

DISPATCH

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FMPA Powers Florida's Future

Florida's Growing Population Requires More Power Supply

FMPA Plans to Meet Demand With New Power Resources

AS ANYONE who lives in Florida can tell you, the population of the Sunshine State is growing rapidly. In communities all over Florida, it seems like new housing and businesses are springing up everywhere you look.

The U.S. Census Bureau projects that in the first three decades of this century, Florida will be the third fastest growing state, behind Nevada and Arizona. In the next decade alone, Florida will receive nearly 4 million new residents. By 2030, Florida's population is expected to more than double, causing Florida to surpass New York as the third most populous state.

These new Floridians bring a diverse variety of contributions to their new communities, but, in turn, they also bring many needs. The need for reliable, affordable electric power is among the most important. The 15 cities that receive all their wholesale power from FMPA are preparing to meet their new residents' needs.

"Keeping up with Florida's rapid growth is a formidable challenge, but one that FMPA's members are well prepared for," said Roger Fontes, FMPA's General Manager and CEO. "By jointly planning to fulfill their power supply needs, FMPA's member cities can have one of the most modern, efficient power supply systems in Florida. This long-term investment will provide them with the reliable, low-cost power that community-owned utilities are known for."

Keeping a Promise of Reliability

The importance of reliability can hardly be overstated. As the nation witnessed during the Northeast blackout in 2003 and the hurricane season in 2004, power outages bring modern life to a screeching halt.

In Key West, Fla., providing reliable power is no less important, but, naturally, a bit more challenging. The electric utility for the United States' southernmost city is connected to the mainland by a 120-mile transmission line. The tie-line gives Keys Energy Services (KEYS) access to low-cost power from around the state, but it can be vulnerable to damage from severe weather.

When KEYS began purchasing all its wholesale power from FMPA in 1998, FMPA pledged to maintain on-island generation equivalent to 60% of KEYS' electrical load. With this agreement in place, if the tie-line goes down, KEYS can continue to meet the basic electrical needs of its local customers. To keep its promise, FMPA will add an efficient, new combustion turbine at KEYS' Stock Island generating site in 2006.

The new unit will enhance reliability in the lower Florida Keys, but it will also support the reliability of Florida's statewide transmission grid. The unit will provide power mostly during times of peak demand, and it can do so, perhaps, as much as 20% more efficiently than some of the units currently serving that "peaking" function. This combustion turbine also starts-up exceptionally quick, so it can be called on when power is urgently needed to keep power flowing on the transmission system.

"Efficient, new peaking resources are part of FMPA's power supply plan," said Fontes. "Combustion turbines provide flexibility to



Three new power plants may be added to serve 15 FMPA members statewide.

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Member-Driven

By Roger A. Fontes
General Manager and CEO



Roger Fontes

Volatile, historically high natural gas prices and resulting increases in wholesale power costs have created stress for FMPA, its members and the homes and businesses they serve. This situation is having a similar impact on utilities nationwide, so FMPA's situation is hardly unique. What is unique is the collaborative, or what I like to call "member-driven," problem-solving approach that municipal electric utilities have employed in years past to address important issues of common concern.

FMPA's member cities have a long history of taking the initiative to work together for the best interests of their citizens. Municipal utilities were founded on the idea of communities taking initiative to meet their citizens' needs. When threatened by the impact of the oil embargo in the 1970s, Florida's municipal utilities realized that working together actually strengthens an individual utility's control over its destiny. This is why FMPA was created. Over the years, this pairing of community power and statewide strength has allowed FMPA members to serve their customers well.

While we're suitably proud of our past accomplishments, we must remain focused on lowering power costs. To do that, FMPA must modernize its power resources, add fuel diversity to its resource portfolio, mitigate fuel risks, and take the lead in developing new projects and innovative programs. These initiatives are challenging and complex. None lend themselves to quick-fixes, but this kind of long-range vision and sound business planning will yield results. It is now up to FMPA's members to develop and support a unifying, member-driven action plan to implement that vision.

Let me take a moment to emphasize the importance of a member-driven plan. FMPA's member cities are its owners, so all that we do, is done at the members' direction and approval. Consequently, the successful execution of any plan is dependent on the members' ability to build consensus to support that plan over time.

With active participation from every member, this member-driven governance system works very well. In fact, the greatest benefits of joint action are realized by valuing different perspectives, collaborating

creatively and embracing solutions that meet the needs of everyone. Active, collaborative participation also gives each member a sense of ownership, confidence, and, ultimately, pride in the Agency and what it does.

I was pleased to see this proactive, member-driven force in action at the FMEA-FMPA Annual Conference in July. FMPA members came together and formed a consensus to implement several vital elements of our existing long-term power supply plan, also known as an Integrated Resource Plan or IRP.

The IRP really goes to the heart of our mission, by providing a blueprint of how FMPA can provide reliable power at the lowest cost over the long-term. Members actively participated in the development of the plan, which was approved in 2004 and continues to be systematically implemented.

The IRP is a living document that must be regularly updated due to changing circumstances and an ever-moving 20-year planning window. FMPA members are beginning to develop an updated IRP. This year's IRP development will take the member-driven philosophy to a new level.

First, member input has already provided a new focus for this year's study. Besides the traditional analysis of least-cost options to meet increased demand, the study will analyze the entire generation and power supply system to suggest alternatives that produce the lowest possible wholesale electric rates. The analysis will examine more aggressive options to control power costs.

