

# FLORIDA MUNICIPAL POWER AGENCY

## Financial Statements

*For The Fiscal Year Ended September 30, 2010*

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## Member Cities

- Alachua
- Bartow
- Bushnell
- Blountstown
- 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
- Williston



## Table of Contents

|   |           |
|---|-----------|
| • <i>Independent Auditors' Report</i>         | <i>1</i>  |
| • <i>Management's Discussion and Analysis</i> | <i>3</i>  |
| • <i>Financial Statements</i>                 | <i>13</i> |
| • <i>Notes to Financial Statements</i>        | <i>16</i> |

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Members  
Florida Municipal Power Agency  
Orlando, Florida

We have audited the accompanying financial statements of the business-type activities and each major fund of Florida Municipal Power Agency (the Agency), as of and for the year ended September 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Agency, as of September 30, 2010, and the respective changes in financial position and cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, the Agency adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, for the fiscal year ended September 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

### Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505  
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309  
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors and Members  
Florida Municipal Power Agency  
Orlando, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Purvis, Gray and Company, LLP*

December 17, 2010  
Ocala, Florida

## MANAGEMENT'S DISCUSSION & ANALYSIS

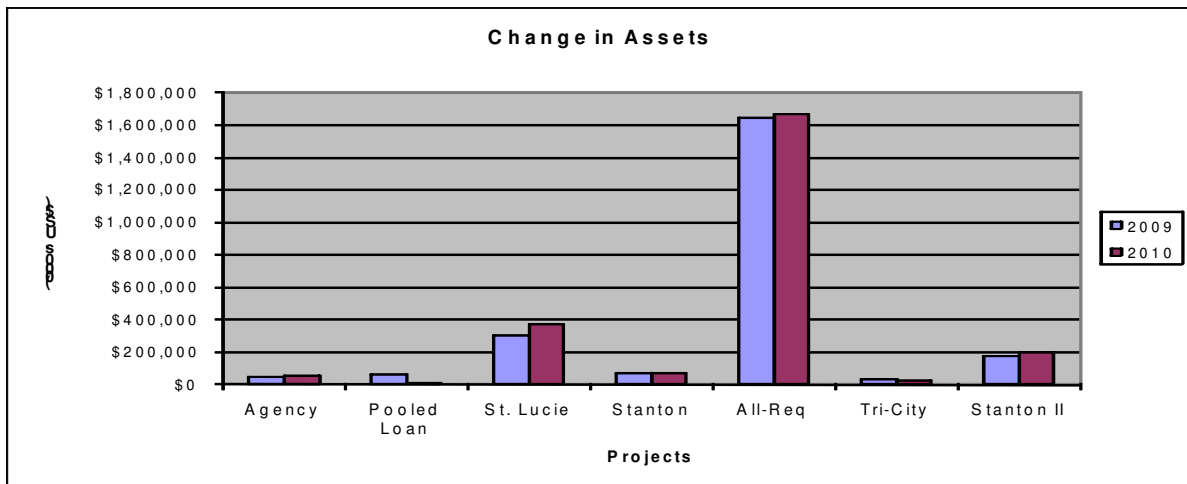
*For Fiscal Year Ended September 30, 2010*

This discussion and analysis is intended to serve as an introduction to Florida Municipal Power Agency's (FMPA's) basic financial statements, which are comprised of individual project or fund financial statements and the notes to those financial statements.

FMPA's financial statements are designed to provide readers with a broad overview of FMPA's financial condition in a manner similar to a private-sector business. It is important to note that, due to contractual arrangements which are the basis of each power project, no monies are shared among the projects.

### FINANCIAL HIGHLIGHTS

**Total Assets** at September 30, 2010, of FMPA's Agency Fund, Pooled Loan Fund and other projects increased \$55.6 million from the prior year. The significant asset changes are as follows: increase of \$23.2 million in assets of the All-Requirements Project primarily due to: the recognition of the fair market value of derivative instruments in accordance with the Governmental Accounting Standards Board Statement 53 "Accounting and Financial Reporting for Derivative Investments"(GASB 53); decrease of \$66 million in the Pooled Loan Fund due to refinancing activities by both the members and the projects due to a winding down of the program because of the changes in the capital markets which makes the program less viable; an increase of \$30.6 million for the St. Lucie Project due to increases in assets set aside to pay future costs and \$42.7 million to recognize the deferred outflows associated with derivative instruments in accordance with GASB 53; increase of \$5 million in the Agency Fund due to contributions for Crystal River Three decommissioning and member deposits for rate stabilization; an increase in Stanton II of \$22.9 million mainly due to recognition of the deferred outflows associated with derivative instruments in accordance with GASB 53; the other projects showed decreases due to depreciation of plant assets.



| Change in Assets<br>(000's US\$) |          |             |           |           |             |           |            |             |
|----------------------------------|----------|-------------|-----------|-----------|-------------|-----------|------------|-------------|
| Year                             | Agency   | Pooled Loan | St. Lucie | Stanton   | All-Req     | Tri-City  | Stanton II | Total       |
| 2009                             | \$49,229 | \$67,672    | \$301,931 | \$75,030  | \$1,646,285 | \$30,327  | \$175,283  | \$2,345,757 |
| 2010                             | 54,433   | 1,688       | 375,239   | 73,390    | 1,669,477   | 28,985    | 198,165    | 2,401,377   |
| <b>Variance</b>                  | \$5,204  | (\$65,984)  | \$73,308  | (\$1,640) | \$23,192    | (\$1,342) | \$22,882   | \$55,620    |

# MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2010*

## FINANCIAL HIGHLIGHTS (CONTINUED)

**Total Liabilities** at September 30, 2010, for FMPA's Agency Fund, Pooled Loan Fund and other projects increased by \$55.1 million during the current fiscal year. The increase in total liabilities was mainly due to the GASB 53 inclusion of the market value of derivative instruments.

The current portion of bonds, loans, and capital leases payable amounted to \$49 million. Total Accounts Payable balance was \$140 million or an increase of \$9 million compared with 2009. The All-Requirements Project accounted for \$126 million of this total as follows: Short-Term Due to Participants balance \$70 million, Accounts Payable for purchased capacity, energy and fuel \$39 million, \$3 million payable on construction contracts, and \$14 million held as retainage on construction contracts.

**Long-Term Liability** balance outstanding at September 30, 2010, for FMPA's Agency Fund, Pooled Loan Fund and Projects was \$2.1 billion, an increase of \$42 million during the current fiscal year.

Long-Term Bonds balance, less current portion, was \$1.6 billion, including All-Requirements balance of \$1.1 billion.

Rates on the Agency's variable-rate debt ranged from .09% to .700% for fiscal year 2010. Interest and Amortization expense (operating and non-operating) decreased for the current fiscal year by \$13 million and is attributable mainly to the decrease in the variable interest rates.

Total Operating Revenue for Agency and all projects decreased by \$160 million for the current fiscal year, generally due to decrease in billings to participants across the projects due to declining fuel prices.

Recognition of a \$6.5 million loss on ineffective interest rate swaps as defined by GASB #53, and lower mark to market adjustments resulted in a decrease of \$26.2 million in investment income between fiscal years 2009 and 2010.

Comparative years' Assets, Liabilities and Net Assets, as well as Revenues, Expenses are summarized on the following pages. Total Assets and Liabilities for the All-Requirements project were restated for the market value of the ineffective interest rate swaps at September 30, 2009 as required by GASB 53.



# MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2010

## FINANCIAL HIGHLIGHTS (CONTINUED)

### Statement of Net Assets Proprietary funds For Fiscal Year Ended September 30, 2010 (000's US\$)

| 2010                            | Business-Type Activities- Proprietary Funds |                  |                   |                  |                          |                  |                    | Totals              |
|---------------------------------|---|------------------|-------------------|------------------|--------------------------|------------------|--------------------|---------------------|
|                                 | Agency                                      | Pooled Loan Fund | St. Lucie Project | Stanton Project  | All Requirements Project | Tri-City Project | Stanton II Project |                     |
| <b>Assets:</b>                  |   |                  |                   |                  |                          |                  |                    |                     |
| Capital Assets, Net             | \$ 3,304                                    | \$ -             | \$ 95,064         | \$ 36,823        | \$ 982,915               | \$ 14,770        | \$ 114,231         | \$ 1,247,107        |
| Current Unrestricted Assets     | 14,025                                      | 18               | 78,786            | 21,966           | 291,892                  | 6,259            | 40,009             | 452,955             |
| Current Restricted Assets       | 36,601                                      | 1,670            | 94,034            | 10,774           | 106,119                  | 4,297            | 9,233              | 262,728             |
| Other Non Current Assets        | 503   |                  | 107,355           | 3,827            | 288,551                  | 3,659            | 34,692             | 438,587             |
| <b>Total Assets</b>             | <b>\$ 54,433</b>                            | <b>\$ 1,688</b>  | <b>\$ 375,239</b> | <b>\$ 73,390</b> | <b>\$ 1,669,477</b>      | <b>\$ 28,985</b> | <b>\$ 198,165</b>  | <b>\$ 2,401,377</b> |
| <b>Liabilities:</b>             |   |                  |                   |                  |                          |                  |                    |                     |
| Long-Term Liabilities           | \$ 38,942                                   | \$ 1,670         | \$ 364,380        | \$ 65,416        | \$ 1,483,415             | \$ 25,471        | \$ 189,676         | \$ 2,168,970        |
| Current Liabilities             | 1,562                                       | 18               | 10,859            | 7,974            | 186,062                  | 3,514            | 8,489              | 218,478             |
| <b>Total Liabilities</b>        | <b>\$ 40,504</b>                            | <b>\$ 1,688</b>  | <b>\$ 375,239</b> | <b>\$ 73,390</b> | <b>\$ 1,669,477</b>      | <b>\$ 28,985</b> | <b>\$ 198,165</b>  | <b>\$ 2,387,448</b> |
| <b>Net Assets:</b>              |   |                  |                   |                  |                          |                  |                    |                     |
| Invested in capital assets, Net | \$ 1,637                                    | \$ -             | \$ (172,596)      | \$ (28,095)      | \$ (257,031)             | \$ (12,188)      | \$ (52,681)        | \$ (520,954)        |
| Restricted                      |   |                  | 42,091            | 12,065           | 40,718                   | 6,009            | 11,281             | 112,164             |
| Unrestricted                    | 12,292                                      |                  | 130,505           | 16,030           | 216,313                  | 6,179            | 41,400             | 422,719             |
| <b>Total Net Assets</b>         | <b>\$ 13,929</b>                            | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ -</b>              | <b>\$ -</b>      | <b>\$ -</b>        | <b>\$ 13,929</b>    |

### Statement of Net Assets Proprietary funds For Fiscal Year Ended September 30, 2009 (000's US\$)

| 2009                            | Business-Type Activities- Proprietary Funds |                  |                   |                  |                          |                  |                    | Totals              |
|---------------------------------|---|------------------|-------------------|------------------|--------------------------|------------------|--------------------|---------------------|
|                                 | Agency                                      | Pooled Loan Fund | St. Lucie Project | Stanton Project  | All-Requirements Project | Tri-City Project | Stanton II Project |                     |
| <b>Assets:</b>                  |   |                  |                   |                  |                          |                  |                    |                     |
| Capital Assets, Net             | \$ 3,659                                    | \$ -             | \$ 97,397         | \$ 37,927        | \$ 879,610               | \$ 15,263        | \$ 117,796         | \$ 1,151,652        |
| Current Unrestricted Assets     | 12,410                                      | 869              | 65,392            | 23,000           | 288,196                  | 6,660            | 37,995             | 434,522             |
| Current Restricted Assets       | 32,633                                      | 66,803           | 82,586            | 7,239            | 239,850                  | 3,783            | 6,946              | 439,840             |
| Other Non Current Assets        | 527   |                  | 56,556            | 6,864            | 238,629                  | 4,621            | 12,546             | 319,743             |
| <b>Total Assets</b>             | <b>\$ 49,229</b>                            | <b>\$ 67,672</b> | <b>\$ 301,931</b> | <b>\$ 75,030</b> | <b>\$ 1,646,285</b>      | <b>\$ 30,327</b> | <b>\$ 175,283</b>  | <b>\$ 2,345,757</b> |
| <b>Liabilities:</b>             |   |                  |                   |                  |                          |                  |                    |                     |
| Long-Term Liabilities           | \$ 34,303                                   | \$ 66,803        | \$ 297,618        | \$ 65,348        | \$ 1,457,001             | \$ 26,394        | \$ 165,798         | \$ 2,113,265        |
| Current Liabilities             | 1,515                                       | 869              | 4,313             | 9,682            | 189,284                  | 3,933            | 9,485              | 219,081             |
| <b>Total Liabilities</b>        | <b>\$ 35,818</b>                            | <b>\$ 67,672</b> | <b>\$ 301,931</b> | <b>\$ 75,030</b> | <b>\$ 1,646,285</b>      | <b>\$ 30,327</b> | <b>\$ 175,283</b>  | <b>\$ 2,332,346</b> |
| <b>Net Assets:</b>              |   |                  |                   |                  |                          |                  |                    |                     |
| Invested in capital assets, Net | \$ 1,842                                    | \$ -             | \$ (152,178)      | \$ (30,675)      | \$ (294,426)             | \$ (13,204)      | \$ (49,661)        | \$ (538,302)        |
| Restricted                      |   |                  | 35,379            | 12,099           | 74,521                   | 5,943            | 11,541             | 139,483             |
| Unrestricted                    | 11,569                                      |                  | 116,799           | 18,576           | 219,905                  | 7,261            | 38,120             | 412,230             |
| <b>Total Net Assets</b>         | <b>\$ 13,411</b>                            | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ -</b>              | <b>\$ -</b>      | <b>\$ -</b>        | <b>\$ 13,411</b>    |

# MANAGEMENT'S DISCUSSION & ANALYSIS

## For Fiscal Year Ended September 30, 2010

### FINANCIAL HIGHLIGHTS (CONTINUED)

#### Statements of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For Fiscal Year Ended September 30, 2010 (000's US\$)

| 2010  | Business-Type Activities- Proprietary Funds |                  |                   |                  |                          |                  |                    | Totals            |
|---|---|------------------|-------------------|------------------|--------------------------|------------------|--------------------|-------------------|
|   | Agency                                      | Pooled Loan Fund | St. Lucie Project | Stanton Project  | All Requirements Project | Tri-City Project | Stanton II Project |                   |
| <b>Revenues:</b>  |   |                  |                   |                  |                          |                  |                    |                   |
| Billings to participants                                | \$ -  | \$ 120           | \$ 39,383         | \$ 28,470        | \$ 562,210               | \$ 11,076        | \$ 45,386          | \$ 686,645        |
| Amounts to be recovered from (refunded to) participants |   | 13               | (3,655)           | 1,042            | (22,828)                 | 232              | (513)              | (25,709)          |
| Sales to others   |   |                  | 2,258             | 357              | 7,887                    | 128              | 555                | 11,185            |
| Investment Income (loss)                                | 242   | 3                | 3,825             | 972              | (259)                    | 233              | 1,218              | 7,806             |
| <b>Total Revenue</b>                                    | <b>\$ 242</b>                               | <b>\$ 136</b>    | <b>\$ 41,811</b>  | <b>\$ 30,841</b> | <b>\$ 547,010</b>        | <b>\$ 11,669</b> | <b>\$ 46,646</b>   | <b>\$ 678,355</b> |
| <b>Expenses:</b>  |   |                  |                   |                  |                          |                  |                    |                   |
| Operation, maintenance & Nuclear Fuel Amortization      | \$ -  | \$ -             | \$ 12,311         | \$ 6,250         | \$ 57,674                | \$ 2,236         | \$ 6,832           | \$ 85,303         |
| Purchased power, Transmission & Fuel Costs              |   |                  | 4,499             | 14,369           | 387,851                  | 5,241            | 24,310             | 436,270           |
| Administrative & General                                | 10,670                                      | 102              | 2,530             | 1,107            | 17,356                   | 637              | 1,691              | 34,093            |
| Depreciation & Decommissioning                          | 439   |                  | 14,215            | 2,242            | 36,050                   | 900              | 4,621              | 58,467            |
| Interest & Amortization                                 | 16  | 34               | 14,582            | 4,092            | 45,410                   | 1,715            | 9,548              | 75,397            |
| Allocated Costs   | (11,401)                                    |                  |                   |                  |                          |                  |                    | (11,401)          |
| <b>Total Expense</b>                                    | <b>\$ (276)</b>                             | <b>\$ 136</b>    | <b>\$ 48,137</b>  | <b>\$ 28,060</b> | <b>\$ 544,341</b>        | <b>\$ 10,729</b> | <b>\$ 47,002</b>   | <b>\$ 678,129</b> |
| Change in net assets before regulatory asset adjustment | \$ 518                                      | \$ -             | \$ (6,326)        | \$ 2,781         | \$ 2,669                 | \$ 940           | \$ (356)           | \$ 226            |
| Regulatory asset adjustment                             |   |                  | 6,326             | (2,781)          | (2,669)                  | (940)            | 356                | 292               |
| Change in net assets after regulatory asset adjustment  | \$ 518                                      | \$ -             | \$ -              | \$ -             | \$ -                     | \$ -             | \$ -               | \$ 518            |
| Net assets at beginning of year                         | 13,411                                      |                  |                   |                  |                          |                  |                    | 13,411            |
| Net assets at end of year                               | <b>\$ 13,929</b>                            | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ -</b>              | <b>\$ -</b>      | <b>\$ -</b>        | <b>\$ 13,929</b>  |

