

2009

**THE STORY IN BLACK & WHITE**



## **2009 WAS A CHALLENGING YEAR FOR THE U.S. ECONOMY AND ALL OF US OPERATING IN IT.**

Jobs were lost and financial pressures increased. People struggled to make ends meet. Difficult decisions and sacrifices were made. In addition, electric utilities in Florida faced upward pressure on power costs, and FMPA was among them. We found ourselves falling short of our mission to provide competitively priced power. This unavoidable truth forced us to face tough questions that deserve straightforward answers about where we are and where we're going.

On the pages that follow are the major questions and answers that tell the story of fiscal 2009.

*Nicholas P. Guarriello*



Nicholas P. Guarriello  
General Manager and CEO

*Vince Ruano*



Vince R. Ruano  
Chairman, Board of Directors

**Why are rates going up  
at such a bad time?**

**WE HEDGED OUR FUEL SUPPLY TOO MUCH AND FOR TOO LONG.** Natural gas is the primary fuel for FMPA's power generating resources, and fuel costs are half of FMPA's total expenses. During the first half of 2008, natural gas prices increased dramatically. FMPA hedged its fuel costs, which saved significant money at the time. Then, in the last half of 2008, natural gas prices started to plummet. This caught everyone by surprise, including FMPA. As a result, FMPA found itself significantly hedged at above-market gas prices through Nov. 1, 2009, meaning FMPA missed the opportunity to take advantage of declining market prices.

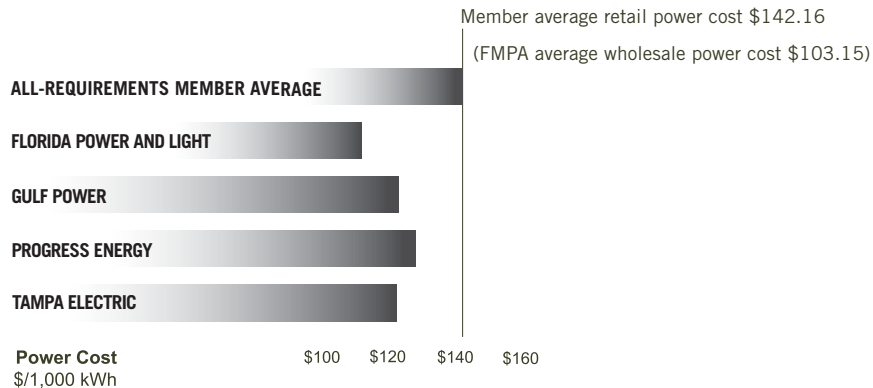
**WE'RE CHANGING OUR FUEL HEDGING PROGRAM** based on lessons learned. A goal of our new fuel hedging program is to limit some risk from rising prices while still allowing us to participate in a declining market. We reduced how much natural gas we hedge and how far into the future we hedge. And we are developing further enhancements to our hedging program for the future.

**How do our  
rates compare?**

**IN FISCAL 2009, OUR RATES WERE NOT COMPETITIVE** with Florida’s investor-owned utilities. Our above-market fuel costs in fiscal 2009, coupled with our heavy dependence on natural gas, put us at a competitive disadvantage.

**OUR TOP PRIORITY IS RETURNING FMPA TO RATE COMPETITIVENESS.** For years, FMPA had competitive rates. Changes in the fuel market and the Agency’s power supply mix hurt our competitive position. Now we’re taking action to fix that. We suspended fuel hedging while our members review the program. We are modernizing our fleet of generating resources to use fuel more efficiently. We are exploring options to diversify our power supply resources. We are reducing costs, and FMPA’s members and staff are conducting an in-depth study of every essential element of our business model to maximize efficiencies.

**AVERAGE POWER COST IN FISCAL 2009**



Costs shown for investor-owned utilities include an average 6% franchise fee.

**What is the projection  
for future rates?**



**WE ANTICIPATE RATES TO BE MORE COMPETITIVE.** Projections indicate that, on average, the wholesale electric rate for FMPA's All-Requirements Project will decrease in fiscal 2010. However, the degree and timing of rate reductions will depend on variables FMPA cannot control, such as weather and the price of fuel.

