by approximately \$5 million annually, which would decrease the project's total power costs by an estimated \$8 per Megawatt-hour, or approximately 12%. The actual results will vary over time depending on the actual swap rates and normal fluctuations in variable rates. ♦



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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