#### Statements of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For Fiscal Year Ended September 30, 2009 (000's US\$)

| 2009  | Business-Type Activities- Proprietary Funds |                  |                   |                  |                          |                  |                    | Totals            |
|---|---|------------------|-------------------|------------------|--------------------------|------------------|--------------------|-------------------|
|   | Agency                                      | Pooled Loan Fund | St. Lucie Project | Stanton Project  | All Requirements Project | Tri-City Project | Stanton II Project |                   |
| <b>Revenues:</b>  |   |                  |                   |                  |                          |                  |                    |                   |
| Billings to participants                                | \$ -  | \$ 2,221         | \$ 38,250         | \$ 25,693        | \$ 651,737               | \$ 10,426        | \$ 45,702          | \$ 774,029        |
| Amounts to be recovered from (refunded to) participants |   | (187)            | (2,356)           | 23               | 23,810                   | 78               | (1,095)            | 20,273            |
| Sales to others   |   |                  | 2,786             | 379              | 34,362                   | 136              | 595                | 38,258            |
| Investment Income                                       | 396   | 7                | 14,727            | 1,008            | 15,269                   | 365              | 1,501              | 33,273            |
| <b>Total Revenue</b>                                    | <b>\$ 396</b>                               | <b>\$ 2,041</b>  | <b>\$ 53,407</b>  | <b>\$ 27,103</b> | <b>\$ 725,178</b>        | <b>\$ 11,005</b> | <b>\$ 46,703</b>   | <b>\$ 865,833</b> |
| <b>Expenses:</b>  |   |                  |                   |                  |                          |                  |                    |                   |
| Operation, maintenance & Nuclear Fuel Amortization      | \$ -  | \$ -             | \$ 13,971         | \$ 4,477         | \$ 64,246                | \$ 1,601         | \$ 5,471           | \$ 89,766         |
| Purchased power, Transmission & Fuel Costs              |   |                  | 4,045             | 14,268           | 563,868                  | 5,277            | 25,719             | 613,177           |
| Administrative & General                                | 10,669                                      | 1,036            | 2,768             | 1,012            | 15,528                   | 561              | 1,681              | 33,255            |
| Depreciation & Decommissioning                          | 251   |                  | 12,656            | 2,178            | 33,998                   | 875              | 4,568              | 54,526            |
| Interest & Amortization                                 | 39  | 1,005            | 16,677            | 4,456            | 52,845                   | 1,898            | 11,135             | 88,055            |
| Allocated Costs   | (10,741)                                    |                  |                   |                  |                          |                  |                    | (10,741)          |
| <b>Total Expense</b>                                    | <b>\$ 218</b>                               | <b>\$ 2,041</b>  | <b>\$ 50,117</b>  | <b>\$ 26,391</b> | <b>\$ 730,485</b>        | <b>\$ 10,212</b> | <b>\$ 48,574</b>   | <b>\$ 868,038</b> |
| Change in net assets before regulatory asset adjustment | \$ 178                                      | \$ -             | \$ 3,290          | \$ 712           | \$ (5,307)               | \$ 793           | \$ (1,871)         | \$ (2,205)        |
| Regulatory asset adjustment                             |   |                  | (3,290)           | (712)            | 5,307                    | (793)            | 1,871              | 2,383             |
| Change in net assets after regulatory asset adjustment  | \$ 178                                      | \$ -             | \$ -              | \$ -             | \$ -                     | \$ -             | \$ -               | \$ 178            |
| Net assets at beginning of year                         | 13,233                                      |                  |                   |                  |                          |                  |                    | 13,233            |
| Net assets at end of year                               | <b>\$ 13,411</b>                            | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ -</b>              | <b>\$ -</b>      | <b>\$ -</b>        | <b>\$ 13,411</b>  |

# MANAGEMENT'S DISCUSSION & ANALYSIS

## *For Fiscal Year Ended September 30, 2010*

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to FMPA's basic financial statements, which are comprised of two components: (1) individual project or fund financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

FMPA's **Entity-Wide Financial Statements** are designed to provide readers with a broad overview of FMPA's finances in a manner similar to a private-sector business. It is very important to note that, due to contractual arrangements that are the basis of each power project, no monies can be shared among projects.

The cash flow of one power project, although presented with all others in the financial statement presentation as required by financial reporting requirements, cannot and should not be considered available for any other project. Management encourages readers of this report, when evaluating the financial condition of FMPA, to remember that each power project or fund is a stand-alone entity.

The **Statements of Net Assets** presents information on all of FMPA's assets and liabilities with the differences between the two reported as Net Assets. As a result of a decision by the governing bodies of FMPA, billings and revenues in excess (deficient) of actual costs are returned to (collected from) the participants in the form of billing credits (charges). The assets within the Agency Fund represent those required for staff operations, which coordinate all of the power projects described herein. Restricted Cash and Investments in the Agency Fund were held in trust for Crystal River Unit 3 participants for nuclear decommissioning, and individual member rate stabilization.

The **Statements of Revenues, Expenses and Changes in Fund Net Assets** present information regarding how FMPA's net assets have changed during the fiscal year ended September 30, 2010. All changes in net assets are reported as the underlying event giving rise to the change as it occurs, regardless of the timing of related cash flows. Therefore, some revenues and expenses that are reported in these statements for some items will only result in cash flows in future fiscal periods, such as unrealized gains or losses from investment activities, uncollected billings and earned but unused vacation.

The **Statements of Cash Flows** provide information about FMPA's Agency Fund, Pooled Loan Fund and each project's cash receipts and disbursements during the fiscal year. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities.

All of the activities of FMPA are of a business type, as compared to governmental activities. FMPA has no component units to report. The Financial Statements can be found on pages 13 through 15 of this report.

The **Fund Financial Statements** are comprised of a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. FMPA, like governments and other special agencies or districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of FMPA are reported on the proprietary basis.

# MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2010*

## OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

FMPA maintains only one type of **Proprietary Fund**, the Enterprise Fund type. Enterprise Funds are used to report the same functions presented as business-type activities in the financial statements. FMPA uses enterprise funds to account for all of its power projects, as well as the Agency and Pooled Loan business operations. Each of the funds is considered a "major fund" according to specific accounting rules. A summary of FMPA's activities for years 2010 and 2009 is shown on pages 5 and 6. A more detailed version of the major fund proprietary financial statements can be found on pages 13 through 15 of this report.

The **Notes to Financial Statements** provide additional information that is essential to understanding the data provided in both the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 16 through 54 of this report.

## ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, when readers use the financial presentations to evaluate FMPA's financial position and results of operations, it is essential to remember the legal separation that exists among the projects. Nevertheless, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each fund and project. For example, total Utility Plant net increased during fiscal year 2010 due to the development and construction of a new power plant within the All-Requirements Project. The Agency Fund and other FMPA Projects' total Utility Plant decreased during 2010 and is attributable to the difference between depreciation and any capital outlays required during the year. See additional information in the Notes to Financial Statements beginning on page 16.

## FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS

FMPA uses fund accounting, Federal Energy Regulatory Commission accounting and special utility industry terminology to ensure and demonstrate compliance with finance-related legal requirements. The projects and funds are presented below and in the financial statements in the order in which they were established.

The **Agency Fund** accounts for the administrative activities of FMPA. The expenses incurred while operating the projects and administrative activities are allocated to the power projects, net of any miscellaneous receipts. Total General and Administrative expenses remained nearly equal to fiscal year 2009.

FMPA has a Letter of Credit that supports the financing of capital expenditures of its members or the Agency through the issuance of commercial paper. These loans and the repayments of these loans are accounted for in the **Pooled Loan Fund**. On September 30, 2010, long-term commercial paper note debt was \$1.7 million. During the Fiscal Year Ended September 30, 2009 the provider of the Letter of Credit gave FMPA notice that it would not renew the Letter effective November 2010. As a result, FMPA is winding down this program. Only one loan was outstanding on September 30, 2010 which was to FMPA's Agency Fund.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## *For Fiscal Year Ended September 30, 2010*

### FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS (CONTINUED)

The **St. Lucie Project** consists of an 8.806% undivided ownership interest in St. Lucie Unit 2. This unit is a nuclear power plant primarily owned and operated by Florida Power & Light (FPL). FPL submitted an application to the Nuclear Regulatory Commission (NRC) seeking to extend the operating license for Units 1 and 2 by 20 years. The NRC granted the license renewal for 20 years, which allows Unit 1 to operate until 2035 and Unit 2 to operate until 2043.

The Project billed 553,105 Megawatt-hours (MWh) in fiscal year 2010. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 1% to \$71.20 in fiscal year 2010. The cost of power production and delivery decreased from \$66.34 to \$64.60 per MWh in fiscal year 2010 (a decrease of 3% from the prior year). The major reduction in cost is related to lower interest rates, and prior period true ups.

The **Stanton Project** derives its power from a 14.8193% ownership interest in Stanton Unit 1, a 425 Megawatt coal-fired power plant operated by its primary owner, Orlando Utilities Commission (OUC).

The Project billed 407,099 MWh in fiscal year 2010. The average all-inclusive billing rate which includes budgeted Demand, Energy and Transmission expenses increased 10% to \$69.93 per MWh in fiscal year 2010.

Operations and Maintenance expenses increased by \$1.8 million during fiscal year 2010 and are attributable to increased billings by OUC for Stanton Unit 1 operations. The cost of power production and delivery increased to \$72.49 per MWh in fiscal year 2010, an increase of 14% in fiscal year 2010.

The **All-Requirements Project** (ARP) consists of 14 active participants. The ARP energy resources are part of the Florida Municipal Power Pool (FMPP), a consortium of three municipal energy suppliers - ARP, Lakeland Electric and OUC - which have agreed to dispatch resources on an economic cost and availability basis in order to meet combined loads. The average billed rate to ARP member cities was \$94.68 per MWh in fiscal year 2010, which is all-inclusive of Energy, Demand and Transmission expenses. The billed Megawatt hours for fiscal year 2010 were 5,938,070.

Billings to ARP participants in fiscal year 2010 were 14% lower, decreasing from \$652 million to \$562 million.

The All-Requirements participant net cost of power decreased to \$90.83 per MWh in fiscal year 2010, a 16% decrease from fiscal year 2009. This decrease was primarily due to costs associated with contracted natural gas supply. General and Administrative expenses increased \$2.4 million, 15% increase from the prior year. The fuel supply mix was 61% for natural gas, 1% for fuel oils, 28% for coal and 10% for nuclear.

After consideration of amounts to be refunded to or recovered from Project participants, the net assets of the All-Requirements Project were zero (by design) again in fiscal year 2010. The ARP bills an estimated rate during the year and then credits back (charges) participants the amounts in excess (deficit) of those needed to operate and meet all the Project's obligations. This amount is shown in the Statements of Revenues, Expenses and Changes in Fund Net Assets as an addition or reduction to "Billings to Participants" and as "Participant Accounts Receivable" or "Net Costs Recoverable from Future Participant Billings" in the accompanying Statement of Net Assets.

# MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2010*

## FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS (CONTINUED)

The **Tri-City Project** consists of a 5.3012% ownership interest in Stanton Unit 1. The Project billed 147,641 MWh in fiscal year 2010. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 8% to \$75.02 per MWh during fiscal year 2010. This increase was primarily due to an increase in OUC O&M expenses.

The cost of power production and delivery, which is calculated using actual Operating expenses excluding Administrative and General expenses, increased by 8.5%; the cost per MWh increased from \$70.25 per MWh in fiscal year 2009 to \$76.59 per MWh in fiscal year 2010.

The **Stanton II Project** consists of a 23.2367% ownership interest in Stanton Unit 2, a coal-fired power plant operated by its primary owner, Orlando Utilities Commission (OUC). The Project billed 716,582 MWh in fiscal year 2010. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased by 5.7% to \$62.34 per MWh in fiscal year 2010. This increase was primarily due to increased OUC O&M expenses.

## BUDGETARY HIGHLIGHTS

The FMPA Board of Directors approves the non All-Requirements project budgets, and the Executive Committee approves the Agency and All-Requirements project budgets, establishing legal boundaries for expenditures. For fiscal year 2010, the St. Lucie budget was amended to increase expenditures under the Reliability and Exchange agreement by \$2 million to eliminate the netting of the revenues and expenses from the contract, and \$1.0 million for higher than expected decommissioning costs. Sales revenue was increased by \$3 million in order to balance the budget. The amended budget authority was not exceeded for any project.

## CAPITAL ASSETS AND LONG-TERM DEBT

FMPA's investment in **Capital Assets** as of September 30, 2010 was \$1.2 billion, net of accumulated depreciation and inclusive of work-in-process and development projects. This investment in capital assets includes operational and construction projects in progress of generation facilities, distribution and transmission systems, land, buildings, improvements, and machinery and equipment.

FMPA's investment in capital assets for fiscal year 2010 increased by 8% or \$95 million. This was caused primarily by an increase in the All-Requirements net utility plant due to the construction on Cane Island 4.

# MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2010*

## CAPITAL ASSETS AND LONG-TERM DEBT (CONTINUED)

At September 30, 2010, FMPA had **Long-Term Debt** of \$1.6 billion in notes, loans and bonds payable. The remaining principal payments on long-term debt, net of unamortized premium and discount, and unamortized loss on refunding are as follows:

| <u>Project</u>           | <u>Amount (000's US\$)</u> |
|--------------------------|----------------------------|
| Agency Fund              | \$ 1,515                   |
| St. Lucie Project        | 271,293                    |
| Stanton Project          | 64,369                     |
| All-Requirements Project | 1,119,121                  |
| Tri-City Project         | 25,097                     |
| Stanton II Project       | 166,106                    |
| Total                    | <u>\$ 1,647,501</u>        |

See **Note IX** in the Notes to Financial Statements for further information.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Multi-year operational and financial modeling was conducted to arrive at the fiscal year 2011 budget. Expenses were estimated using current market conditions for fuel and estimated member loads which take into consideration the member cities' economies that have shown varying impacts on loads in both demand and energy due to the current economic down turn. Rates are set in order to cover all costs and based on the member loads. Additionally, All-Requirements rates are adjusted monthly to maintain cash at a 60 day target as approved by the Executive Committee.

## SIGNIFICANT EVENTS

FMPA received final permits and site certification and began construction on Cane Island 4, a 300 MW combined cycle natural gas power plant in 2009. The Project has a total budget not to exceed \$479 million, and start-up is scheduled to begin in May 2011. At this point, the project is on schedule and on budget, and was 79 percent complete as of September 30, 2010.

## MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2010

### INTEREST ARBITRAGE AND REBATE

As a result of lower interest rates on outstanding debt in contrast to higher yields on investments, the Agency has the following remaining potential arbitrage rebate liabilities as of September 30, 2010:

| Project                  | Amount (000's US\$) |
|--------------------------|---------------------|
| St. Lucie Project        | \$ 928              |
| Stanton Project          | 39                  |
| All-Requirements Project | 228                 |
| Tri-City Project         | 44                  |
| Stanton II Project       | 373                 |
| Total                    | <u>\$ 1,612</u>     |

See **Note XV** in the Notes to Financial Statements for further information regarding the arbitrage rebate liabilities.

### REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the *Assistant General Manager, Finance and Information Technology, and CFO, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, FL 32819.*



