

DISPATCH

Vol. 16 No. 1
May 2003

FMPA Celebrates 25th Anniversary

Munis Work Together 25 Years To Benefit Their Communities

“One-For-All-and-All-For-One” Guides the Agency to Success

FMPA'S MEMBER cities have much to celebrate this year, as they commemorate the 25th anniversary of the Agency's formation. Time and time again, these 29 municipal electric utilities have triumphed against adversity, always guided by a “one-for-all-and-all-for-one” spirit and a tireless commitment to serving their communities.

In facing their greatest challenges, like forming the Agency, winning the right to own nuclear generation, establishing the All-Requirements Project, and winning fair access to statewide transmission, FMPA's members have always found success by working together for the mutual benefit of their hometowns.

For example, Florida cities fought nearly eight years to exercise their legal right to own nuclear generation. By perseverance and by resisting divisive settlement offers, the cities won in 1982 and established FMPA's first power supply project, the St. Lucie Project.

When the absence of competition in the wholesale power market held non-generating municipals captive to their chief competitors, FMPA members worked together to create a new all-requirements wholesale supplier, the Agency's All-Requirements Project. In 1986, five cities signed on to form the ambitious new project, but none of them expected the success the project would achieve. Within a year, the

project had already saved its members \$12.4 million. Even more importantly, the project gave municipals control of their destiny.

When an investor-owned utility denied FMPA's members fair access to the state's transmission system, the Agency's members again went to battle to fight for their rights. Throughout a 10-year legal battle, FMPA members stuck together and won a precedent-setting case that opened up transmission for themselves and utilities nationwide.

FMPA's greatest, most lasting achievement is the union of 29 diverse organizations for the mutual benefit of their hometown communities.

In fact, these benefits are clearer today than ever before. Municipal electric utilities provide their communities with exceptional local service reliability, not-for-profit operations, local decision making and the personal touch only a hometown utility can offer.

By working together through FMPA, municipal utilities and their customers can also enjoy economies of scale in power generation, access to intellectual and technical resources, and strength in numbers.

This blending of community power and statewide strength enables municipal electric utilities to provide the personal attention of a local utility backed by the resources of a statewide organization. Ultimately, this combination serves the highest goal of making their communities better places to live and work. ♦

Honoring FMPA's Leaders

At FMPA's annual conference in July 2003, the Agency plans to honor people throughout its history who have played an important role in FMPA's development.

To ensure our list is complete, we are seeking suggestions from our colleagues. Send your suggestions to Mark McCain at mark.mccain@fmpa.com or at 888 774-7606.



A New Look

You may have noticed that *The FMPA Dispatch* has a new look. The newsletter's colors and typestyles were changed to match a recent “refresh” of FMPA's communication materials in connection with its 25th anniversary.

Modernizing the Fleet

By Roger A. Fontes
General Manager and CEO



Roger Fontes

As FMPA and its members look back to celebrate our many accomplishments during the Agency's 25th Anniversary, it seems quite appropriate to look into the future as well. Of course, no one can foretell what the future will bring. In the electric energy industry, however, it seems clear that dynamic technological and political change is inevitable. For FMPA and its members to survive and thrive in an increasingly competitive environment, we must ensure that our electric generating facilities are the best, most efficient, and fuel diversified "fleet" in Florida.

This challenge is the most important reason our 29 municipal utility members formed FMPA 25 years ago. Over the years, the All-Requirements Project (ARP) has grown and matured into one of the largest municipal systems in the state. Our future success will be measured by how well we accomplish the difficult goal of continually modernizing our fleet of generating plants.

This presents a challenge to FMPA and ARP participants. Some ARP participants own generating facilities in their communities and have done so for many years. Some of these power plants are new and very efficient. Some, on the other hand, are "vintage" and were built in the decade after World War II.

Moreover, most of the ARP participants do not own generating plants — other than jointly developed facilities like the Stanton Energy Center. Our challenge then, is to find a reasonable approach to generating unit modernization, unit retirement and/or unit replacement that is fair to both generating and non-generating ARP participants. I have told our staff that this is our highest priority.

In this regard, significant staff effort is currently underway to analyze the situation, and develop viable alternatives for ARP participant consideration. The recent announcement by one ARP member that it would retire all of its generating facilities in two years brought the issue into sharp focus. This announcement, now rescinded, created a flurry of activity at the Agency. Replacing hundreds of megawatts in two years is a tall order. Conversely, new, modern and fuel efficient generating units are readily available in the United States due to the collapse of merchant plant developers.

This is a historic opportunity. Let us hope that we are all up to the challenge. I believe FMPA is well positioned to create a solid foundation for the future. If we prevail, our successors will undoubtedly celebrate FMPA's 50th anniversary with enthusiasm and a continued commitment to working together for the common good. ♦

To thrive and survive, FMPA must ensure our electric generating facilities are the best, most efficient and fuel diversified "fleet" in Florida.

Construction Nearly Finished On 633 MW Unit in Orlando Natural Gas-Fired Power Plant Will Serve All-Requirements



CONSTRUCTION is more than 86% complete on a 633 MW natural gas-fired generating unit at the Stanton Energy Center in southeast Orlando. The unit is on schedule to begin commercial operation in October 2003.

This state-of-the-art combined cycle unit, known as Stanton A, is a joint development of FMPA, Orlando Utilities Commission (OUC), Kissimmee Utility Authority (KUA) and Southern Company-Florida LLC.