**WE ARE DETERMINED TO KEEP COSTS DOWN,** and FMPA is providing programs to help its members reach out to their customers to reduce electric bills, too. FMPA's All-Requirements Project created a \$1 million fund and used it to pay for programs that encourage customers to conserve electricity. This has resulted in many cost-saving programs, such as rebates for energy efficient products, free energy savings kits and compact fluorescent light bulbs and more.

#### REDUCING COSTS TOGETHER

**FMPA**

reduce  
generation  
cost

**CITIES**

optimize  
distribution  
efficiency

**CONSUMERS**

reduce  
energy  
use

**What is  
FMPPA's  
plan?**

## FMPA'S B.I.G. GOAL

# BE THE **LOWEST COST**

## WHOLESALE ELECTRICITY PROVIDER IN FLORIDA



**TODAY'S OPPORTUNITIES ARE MUCH LIKE THOSE MUNICIPALS FACED IN 1978** when they formed FMPA. Then as now, electric utilities faced volatile fuel prices, limited base-load generation options and rising power plant construction costs. As a result, electric rates rose and customers were concerned. We developed a plan back then and went on to create the cost-effective power supply resources that have powered our communities for nearly three decades.

**WE HAVE A PLAN.** FMPA's governing boards gave serious effort this year to reach consensus on goals, strategies and action plans. Our number one goal is to be the lowest cost wholesale electricity provider in Florida. This is a Big Important Goal; a clear B.I.G. intended to focus efforts and foster innovation on our top priority. Every era has its challenge, and this time is no different. We've been here before and succeeded. And we'll do it again.

## THE WORLD CHANGES

Oil embargo causes fuel costs for oil-fueled power plants to increase dramatically.

Investor-owned utilities repeatedly raise wholesale rates to municipal utilities, their captive customers.

Municipal utilities are denied access to high-voltage transmission service on comparable terms with transmission owners.



1970s

1980s

1990s

## FMPA MEMBERS RESPOND

Municipal utilities form FMPA to create economies of scale in power generation and diversify power resources.

Municipals form FMPA's All-Requirements Project, providing competition in wholesale power supply and enabling municipals to control their own destiny.

Members win a lawsuit for non-discriminatory access to transmission service, making it economical for more cities to join the All-Requirements Project.

Natural gas costs increase dramatically, forcing many utilities to raise energy rates.

A financial crisis and global recession create a challenging environment for utilities and their customers.

Economic recovery rekindles hope for the future.

2000s

2009

NEXT



**FMPA members develop a fuel hedging program to stabilize power costs.**

**FMPA's Board of Directors develops an updated Strategic Plan to guide the Agency in the years ahead.**

**FMPA implements its Strategic Plan to achieve its primary goal to be the lowest cost wholesale electricity provider in Florida.**

**“Coming together is  
the beginning, staying  
together is progress  
and working together  
is success.”**

**– Henry Ford**

## FMPA STRATEGIC PLAN

# OUR GOALS

- Goal 1:** Be the lowest cost wholesale electricity provider in Florida
- Goal 2:** Have highly effective, qualified, responsible leadership and staff
- Goal 3:** Optimize member services
- Goal 4:** Comply with regulatory requirements
- Goal 5:** Foster a positive communication culture

**Vision** Being the preferred power and service provider for municipal electric utilities and the company of choice for employees.

**Mission** To provide competitively priced, reliable power and value-added services for municipal electric utilities through joint action.

### Values

Trust built through honesty, integrity, openness and respect  
Innovation and excellence  
Teamwork among employees and members  
Cultural diversity  
Employee recognition, reward and empowerment  
Environmentally responsible operations

**“Every era has its  
challenge, and this  
time is no different.  
We’ve been here  
before and succeeded.  
And we’ll do it again.”**



## PROGRESS TOWARD OUR FUTURE

**NEW LEADERSHIP: BACK TO THE FUTURE** A change in leadership this year saw FMPA look to its past for leaders of its future. FMPA's new General Manager and CEO, Nicholas P. Guarriello, and FMPA's new Chairman of the Board, Vince Ruano, both have long histories with the Agency. Nick has worked with FMPA as a consulting engineer since its formation 32 years ago, and he has had a distinguished career with a national management consulting and engineering firm. Vince is FMPA's second longest serving Board member. Since 1981, he has been the City Manager for Bushnell, Fla., and its FMPA director. Bushnell has the distinction of being FMPA's smallest member and yet the leading advocate for forming FMPA's All-Requirements Project in the 1980s. Both men are dedicated supporters of public power, have long track records of success and have earned the trust and respect of their peers.