# FLORIDA MUNICIPAL POWER AGENCY

## STATEMENTS OF NET ASSETS PROPRIETARY FUNDS YEAR ENDED SEPTEMBER 30, 2010 (000's US\$)

| ASSETS  | Business-Type Activities- Proprietary Funds |                  |                   |                  |                          |                  |                    | Totals              |
|---|---|------------------|-------------------|------------------|--------------------------|------------------|--------------------|---------------------|
|   | Agency Fund                                 | Pooled Loan Fund | St. Lucie Project | Stanton Project  | All Requirements Project | Tri-City Project | Stanton II Project |                     |
| <b>Current Assets:</b>  |   |                  |                   |                  |                          |                  |                    |                     |
| Cash and cash equivalents                                       | \$ 3,653                                    | \$ -             | \$ 11,052         | \$ 2,809         | \$ 79,288                | \$ 868           | \$ 4,930           | \$ 102,600          |
| Investments   | 8,404                                       |                  | 62,082            | 8,419            | 38,770                   | 1,011            | 21,802             | 140,488             |
| Participant accounts receivable                                 | 1,302                                       |                  | 3,760             | 2,574            | 39,610                   | 998              | 4,108              | 52,352              |
| Fuel stock and material inventory                               |   |                  |                   | 1,406            | 47,901                   | 503              | 1,719              | 51,529              |
| Other current assets  | 666   |                  | 369               | 76               | 19,476                   | 9                | 280                | 20,876              |
| Restricted assets available for current liabilities             |   | 18               | 1,523             | 6,682            | 66,847                   | 2,870            | 7,170              | 85,110              |
| <b>Total Current Assets</b>                                     | <b>\$ 14,025</b>                            | <b>\$ 18</b>     | <b>\$ 78,786</b>  | <b>\$ 21,966</b> | <b>\$ 291,892</b>        | <b>\$ 6,259</b>  | <b>\$ 40,009</b>   | <b>\$ 452,955</b>   |
| <b>Non-Current Assets:</b>                                      |   |                  |                   |                  |                          |                  |                    |                     |
| Restricted Assets:  |   |                  |                   |                  |                          |                  |                    |                     |
| Cash and cash equivalents                                       | \$ 10,575                                   | \$ 18            | \$ 3,997          | \$ 9,498         | \$ 56,345                | \$ 2,805         | \$ 11,692          | \$ 94,930           |
| Investments   | 25,965                                      | 1,883            | 91,281            | 7,875            | 114,397                  | 4,341            | 4,690              | 250,432             |
| Accrued interest  | 61  | 2                | 279               | 83               | 339                      | 21               | 21                 | 806                 |
| Pooled loan from projects                                       |   | 1,670            |                   |                  |                          |                  |                    | 1,670               |
| Due (to) from other projects                                    |   | (1,885)          |                   |                  | 1,885                    |                  |                    | -                   |
| Less: Portion classified as current                             |   | (18)             | (1,523)           | (6,682)          | (66,847)                 | (2,870)          | (7,170)            | (85,110)            |
| <b>Total Restricted Assets</b>                                  | <b>\$ 36,601</b>                            | <b>\$ 1,670</b>  | <b>\$ 94,034</b>  | <b>\$ 10,774</b> | <b>\$ 106,119</b>        | <b>\$ 4,297</b>  | <b>\$ 9,233</b>    | <b>\$ 262,728</b>   |
| <b>Capital Assets:</b>  |   |                  |                   |                  |                          |                  |                    |                     |
| Electric plant  | \$ -  | \$ -             | \$ 228,494        | \$ 77,947        | \$ 754,452               | \$ 31,699        | \$ 178,866         | \$ 1,271,458        |
| General plant   | 6,634                                       |                  | 21,040            | 113              | 3,072                    | 36               | 163                | 31,058              |
| Less accumulated depreciation and amortization                  | (3,330)                                     |                  | (156,868)         | (41,237)         | (181,833)                | (16,965)         | (64,798)           | (465,031)           |
| <b>Net Capital Assets</b>                                       | <b>\$ 3,304</b>                             | <b>\$ -</b>      | <b>\$ 92,666</b>  | <b>\$ 36,823</b> | <b>\$ 575,691</b>        | <b>\$ 14,770</b> | <b>\$ 114,231</b>  | <b>\$ 837,485</b>   |
| Construction work in progress                                   |   |                  | 2,398             |                  | 407,224                  |                  |                    | 409,622             |
| <b>Total Capital Assets, Net</b>                                | <b>\$ 3,304</b>                             | <b>\$ -</b>      | <b>\$ 95,064</b>  | <b>\$ 36,823</b> | <b>\$ 982,915</b>        | <b>\$ 14,770</b> | <b>\$ 114,231</b>  | <b>\$ 1,247,107</b> |
| <b>Other Assets and Deferred Costs:</b>                         |   |                  |                   |                  |                          |                  |                    |                     |
| Net costs recoverable from future participant billings          | \$ 500                                      | \$ -             | \$ 62,578         | \$ 1,933         | \$ 163,121               | \$ 3,434         | \$ 9,880           | \$ 241,446          |
| Prepaid Natural Gas - PGP                                       |   |                  |                   |                  | 94,661                   |                  |                    | 94,661              |
| Deferred Outflows from Derivatives                              |   |                  | 42,694            |                  | 12,989                   |                  | 21,927             | 77,610              |
| Other   | 3   |                  | 2,083             | 1,894            | 17,780                   | 225              | 2,885              | 24,870              |
| <b>Total Other Assets and Deferred Costs</b>                    | <b>\$ 503</b>                               | <b>\$ -</b>      | <b>\$ 107,355</b> | <b>\$ 3,827</b>  | <b>\$ 288,551</b>        | <b>\$ 3,659</b>  | <b>\$ 34,692</b>   | <b>\$ 438,587</b>   |
| <b>Total Non-Current Assets</b>                                 | <b>\$ 40,408</b>                            | <b>\$ 1,670</b>  | <b>\$ 296,453</b> | <b>\$ 51,424</b> | <b>\$ 1,377,585</b>      | <b>\$ 22,726</b> | <b>\$ 158,156</b>  | <b>\$ 1,948,422</b> |
| <b>Total Assets</b>   | <b>\$ 54,433</b>                            | <b>\$ 1,688</b>  | <b>\$ 375,239</b> | <b>\$ 73,390</b> | <b>\$ 1,669,477</b>      | <b>\$ 28,985</b> | <b>\$ 198,165</b>  | <b>\$ 2,401,377</b> |
| <b>LIABILITIES AND NET ASSETS</b>                               |   |                  |                   |                  |                          |                  |                    |                     |
| <b>Current Liabilities:</b>                                     |   |                  |                   |                  |                          |                  |                    |                     |
| Payable from unrestricted assets:                               |   |                  |                   |                  |                          |                  |                    |                     |
| Current portion of Pooled Loans                                 | \$ 155                                      | \$ -             | \$ -              | \$ -             | \$ -                     | \$ -             | \$ -               | \$ 155              |
| Current portion of Taxable Loans                                |   |                  |                   | 105              |                          | 38               | 164                | 307                 |
| Capital Lease and other obligations                             |   |                  |                   |                  | 10,183                   |                  |                    | 10,183              |
| Accounts payable & Accrued Liabilities                          | 1,407                                       |                  | 9,336             | 1,187            | 109,032                  | 606              | 1,155              | 122,723             |
| <b>Total Current Liabilities from Unrestricted Assets</b>       | <b>\$ 1,562</b>                             | <b>\$ -</b>      | <b>\$ 9,336</b>   | <b>\$ 1,292</b>  | <b>\$ 119,215</b>        | <b>\$ 644</b>    | <b>\$ 1,319</b>    | <b>\$ 133,368</b>   |
| Payable from restricted assets:                                 |   |                  |                   |                  |                          |                  |                    |                     |
| Current portion of long-term revenue bonds                      | \$ -  | \$ -             | \$ -              | \$ 4,860         | \$ 26,905                | \$ 2,220         | \$ 4,835           | \$ 38,820           |
| Accrued interest on long-term debt                              |   | 1                | 1,523             | 1,822            | 23,250                   | 650              | 2,335              | 29,581              |
| Accounts payable & Accrued Liabilities                          |   | 17               |                   |                  | 16,692                   |                  |                    | 16,709              |
| <b>Total Current Liabilities Payable From Restricted Assets</b> | <b>\$ -</b>                                 | <b>\$ 18</b>     | <b>\$ 1,523</b>   | <b>\$ 6,682</b>  | <b>\$ 66,847</b>         | <b>\$ 2,870</b>  | <b>\$ 7,170</b>    | <b>\$ 85,110</b>    |
| <b>Total Current Liabilities</b>                                | <b>\$ 1,562</b>                             | <b>\$ 18</b>     | <b>\$ 10,859</b>  | <b>\$ 7,974</b>  | <b>\$ 186,062</b>        | <b>\$ 3,514</b>  | <b>\$ 8,489</b>    | <b>\$ 218,478</b>   |
| <b>Liabilities Payable from Restricted Assets:</b>              |   |                  |                   |                  |                          |                  |                    |                     |
| Commercial paper notes  | \$ -  | \$ 1,670         | \$ -              | \$ -             | \$ -                     | \$ -             | \$ -               | \$ 1,670            |
| Held in trust for decommissioning                               | 30,946                                      |                  |                   |                  |                          |                  |                    | 30,946              |
| Held in trust for rate stabilization                            | 5,655                                       |                  |                   |                  |                          |                  |                    | 5,655               |
| Accrued decommissioning expenses                                |   |                  | 50,393            |                  |                          |                  |                    | 50,393              |
| <b>Total Liabilities Payable from Restricted Assets</b>         | <b>\$ 36,601</b>                            | <b>\$ 1,670</b>  | <b>\$ 50,393</b>  | <b>\$ -</b>      | <b>\$ -</b>              | <b>\$ -</b>      | <b>\$ -</b>        | <b>\$ 88,664</b>    |
| <b>Long-Term Liabilities Less Current Portion:</b>              |   |                  |                   |                  |                          |                  |                    |                     |
| Long-term revenue bonds   | \$ -  | \$ -             | \$ 271,293        | \$ 64,369        | \$ 1,119,121             | \$ 25,097        | \$ 166,106         | \$ 1,645,986        |
| Long-term loans - Taxable                                       |   |                  |                   | 1,047            |                          | 374              | 1,643              | 3,064               |
| Capital Lease and other obligations                             | 826   |                  |                   |                  | 193,823                  |                  |                    | 194,649             |
| Pooled loan notes payable                                       | 1,515                                       |                  |                   |                  |                          |                  |                    | 1,515               |
| Fair Market Value Derivative Instruments                        |   |                  | 42,694            |                  | 149,504                  |                  | 21,927             | 214,125             |
| Advances from participants                                      |   |                  |                   |                  | 20,967                   |                  |                    | 20,967              |
| <b>Total Long-Term Liabilities</b>                              | <b>\$ 2,341</b>                             | <b>\$ -</b>      | <b>\$ 313,987</b> | <b>\$ 65,416</b> | <b>\$ 1,483,415</b>      | <b>\$ 25,471</b> | <b>\$ 189,676</b>  | <b>\$ 2,080,306</b> |
| <b>Total Liabilities</b>  | <b>\$ 40,504</b>                            | <b>\$ 1,688</b>  | <b>\$ 375,239</b> | <b>\$ 73,390</b> | <b>\$ 1,669,477</b>      | <b>\$ 28,985</b> | <b>\$ 198,165</b>  | <b>\$ 2,387,448</b> |
| <b>Net Assets:</b>  |   |                  |                   |                  |                          |                  |                    |                     |
| Invested in capital assets, Net                                 | \$ 1,637                                    | \$ -             | \$ (172,596)      | \$ (28,095)      | \$ (257,031)             | \$ (12,188)      | \$ (52,681)        | \$ (520,954)        |
| Restricted  |   |                  | 42,091            | 12,065           | 40,718                   | 6,009            | 11,281             | 112,164             |
| Unrestricted  | 12,292                                      |                  | 130,505           | 16,030           | 216,313                  | 6,179            | 41,400             | 422,719             |
| <b>Total Net Assets</b>   | <b>\$ 13,929</b>                            | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ -</b>              | <b>\$ -</b>      | <b>\$ -</b>        | <b>\$ 13,929</b>    |

The accompanying notes are an integral part of these financial statements

**FLORIDA MUNICIPAL POWER AGENCY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2010**  
(000's US\$)

|   | Business-Type Activities- Proprietary Funds |                  |                    |                   |                          |                   |                    | Totals             |
|---|---|------------------|--------------------|-------------------|--------------------------|-------------------|--------------------|--------------------|
|   | Agency Fund                                 | Pooled Loan Fund | St. Lucie Project  | Stanton Project   | All Requirements Project | Tri-City Project  | Stanton II Project |                    |
| <b>Operating Revenue:</b>                               |   |                  |                    |                   |                          |                   |                    |                    |
| Billings to participants                                | \$ -  | \$ 120           | \$ 39,383          | \$ 28,470         | \$ 562,210               | \$ 11,076         | \$ 45,386          | \$ 686,645         |
| Amounts to be recovered from (refunded to) participants |   | 13               | (3,655)            | 1,042             | (22,828)                 | 232               | (513)              | (25,709)           |
| Sales to others   |   |                  | 2,258              | 357               | 7,887                    | 128               | 555                | 11,185             |
| <b>Total Operating Revenue</b>                          | <b>\$ -</b>                                 | <b>\$ 133</b>    | <b>\$ 37,986</b>   | <b>\$ 29,869</b>  | <b>\$ 547,269</b>        | <b>\$ 11,436</b>  | <b>\$ 45,428</b>   | <b>\$ 672,121</b>  |
| <b>Operating Expenses:</b>                              |   |                  |                    |                   |                          |                   |                    |                    |
| Operation and maintenance                               | \$ -  | \$ -             | \$ 9,164           | \$ 6,250          | \$ 57,674                | \$ 2,236          | \$ 6,832           | \$ 82,156          |
| Fuel expense  |   |                  |                    | 13,381            | 261,660                  | 4,847             | 22,817             | 302,705            |
| Nuclear fuel amortization                               |   |                  | 3,147              |                   |                          |                   |                    | 3,147              |
| Spent fuel fees   |   |                  | 616                |                   |                          |                   |                    | 616                |
| Purchased power   |   |                  | 3,452              |                   | 105,854                  |                   |                    | 109,306            |
| Transmission services                                   |   |                  | 431                | 988               | 20,337                   | 394               | 1,493              | 23,643             |
| General and administrative                              | 10,670                                      | 102              | 2,530              | 1,107             | 17,356                   | 637               | 1,691              | 34,093             |
| Interest expense  |   | 34               |                    |                   |                          |                   |                    | 34                 |
| Depreciation  | 439   |                  | 11,369             | 2,242             | 36,050                   | 900               | 4,621              | 55,621             |
| Decommissioning   |   |                  | 2,846              |                   |                          |                   |                    | 2,846              |
| Capitalized development projects and allocated costs    | (10,529)                                    |                  |                    |                   |                          |                   |                    | (10,529)           |
| <b>Total Operating Expense</b>                          | <b>\$ 580</b>                               | <b>\$ 136</b>    | <b>\$ 33,555</b>   | <b>\$ 23,968</b>  | <b>\$ 498,931</b>        | <b>\$ 9,014</b>   | <b>\$ 37,454</b>   | <b>\$ 603,638</b>  |
| <b>Total Operating Income (Loss)</b>                    | <b>\$ (580)</b>                             | <b>\$ (3)</b>    | <b>\$ 4,431</b>    | <b>\$ 5,901</b>   | <b>\$ 48,338</b>         | <b>\$ 2,422</b>   | <b>\$ 7,974</b>    | <b>\$ 68,483</b>   |
| <b>Non-Operating Income (Expense):</b>                  |   |                  |                    |                   |                          |                   |                    |                    |
| Interest expense  | \$ (16)                                     | \$ -             | \$ (11,940)        | \$ (3,488)        | \$ (42,856)              | \$ (1,256)        | \$ (8,101)         | \$ (67,657)        |
| Amortization of debt premium and discount               |   |                  | (2,494)            | (287)             | (1,106)                  | (414)             | (1,152)            | (5,453)            |
| Amortization of debt issue costs                        |   |                  | (148)              | (317)             | (1,448)                  | (45)              | (295)              | (2,253)            |
| Investment income                                       | 242   | 3                | 3,825              | 972               | 3,566                    | 233               | 1,218              | 10,059             |
| Gain (Loss) on ineffective swaps                        |   |                  |                    |                   | (6,518)                  |                   |                    | (6,518)            |
| Amortization of swap terminations                       |   |                  |                    |                   | 2,693                    |                   |                    | 2,693              |
| Development fund fee                                    | 872   |                  |                    |                   |                          |                   |                    | 872                |
| <b>Total Non-operating Income (Expenses)</b>            | <b>\$ 1,098</b>                             | <b>\$ 3</b>      | <b>\$ (10,757)</b> | <b>\$ (3,120)</b> | <b>\$ (45,669)</b>       | <b>\$ (1,482)</b> | <b>\$ (8,330)</b>  | <b>\$ (68,257)</b> |
| Change in net assets before regulatory asset adjustment | \$ 518                                      | \$ -             | \$ (6,326)         | \$ 2,781          | \$ 2,669                 | \$ 940            | \$ (356)           | \$ 226             |
| Regulatory asset adjustment                             |   |                  | 6,326              | (2,781)           | (2,669)                  | (940)             | 356                | 292                |
| Change in net assets after regulatory asset adjustment  | \$ 518                                      | \$ -             | \$ -               | \$ -              | \$ -                     | \$ -              | \$ -               | \$ 518             |
| Net assets at beginning of year                         | 13,411                                      |                  |                    |                   |                          |                   |                    | 13,411             |
| Net assets at end of year                               | \$ 13,929                                   | \$ -             | \$ -               | \$ -              | \$ -                     | \$ -              | \$ -               | \$ 13,929          |