Second, FMPA is actively promoting the widest possible participation in development of its plan. As before, FMPA is engaging its Board members and staff from various divisions of each member utility. For the first time, FMPA is also inviting the cities' policy makers to become involved. The elected or appointed officials who govern FMPA's member utilities should have the opportunity to help develop and, thereby, gain a full understanding of the important long-term strategies that are essential to our success.

We are still early in the IRP development process, so it is not too late to provide your input. If you want to become involved with the IRP or FMPA in general, you are welcome to contact me or any other staff member. We are always eager to serve this member-driven organization. ♦

Be a Part of the Plan

FMPA's update of the Integrated Resource Plan is an important opportunity for FMPA members to take an active role in planning their power supply future. FMPA Board members, member cities' staff and local elected or appointed officials are all invited to participate.

To receive updates on the Integrated Resource Plan, please contact:

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efficiently and reliably meet customers' demand for power as it varies with the weather or hour of the day."

Modernizing the Fleet

Beyond reliability, keeping power affordable for all citizens is also a key priority for a community-owned electric utility—one that has recently become more challenging due to changes in the fuel markets. Natural gas was once affordable, but since late-2000 its price has become very volatile and very high. For example, prior to 2000, natural gas was commonly selling for a price of around \$2 per million Btu. During the summer of 2005, natural gas prices were averaging about \$7.50 to \$8 per million Btu, and prices recently spiked to nearly \$10 per million Btu. Long-term price forecasts suggest this trend will continue. Fuel is an electric utility's largest variable operating cost, so it is easy to appreciate the magnitude of these changes.

FMPA is working hard to minimize the impact these changes have on its customers. To stabilize and eventually lower the cost of natural gas, FMPA has launched a successful fuel hedging program and an innovative regional natural gas purchasing agency. (See the Spring 2005 issue of *The FMPA Dispatch*). To lower power costs in the long-term, FMPA is implementing a comprehensive plan to modernize and enhance the overall fuel efficiency of its power resource mix. (For more about this plan, see page 2).

One of the first elements of this long-term power supply plan is development of a new natural gas power plant, to be called Treasure Coast Energy Center Unit 1. This state-of-the-art combined cycle unit will generate 300 megawatts (MW), beginning in 2008. The plant is expected to be one of the highest efficiency plants and one of the lowest emission plants in Florida.

The unit will be built at a new 69-acre plant site southwest of Fort Pierce. Ultimately, the site could support up to four similar units. The site was selected for its proximity to several FMPA cities and its favorable position on the transmission grid.

The plant will be wholly owned by FMPA, but it will be operated under contract by Fort Pierce Utilities Authority (FPUA).

"FMPA recognizes the value in partnering with its members on new power projects,"

said Fontes. "FPUA's wealth of experience in power plant operation, proven track-record and strong community connection are tremendous assets to this project."

"This kind of partnership also provides an opportunity to modernize generating members' existing power resources. As FMPA's fleet of generators ages, unit retirements and additions must be planned to suit the best interests of both the project and the local community."

Elie J. Boudreaux III, director of Fort Pierce Utilities Authority said, "Our partnership with FMPA presents an exciting opportunity to keep and create good jobs in our community while helping other communities statewide."

Ensuring Florida's Energy Independence

While power from modern, efficient natural gas plants is an element of FMPA's power supply plan, relying too much on a single fuel can create problems. The risk of dependence on one fuel was highlighted in recent years as skyrocketing natural gas prices caused electric bills to increase nationwide. This demonstrates that it is prudent for utilities to have diversified fuel sources, just as it is prudent for people to have diversified investment portfolios. A fuel-diverse power resource mix provides stable electric prices and a secure electricity supply.

FMPA has formed a partnership with JEA, Reedy Creek Improvement District and the city of Tallahassee to jointly seek economical new power resources that would diversify the utilities' fuel sources or otherwise mitigate the risk of rising natural gas prices. The utilities are preparing a request for competitive power supply proposals to be issued in late-summer or early-autumn 2005. FMPA has already begun to actively promote the upcoming competitive bid among the region's leading power wholesalers.

The partner utilities will include one self-build option in their analysis of proposals, a potential 800 MW coal plant at a yet-to-be-chosen greenfield site in North Florida. In researching opportunities to increase fuel diversity, coal emerged as the fuel of choice because it is domestically abundant, affordable and, with modern emission control technology, cleaner than many existing oil- and natural gas-fired units. Using modern technology to maximize efficiency

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FMPPA recognizes the value in partnering with its members on new power projects.

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and minimize environmental impacts, the proposed plant would be among the cleanest of its kind, with nearly one-third of the plant's proposed budget dedicated to state-of-the-art environmental controls.

Once power supply bids have been received and analyzed, the project participants, including FMPA's members, will select the most economical power source option. The utilities would begin receiving power from the selected resource in 2012.

"Solving the problems caused by rising natural gas prices is a challenging undertaking," said Fontes. "But FMPA's members had the foresight to identify fuel diversification as an essential element in our long-term power supply plan.

"No matter how large or small our customers' need for new power is, FMPA's members will use the same successful approach. By developing a long-term vision, working together 'all-for-one and one-for-all' and staying the course, even in challenging times, we can do what's best for our communities' long-term interests." ♦



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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.

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