

DISPATCH

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All-Requirements Project Turns 20

FMPA's Largest Power Project Celebrates 20 Years of Service

Project Lowered Power Costs, Opened Transmission Access

TWENTY YEARS AGO, FMPA began serving the wholesale power needs of several Florida cities, enabling municipal utilities of all sizes to become owners—not just customers—of a large, efficient statewide power system.

Since beginning operation on May 1, 1986, this program, known as the All-Requirements Project, has given municipal electric utilities control over their wholesale power supply. This independence has also produced lower power costs, a more efficient system and strategic strength in numbers.

All-Requirements was originally founded to serve five cities with a peak demand of 325 Megawatts, but the project's early success attracted many new members. Today, All-Requirements is a 1,600 Megawatt system serving 15 cities throughout Florida, from the panhandle to Key West. It is one of the 25 largest municipal utilities in the United States.

"FMPA's All-Requirements Project has for two decades played an active and important role in protecting the interests of municipal utilities and their customers," said FMPA

General Manager and CEO Roger Fontes. "The situation for Florida's municipal utilities today would be much different if not for some of the hard-won accomplishments of our All-Requirements members."

During the past 20 years, the project's most important milestones include:

Introducing Wholesale Competition: By becoming an all-requirements supplier, FMPA introduced competition into Florida's wholesale power market, which was previously dominated by three investor-owned utilities. This helps foster competition, which in turn provides significant savings shared by all Florida customers.

Saving Millions for Consumers: When the project was formed, the original members expected to save approximately one percent per year in wholesale power costs. As it turned out, they saved an average of 15% or more, compared to

what they would have paid their previous power supplier. Over the years, participants' savings have amounted to hundreds of millions of dollars.

FMPA also saved money for nine other municipal utilities. When these cities were given the opportunity to purchase power from FMPA, an investor-owned utility agreed to match FMPA's costs in order to retain those cities as customers. From 1986 until the agreement was cancelled in 1998, nine cities with the rate matching offer received \$34.2 million in refunds from that investor-owned utility.



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A Journey Traveled Together

By Roger A. Fontes
General Manager and CEO



Roger Fontes

The All-Requirements Project's 20th anniversary creates in my mind the image of a major milestone in the midst of a long journey. Like traveling companions, our members and staff will pause for a moment together at this landmark, reflecting with pride at how far they have come. A moment later they will turn back toward the path ahead, pushed ever onward by devotion to their shared mission of community service.

FMPA's members have learned much from their past experiences, making the All-Requirements Project stronger than ever. Joint action has given us the size, the skills and the strategies we need to be successful. The next leg of our journey will hold challenges for us, but we are well prepared to overcome any obstacles we encounter.

Looking back, it's easy to see how much progress we've made. Creating All-Requirements added competition in Florida's wholesale power market and saved hundreds of millions of dollars for our customers through the years. FMPA's precedent-setting achievement in the fight for network transmission service blazed a trail for municipal utilities nationwide. And,

of course, the project's growth really speaks for itself and demonstrates the value our members see in joint action.

We are now poised to enter the next and, perhaps, most important phase of our journey. Recent changes in our industry—particularly high and volatile fuel costs—have made our job difficult and have hurt our customers. However, our members know they can't stand still. It will take more than the status quo to remain competitive.

Fortunately, FMPA's members have developed a wise roadmap for the future and are well prepared for the road ahead. Working together through All-Requirements transforms our members into "owners"—not just customers—and enables them to chart their own course for their power supply future. Taking "ownership" and bound by teamwork, our members will be able to achieve their shared mission of providing reliable, affordable power for many decades into the future.

So, on the occasion of this 20th anniversary, I hope we will celebrate our past. I hope we will look forward with confidence to our future. And, I hope we will rededicate ourselves to our journey, to each other and to those we serve. ♦

All-Requirements Turns 20

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Opening Access to the High-Voltage Transmission Grid: On behalf of the All-Requirements Project, FMPA has been active in federal regulatory forums as a champion for rules requiring utilities to provide open and fair access to the nation's interstate transmission network. FMPA filed and won a precedent-setting case at the Federal Energy Regulatory Commission seeking a type of transmission service that some transmission owners used themselves but would not offer to others. The ruling in FMPA's case and subsequent FERC orders seek to ensure that wholesale buyers and sellers can reach each other without suffering anticompetitive and discriminatory practices imposed by transmission owners.

Providing Self-Determination to Utilities of All Sizes: Perhaps the most significant benefit of All-Requirements is its

ability to give municipal utilities, large and small, control over their power supply future. All-Requirements members are not wholesale power customers; they are owners of one of the largest, most diverse municipal electric systems in the nation.

"Joint action through the All-Requirements Project has given Florida's municipal utilities both the power to choose their own path and the strength to overcome any obstacles they encounter," said Fontes.