**FLORIDA MUNICIPAL POWER AGENCY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2010**  
(000's US\$)

|  | Business-Type Activities- Proprietary Funds |                    |                    |                   |                          |                   |                    | Totals              |
|--|---|--------------------|--------------------|-------------------|--------------------------|-------------------|--------------------|---------------------|
|  | Agency Fund                                 | Pooled Loan Fund   | St. Lucie Project  | Stanton Project   | All Requirements Project | Tri-City Project  | Stanton II Project |                     |
| <b>Cash Flows From Operating Activities:</b>   |   |                    |                    |                   |                          |                   |                    |                     |
| Cash Received From Customers   | \$ 11,202                                   | \$ 133             | \$ 36,998          | \$ 29,502         | \$ 557,104               | \$ 11,316         | \$ 45,621          | \$ 691,876          |
| Cash Paid to Suppliers   | (3,793)                                     | (917)              | (10,408)           | (22,454)          | (420,625)                | (8,294)           | (34,974)           | (501,465)           |
| Cash Paid to Employees   | (6,093)                                     |                    |                    |                   |                          |                   |                    | (6,093)             |
| Cash Paid for Interest - Lending Activity  |   | (70)               |                    |                   |                          |                   |                    | (70)                |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <b>\$ 1,316</b>                             | <b>\$ (854)</b>    | <b>\$ 26,590</b>   | <b>\$ 7,048</b>   | <b>\$ 136,479</b>        | <b>\$ 3,022</b>   | <b>\$ 10,647</b>   | <b>\$ 184,248</b>   |
| <b>Cash Flows From Investing Activities:</b>   |   |                    |                    |                   |                          |                   |                    |                     |
| Proceeds From Sales and Maturities Of Investments  | \$ 35,738                                   | \$ 3,307           | \$ 51,606          | \$ 26,875         | \$ 338,101               | \$ 7,336          | \$ 37,666          | \$ 500,629          |
| Crystal River 3 Decommissioning Deposits and Interest Earnings                                       | 3,409                                       |                    |                    |                   |                          |                   |                    | 3,409               |
| Purchases of Investments   | (40,054)                                    | (4,190)            | (75,372)           | (25,694)          | (264,687)                | (6,969)           | (38,418)           | (455,384)           |
| Pooled Loans - New Advances  |   | (129)              |                    |                   |                          |                   |                    | (129)               |
| Pooled Loans - Principal Payments received   |   | 63,748             |                    |                   |                          |                   |                    | 63,748              |
| Income received on Investments   | 182   | 1                  | 6,986              | 557               | 3,561                    | 206               | 1,159              | 12,652              |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <b>\$ (725)</b>                             | <b>\$ 62,737</b>   | <b>\$ (16,780)</b> | <b>\$ 1,738</b>   | <b>\$ 76,975</b>         | <b>\$ 573</b>     | <b>\$ 407</b>      | <b>\$ 124,925</b>   |
| <b>Cash Flows From Capital &amp; Related Financing Activities:</b>                                   |   |                    |                    |                   |                          |                   |                    |                     |
| Proceeds from Issuance of Bonds & Loans  | \$ -  | \$ -               | \$ 40,377          | \$ 9,734          | \$ -                     | \$ 2,774          | \$ 6,437           | \$ 59,322           |
| Capital Expenditures - Utility Plant   | (84)  |                    | (11,843)           | (1,137)           | (129,701)                | (407)             | (1,056)            | (144,228)           |
| Long Term Gas Pre Pay - PGP  |   |                    |                    |                   | (1,330)                  |                   |                    | (1,330)             |
| Principal Payments - Long Term Debt  | (150)                                       | (65,133)           | (22,886)           | (10,710)          | (28,879)                 | (4,254)           | (5,771)            | (137,783)           |
| Line of Credit (Payments) Draws - Net Interest paid on Debt  |   |                    |                    |                   | (17,688)                 |                   |                    | (17,688)            |
| Capitalized to Construction  |   |                    |                    |                   | (23,151)                 |                   |                    | (23,151)            |
| Other  | (16)  |                    | (10,851)           | (3,369)           | (41,452)                 | (1,231)           | (8,027)            | (64,946)            |
| Cash Received - Development Fund   | 872   |                    |                    |                   |                          |                   |                    | 872                 |
| <b>Net Cash Provided (Used in) Capital &amp; Related Financing Activities</b>                        | <b>\$ 622</b>                               | <b>\$ (65,133)</b> | <b>\$ (5,203)</b>  | <b>\$ (5,482)</b> | <b>\$ (242,201)</b>      | <b>\$ (3,118)</b> | <b>\$ (8,417)</b>  | <b>\$ (328,932)</b> |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>  | <b>\$ 1,213</b>                             | <b>\$ (3,250)</b>  | <b>\$ 4,607</b>    | <b>\$ 3,304</b>   | <b>\$ (28,747)</b>       | <b>\$ 477</b>     | <b>\$ 2,637</b>    | <b>\$ (19,759)</b>  |
| <b>Cash and Cash Equivalents - Beginning</b>   | <b>13,015</b>                               | <b>3,268</b>       | <b>10,442</b>      | <b>9,003</b>      | <b>164,380</b>           | <b>3,196</b>      | <b>13,985</b>      | <b>217,289</b>      |
| <b>Cash and Cash Equivalents - Ending</b>  | <b>\$ 14,228</b>                            | <b>\$ 18</b>       | <b>\$ 15,049</b>   | <b>\$ 12,307</b>  | <b>\$ 135,633</b>        | <b>\$ 3,673</b>   | <b>\$ 16,622</b>   | <b>\$ 197,530</b>   |
| <b>Consisting of:</b>  |   |                    |                    |                   |                          |                   |                    |                     |
| Unrestricted   | \$ 3,653                                    | \$ -               | \$ 11,052          | \$ 2,809          | \$ 79,288                | \$ 868            | \$ 4,930           | \$ 102,600          |
| Restricted   | 10,575                                      | 18                 | 3,997              | 9,498             | 56,345                   | 2,805             | 11,692             | 94,930              |
| <b>Total</b>   | <b>\$ 14,228</b>                            | <b>\$ 18</b>       | <b>\$ 15,049</b>   | <b>\$ 12,307</b>  | <b>\$ 135,633</b>        | <b>\$ 3,673</b>   | <b>\$ 16,622</b>   | <b>\$ 197,530</b>   |
| <b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>    |   |                    |                    |                   |                          |                   |                    |                     |
| Operating Income (Loss)  | \$ (580)                                    | \$ (3)             | \$ 4,431           | \$ 5,901          | \$ 48,338                | \$ 2,422          | \$ 7,974           | \$ 68,483           |
| Adjustment to Reconcile Net Operating Income to Net Cash Provided by (Used In) Operating Activities: |   |                    |                    |                   |                          |                   |                    |                     |
| Depreciation   | 439   |                    | 11,369             | 2,242             | 36,050                   | 900               | 4,621              | 55,621              |
| Decommissioning  |   |                    | 2,846              |                   |                          |                   |                    | 2,846               |
| Amortization of Nuclear Fuel   |   |                    | 3,147              |                   |                          |                   |                    | 3,147               |
| Amortization of Pre Paid Gas - PGP   |   |                    |                    |                   | 5,873                    |                   |                    | 5,873               |
| Changes in Assets and Liabilities Which Provided (Used) Cash:  |   |                    |                    |                   |                          |                   |                    |                     |
| Inventory  |   |                    |                    | 345               | 2,763                    | 123               | (1,220)            | 2,011               |
| Receivables From (Payable to) Participants   | 649   |                    | 293                | (366)             | 6,013                    | (120)             | 193                | 6,662               |
| Prepays  | (84)  |                    | 77                 | 57                | 12,764                   | 21                | 174                | 13,009              |
| Accounts Payable and Accrued Expense   | 868   | (851)              | 6,206              | (1,387)           | 19,416                   | (346)             | (1,232)            | 22,674              |
| Other Deferred Costs   | 24  |                    | (1,779)            | 256               | 5,262                    | 22                | 137                | 3,922               |
| <b>Net Cash Provided By (Used In) Operating Activities</b>   | <b>\$ 1,316</b>                             | <b>\$ (854)</b>    | <b>\$ 26,590</b>   | <b>\$ 7,048</b>   | <b>\$ 136,479</b>        | <b>\$ 3,022</b>   | <b>\$ 10,647</b>   | <b>\$ 184,248</b>   |
| <b>Noncash Investing, capital and financing activities:</b>  |   |                    |                    |                   |                          |                   |                    |                     |
| Increase (Decrease) in mark to market values   |   |                    |                    |                   |                          |                   |                    |                     |
| Non-Trust Investments  | \$ 57                                       | \$ -               | \$ (3,254)         | \$ 395            | \$ 712                   | \$ 33             | \$ 59              | \$ (1,998)          |
| Crystal River 3 Decommissioning  | 559   |                    |                    |                   |                          |                   |                    | 559                 |
| Interest Rate Derivative Contracts   |   |                    |                    |                   | (6,518)                  |                   |                    | (6,518)             |

# NOTES TO FINANCIAL STATEMENTS

## *For the Year Ended September 30, 2010*

### I. Summary of Significant Accounting Policies

#### A. Reporting Entity

Florida Municipal Power Agency (FMPA or Agency) was created on February 24, 1978, pursuant to the terms of an Interlocal Agreement signed by the governing bodies of 25 Florida municipal corporations or utility commissions chartered by the State of Florida.

The Florida Interlocal Cooperation Act of 1969 authorizes local government units to enter together into mutually advantageous agreements which create separate legal entities for certain specified purposes. FMPA, as one such entity, was authorized under the Florida Interlocal Cooperation Act and the Joint Power Act to finance, acquire, construct, manage, operate or own electric power projects or to accomplish these same purposes jointly with other public or private utilities. An amendment to the Florida Interlocal Cooperation Act in 1985 and an amendment to the Interlocal Agreement in 1986 authorized FMPA to implement a pooled financing or borrowing program for electric, water, wastewater, waste refuse disposal or gas projects for FMPA and its members. FMPA established itself as a project-oriented agency.

This structure allows each member the option of whether to participate in a project, to participate in more than one project, or not to participate in any project. Each of the projects are independent from the other and the project bond resolutions specify that no revenues or funds from one project can be used to pay the costs of any other project. As of September 30, 2010, FMPA has 30 members.

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Agency Fund, Pooled Loan Fund and each of the projects are maintained using the Uniform System of Accounts of the Federal Energy Regulatory Commission and with Generally Accepted Accounting Principles of the United States (GAAP) using the economic resources measurement focus and the accrual basis of accounting. Application of the accounting methods for regulatory operations of the Financial Accounting Standards Board, accounting standards codification, is also included in these financial statements. This accounting guidance relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process, which is governed by the Executive Committee and the Board of Directors.

The Agency's General Bond Resolution requires that its rate structure be designed to produce revenues sufficient to pay operating, debt service and other specified costs. The Agency's Board of Directors, which is comprised of one representative from each member city, and Executive Committee, which is comprised of one representative from each of the active All-Requirements Project members, are responsible for reviewing and approving the rate structure. The application of a given rate structure to a given period's electricity sales may produce revenues not intended to pay that period's costs and conversely, that period's costs may not be intended to be recovered in that period's revenues. The affected revenues and/or costs are, in such cases, deferred for future recognition. The recognition of deferred items is correlated with specific future events, primarily payment of debt principal.

In accordance with Governmental Accounting Standards No. 20, FMPA has elected not to follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its operations.

## **NOTES TO FINANCIAL STATEMENTS**

### *For the Year Ended September 30, 2010*

#### **I. Summary of Significant Accounting Policies (continued)**

##### **B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

FMPA considers electric revenues and costs that are directly related to generation, purchases, transmission and distribution of electricity to be operating revenues and expenses. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, following GAAP.

##### **1. Fund Accounting**

FMPA maintains its accounts on a fund/project basis, in compliance with appropriate bond resolutions, and operates its various projects in a manner similar to private business. Operations of each project are accounted for as a proprietary fund and as such, inter-project transactions, revenues and expenses are not eliminated.

The Agency operates the following major funds:

- The Agency Fund, which accounts for general operations beneficial to all members and projects,
- The Pooled Loan Fund, which accounts for operations of pooled financing of loans to other FMPA projects and members for utility-related projects,
- The St. Lucie Project, which accounts for ownership interest in the St. Lucie Unit 2 nuclear generating facility,
- The Stanton Project and the Tri-City Project, which account for respective ownership interests in the Stanton Energy Center (SEC) Unit 1, a coal-fired generation facility,
- The All-Requirements Project, which accounts for ownership interests in Stanton Energy Center Unit 1, Stanton Energy Center Unit 2, Stanton Unit A, and Indian River Combustion Turbine Units A, B, C and D. Also included in the All-Requirements Project is the purchase of power for resale to the participants and 100% ownership of Key West Combustion Turbine Unit 4, Treasure Coast Energy Center, Cane Island Units 1, 2, 3 and the construction of 4, and FMPA's Key West Combustion Turbine Units 2 and 3.
- The Stanton II Project, which accounts for an ownership interest in SEC Unit 2.

Certain accounts within these funds are grouped and classified in the manner established by respective bond resolutions and/or debt instruments.

All funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary or business fund's principal on-going operations. The principal operating revenues of FMPA's proprietary or business funds are charges to participants for sales and services. Operating expenses for proprietary or business funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is FMPA's policy to use restricted funds for their intended purposes only, based on the bond resolutions. Unrestricted resources are used as they are needed in a hierarchal manner from the General Reserve accounts to the Operations and Maintenance accounts.

# NOTES TO FINANCIAL STATEMENTS

## *For the Year Ended September 30, 2010*

### I. Summary of Significant Accounting Policies (continued)

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

##### 2. Capital Assets

Certain direct and indirect expenses allocable to FMPA's undivided ownership in the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project are capitalized as part of the cost of acquiring or constructing the respective utility plant. Direct and indirect expenses not associated with these projects are capitalized as part of the cost of Development Projects in Progress in the Agency Fund. Electric Plant in Service is depreciated using the straight-line and declining balance methods over the assets respective estimated useful lives. Estimated useful lives for electric plant assets range from 20 years to 40 years.

FMPA has adopted the policy of capitalizing net interest costs during the period of project construction (interest expense less interest earned on the investment of bond proceeds). Capitalized net interest cost on borrowed funds include amortization of bond discount and bond premium, interest expense and interest income. The All-Requirements Project capitalized net interest cost of \$23.2 million during Fiscal Year 2010. The cost of major replacements of assets in excess of \$1,500 is capitalized to the utility plant accounts. The cost of maintenance, repairs and replacements of minor items are expensed as incurred.

##### 3. Inventory

Coal, oil, and natural gas inventory is stated at weighted average cost. Parts inventory for the generating plants is also stated at weighted average cost. Nuclear fuel is carried at cost and is amortized on the units of production basis.

##### 4. Cash & Cash Equivalents

FMPA considers the following highly liquid investments (including restricted assets) to be cash equivalents for the statement of cash flows:

- Demand deposits (not including certificates of deposits)
- Money market funds
- Flexible repurchase agreements

##### 5. Investments

Florida Statutes authorize FMPA to invest in the Local Government Surplus Funds Trust Fund, obligations of the U.S. Government Agencies and Instrumentalities, Money Market Funds, U.S. Government and Agency Securities, Certificates of Deposit, commercial paper and repurchase agreements fully collateralized by U.S. Government obligations. In addition to the above, FMPA's policy also authorizes the investment in bonds, bankers' acceptances, prime commercial paper and repurchase agreements, guaranteed investment contracts and other investments approved by the rating agencies.

Investments are stated at fair value based on quoted market prices. Investment income includes changes in the fair value of these investments. Interest on investments is accrued at the balance sheet date. All of FMPA's project and fund investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

# NOTES TO FINANCIAL STATEMENTS

## *For the Year Ended September 30, 2010*

### I. Summary of Significant Accounting Policies (continued)

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

##### 6. Debt Related Costs

Unamortized debt issuance costs are amortized on the bonds outstanding method, which approximates the effective interest method. This method is used for the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project. Gains and losses on the refunding of bonds are deferred and amortized over the life of the refunding bonds or the life of the refunded bonds, whichever is shorter, using the bonds outstanding method.

##### 7. Compensated Absences

Liabilities related to Compensated Absences are recognized as incurred in accordance with GASB Statement No. 16 and are included in accrued expenses. Regular, full-time employees in good standing, upon resignation or retirement, are eligible for vacation pay, and sick/personal pay. At September 30, 2010, the liability for unused vacation was \$470,240 and \$252,695 for unused sick/personal leave.

##### 8. Allocation of Agency Fund Expenses

General and administrative operating expenses of the Agency Fund are allocated based on direct labor hours and certain other minimum allocations to each of the projects.

##### 9. Billing to Participants

Participant billings are designed to systematically provide revenue sufficient to recover costs. Rates and budgets can be amended by the Board of Directors or the Executive Committee at any time.

For the All-Requirements Project, energy rate adjustments are driven by the Project's Operation and Maintenance (O & M) Fund month-end cash balance and the cash balance needed to meet the targeted balance of sixty days of cash within the O & M Fund. If it is determined that the O & M Fund balance is over the sixty days O & M Fund cash balance target amount, the energy rate adjustment will result in a lower billing rate relative to projected expenses and thereby reduce the future O & M Fund balance. Likewise, if the O & M Fund balance is below the sixty day cash target, the energy rate adjustment will result in a higher billing rate relative to projected expenses and thereby increase the future O & M Fund balance.

Amounts due from participants are deemed to be entirely collectible and as such, no allowance for uncollectible accounts has been recorded.

For the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project, variances in current fiscal year billings and actual project costs are computed and under the terms of the project contract, net excesses or deficiencies are credited or charged to future participant billings or may be paid from the General Reserve Fund, as approved by the Board of Directors, or Executive Committee as appropriate.

# NOTES TO FINANCIAL STATEMENTS

## *For the Year Ended September 30, 2010*

### I. Summary of Significant Accounting Policies (continued)

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

##### 9. Billing to Participants (continued)

Billings to Pooled Loan Fund participants are designed to provide cash flows that are sufficient to pay principal and interest on outstanding debt and recover the cost of operating the Pooled Loan Fund.

##### 10. Income Taxes

FMPA is a governmental entity and therefore is exempt from federal and state income taxes.

##### 11. Use of Estimates

The management of FMPA has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Examples of major areas where estimates are used include the estimate for useful lives of property, plant and equipment and the estimate for the nuclear decommissioning liability. Actual results could differ from those estimates.

##### 12. Derivative Financial Investments

FMPA uses commodity futures contracts and options on forward contracts to hedge the effects of fluctuations in the price of natural gas purchases as well as the use of interest rate swap contracts to hedge the fluctuations in the interest rate of variable-rate debt. The Interest Rate Swap contracts require the Agency to pay a fixed interest rate and receive a variable interest rate, based upon the London Interbank Offered Rate (LIBOR), the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) or the Consumer Price Index (CPI). The Governmental Accounting Standards Board Statement #53 was adopted by FMPA for the fiscal year ending September 30, 2010. All derivative financial instruments have been evaluated for effectiveness using criteria established in GASB 53. Related gains or losses on the derivative instruments determined to be effective are recorded as either a reduction of, or an addition to fuel costs or interest expense.

### II. Loans Receivable

One loan is receivable in the Pooled Loan Fund for \$1.7 million to the Agency which was used for the purchase of the FMPA facilities in Orlando.

### III. Nuclear Decommissioning Liability

#### A. St. Lucie Project

The U.S. Nuclear Regulatory Commission (NRC) requires that each licensee of a commercial nuclear power reactor furnish to the NRC a certification of its financial capability to meet the costs of nuclear decommissioning at the end of the useful life of the licensee's facility. As a co-licensee of St. Lucie Unit 2, FMPA's St. Lucie Project is subject to these requirements and therefore has complied with the NRC regulations.