**HAPPY FIRST BIRTHDAY: POWER PLANT EXCEEDS EXPECTATIONS** FMPA's Treasure Coast Energy Center Unit 1 celebrated an impressive first year of operation on May 31, 2009, in which it exceeded performance expectations and proved to be exceptionally reliable. The 300-megawatt natural gas-fired power plant is FMPA's largest single source of generating capacity for its All-Requirements Project. First-year performance statistics showed the unit more than met its goals for efficiency and reliability.

**A FLEET AS EFFICIENT AS FUEL-SIPPING HYBRIDS** FMPA continued to modernize its power generating resources during 2009 as part of a plan to make its generation assets as efficient as a fleet of fuel-sipping hybrid cars. The Treasure Coast Energy Center completed its first year of operation, and true to expectation, it generated electricity nearly 40% more efficiently than the older, less efficient units it replaced. Higher efficiency means lower costs and fewer emissions per kilowatt hour, and the savings are passed along to FMPA's members. With Treasure Coast exceeding expectations, FMPA began construction in 2009 on another state-of-the-art, high-efficiency combined cycle unit. The new unit, known as Cane Island Unit 4, is scheduled to begin operation in 2011. FMPA is making investments now to provide cost savings and environmental benefits for years to come.

## FINANCIAL HIGHLIGHTS

	Fiscal 2009	Fiscal 2008	Change	
<b>All-Requirements Project</b>				
Net Utility Plant	\$879,610,000	\$497,430,000	76.8%	In fiscal year 2009, the All-Requirements Project provided all the wholesale power needs for 15 members.
Total Assets	\$1,559,177,000	\$1,261,120,000	23.6%	
Kilowatt-Hours Sold	6,215,912,000	6,496,441,000	-4.3%	
Sales to Participants	\$651,737,000	\$649,114,000	0.4%	
Cost per Kilowatt-Hour Sold in Cents	10.48	9.99	4.9%	
<b>St. Lucie Project</b>				
Net Utility Plant	\$97,397,000	\$96,431,000	1.0%	St. Lucie Project is an 8.8% ownership interest in St. Lucie Unit 2, an 838 megawatt nuclear power plant.
Total Assets	\$301,931,000	\$293,608,000	2.8%	
Kilowatt-Hours at Plant	541,090,000	552,222,000	-2.0%	
Sales to Participants	\$38,250,000	\$43,588,000	-12.2%	
Cost per Kilowatt-Hour Billed in Cents	7.07	7.89	-10.4%	
<b>Stanton Project</b>				
Net Utility Plant	\$37,927,000	\$37,587,000	0.9%	Stanton Project is a 14.8% ownership interest in Stanton Unit 1, a 425 megawatt coal-fired power plant.
Total Assets	\$75,030,000	\$79,744,000	-5.9%	
Kilowatt-Hours at Plant	405,032,000	442,478,000	-8.5%	
Sales to Participants	\$25,693,000	\$30,478,000	-15.7%	
Cost per Kilowatt-Hour Billed in Cents	6.34	6.89	-7.9%	
<b>Tri-City Project</b>				
Net Utility Plant	\$15,263,000	\$15,237,000	0.2%	Tri-City Project is a 5.3% ownership interest in Stanton Unit 1, a 425 megawatt coal-fired power plant.
Total Assets	\$30,327,000	\$33,641,000	-9.9%	
Kilowatt-Hours at Plant	149,516,000	160,417,000	-6.8%	
Sales to Participants	\$10,426,000	\$12,284,000	-15.1%	
Cost per Kilowatt-Hour Billed in Cents	6.97	7.66	-8.9%	
<b>Stanton II Project</b>				
Net Utility Plant	\$117,796,000	\$120,495,000	-2.2%	Stanton II Project is a 23.2% ownership interest in Stanton Unit 2, a 429 megawatt coal-fired power plant.
Total Assets	\$175,283,000	\$179,442,000	-2.3%	
Kilowatt-Hours at Plant	763,198,000	700,792,000	8.9%	
Sales to Participants	\$45,702,000	\$43,626,000	4.8%	
Cost per Kilowatt-Hour Billed in Cents	5.99	6.23	-3.8%	
<b>Pooled Loan Fund</b>				
Outstanding Commercial Paper	\$66,803,000	\$102,154,000	-34.6%	Pooled Loan Fund is a financing program that makes low-cost loans for utility-related needs.