Stanton A will provide approximately 124 MW to the All-Requirements Project's 15

members. FMPA and KUA, a recently added All-Requirements Project participant, each have entitlements to 62 MW of the plant's output through a combination of ownership and contract purchases. OUC, FMPA and KUA together have a 35% ownership interest in the unit and will purchase the remaining 65% for 10 years, with options to extend the purchase for the life of the unit. This arrangement benefits All-Requirements participants by providing efficient, low-cost generation in the short-term and outstanding flexibility and risk mitigation over the long-term.

Construction has progressed on schedule over the past 18 months. Stanton A's two F-class combustion turbines, two heat recovery steam generators and steam turbine were all installed last year. A major construction milestone is scheduled in May when both gas turbines will be fired for the first time. The steam turbine will be rolled in July. ♦

FMPA Investigates Purchasing Combustion Turbine Project

Additional Low-Cost Capacity Could Yield Strategic Benefits

FMPPA IS PURSUING an opportunity to acquire a partially developed combustion turbine to meet members' future power needs with economical and flexible new capacity.

The 150 MW unit, which has been partially installed at the Smith Plant in the city of Lake Worth, is currently owned by Lake Worth Generation (LWG), a subsidiary of AES Corporation. LWG put the project on hold in 2002, hoping to restart construction when its parent company's financial health was restored. In autumn of 2002, AES decided to liquidate the project, and FMPA was presented with the opportunity to purchase LWG's assets at a discounted price.

FMPA's acquisition of the unit could be both economically and strategically prudent in several ways. The equipment assets are

being sold at a discount, making this opportunity less costly than developing a similar unit from scratch.

Because it is already partially installed, the unit could be available with a minimal lead time. In fact, the unit could begin commercial operation by June 2004, in time to fill a capacity need for that summer.

Strategically, additional low-cost capacity will provide the All-Requirements Project with increased flexibility to make important power planning decisions over the next several years. For example, some older steam units in several member cities may be eligible for retirement with two-years' notice. Having additional generation on hand will enable members to take their time when considering retirement options and to take decisive action if such a decision is made.

In March, FMPA's Executive Committee authorized staff to begin negotiating contracts to secure the turbine, gas transportation and engineering services. The final contracts will be presented to the Executive Committee for approval, probably at the May 23 meeting. If successful, the purchase is scheduled to close in early autumn. ♦



QUICKLY

Committee Appointments. FMPA Chairman Dean Shaw recently appointed seven members to serve on the 2003 Budget Committee: Bud Boudreaux of Fort Pierce as chairman, Susan Freiden of Havana, Joe Hostetler of KUA, Al Minner of Fort Meade, Harry Royal of Jacksonville Beach, Lloyd Shank of Leesburg, and himself, as an ex-officio member. Shaw also appointed three members to the Nominating Committee: Rex Taylor of Vero Beach as chairman, Freiden and Shank. In March, Stan Rząd of Keys Energy Services was appointed to the Finance Advisory Committee and Vince Ruano of Bushnell was appointed to the Member Services Advisory Committee to fill vacancies.

Transmission Rates. When TECO filed a request at FERC to increase transmission rates by 30% last autumn, FMPA, Seminole Electric Cooperative and Reedy Creek Improvement District intervened. A settlement agreement was reached in early March that is favorable for FMPA. After September 2004, TECO's transmission rate will decrease to \$1.07/kW month, which is actually less than their current charge.

New ESCO Contractor. Siemens Building Technologies was selected by the Executive Committee in March to serve as contractor for FMPA's Energy Services (ESCO) Project. Siemens has a local office in Central Florida, and is willing to take projects of all sizes. To learn more about the ESCO Project, contact Tom Reedy.

Klinker Honored. Tom Klinker, former FMPA representative from the city of Leesburg, was honored by FMPA on March 27 for his many contributions to the Agency. Klinker was active on several committees including the Executive Committee. Lloyd Shank, Leesburg's new Board representative, was elected in March to fill Klinker's unexpired term on the Executive Committee.

All-Requirements' Record Peak. A cold snap in January gave the All-Requirements Project a new all-time record peak. The Project's integrated peak on Jan. 24 was 1,473 MW, 4% higher than projected and 46% higher than the previous record.

Please see **Quickly**, page 4

Quickly *continued from page 3*

Gulfstream Contract. FMPA signed a contract with Gulfstream Natural Gas System in late February for firm natural gas transportation to the Cane Island Power Park. This new source of gas transportation adds competition to the market and provides capacity to meet growing energy demands.

Legislative Action. Legislative issues are a key priority for all utilities this year, as Congress moves toward passing a comprehensive energy bill. With the joint assistance of FMPA and the Florida Municipal Electric Association (FMEA), Florida's municipal utilities are actively representing the interests of their communities. In February, FMPA brought representatives from 11 member cities to Washington, D.C., for the American Public Power Association's (APPA) Legislative Workshop and Rally. Later in February, FMEA and FMPA brought seven congressional staffers to Florida to tour several public power communities. In April, FMPA and FMEA participated in APPA's congressional staff trip, which brought congressional staff to visit municipal utilities near Jacksonville. ♦



**The Dispatch
Via E-Mail**

The FMPA Dispatch is available electronically. Sign up to receive a text and Adobe PDF version of the newsletter by sending an e-mail to 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*

Tel. (407) 355-7767 (888) 774-7606
Fax (407) 355-5794 www.fmpa.com