To comply with the NRC's financial capability regulations, FMPA established an external trust fund (Decommissioning Trust) pursuant to a trust agreement. Funds deposited, together with investment earnings in the Trust, are anticipated to result in sufficient funds in the Decommissioning Trust at the expiration of the license extension to meet the



## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### III. Nuclear Decommissioning Liability (continued)

##### A. St. Lucie Project (continued)

Project's share of the decommissioning costs. This is reflected in the St. Lucie Project's Statement of Net Assets as Restricted Cash and Investments (\$52 million) and Accrued Decommissioning Expense (\$50 million) at September 30, 2010. The mark to market adjustment on investments is not included in the accrued decommissioning expense. These amounts are to be used for the sole purpose of paying the St. Lucie nuclear decommissioning costs. Based on a 2005 site-specific study approved by the Florida Public Service Commission in 2005, Unit 2's decommissioning costs are estimated to be \$3.779 billion (in 2004 dollars), and FMPA's share is estimated to be \$331 million (in 2004 dollars). The Decommissioning Trust is irrevocable and funds may be withdrawn from the Trust solely for the purpose of paying the St. Lucie Project's share of costs for nuclear decommissioning.

Also, under NRC regulations, the Trust is required to be segregated from other FMPA assets and outside FMPA's administrative control. FMPA has complied with these regulations.

##### B. Crystal River Unit 3

As a service to six of the minority owners of the Crystal River Unit 3 (CR3) Power Plant, SunTrust Bank acts as Trustee for their share of CR3's decommissioning liability. FMPA manages the investment of the monies collected from the participants in the Decommissioning Trust. This is reflected in the Agency Fund Balance Sheet as Restricted Cash and Investments and Held in trust for decommissioning, for the sole purpose of paying CR3's nuclear decommissioning costs for these owners. There is approximately \$30.9 million in the accounts at September 30, 2010.

#### IV. Capital Assets

A description and summary as of September 30, 2010, of Capital Assets by fund and project, is as follows:

##### A. Agency Fund

The Agency Fund contains the general plant assets of the Agency that are not associated with specific projects. Depreciation of general plant assets is computed by using the straight-line method over the expected useful life of the asset. Expected lives of the different types of general assets are:

- |                             |          |
|-----------------------------|----------|
| • Structures & Improvements | 25 years |
| • Furniture & Fixtures      | 8 years  |
| • Office Equipment          | 5 years  |
| • Automobiles and Computers | 3 years  |

New capital undertakings are accounted for in the Development Projects in Progress account. Depending on whether these undertakings become a project, costs are either capitalized or expensed. The column labeled Increases reflects new capital undertakings and the column labeled Decreases reflects the depreciation expense or retirements of those costs.

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### IV. Capital Assets (continued)

##### A. Agency Fund (continued)

The activity for the Agency's general plant assets for the year ended September 30, 2010 was as follows:

|                                  | <i>Beginning<br/>Balance</i> | <i>September 30, 2010</i> |                  | <i>Ending<br/>Balance</i> |
|----------------------------------|------------------------------|---------------------------|------------------|---------------------------|
|                                  |                              | <i>Increases</i>          | <i>Decreases</i> |                           |
|                                  |                              | <i>(000's US\$)</i>       |                  |                           |
| Land                             | \$ 653                       | \$ -                      | \$ -             | \$ 653                    |
| General Plant                    | 6,072                        | 84                        | (175)            | 5,981                     |
| Development Projects in Progress |                              |                           |                  |                           |
| General Plant in Service         | \$ 6,725                     | \$ 84                     | \$ (175)         | \$ 6,634                  |
| Less Accumulated Depreciation    | (3,066)                      | (439)                     | 175              | (3,330)                   |
| General Plant in Service, Net    | <u>\$ 3,659</u>              | <u>\$ (355)</u>           | <u>\$ -</u>      | <u>\$ 3,304</u>           |

##### B. St. Lucie Project

The St. Lucie Project consists of an 8.806% undivided ownership interest in St. Lucie Unit 2, a nuclear power plant primarily owned and operated by Florida Power & Light (FPL).

Depreciation is computed using the straight-line and declining balance methods over the expected useful life of the asset, which is computed to be 34.6 years. Nuclear fuel is amortized on a units of production basis.

St. Lucie plant asset activity for the year ended September 30, 2010 was as follows:

|                                   | <i>Beginning<br/>Balance</i> | <i>September 30, 2010</i> |                   | <i>Ending<br/>Balance</i> |
|-----------------------------------|------------------------------|---------------------------|-------------------|---------------------------|
|                                   |                              | <i>Increases</i>          | <i>Decreases*</i> |                           |
|                                   |                              | <i>(000's US\$)</i>       |                   |                           |
| Land                              | \$ 75                        | \$ -                      | \$ -              | \$ 75                     |
| Electric Plant                    | 219,519                      | 8,904                     | (4)               | 228,419                   |
| General Plant                     | 1,209                        |                           |                   | 1,209                     |
| Nuclear Fuel                      | 17,242                       | 2,589                     |                   | 19,831                    |
| Construction work in Process      | 2,048                        | 350                       |                   | 2,398                     |
| Electric Utility Plant in Service | \$ 240,093                   | \$ 11,843                 | \$ (4)            | \$ 251,932                |
| Less Accumulated Depreciation     | (142,696)                    | (14,516)                  | 344               | (156,868)                 |
| Utility Plant in Service, Net     | <u>\$ 97,397</u>             | <u>\$ (2,673)</u>         | <u>\$ 340</u>     | <u>\$ 95,064</u>          |

\* Includes Retirements Less Salvage

##### C. Stanton Project

The Stanton Project consists of an undivided 14.8193% ownership in Stanton Energy Center Unit 1, a coal-fired power plant. Asset retirements and additions for the plant are decided by Orlando Utilities Commission (OUC), the primary owner and operator of the plant.

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### IV. Capital Assets (continued)

##### C. Stanton Project (continued)

Depreciation of plant assets is computed using the straight-line and declining balance methods over the expected useful life of the different plant assets. Expected useful lives of the assets are:

- Electric Plant 40 years
- Computer Equipment 9 years

Stanton Unit 1 plant asset activity for the year ended September 30, 2010, was as follows:

|                                   | September 30, 2010   |                   |             | Ending<br>Balance |
|-----------------------------------|----------------------|-------------------|-------------|-------------------|
|                                   | Beginning<br>Balance | Increases         | Decreases   |                   |
|                                   |                      | (000's US\$)      |             |                   |
| Land                              | \$ 125               | \$ -              | \$ -        | \$ 125            |
| Electric Plant                    | 76,685               | 1,137             |             | 77,822            |
| General Plant                     | 113                  |                   |             | 113               |
| Electric Utility Plant in Service | \$ 76,923            | \$ 1,137          | \$ -        | \$ 78,060         |
| Less Accumulated Depreciation     | (38,995)             | (2,242)           |             | (41,237)          |
| Utility Plant in Service, Net     | <u>\$ 37,928</u>     | <u>\$ (1,105)</u> | <u>\$ -</u> | <u>\$ 36,823</u>  |

##### D. All-Requirements Project

The All-Requirements Project's current utility plant assets include varying ownership interests in Stanton Energy Center Units 1 and 2; Indian River Combustion Turbines A, B, C and D; and Stanton A.

The All-Requirements Project's current utility plant assets also consist of 100% ownership in Key West Stock Island Unit 4, the Treasure Coast Energy Center, Cane Island Units 1, 2, 3, and the construction of unit 4 (79 percent complete as of September 30, 2010), and Key West Units 2 and 3.

Retirements and additions for the All-Requirements Project are decided by the primary owners of the plants.

Depreciation of plant assets is computed using the straight-line and declining balance methods over the expected useful life of the asset. Expected lives of the different plant assets are as follows:

- Stanton Energy Center Units 1 and 2 40 years
- Stanton Energy Center Unit A 35 years
- Treasure Coast Energy Center 23 years
- Cane Island Units 2 and 3 30 years
- Cane Island Unit 1 25 years
- Key West Units 2 and 3 25 years
- Key West Stock Island Unit 4 23 years
- Indian River Units A, B, C and D 23 years
- Computer Equipment 9 years

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### IV. Capital Assets (continued)

##### D. All-Requirements Project (continued)

All-Requirements plant asset activity for the year ended September 30, 2010 was as follows:

|                                   | <i>Beginning<br/>Balance</i> | <i>September 30, 2010</i> |                   | <i>Ending<br/>Balance</i> |
|-----------------------------------|------------------------------|---------------------------|-------------------|---------------------------|
|                                   |                              | <i>Increases</i>          | <i>Decreases*</i> |                           |
|                                   |                              | <i>(000's US\$)</i>       |                   |                           |
| Land                              | \$ 13,046                    | \$ 359                    | \$ -              | \$ 13,405                 |
| Electric Plant                    | 734,886                      | 6,161                     |                   | 741,047                   |
| General Plant                     | 2,728                        | 344                       |                   | 3,072                     |
| Construction Work in Progress     | 274,726                      | 132,498                   |                   | 407,224                   |
| Electric Utility Plant in Service | \$ 1,025,386                 | \$ 139,362                | \$ -              | \$ 1,164,748              |
| Less Accumulated Depreciation     | (145,776)                    | (36,050)                  | (7)               | (181,833)                 |
| Utility Plant in Service, Net     | <u>\$ 879,610</u>            | <u>\$ 103,312</u>         | <u>\$ (7)</u>     | <u>\$ 982,915</u>         |

\* Includes Retirements Less Salvage

##### E. Tri-City Project

The Tri-City Project consists of an undivided 5.3012% ownership interest in Stanton Unit 1, a coal-fired power plant. Retirements and additions for Stanton Unit 1 are determined by OUC, the primary owner and operator.

Depreciation of plant assets is computed using the straight-line and declining balance methods over the expected useful life of the different assets. Expected useful lives of the assets are:

- Electric Plant 40 years
- Computer Equipment 9 years

Tri-City Project plant asset activity for the year ended September 30, 2010 was as follows:

|                                   | <i>Beginning<br/>Balance</i> | <i>September 30, 2010</i> |                  | <i>Ending<br/>Balance</i> |
|-----------------------------------|------------------------------|---------------------------|------------------|---------------------------|
|                                   |                              | <i>Increases</i>          | <i>Decreases</i> |                           |
|                                   |                              | <i>(000's US\$)</i>       |                  |                           |
| Land                              | \$ 48                        | \$ -                      | \$ -             | \$ 48                     |
| Electric Plant                    | 31,244                       | 407                       |                  | 31,651                    |
| General Plant                     | 36                           |                           |                  | 36                        |
| Electric Utility Plant in Service | \$ 31,328                    | \$ 407                    | \$ -             | \$ 31,735                 |
| Less Accumulated Depreciation     | (16,065)                     | (900)                     |                  | (16,965)                  |
| Utility Plant in Service, Net     | <u>\$ 15,263</u>             | <u>\$ (493)</u>           | <u>\$ -</u>      | <u>\$ 14,770</u>          |

##### F. Stanton II Project

The Stanton II Project consists of an undivided 23.2367% ownership interest in Stanton Unit 2, a coal-fired power plant. Retirements and additions for Stanton Unit 2 are determined by OUC, the primary owner and operator.

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### IV. Capital Assets (continued)

##### F. Stanton II Project (continued)

Depreciation of plant assets is computed using the straight-line and declining balance methods over the expected useful life of the different assets. Expected useful lives of the assets are:

- Electric Plant 40 years
- Computer Equipment 9 years

Stanton Unit 2 plant asset activity for the year ended September 30, 2010 was as follows:

|                                   | <i>September 30, 2010</i>    |                   |                  | <i>Ending<br/>Balance</i> |
|-----------------------------------|------------------------------|-------------------|------------------|---------------------------|
|                                   | <i>Beginning<br/>Balance</i> | <i>Increases</i>  | <i>Decreases</i> |                           |
|                                   | <i>(000's US\$)</i>          |                   |                  |                           |
| Land                              | \$ 217                       | \$ -              | \$ -             | \$ 217                    |
| Electric Plant                    | 177,593                      | 1,056             |                  | 178,649                   |
| General Plant                     | 163                          |                   |                  | 163                       |
| Electric Utility Plant in Service | \$ 177,973                   | \$ 1,056          | \$ -             | \$ 179,029                |
| Less Accumulated Depreciation     | (60,177)                     | (4,621)           |                  | (64,798)                  |
| Utility Plant in Service, Net     | <u>\$ 117,796</u>            | <u>\$ (3,565)</u> | <u>\$ -</u>      | <u>\$ 114,231</u>         |

#### V. Cash, Cash Equivalents and Investments

##### A. Cash and Cash Equivalents

At September 30, 2010, FMPA's Cash and Cash Equivalents consisted of demand deposit accounts, money market accounts, and forward purchase agreements, which are authorized under FMPA ordinances and various bond resolutions. Cash and cash equivalents are held at three financial institutions, and with two commodity dealers. All of FMPA's demand deposits at September 30, 2010 were insured by Federal Depository Insurance Corporation (FDIC) or collateralized pursuant to the Public Depository Security Act of the State of Florida. Current unrestricted cash and cash equivalents are used in FMPA's funds' and projects' day-to-day operations.

##### B. Investments

FMPA adheres to a Board and Executive Committee adopted investment policy based on the requirements of the bond resolutions. The policy requires diversification based upon investment type and issuing institutions and duration. All of the fund and project accounts have specified requirements with respect to investments selected and the length of allowable investment. Investments at September 30, 2010 were insured or registered and held by its agent in FMPA's name. Changes in the fair value of investments are reported in current period revenues and expenses. All of FMPA's fund and project investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended September 30, 2010*

**V. Cash, Cash Equivalents and Investments (continued)**

**B. Investments (continued)**

Foreign Currency Risk

FMPA's Investments are not exposed to foreign currency risk.

Interest-Rate Risk

FMPA's investment policy requires that funds generally be invested to match anticipated cash flow. All fund and project accounts have a specified maximum maturity for investments and the majority of FMPA's funds are required to be invested for less than five years. All project funds and accounts are monitored using weighted average maturity analysis as well as maturity date restrictions.

Concentration of Credit Risk

Each project is separate from the others and as such, each project is evaluated individually to determine the credit and interest rate risk. FMPA's investment policy prohibits investments in commercial paper that exceed 50% of any of the projects' or the Agency's assets. All commercial paper must be rated in the highest rating category by a nationally recognized bond rating agency at the time of purchase. Money market funds rated in the highest rating category are allowed as well as those collateralized with specific high-quality instruments. These investments must not exceed 25% for any of FMPA's projects. As of September 30, 2010, fixed income commercial paper investments, held by FMPA from any one issuer (investments issued or explicitly guaranteed by the US Government, investments in mutual funds, external investment pools and other pooled investments are excluded) that represent 5% or more of the projects' investment assets are listed below:

|                                  |   |        |
|----------------------------------|---|--------|
| <b>Agency Fund</b>               |   |        |
|                                  | FCAR Owner Trust - Ford Motor Company   | 38.48% |
|                                  | Held for Crystal River 3 decommissioning,<br>which has different investment limits. |        |
| <b>Pooled Loan Fund</b>          |   |        |
|                                  | None  |        |
| <b>St. Lucie Project</b>         |   |        |
|                                  | FCAR Owner Trust - Ford Motor Company   | 23.39% |
| <b>Stanton Project</b>           |   |        |
|                                  | None  |        |
| <b>All-Requirements Project:</b> |   |        |
|                                  | None  |        |
| <b>Tri-City Project</b>          |   |        |
|                                  | None  |        |
| <b>Stanton II Project</b>        |   |        |
|                                  | None  |        |

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### V. Cash, Cash Equivalents and Investments (continued)

##### B. Investments (continued)

FMPA maintains all assets other than demand deposit accounts within a trust department of a bank. Under Florida Statutes, Chapter 280, public deposits in a bank or savings association by a trust department company are fully secured under trust business laws. All cash and investments, other than demand deposit accounts, are held in the name of a custodian or a trustee for the Agency and its projects.

##### 1. Agency Fund

Cash, cash equivalents and investments on deposit for the Agency at September 30, 2010 are as follows:

|                            | September 30,<br>2010 | Weighted<br>Average<br>Maturity (Days) | Credit Rating |
|----------------------------|-----------------------|--|---------------|
| <b>Restricted</b>          | <i>(000's US\$)</i>   |  |               |
| Cash and Cash Equivalents  | \$ 10,575             |  |               |
| US Gov't/Agency Securities | 12,740                | 502                                    | Aaa/AAA/AAA   |
| Commercial Paper           | 13,225                |  | A1+/P1        |
| Total Restricted           | <u>\$ 36,540</u>      |  |               |
| <b>Unrestricted</b>        |                       |  |               |
| Cash and Cash Equivalents  | \$ 3,653              |  |               |
| US Gov't/Agency Securities | 8,404                 | 752                                    | Aaa/AAA/AAA   |
| Commercial Paper           | -                     |  |               |
| Total Unrestricted         | <u>\$ 12,057</u>      |  |               |
| Total                      | <u>\$ 48,597</u>      |  |               |

##### 2. Pooled Loan Fund

The Pooled Loan Fund is invested in accordance with the Note Resolution provisions. The Fund invests in agencies, treasuries, commercial paper, bankers' acceptances, and short-term money market investments that match the debt obligations on the commercial paper. With the exception of monies deposited into the Pooled Loan Fund's revenue account, all funds collected are for the payment of debt service on the commercial paper and expenses of the program. The commercial paper is marketed in increments over a one to 270-day time frame. Pooled Loan fund proceeds are invested at direction of the borrower or participant. The loan rates are set in concert with the commercial paper rates with an allowance for program expenses. All of the funds of the loan program are on deposit with the Trustee and invested as indicated above for specific borrowers and are not exposed as uncollateralized or uninsured balances.