To see a complete list of the All-Requirements Project's greatest achievements of the past 20 years, log on to FMPA's Web site at http://www.fmpa.com/html/news/news_releases/2006/5_1_06.html.

FMPA members will celebrate the All-Requirements Project's anniversary with a special program May 18, before the project's regular meeting. For information on this event, contact Michelle Ellis at FMPA toll free at (888) 774-7606 or by e-mail at michelle.ellis@fmpa.com. ♦

FMPA Members Tell the Story of All-Requirements' Formation, Early Struggles and Successes

Editor's note: This history of the All-Requirements Project was first published as part of FMPA's 25-year history booklet, Sum of Our Efforts.

ONE consequence of the '70s energy crisis was that investor-owned utilities were filing many wholesale rate increases. Often, before one case could be decided, another was filed.

Several municipals purchased all their wholesale power needs from their surrounding investor-owned utility. At the time, there was little competition among wholesale power suppliers, so municipals were captive to their chief competitors, who had the power to increase municipal costs.

Municipal utilities began to look for wholesale power supply alternatives, and they turned to FMPA to pursue the objective of becoming the all-requirements power supplier for member cities that purchased all their wholesale power needs.

The concept was to create a new utility by combining the loads of non-generating systems into one control area, purchasing or building power resources, and purchasing transmission service to serve the total power needs of the municipal systems. Feasibility studies concluded, conservatively, that the project's savings would be minimal. FMPA's cost of supplying power was projected to be less than the current suppliers, but only by one percent, or \$1 million.

The investor-owned utilities that served the non-generating cities were aware of FMPA's project and made competing presen-

tations at city council meetings. When it appeared several cities might sign with FMPA, Florida Power Corporation (now Progress Energy Florida) made a last minute offer to try and kill the project. Florida Power offered to match FMPA's cost of service for five years.

For some cities this counter offer made the decision easier because it appeared there would be no risk in remaining with the present supplier. The Agency, on the other hand, was just seven years old at the time, and there was no track record for an all-requirements project. But a few people knew that FMPA's project would collapse if no cities signed, and without competition, none of the cities would see savings.

Every cause needs a champion, and at that time, no cause needed one more than FMPA's. The champion came from the city of Bushnell, one of the smallest municipal electric utilities in Florida. Bushnell was the first to sign with FMPA, followed by Green Cove Springs, Jacksonville Beach, Leesburg and Ocala. These five cities were 75% of the potential load among non-generating cities, which was enough to launch FMPA's project. At the brink of collapse, FMPA's All-Requirements Project had life.

Gerald Ertle, an Ocala City Council member at the time, said in a 1997 speech, "We knew the [savings estimates] were conservative, and we factored that into our decision. But more than savings or anything else, we were frustrated by a lack of control over a major part of our destiny and frustrated by Florida Power's apparent emphasis on short-term results at the expense of our long-term mutual prosperity. We knew that with FMPA, we'd have control, and the Agency would

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In Their Own Words: FMPA members share their thoughts about the All-Requirements Project

"FMPA's greatest accomplishment is its ability to maintain a cohesive group of municipal electric utility leaders."

*Vince Ruano
City Manager, Bushnell*

"FMPA's greatest accomplishment has been pulling together municipal electric systems—big and small—into a strong and progressive group and helping make us a competitive force in Florida's energy marketplace."

*Susan Freiden
Town Manager, Havana*

"[FMPA's] achievements are many, but 'the most important' of these has got to be the development of the All-Requirements Project. This is, I believe, why the Agency was created in the first place—to provide an economical and reliable supply of electricity for our cities, who would, otherwise, be at the mercy of investor-owned utilities."

*Elie J. Boudreaux III, P.E.
Director of Utilities, Fort Pierce
Utilities Authority*

"FMPA's greatest accomplishment is that their members have achieved a level of trust and respect for one another. This trust and respect has enabled us to work together on projects achieving economies of scale of a larger power supply system while maintaining our identities as individual municipals."

*James C. Welsh
President & General Manager
Kissimmee Utility Authority*

Early Struggles and Successes History *continued from page 3*

have our interest at heart.”

All-Requirements began operations in May 1986. The results during the first five months of operation were astounding. The project saved \$6.2 million, or 19%. By the end of fiscal 1987, the project had saved its members \$12.4 million, or 16.6%.

All-Requirements was so successful that other cities asked how they might join. FMPA commissioned studies to evaluate the economic benefits of adding more participants, including members that own generation. All-Requirements continued to save participants significant amounts of money, adding up to hundreds of million of dollars over the years.

The cities with Florida Power's rate matching offer saved money, too. From 1986 through 1998, when Florida Power no longer agreed to match FMPA's costs, nine cities received \$34.2 million in refunds thanks to All-Requirements.

All-Requirements continued to grow over the years into FMPA's largest, most acclaimed power supply project. ♦



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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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