## ABOUT FMPA

Florida Municipal Power Agency (FMPA) is a non-profit wholesale power company owned by municipal electric utilities. FMPA provides economies of scale in power generation and related services to support community-owned electric utilities.

**JOINT ACTION** Each utility is locally owned and operated; however, municipal utilities share common concerns that can best be solved by working together. For example, by coordinating the power supply needs of several municipals, a larger, more efficient plant can be built and other economies of scale help reduce the cost of power. In addition, through joint action, municipal utilities can obtain power from several power plants rather than depend on the operation and cost of fewer plants.

**AUTHORITY** Local governments are authorized by Florida Statutes to enter together into mutually advantageous agreements that create a separate legal entity. FMPA was formed in 1978 as one such governmental legal entity. FMPA is specifically authorized under Florida law to undertake specific joint projects for its members and to issue tax-exempt bonds and other obligations to finance the costs of such projects. FMPA is also authorized to implement a pooled financing program for utility-related projects of FMPA and its members.

**MEMBERSHIP** Thirty municipal electric systems, serving approximately 2 million Floridians, are members of FMPA. Each member appoints one representative to FMPA's Board of Directors, which governs the Agency's activities. Additionally, each member of FMPA's largest power supply project, the All-Requirements Project, appoints a representative to FMPA's Executive Committee. The Executive Committee governs and manages the business affairs of the All-Requirements Project.

**FINANCES** Due to the diverse needs of municipal electric systems, FMPA was established as a project-oriented agency. Under this structure, each member has the option whether or not to participate in a project. Members may join more than one project; however, each project is independent from the others, so no revenues or funds available from one project can be used to pay the costs of another project.

**PROJECTS** FMPA has five power supply projects and one pooled financing project. As of Sept. 30, 2009, the Agency supplied all the power needs for 15 of its members and some of the power needs for five of its members. Some members do not currently participate in a project. FMPA supplies nearly 50% of its members' total power needs.

## MEMBER LISTING BY PROJECT

Member Cities	Pooled Loan	All-Requirements	St. Lucie	Stanton	Tri-City	Stanton II
1. Alachua			0.3 MW			
2. Bartow						
3. Blountstown						
4. Bushnell	*	7 MW				
5. Chattahoochee						
6. Clewiston	*	27	1.6			
7. Fort Meade		13	0.2			
8. Fort Pierce	*	115	11.2	15.4 MW	5.1 MW	16.4 MW
9. Gainesville						
10. Green Cove Springs		33	1.3			
11. Havana		6				
12. Homestead			6.1	7.7	5.1	8.2
13. Jacksonville Beach		213	5.4			
14. Key West		135			12.3	9.9
15. Kissimmee		317	6.9	7.7		32.9
16. Lake Worth		88	18.3	10.2		
17. Lakeland						
18. Leesburg	*	118	1.7			
19. Moore Haven			0.3			
20. Mount Dora						
21. New Smyrna Beach			7.3			
22. Newberry		9	0.1			
23. Ocala		297				
24. Orlando						
25. Quincy						
26. St. Cloud						14.6
27. Starke		17	1.6	1.5		1.2
28. Vero Beach		164	11.2	20.5		16.4
29. Wauchula						
30. Williston						
<b>Total Megawatts</b>		<b>1,559 MW<sup>1</sup></b>	<b>73.5 MW<sup>2</sup></b>	<b>63.0 MW<sup>2</sup></b>	<b>22.5 MW<sup>2</sup></b>	<b>99.6 MW<sup>2</sup></b>

\* Members with loans outstanding as of Sept. 30, 2009, not including loans to some FMPA projects.

<sup>1</sup> Participants' noncoincident peak demand in fiscal 2009. Includes demand served by: A) Entitlement shares of St. Lucie, Stanton, Tri-City and Stanton II projects for All-Requirements members that are also in these projects, and B) Portions of Crystal River Unit 3 individually owned by some members.

<sup>2</sup> Participants' capacity entitlements, based on normal high dispatch limit, also known as maximum long-term rating.

## BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE <sup>1</sup>

Vince Ruano \*  
Chairman  
Board of Directors  
*Bushnell*

Paul Kalv \*  
Vice Chairman  
Board of Directors  
*Leesburg*

Lou Hernandez  
Secretary  
Board of Directors  
*Utility Board  
City of Key West*

Kevin McCarthy \*  
Treasurer  
Board of Directors  
*Clewiston*

Thomas W. Richards \*  
Chairman  
Executive Committee  
*Fort Pierce Utilities Authority*

Don Ouchley \*  
Vice Chairman  
Executive Committee  
*Jacksonville Beach*

Clovis Watson Jr.  
*Alachua*

Vacant  
*Bartow*

Vacant  
*Blountstown*

Elmon Lee Garner  
*Chattahoochee*

Fred Hilliard \*  
*Fort Meade*

Robert Hunzinger  
*Gainesville Regional Utilities*

Gregg Griffin \*  
*Green Cove Springs*

Howard McKinnon \*  
*Town of Havana*

Barbara Quiñones  
*Homestead*

Lynne Tejada \*  
*Keys Energy Services*

James C. Welsh \*  
*Kissimmee Utility Authority*

Rebecca Mattey \*  
*Lake Worth*

Jim Stanfield  
*Lakeland Electric*

Harry H. Ogletree  
*Moore Haven*

Charles Revell  
*Mount Dora*

Robert Rodi  
*Utilities Commission,  
City of New Smyrna Beach*

Bill Conrad \*  
*Newberry*

Rick Horst  
Matt Brower \*  
*Ocala*

Claston Sunanon  
*Orlando Utilities Commission*

Mike Wade  
*Quincy*

Michael Turner  
*St. Cloud*

Ricky Thompson \*  
*Starke*

R. B. Sloan \*  
*Vero Beach*

Richard Giroux  
*Wauchula*

Mark Schiefer  
*Williston*

## Management

Nicholas P. Guarriello  
General Manager and CEO

Frederick M. Bryant  
General Counsel and CLO

Mark J. Larson  
Assistant General Manager,  
Finance and Information  
Technology and CFO

Mark T. McCain  
Assistant General Manager,  
Member Services, Human  
Resources and Public Rela-  
tions

Thomas E. Reedy  
Assistant General Manager,  
Power Resources

<sup>1</sup> As of Sept. 30, 2009

\* Executive Committee Member

## GENERAL INFORMATION<sup>1</sup>

### Internet Address

Current information about FMPA is available on the Internet at [www.fmpa.com](http://www.fmpa.com).

### Electronic Delivery of Financial Documents

If you wish to receive future annual reports via e-mail in Adobe® Portable Document Format, please send your request to [pr@fmpa.com](mailto:pr@fmpa.com). The FMPA 2009 Annual Report is available on FMPA's Web site at [www.fmpa.com](http://www.fmpa.com) in the "News" section. If you wish to receive FMPA's financial statements in printed form, rather than CD, please send your request to [pr@fmpa.com](mailto:pr@fmpa.com) or call the Public Relations Department at (407) 355-7767.

### Investor Relations

Requests for financial information may be directed to FMPA's spokesperson at its Orlando office or [pr@fmpa.com](mailto:pr@fmpa.com).

### Media or Other Inquiries

Media or other inquiries may be directed to FMPA's spokesperson at its Orlando office or [pr@fmpa.com](mailto:pr@fmpa.com).

### Consultants

Bond Counsel: Nixon Peabody LLP.  
Consulting Engineer: R.W. Beck, Inc.  
Certified Public Accountants: Purvis, Gray & Company.  
Financial Advisor: Dunlap & Associates, Inc.

### Underwriters

Bank of America Merrill Lynch, Citigroup Global Markets, Inc., Estrada Hinojosa and Company, Inc., Fidelity Capital Markets Services, Goldman Sachs, JPMorgan Securities, Inc., Morgan Keegan & Company, Inc., Morgan Stanley & Co., PNC Capital Markets Services LLC, Sterne Agee Group, Inc., SunTrust Robinson Humphrey, Inc., Wachovia Bank National Association

### Caution Concerning Forward-Looking Statements

This document may include certain forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances that may have a material effect on actual results.

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### Annual Report Team

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Merge Agency LLC, Atlanta, Ga.

<sup>1</sup> As of Sept. 30, 2009





Florida Municipal Power Agency  
Community Power. Statewide Strength.®

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