Cash, cash equivalents and investments on deposit for the Pooled Loan Fund at September 30, 2010, are as follows:

|                            | September 30,<br>2010 | Weighted<br>Average<br>Maturity (Days) | Credit Rating |
|----------------------------|-----------------------|--|---------------|
| <b>Restricted</b>          | <i>(000's US\$)</i>   |  |               |
| Cash and Cash Equivalents  | \$ 18                 |  |               |
| US Gov't/Agency Securities | 1,883                 | 317                                    | Aaa/AAA/AAA   |
| Commercial Paper           | -                     |  |               |
| Total Restricted           | <u>\$ 1,901</u>       |  |               |
| Total                      | <u>\$ 1,901</u>       |  |               |

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2010**

**V. Cash, Cash Equivalents and Investments (continued)**

**B. Investments (continued)**

**3. St. Lucie Project**

In addition to normal operational cash needs for the project, investments are being accumulated in order to pay-off the balloon maturity of the Project's debt in 2023. The primary investments being used for this are zero coupon municipal bonds. Cash, cash equivalents and investments for the St. Lucie Project at September 30, 2010, are as follows:

|                            | <b>September 30,<br/>2010</b> | <b>Weighted<br/>Average<br/>Maturity (Days)</b> | <b>Credit Rating</b> |
|----------------------------|-------------------------------|---|----------------------|
| <b>Restricted</b>          | <i>(000's US\$)</i>           |   |                      |
| Cash and Cash Equivalents  | \$ 3,997                      |   |                      |
| US Gov't/Agency Securities | 29,867                        | 1,422   | Aaa/AAA/AAA          |
| Municipal Bonds            | 25,537                        | 5,757   | *                    |
| Commercial Paper           | 35,877                        | 1   | A1+/P1               |
| Total Restricted           | <u>\$ 95,278</u>              |   |                      |
| <b>Unrestricted</b>        |                               |   |                      |
| Cash and Cash Equivalents  | \$ 11,052                     |   |                      |
| US Gov't/Agency Securities | 20,251                        | 2,570   | Aaa/AAA/AAA          |
| Municipal Bonds            | 41,831                        | 3,827   | *                    |
| Commercial Paper           | -                             |   |                      |
| Total Unrestricted         | <u>\$ 73,134</u>              |   |                      |
| Total                      | <u>\$ 168,412</u>             |   |                      |

\*The Municipal Bond ratings range from a best of Aaa/AAA/AAA to a worst of Baa1/A/BBB.

**4. Stanton Project**

Cash, cash equivalents and investments for the Stanton Project at September 30, 2010, are as follows:

|                            | <b>September 30,<br/>2010</b> | <b>Weighted<br/>Average<br/>Maturity (Days)</b> | <b>Credit Rating</b> |
|----------------------------|-------------------------------|---|----------------------|
| <b>Restricted</b>          | <i>(000's US\$)</i>           |   |                      |
| Cash and Cash Equivalents  | \$ 9,498                      |   |                      |
| US Gov't/Agency Securities | 7,875                         | 1,064   | Aaa/AAA/AAA          |
| Commercial Paper           | -                             |   |                      |
| Total Restricted           | <u>\$ 17,373</u>              |   |                      |
| <b>Unrestricted</b>        |                               |   |                      |
| Cash and Cash Equivalents  | \$ 2,809                      |   |                      |
| US Gov't/Agency Securities | 8,419                         | 2,394   | Aaa/AAA/AAA          |
| Commercial Paper           | -                             |   |                      |
| Total Unrestricted         | <u>\$ 11,228</u>              |   |                      |
| Total                      | <u>\$ 28,601</u>              |   |                      |



## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### V. Cash, Cash Equivalents and Investments (continued)

##### B. Investments (continued)

##### 5. All-Requirements Project

Cash, cash equivalents and investments for the All-Requirements Project at September 30, 2010, are as follows:

|                            | September 30,<br>2010 | Weighted<br>Average<br>Maturity (Days) | Credit Rating |
|----------------------------|-----------------------|--|---------------|
|                            | <i>(000's US\$)</i>   |  |               |
| <b>Restricted</b>          |                       |  |               |
| Cash and Cash Equivalents  | \$ 56,345             |  |               |
| US Gov't/Agency Securities | 114,397               | 343                                    | Aaa/AAA/AAA   |
| Commercial Paper           | -                     |  |               |
| Total Restricted           | <u>\$ 170,742</u>     |  |               |
| <b>Unrestricted</b>        |                       |  |               |
| Cash and Cash Equivalents  | \$ 79,288             |  |               |
| US Gov't/Agency Securities | 38,770                | 1,540                                  | Aaa/AAA/AAA   |
| Commercial Paper           | -                     |  |               |
| Total Unrestricted         | <u>\$ 118,058</u>     |  |               |
| Total                      | <u>\$ 288,800</u>     |  |               |

##### 6. Tri-City Project

Cash, cash equivalents and investments for the Tri-City Project at September 30, 2010 are as follows:

|                            | September 30,<br>2010 | Weighted<br>Average<br>Maturity (Days) | Credit Rating |
|----------------------------|-----------------------|--|---------------|
|                            | <i>(000's US\$)</i>   |  |               |
| <b>Restricted</b>          |                       |  |               |
| Cash and Cash Equivalents  | \$ 2,805              |  |               |
| US Gov't/Agency Securities | 4,341                 | 823                                    | Aaa/AAA/AAA   |
| Commercial Paper           | -                     |  |               |
| Total Restricted           | <u>\$ 7,146</u>       |  |               |
| <b>Unrestricted</b>        |                       |  |               |
| Cash and Cash Equivalents  | \$ 868                |  |               |
| US Gov't/Agency Securities | 1,011                 | 1,329                                  | Aaa/AAA/AAA   |
| Commercial Paper           | -                     |  |               |
| Total Unrestricted         | <u>\$ 1,879</u>       |  |               |
| Total                      | <u>\$ 9,025</u>       |  |               |

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### V. Cash, Cash Equivalents and Investments (continued)

##### B. Investments (continued)

###### 7. Stanton II Project

Cash, cash equivalents and investments for the Stanton II Project at September 30, 2010 are as follows:

|                            | September 30,<br>2010<br><i>(000's US\$)</i> | Weighted<br>Average<br>Maturity (Days) | Credit Rating |
|----------------------------|--|--|---------------|
| <b>Restricted</b>          |  |  |               |
| Cash and Cash Equivalents  | \$ 11,692                                    |  |               |
| US Gov't/Agency Securities | 3,784  | 703                                    | Aaa/AAA/AAA   |
| Municipal Bonds            | 906  | 1,067                                  | *             |
| Total Restricted           | <u>\$ 16,382</u>                             |  |               |
| <b>Unrestricted</b>        |  |  |               |
| Cash and Cash Equivalents  | \$ 4,930                                     |  |               |
| US Gov't/Agency Securities | 21,524                                       | 1,930                                  | Aaa/AAA/AAA   |
| Municipal Bonds            | 278  | 3,532                                  | *             |
| Total Unrestricted         | <u>\$ 26,732</u>                             |  |               |
| Total                      | <u>\$ 43,114</u>                             |  |               |

\*The Municipal Bond ratings range from a best of Aaa/AAA/AAA to a worst of Baa1/A/BBB.

#### VI. Derivative Financial Instruments

FMPA uses derivative instruments to hedge the effects of fluctuations in interest rates and the price of natural gas. In accordance with GASB 53, market values of derivative instruments are included on the Statement of Net Assets as either an asset or a liability depending on whether FMPA would receive or pay to terminate the instrument on the balance sheet date. If the derivative instruments are determined under the Standard to be effective hedges, a deferred cash outflow is recorded as an asset, or a deferred cash inflow is recorded as a liability. If the derivative instrument is determined to be not effective under the Standard, then the market value adjustment flows through investment income. The following table shows the classification of the various derivative instruments on the Statement of Net Assets.

|   | Agency<br>Fund | Pooled<br>Loan Fund | St. Lucie<br>Project | Stanton<br>Project | All -Req<br>Project | Tri-City<br>Project | Stanton II<br>Project |
|---|----------------|---------------------|----------------------|--------------------|---------------------|---------------------|-----------------------|
| <b>Deferred Outflows from Derivatives</b>                   |                |                     |                      |                    |                     |                     |                       |
| Interest Rate Swaps - Effective                             | \$ -           | \$ -                | \$ 42,694            | \$ -               | \$ 12,989           | \$ -                | \$ 21,927             |
| <b>Fair Market Value Derivative Instruments Liabilities</b> |                |                     |                      |                    |                     |                     |                       |
| Natural Gas   | \$ -           | \$ -                | \$ -                 | \$ -               | \$ 33,227           | \$ -                | \$ -                  |
| Hybrid Swap Liability                                       |                |                     |                      |                    | 48,398              |                     |                       |
| Market Value Adjustment for Effective Swaps                 |                |                     | 42,694               |                    | 12,989              |                     | 21,927                |
| Interest Rate Swaps - Ineffective                           |                |                     |                      |                    | 54,890              |                     |                       |
| Total Fair Value  | <u>\$ -</u>    | <u>\$ -</u>         | <u>\$ 42,694</u>     | <u>\$ -</u>        | <u>\$ 149,504</u>   | <u>\$ -</u>         | <u>\$ 21,927</u>      |

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2010*

#### VI. Derivative Financial Instruments (continued)

##### A. Swap Agreements

Three of FMPA's projects are party to interest rate swap agreements. The objective for entering into these agreements is to convert variable interest rates to fixed rates thus reducing interest rate exposure. The Securities Industry and Financial Markets Municipal Swap Index (SIFMA) formerly the Bond Market Association Municipal Swap Index (BMA), the 30 day London Interbank Offered Rate (LIBOR) and the US Consumer Price Index for All Urban Consumers (CPI-U) are used to determine the variable rates received. Interest requirements for variable rate debt are determined using the rate in effect at the financial statement date.

##### Credit Risk

The swap agreements are subject to credit risk. Counterparty credit ratings and the maximum loss due to credit risk as of September 30, 2010 is listed, by project, in the tables that follow. As part of the swap agreements, if the provider's credit rating drops below certain levels and a termination value indicates an amount that would be payable to the Agency, collateral (or cash in some circumstances) would need to be posted by the counterparty with a third-party custodian if the value of the termination payment exceeds certain threshold levels. Conversely, the Agency would have to post collateral for the same reason in some circumstances.

For the Stanton II 2004 issue, the Agency purchased swap termination insurance and thereby is not obligated to post collateral should there be a decline in a project's credit rating. If the insurance is drawn on to pay a termination payment, the Agency would be required to reimburse the insurance company over a period of time. The 2004, 2005, and 2006 swap agreements provide for monthly netted payments.

The Agency has approved a Debt Management Policy with regard to derivatives whereby approval is required of the appropriate project participants and our financial advisor, prior to entering into swaps or other derivative products. The policy sets minimum standards for all derivative transactions.

##### Interest Rate Risk

FMPA has entered into swap agreements to fix the interest rate on variable rate bonds for the entirety of the term of the bonds. As interest rates increase above the swap rates, the value of these swaps will increase. As rates decrease below the swap rates, the values will decrease. Depending on the special terms of the swap agreement, collateral may have to be posted.

##### Basis Risk

Basis risk exists on the swap agreements other than those that are tied to the CPI-U Index. The variable rate indices used on the swaps differ from the variable rates on the bonds. If there were a mismatch between the indices, the budget process would allow FMPA to adjust rates for this difference.

##### Termination Risk

Termination values are listed in the following tables as of September 30, 2010. These amounts vary with changes in the market. The swaps may be terminated by the Agency if the counterparty's credit quality falls below certain levels. The Agency or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. If, at the time of the termination, the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value. The Agency also has an optional right to terminate with certain notice requirements for swap agreements completed in 2005 and 2006.

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2010

### VI. Derivative Financial Instruments (continued)

#### A. Swap Agreements (continued)

##### Rollover Risk

The Agency is exposed to rollover risk on swaps that may be terminated prior to the maturity of the associated debt. If these swaps are terminated prior to the maturity of the bonds, the Agency will not realize the synthetic fixed rate offered by the swaps on the underlying debt issues. New swaps entered into at the time of termination of the old swaps will likely carry different rates and terms.

##### GASB 53 Effectiveness Testing

The Agency performed effectiveness tests using the Synthetic Instrument Method, on all interest rate swaps for its three projects that have these agreements. All swaps were deemed effective, with the exception of future swaps effective in 2015. They were deemed ineffective by definition, in that with the cancellation of the Taylor Energy Center project they were no longer associated with any particular construction project and therefore bond instrument. The result is a restatement of \$48.4 million Net costs recoverable from future participant billings, and in the fair market value of derivative instruments for the prior period. Also, \$6.5 million was recognized in Investment Income/Loss as a reduction in the fair market value for the current period with a resulting reduction in fair market value derivative instruments, for a total recognized loss of \$54.9 million. In addition, the swaps associated with 2008C, 2008D, and 2008E required recognition of hybrid loans for the change in market value from the original bond date to the date of refunding. The hybrid loan amounts totaled \$53.3 million less amortization of \$4.9 million for a net of \$48.4 million. The remaining effective swaps reflect a market value of negative \$13.0 million.

#### 1. St. Lucie Project

##### Swaps Currently Effective

(000's US\$)

| <u>Notional Amount</u> | <u>Effective Date</u> | <u>Fixed Rate Paid</u> | <u>Variable Rate Received</u> | <u>Termination Date</u> | <u>Fair Value**</u> | <u>Counterparty</u> | <u>Counterparty Credit Rating</u> |
|------------------------|-----------------------|------------------------|-------------------------------|-------------------------|---------------------|---------------------|-----------------------------------|
| <b>Series 2000</b>     |                       |                        |                               |                         |                     |                     |                                   |
| \$ 17,150              | 7/3/2006              | 3.444%                 | 72% LIBOR*                    | 10/1/2021               | \$ (2,655)          | Bank of America     | A2/A/A+                           |
| <b>Series 2002</b>     |                       |                        |                               |                         |                     |                     |                                   |
| \$ 27,200              | 7/1/2005              | 4.140%                 | SIFMA Swap*                   | 7/1/2011                | \$ (796)            | Morgan Stanley      | A2/A/A                            |
| 27,200                 | 7/2/2007              | 3.481%                 | 72% LIBOR*                    | 10/1/2021               | (4,311)             | Bank of America     | A2/A/A+                           |
| 27,200                 | 7/1/2010              | 3.595%                 | 72% LIBOR*                    | 10/1/2021               | (4,616)             | Bank of America     |                                   |
| 27,200                 | 7/1/2005              | 4.140%                 | SIFMA Swap*                   | 7/1/2011                | (777)               | Citigroup           | P1/A/WR                           |
| 27,200                 | 7/2/2007              | 3.481%                 | 72% LIBOR*                    | 10/1/2021               | (4,310)             | Goldman Sachs       | A1/A/A+                           |
| 8,525                  | 7/3/2006              | 3.444%                 | 72% LIBOR*                    | 10/1/2021               | (1,320)             | Goldman Sachs       | A1/A/A+                           |
| 27,200                 | 7/1/2010              | 3.595%                 | 72% LIBOR*                    | 10/1/2021               | (4,616)             | Goldman Sachs       | A1/A/A+                           |
| 73,125                 | 7/3/2006              | 3.444%                 | 72% LIBOR*                    | 10/1/2021               | (11,317)            | Bank of America     | A2/A/A+                           |
| <u>\$ 244,850</u>      |                       |                        |                               |                         | <u>\$ (32,063)</u>  |                     |                                   |

\*floating to fixed

\*\*() denotes that termination value payable to the dealer if swap had been terminated 9/30/09

##### Swaps to Become Effective at Future Dates

|                  |          |        |            |           |                   |                 |         |
|------------------|----------|--------|------------|-----------|-------------------|-----------------|---------|
| \$ 27,200        | 7/1/2011 | 3.632% | 72% LIBOR* | 10/1/2021 | \$ (3,988)        | Bank of America | A2/A/A+ |
| 27,200           | 7/1/2011 | 3.632% | 72% LIBOR* | 10/1/2021 | (3,988)           | Goldman Sachs   | A1/A/A+ |
| <u>\$ 54,400</u> |          |        |            |           | <u>\$ (7,976)</u> |                 |         |

Total Termination Value of Swaps

\$ (42,694)

\*floating to fixed

\*\* ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/10

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2010

### VI. Derivative Financial Instruments (continued)

#### A. Swap Agreements (continued)

##### 2. All-Requirements Project

###### Swaps Currently Effective

(000's US\$)

| <u>Notional Amount</u>           | <u>Effective Date</u> | <u>Fixed Rate Paid</u> | <u>Variable Rate Received</u> | <u>Termination Date</u> | <u>Fair Value**</u> | <u>Counterparty</u> | <u>Counterparty Credit Rating</u> |
|----------------------------------|-----------------------|------------------------|-------------------------------|-------------------------|---------------------|---------------------|-----------------------------------|
| <b>Series 2006A</b>              |                       |                        |                               |                         |                     |                     |                                   |
| \$ 6,250                         | 3/30/2006             | 3.720%                 | CPI Rate + .63                | 10/1/2013               | \$ (446)            | Bank of America     | A2/A/A+                           |
| 6,580                            | 3/30/2006             | 3.790%                 | CPI Rate + .70                | 10/1/2014               | (530)               | Bank of America     | A2/A/A+                           |
| 7,935                            | 3/30/2006             | 3.860%                 | CPI Rate + .77                | 10/1/2015               | (712)               | Bank of America     | A2/A/A+                           |
| 6,980                            | 3/30/2006             | 3.910%                 | CPI Rate + .81                | 10/1/2016               | (677)               | Bank of America     | A2/A/A+                           |
| 6,245                            | 3/30/2006             | 3.720%                 | CPI Rate + .63                | 10/1/2013               | (434)               | Morgan Stanley      | A2/A/A                            |
| 6,580                            | 3/30/2006             | 3.790%                 | CPI Rate + .70                | 10/1/2014               | (530)               | Morgan Stanley      | A2/A/A                            |
| 7,930                            | 3/30/2006             | 3.860%                 | CPI Rate + .77                | 10/1/2015               | (704)               | Morgan Stanley      | A2/A/A                            |
| 5,175                            | 3/30/2006             | 3.910%                 | CPI Rate + .81                | 10/1/2016               | (486)               | Morgan Stanley      | A2/A/A                            |
| <u>\$ 53,675</u>                 |                       |                        |                               |                         | <u>\$ (4,519)</u>   |                     |                                   |
| <b>Series 2008C</b>              |                       |                        |                               |                         |                     |                     |                                   |
| \$ 33,180                        | 10/1/2006             | 3.701%                 | 72% LIBOR*                    | 10/1/2027               | \$ (6,592)          | Goldman Sachs       | A1/A/A+                           |
| 11,050                           | 10/1/2006             | 3.665%                 | 72% LIBOR*                    | 10/1/2026               | (2,123)             | JP Morgan Chase     | Aa1/AA-/AA-                       |
| 2,684                            | 10/1/2006             | 3.656%                 | 72% LIBOR*                    | 10/1/2026               | (512)               | JP Morgan Chase     | Aa1/AA-/AA-                       |
| 224                              | 10/1/2006             | 3.612%                 | 72% LIBOR*                    | 10/1/2026               | (42)                | JP Morgan Chase     | Aa1/AA-/AA-                       |
| 33,180                           | 10/1/2006             | 3.698%                 | 72% LIBOR*                    | 10/1/2027               | (6,578)             | Bank of America     | A2/A/A+                           |
| 33,180                           | 10/1/2006             | 3.649%                 | 72% LIBOR*                    | 10/1/2027               | (6,379)             | Morgan Stanley      | A2/A/A                            |
| 20,125                           | 10/1/2006             | 3.669%                 | 72% LIBOR*                    | 10/1/2025               | (3,478)             | UBS AG              | Aa3/A+/A+                         |
| 19,050                           | 10/1/2006             | 3.737%                 | 72% LIBOR*                    | 10/1/2035               | (4,451)             | Wells Fargo         | Aa2/AA/AA-                        |
| <u>\$ 152,673</u>                |                       |                        |                               |                         | <u>\$ (30,155)</u>  |                     |                                   |
| <b>Series 2008D</b>              |                       |                        |                               |                         |                     |                     |                                   |
| <u>\$ 42,000</u>                 | 10/1/2006             | 5.175%                 | 100% LIBOR*                   | 10/1/2025               | <u>\$ (11,885)</u>  | Wells Fargo         | Aa2/AA/AA-                        |
| <b>Series 2008E</b>              |                       |                        |                               |                         |                     |                     |                                   |
| \$ 15,000                        | 10/1/2006             | 3.667%                 | 72% LIBOR*                    | 10/1/2030               | \$ (3,145)          | JP Morgan Chase     | Aa1/AA-/AA-                       |
| 25,000                           | 10/1/2006             | 3.709%                 | 72% LIBOR*                    | 10/1/2030               | (5,392)             | JP Morgan Chase     | Aa1/AA-/AA-                       |
| <u>30,000</u>                    | 10/1/2006             | 3.667%                 | 72% LIBOR*                    | 10/1/2030               | <u>(6,291)</u>      | JP Morgan Chase     | Aa1/AA-/AA-                       |
| <u>\$ 70,000</u>                 |                       |                        |                               |                         | <u>\$ (14,828)</u>  |                     |                                   |
| <b>Bonds Authorized</b>          |                       |                        |                               |                         |                     |                     |                                   |
| <b>Series Not Yet Designated</b> |                       |                        |                               |                         |                     |                     |                                   |
| \$ 50,000                        | 10/1/2015             | 3.829%                 | 72% LIBOR*                    | 10/1/2045               | \$ (6,171)          | Bank of America     | A2/A/A+                           |
| 50,000                           | 10/1/2015             | 3.816%                 | 72% LIBOR*                    | 10/1/2045               | (6,095)             | Bank of New York    | Aa2/AA-/AA-                       |
| 50,000                           | 10/1/2015             | 3.849%                 | 72% LIBOR*                    | 10/1/2045               | (6,289)             | Credit Agricole     | Aa3/AA-/AA-                       |
| 50,000                           | 10/1/2015             | 3.800%                 | 72% LIBOR*                    | 10/1/2045               | (6,000)             | Citibank            | A1/A+/A+                          |
| 50,000                           | 10/1/2015             | 3.794%                 | 72% LIBOR*                    | 10/1/2045               | (5,965)             | Dexia               | A1/A/A+                           |
| 50,000                           | 10/1/2015             | 3.819%                 | 72% LIBOR*                    | 10/1/2045               | (6,112)             | JP Morgan Chase     | Aa1/AA-/AA-                       |
| 50,000                           | 10/1/2015             | 3.846%                 | 72% LIBOR*                    | 10/1/2045               | (6,269)             | Bank of America     | A2/A/A+                           |
| 50,000                           | 10/1/2015             | 3.805%                 | 72% LIBOR*                    | 10/1/2045               | (6,030)             | Morgan Stanley      | A2/A/A                            |
| <u>50,000</u>                    | 10/1/2015             | 3.793%                 | 72% LIBOR*                    | 10/1/2045               | <u>(5,959)</u>      | Sun Trust           | Baa1/BBB/BBB+                     |
| <u>\$ 450,000</u>                |                       |                        |                               |                         | <u>\$ (54,890)</u>  |                     |                                   |
| Total Swap Termination Value     |                       |                        |                               |                         | <u>\$ (116,277)</u> |                     |                                   |
| Effective Swaps                  |                       |                        |                               |                         | \$ (12,989)         |                     |                                   |
| Hybrid Loans                     |                       |                        |                               |                         | (48,398)            |                     |                                   |
| Ineffective Swaps                |                       |                        |                               |                         | (54,890)            |                     |                                   |
|                                  |                       |                        |                               |                         | <u>\$ (116,277)</u> |                     |                                   |

\*floating to fixed

\*\* ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/10

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### VI. Derivative Financial Instruments (continued)

##### A. Swap Agreements (continued)

##### 3. Stanton II Project

| Swaps Currently Effective<br>(000's US\$)   |                       |                        |                               |                         |                     |                     |                                   |  |
|---|-----------------------|------------------------|-------------------------------|-------------------------|---------------------|---------------------|-----------------------------------|--|
| <u>Notional Amount</u>  | <u>Effective Date</u> | <u>Fixed Rate Paid</u> | <u>Variable Rate Received</u> | <u>Termination Date</u> | <u>Fair Value**</u> | <u>Counterparty</u> | <u>Counterparty Credit Rating</u> |  |
| <b>Series 2000</b>  |                       |                        |                               |                         |                     |                     |                                   |  |
| \$ 17,425   | 10/1/2006             | 4.041%                 | 72% LIBOR*                    | 10/1/2027               | \$ (4,496)          | Bank of America     | A2/A/A+                           |  |
| 23,300  | 10/1/2006             | 4.071%                 | 72% LIBOR*                    | 10/1/2027               | (6,079)             | JP Morgan Chase     | Aa1/AA-/AA-                       |  |
| <u>\$ 40,725</u>  |                       |                        |                               |                         | <u>\$ (10,575)</u>  |                     |                                   |  |
| <b>Series 2002</b>  |                       |                        |                               |                         |                     |                     |                                   |  |
| \$ 1,490  | 4/30/2002             | 4.060%                 | CPI Rate + 1.35               | 10/1/2010               | \$ (11)             | Morgan Stanley      | A2/A/A                            |  |
| 3,220   | 4/30/2002             | 4.170%                 | CPI Rate + 1.39               | 10/1/2011               | (76)                | Morgan Stanley      | A2/A/A                            |  |
| 1,730   | 4/30/2002             | 4.260%                 | CPI Rate + 1.40               | 10/1/2012               | (63)                | Morgan Stanley      | A2/A/A                            |  |
| <u>\$ 6,440</u>   |                       |                        |                               |                         | <u>\$ (150)</u>     |                     |                                   |  |
| <b>Series 2004</b>  |                       |                        |                               |                         |                     |                     |                                   |  |
| \$ 29,250   | 8/5/2004              | 3.863%                 | 72% LIBOR*                    | 10/1/2027               | \$ (5,602)          | Bank of America     | A2/A/A+                           |  |
| 29,250  | 8/5/2004              | 3.863%                 | 72% LIBOR*                    | 10/1/2027               | (5,600)             | UBS AG              | Aa3/A+/A+                         |  |
| <u>\$ 58,500</u>  |                       |                        |                               |                         | <u>\$ (11,202)</u>  |                     |                                   |  |
| Total Swap Termination Value  |                       |                        |                               |                         | <u>\$ (21,927)</u>  |                     |                                   |  |
| *floating to fixed  |                       |                        |                               |                         |                     |                     |                                   |  |
| **() denotes that termination value payable to the dealer if swap had been terminated 9/30/10 |                       |                        |                               |                         |                     |                     |                                   |  |

##### B. Natural Gas Futures, Contracts and Options

FMPA uses New York Mercantile Exchange (NYMEX) and over the counter, natural gas futures contracts, options on futures contracts and fixed-price firm physical purchases of natural gas (gas) as a tool to establish the cost of natural gas that will be needed by the All-Requirements Project in the future (next month or several years from now). NYMEX and over the counter futures contracts can be used to obtain physical gas supplies, however all futures contracts that FMPA enters into will be financially settled before physical settlement is required by the Exchange. Any gain or loss of value in these futures contracts are ultimately rolled into the price of the natural gas burned in the Project's electric generators.

All transactions are entered into as hedges against the volatility of natural gas prices. The Agency at September 30, 2010, had futures and options contracts outstanding in the following amounts, covering the fiscal years 2009 through 2014.

| <u>Fiscal Year Ending</u> | <u>Futures</u> | <u>Thousands of mmBtu</u> |                         | <u>Net Contracts</u> | <u>Fair Market Value at 9/30/2010</u> |
|---------------------------|----------------|---------------------------|-------------------------|----------------------|---------------------------------------|
|                           |                | <u>Net Put Options</u>    | <u>Net Call Options</u> |                      | <u>(000's US\$)</u>                   |
| 2011                      | 49             | 489                       |                         | 538                  | \$ (13,120)                           |
| 2012                      | 3              | 535                       |                         | 538                  | (8,456)                               |
| 2013                      |                | 535                       |                         | 535                  | (10,187)                              |
| 2014                      |                | 78                        |                         | 78                   | (1,464)                               |
|                           | <u>52</u>      | <u>1,637</u>              | <u>-</u>                | <u>1,689</u>         | <u>\$ (33,227)</u>                    |

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### VI. Derivative Financial Instruments (continued)

##### B. Natural Gas Futures, Contracts and Options

Although the Agency marks every position to market daily for management reporting purposes, it does not actively trade on these contracts. A margin account is maintained with the Agency's brokerage firm and over the counter counterparties. Option premiums paid and collected and market gains and losses realized on contract sales of futures expirations are booked as cost of energy. For fiscal year 2010, the Agency recorded a realized net loss of \$41 million.

##### Basis Risk

The commodity hedge transactions are subject to basis risk. NYMEX transactions are based on pricing at the Henry Hub delivery point where the project purchases natural gas at various delivery points in Florida. Changes in natural gas prices have been and are anticipated to be highly correlated.

##### Credit Risk

The commodity hedge transactions are subject to credit risk. Credit risk associated with these transactions is mitigated by margin accounts required under the contract terms.

FMPA transacts its NYMEX futures contracts through New Edge Financial, a licensed commodity broker. Transactions that are entered into Over-The-Counter provide alternatives to transactions on the NYMEX when liquidity on the exchange may prevent the timely execution of hedges.

#### VII. Regulatory Assets (Net Costs Recoverable Due From/Due To Future Participants)

FMPA is subject to the accounting methods for regulatory operations of the Financial Accounting Standards Board. Billing rates are established by the Board of Directors or Executive Committee and are designed to fully recover each project's costs over the life of the project, but not necessarily in the same year that costs are recognized under generally accepted accounting principles (GAAP). Instead of GAAP costs, annual participant billing rates are structured to systematically recover current debt service requirements, operating costs and certain reserves that provide a level rate structure over the life of the project which is equal to the amortization period. Accordingly, certain project costs are classified as deferred on the accompanying Statement of Net Assets as a regulatory asset, titled "Net Costs Recoverable from Future Participant Billings", until such time as they are recovered in future rates. Types of deferred costs include depreciation and amortization in excess of bond principal payments, and prior capital construction interest costs.

In addition, certain billings recovering costs of future periods have been recorded as a regulatory liability or as a reduction of deferred assets on the accompanying Statement of Net Assets. Types of deferred revenues include billings for certain reserve funds and related interest earnings in excess of expenditures from those funds, and billings for nuclear fuel purchases in advance of their use. Other deferred costs are summarized as follows:

|                                    | (000's US\$)   |                        |                      |                    |                    |                     |                       |
|------------------------------------|----------------|------------------------|----------------------|--------------------|--------------------|---------------------|-----------------------|
|                                    | Agency<br>Fund | Pooled Loan<br>Project | St. Lucie<br>Project | Stanton<br>Project | All-Req<br>Project | Tri-City<br>Project | Stanton II<br>Project |
| Unamortized Bond Issue Costs       | \$ 3           | \$ -                   | \$ 1,669             | \$ 1,894           | \$ 17,780          | \$ 225              | \$ 2,885              |
| Nuclear Fuel Enrichment Facilities |                |                        | 414                  |                    |                    |                     |                       |
| Total Restricted Net Assets        | <u>\$ 3</u>    | <u>\$ -</u>            | <u>\$ 2,083</u>      | <u>\$ 1,894</u>    | <u>\$ 17,780</u>   | <u>\$ 225</u>       | <u>\$ 2,885</u>       |

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### VIII. Restricted Net Assets

Bond resolutions require that certain designated amounts from bond proceeds and project revenues be deposited into designated funds. These funds are to be used for specific purposes and certain restrictions define the order in which available funds may be used. Other restrictions require minimum balances or accumulation of balances for specific purposes. At September 30, 2010, all FMPA projects were in compliance with requirements of the bond resolution.

Segregated restricted net assets at September 30, 2010 are as follows:

|                                    | (000's US\$)   |                        |                      |                    |                    |                     |                       |
|------------------------------------|----------------|------------------------|----------------------|--------------------|--------------------|---------------------|-----------------------|
|                                    | Agency<br>Fund | Pooled Loan<br>Project | St. Lucie<br>Project | Stanton<br>Project | All-Req<br>Project | Tri-City<br>Project | Stanton II<br>Project |
| Debt Service Funds                 | \$ -           | \$ -                   | \$ 29,775            | \$ 9,219           | \$ 69,400          | \$ 4,615            | \$ 11,592             |
| Reserve & Contingency Funds        |                |                        | 12,404               | 4,668              | 11,260             | 2,044               | 2,024                 |
| Decommissioning Fund               | 30,946         |                        | 51,828               |                    |                    |                     |                       |
| Rate Stabilization Accounts        | 5,655          |                        |                      |                    |                    |                     |                       |
| Revenue Fund                       |                | 18                     |                      |                    |                    |                     |                       |
| Loans Receivable                   |                | 1,670                  |                      |                    |                    |                     |                       |
| Commercial Paper Notes             |                | (1,670)                |                      |                    |                    |                     |                       |
| Accrued Interest on                |                |                        |                      |                    |                    |                     |                       |
| Long-Term Debt                     |                | (1)                    | (1,523)              | (1,822)            | (23,250)           | (650)               | (2,335)               |
| Accounts Payable for Construction  |                |                        |                      |                    | (16,692)           |                     |                       |
| Other Liabilities                  |                | (17)                   |                      |                    |                    |                     |                       |
| Accrued Decommissioning            |                |                        |                      |                    |                    |                     |                       |
| Expenses                           | (30,946)       |                        | (50,393)             |                    |                    |                     |                       |
| Rate Stabilization Accounts        | (5,655)        |                        |                      |                    |                    |                     |                       |
| <b>Total Restricted Net Assets</b> | <b>\$ -</b>    | <b>\$ -</b>            | <b>\$ 42,091</b>     | <b>\$ 12,065</b>   | <b>\$ 40,718</b>   | <b>\$ 6,009</b>     | <b>\$ 11,281</b>      |

Restrictions of the various bank funds are as follows:

- Debt service funds include the Debt Service Account, which is restricted for payment of the current portion of the bond principal and interest and the Debt Service Reserve Account, which includes sufficient funds to cover one half of the maximum annual principal and interest requirement of the fixed rate issues or 10% of the original bond proceeds.
- Reserve and Contingency Funds are restricted for payment of major renewals, replacements, repairs, additions, betterments and improvements for capital assets.
- If, at any time, the Debt Service Fund is below the current debt requirement and there are not adequate funds in the General Reserve Fund to resolve the deficiency, funds will be transferred from the Reserve and Contingency Fund to the Debt Service Fund.
- Decommissioning Funds are restricted and are funded for the payment of costs related to the decommissioning, removal and disposal of FMPA's ownership on nuclear power plants.
- Project Funds are restricted under the terms of the Pooled Loan agreements, and are used for the acquisition, construction and capitalized interest, as specified by the participants.
- Revenue Funds are restricted under the terms of outstanding Pooled Loan resolutions.
- Loans Receivable Funds are restricted under the terms of outstanding Pooled Loan agreements.



## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### IX. Long-Term Debt

##### A. Debt

FMPA enters into long-term debt to fund different projects. The type of long-term debt differs among each of the projects. A description and summary of long-term debt at September 30, 2010, is as follows:

##### 1. Agency Fund

| Business-Type Activities | 2010<br>(000's US\$) |           |           |                | Amounts Due Within One Year |
|--------------------------|----------------------|-----------|-----------|----------------|-----------------------------|
|                          | Beginning Balance    | Increases | Decreases | Ending Balance |                             |
| Pooled Loan 1999         | \$ 1,820             | -         | \$ (150)  | \$ 1,670       | \$ 155                      |

##### Loan Payable to Pooled Loan Fund

The Agency Fund has one loan payable to the Pooled Loan Fund at September 30, 2010. Interest is payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loan varied from .82% to 1.05% during fiscal year 2010. The loan is payable in 10 annual principal payments ranging from \$155,000 to \$220,000 with the final payment due July 1, 2019. Due to the letter not renewing, this loan will be refinanced next year with principal maturities matching the current schedule.

##### 2. Pooled Loan Fund

FMPA is authorized to issue commercial paper notes with the credit support from Wachovia Bank N.A. The commercial paper is used to fund loans to FMPA members and other FMPA projects. The respective loan agreements between the Pooled Loan Fund and FMPA members or other FMPA projects are equal in the aggregate to the principal of the current notes issued and are executed simultaneously with each note issued.

At September 30, 2010, the outstanding commercial paper notes totaled \$1.7 million. The commercial paper notes bear interest at a rate that varies periodically as determined by the dealer and remarketed at prevailing market rates.

| Business-Type Activities | 2010<br>(000's US\$) |           |             |                | Amounts Due Within One Year* |
|--------------------------|----------------------|-----------|-------------|----------------|------------------------------|
|                          | Beginning Balance    | Increases | Decreases   | Ending Balance |                              |
| Commercial Paper Notes   | \$ 66,803            | -         | \$ (65,133) | \$ 1,670       | \$ 1,670                     |

\*Amounts are all due during the next year due to the expiration of the credit facility supporting the commercial paper.

Interest is paid periodically, ranging from 1 to 270 days. During the fiscal year ended September 30, 2010, interest rates ranged from .17% to .50%.

The commercial paper notes are further collateralized by an irrevocable long-term letter of credit with Wachovia Bank N.A. in an amount sufficient to pay the outstanding principal plus 65 days accrued interest at an assumed rate of 10%. The letter of credit expires November 22, 2010, and Wachovia Bank N.A. has given notice that it will not renew the letter of credit. As a result, the one remaining pooled loan will be refinanced per terms of the loan agreement. At September 30, 2010, the fee paid on the letter of credit was 38 basis points. Amounts payable to the bank under the letter of credit are due on demand and bear interest at the lower of prime rate plus 2% or the maximum rate permitted by law. There were no draws outstanding on the letter of credit at September 30, 2010.

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2010**

**IX. Long-Term Debt**

**A. Debt**

**2. St. Lucie Project**

The St. Lucie Project issued series 2009A revenue bonds during the year ended September 30, 2010 with a face amount of \$37.8 million. The bonds were issued at a premium of \$2.7 million. The bond proceeds were used as follows: \$22.1 million to payoff Pooled Loans, \$17.9 million for current and future capital additions, and \$0.5 million for costs of issuance.

| Business-Type<br>Activities               | 2010<br>(000's US\$) |                  |                    |                   | Amounts<br>Due Within<br>One Year |
|---|----------------------|------------------|--------------------|-------------------|-----------------------------------|
|   | Beginning<br>Balance | Increases        | Decreases          | Ending<br>Balance |                                   |
| <b>Revenue Bonds</b>                      |                      |                  |                    |                   |                                   |
| Refunding 2000                            | \$ 17,150            | \$ -             | \$ -               | \$ 17,150         | \$ -                              |
| Refunding 2002                            | 244,850              |                  |                    | 244,850           | -                                 |
| Bonds 2009A                               |                      | 37,820           |                    | 37,820            | -                                 |
| Less Deferred Premiums<br>And Discounts   | (33,726)             | 2,705            | 2,494              | (28,527)          | -                                 |
| <b>Total Revenue Bonds</b>                | <b>\$ 228,274</b>    | <b>\$ 40,525</b> | <b>\$ 2,494</b>    | <b>\$ 271,293</b> | <b>\$ -</b>                       |
| <b>Other Liabilities</b>                  |                      |                  |                    |                   |                                   |
| Pooled Loan #1                            | \$ 15,128            | \$ -             | \$ (15,128)        | \$ -              | \$ -                              |
| Pooled Loan #2                            | 7,758                |                  | (7,758)            |                   | -                                 |
| <b>Total Other Liabilities</b>            | <b>\$ 22,886</b>     | <b>\$ -</b>      | <b>\$ (22,886)</b> | <b>\$ -</b>       | <b>\$ -</b>                       |
| <b>Total Business-Type<br/>Activities</b> | <b>\$ 251,160</b>    | <b>\$ 40,525</b> | <b>\$ (20,392)</b> | <b>\$ 271,293</b> | <b>\$ -</b>                       |

The 2000 and 2002 bonds are variable rate bonds and the variable interest rates ranged between .263% and .700% for the year ended September 30, 2010. The 2009 bond has an interest rate of 4% for 2010, and a 5% rate from 2011 through 2021.

The Series 2000 bonds are subject to redemption prior to maturity at the election of FMPA on any interest payment date at a call rate of 100%.

**Loans Payable to Pooled Loan Fund**

The St. Lucie Project had two loans payable to the Pooled Loan Fund at September 30, 2009. Interest was payable monthly using the variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loan, including fees, varied from .82% to 1.05% during the fiscal year 2010.

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### IX. Long-Term Debt (continued)

##### A. Debt (continued)

##### 3. Stanton Project

The Stanton Project issued series 2009A revenue bonds during the year ended September 30, 2010 with a face amount of \$9.4 million. The bonds were issued at a premium of \$0.7 million. The bond proceeds were used as follows: \$5.3 million to payoff Pooled Loans, \$4.7 million for current and future capital additions, and \$0.1 million for costs of issuance.

| Business-Type<br>Activities               | 2010                 |                  |                    | Ending<br>Balance | Amounts<br>Due Within<br>One Year |
|---|----------------------|------------------|--------------------|-------------------|-----------------------------------|
|   | Beginning<br>Balance | Increases        | Decreases          |                   |                                   |
|   |                      |                  |                    |                   |                                   |
| (000's US\$)                              |                      |                  |                    |                   |                                   |
| <b>Revenue Bonds</b>                      |                      |                  |                    |                   |                                   |
| Refunding 2002                            | 28,185               |                  | (3,380)            | 24,805            | 3,540                             |
| Refunding 2008                            | 37,905               |                  | (1,480)            | 36,425            | 1,320                             |
| Bonds 2009A                               |                      | 9,360            |                    | 9,360             | -                                 |
| Less Deferred Premiums<br>And Discounts   | (2,339)              | 691              | 287                | (1,361)           | -                                 |
| <b>Total Revenue Bonds</b>                | <b>\$ 63,751</b>     | <b>\$ 10,051</b> | <b>\$ (4,573)</b>  | <b>\$ 69,229</b>  | <b>\$ 4,860</b>                   |
| <b>Other Liabilities</b>                  |                      |                  |                    |                   |                                   |
| Pooled Loan #1                            | \$ 5,100             | \$ -             | \$ (5,100)         | \$ -              | \$ -                              |
| Pooled Loan #2                            | 650                  |                  | (650)              | -                 | 0                                 |
| <b>Total Net Pooled Loans</b>             | <b>\$ 5,750</b>      | <b>\$ -</b>      | <b>\$ (5,750)</b>  | <b>\$ -</b>       | <b>\$ 0</b>                       |
| Wachovia Bank Taxable                     | 1,252                |                  | (100)              | 1,152             | 105                               |
| <b>Total Other Liabilities</b>            | <b>\$ 7,002</b>      | <b>\$ -</b>      | <b>\$ (5,850)</b>  | <b>\$ 1,152</b>   | <b>\$ 105</b>                     |
| <b>Total Business-Type<br/>Activities</b> | <b>\$ 70,753</b>     | <b>\$ 10,051</b> | <b>\$ (10,423)</b> | <b>\$ 70,381</b>  | <b>\$ 4,965</b>                   |

The 2002 revenue bonds are at variable interest rates which ranged from .263% to .700% for the year ended September 30, 2010.

The Series 2002 bonds are subject to redemption prior to maturity at the election of FMPA at a call rate of 100% beginning October 1, 2012.

##### Loans Payable to Pooled Loan Fund

The Stanton Project had two loans payable to the Pooled Loan Fund at September 30, 2009. Interest was payable monthly using the variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loan varied from .82% to 1.05% during fiscal year ended September 30, 2010.

##### Loan Payable to Wachovia Bank

In December 2003, the Stanton Project entered into a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center.

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2010**

**IX. Long-Term Debt (continued)**

**A. Debt (continued)**

**5. All-Requirements Project**

| Business-Type<br>Activities               | 2010<br>(000's US\$) |             |                    | Ending<br>Balance   | Amounts<br>Due Within<br>One Year |
|---|----------------------|-------------|--------------------|---------------------|-----------------------------------|
|   | Beginning<br>Balance | Increases   | Decreases          |                     |                                   |
| <b>Revenue Bonds</b>                      |                      |             |                    |                     |                                   |
| Refunding Jul 2003A                       | 37,385               |             | (5,505)            | 31,880              | 5,760                             |
| Mar 2006A                                 | 111,170              |             | (11,755)           | 99,415              | 12,275                            |
| Bonds 2008A                               | 509,555              |             | (1,570)            | 507,985             | 1,290                             |
| Bonds 2008B                               | 74,885               |             |                    | 74,885              | 7,110                             |
| Bonds 2008C                               | 154,565              |             | (205)              | 154,360             | 245                               |
| Bonds 2008D                               | 42,305               |             | (10)               | 42,295              | 15                                |
| Bonds 2008E                               | 74,810               |             | (175)              | 74,635              | 210                               |
| Bonds 2009A                               | 154,480              |             |                    | 154,480             | -                                 |
| Bonds 2009B                               | 15,235               |             |                    | 15,235              | -                                 |
| Less Deferred Premiums<br>And Discounts   | (10,250)             |             | 1,106              | (9,144)             | -                                 |
| <b>Total Revenue Bonds</b>                | <b>\$ 1,164,140</b>  | <b>\$ 0</b> | <b>\$ (18,114)</b> | <b>\$ 1,146,026</b> | <b>\$ 26,905</b>                  |
| <b>Capital Leases and Other</b>           |                      |             |                    |                     |                                   |
| KUA - TARP                                | \$ 212,869           | \$          | \$ (9,626)         | \$ 203,243          | \$ 10,148                         |
| St. Lucie County                          | 796                  | 0           | (33)               | 763                 | 35                                |
| <b>Total Other Liabilities</b>            | <b>\$ 213,665</b>    | <b>\$ 0</b> | <b>\$ (9,659)</b>  | <b>\$ 204,006</b>   | <b>\$ 10,183</b>                  |
| <b>Total Business-Type<br/>Activities</b> | <b>\$ 1,377,805</b>  | <b>\$ 0</b> | <b>\$ (27,773)</b> | <b>\$ 1,350,032</b> | <b>\$ 37,088</b>                  |

The 2008C, 2008D, and 2008E bonds are variable rate bonds, and the variable interest rates ranged from .09% to .49% for the year ended September 30, 2010.

Portions of the Series 2008A, 2008C, 2008D, 2008E, and 2009A bonds are subject to redemption prior to maturity at the election of FMPA at a call rate of 100%. The Series 2003A, 2006A, 2008B and 2009B Bonds are not subject to redemption prior to maturity.

**KUA – TARP Capital Lease Obligation**

Effective October 1, 2008, the Capacity and Energy Sales Contract with KUA was revised. Under the revised contract, KUA receives agreed upon fixed payments over preset periods relating to each of their generating units. FMPA will assume all cost liability and operational management of the generating units. FMPA is accounting for this transaction as a capital lease. Total minimum payments remaining under the agreement at September 30, 2010 amount to \$301 million and the present value of these payments is \$203 million. The net book value of the assets under the capital lease amounted to \$195 million at September 30, 2010.

**St. Lucie County**

As a condition of obtaining its conditional use permit for the construction and operation of the Treasure Coast Energy Center, the All-Requirements project agreed to pay St. Lucie County, Florida \$75,000 a year for a period of 20 years. Upon commercial operation of the plant, the unpaid amounts were discounted at a rate of 5.3% and capitalized to plant. At September 30, 2010, 15 payments remain under this obligation with the final payment to be made September 30, 2025.

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### IX. Long-Term Debt (continued)

##### A. Debt (continued)

##### 5. All-Requirements Project (continued)

###### Line of Credit

The All-Requirements Project obtained a total Line of Credit for \$150 million with Wachovia Bank. At September 30, 2010, nothing was outstanding. The Line of Credit will mature on December 5, 2010. The project has accepted a replacement Line of Credit from Wachovia that will be effective December 6, 2010 through December 5, 2011 in the amount of \$100 million.

###### Other Credit Facilities

The All-Requirements Project series 2008C, 2008D and 2008E bonds are Variable Rate Demand Obligations secured by irrevocable letters of credit as follows:

|       |                 |               |
|-------|-----------------|---------------|
| 2008C | Bank of America | \$156 million |
| 2008D | Bank of America | \$ 43 million |
| 2008E | SunTrust Bank   | \$ 75 million |

The letters of credit expire on November 19, 2011.

##### 6. Tri-City Project

The Tri-City Project issued series 2009A revenue bonds during the year ended September 30, 2010 with a face amount of \$2.8 million. The bonds were issued at a small premium. The bond proceeds were used as follows: \$2.0 million to payoff Pooled Loans, \$0.8 million for current and future capital additions.

| Business-Type Activities              | 2010              |                 |                   |                  | Amounts Due Within One Year |
|---------------------------------------|-------------------|-----------------|-------------------|------------------|-----------------------------|
|                                       | Beginning Balance | Increases       | Decreases         | Ending Balance   |                             |
| (000's US\$)                          |                   |                 |                   |                  |                             |
| <b>Revenue Bonds</b>                  |                   |                 |                   |                  |                             |
| Refunding Jun 2003                    | \$ 28,695         | \$ -            | \$ (2,160)        | \$ 26,535        | \$ 2,220                    |
| Bonds 2009A                           |                   | 2,790           |                   | 2,790            | -                           |
| Less Deferred Premiums                |                   |                 |                   |                  |                             |
| And Discounts                         | (2,451)           | 29              | 414               | (2,008)          | -                           |
| <b>Total Revenue Bonds</b>            | <b>\$ 26,244</b>  | <b>\$ 2,819</b> | <b>\$ (1,746)</b> | <b>\$ 27,317</b> | <b>\$ 2,220</b>             |
| <b>Other Liabilities</b>              |                   |                 |                   |                  |                             |
| Pooled Loan #1                        | \$ 1,825          | \$ -            | \$ (1,825)        | \$ -             | \$ -                        |
| Pooled Loan #2                        | 233               |                 | (233)             | -                | -                           |
| <b>Total Net Pooled Loans</b>         | <b>\$ 2,058</b>   | <b>\$ -</b>     | <b>\$ (2,058)</b> | <b>\$ -</b>      | <b>\$ -</b>                 |
| Taxable Loans                         |                   |                 |                   |                  |                             |
| Wachovia Taxable                      | \$ 448            | \$ -            | \$ (36)           | \$ 412           | \$ 38                       |
| <b>Total Taxable Loans</b>            | <b>\$ 448</b>     | <b>\$ -</b>     | <b>\$ (36)</b>    | <b>\$ 412</b>    | <b>\$ 38</b>                |
| <b>Total Other Liabilities</b>        | <b>\$ 2,506</b>   | <b>\$ -</b>     | <b>\$ (2,094)</b> | <b>\$ 412</b>    | <b>\$ 38</b>                |
| <b>Total Business-Type Activities</b> | <b>\$ 28,750</b>  | <b>\$ 2,819</b> | <b>\$ (3,840)</b> | <b>\$ 27,729</b> | <b>\$ 2,258</b>             |

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### IX. Long-Term Debt (continued)

##### A. Debt (continued)

###### Loans Payable to Pooled Loan Fund

The Tri-City Project had two loans payable to the Pooled Loan Fund at September 30, 2009. Interest was payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loans varied from .82% to 1.05% during fiscal year 2010.

###### Loan Payable to Wachovia Bank

In December, 2003, the Tri-City Project entered into a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center.

##### 7. Stanton II Project

The Stanton II Project issued series 2009A revenue bonds during the year ended September 30, 2010 with a face amount of \$6.6 million. The bonds were issued at a premium of \$0.1 million. The bond proceeds were used as follows: \$0.9 million to pay off the Pooled Loan, \$5.7 million for current and future capital additions, and \$0.1 million for costs of issuance.

| Business-Type<br>Activities               | 2010<br>(000's US\$) |                 |                   |                   |                                   |
|---|----------------------|-----------------|-------------------|-------------------|-----------------------------------|
|   | Beginning<br>Balance | Increases       | Decreases         | Ending<br>Balance | Amounts<br>Due Within<br>One Year |
| <b>Revenue Bonds</b>                      |                      |                 |                   |                   |                                   |
| Refunding 2000                            | \$ 40,725            | \$ -            | \$ -              | \$ 40,725         | \$ -                              |
| Refunding 2002                            | 66,610               |                 | (3,415)           | 63,195            | 3,555                             |
| Refunding 2003                            | 12,665               |                 | (1,180)           | 11,485            | 1,205                             |
| Refunding 2004                            | 58,500               |                 |                   | 58,500            | 75                                |
| Bonds 2009A                               |                      | 6,615           |                   | 6,615             | -                                 |
| Less Deferred Premiums<br>And Discounts   | (10,848)             | 117             | 1,152             | (9,579)           | -                                 |
| <b>Total Revenue Bonds</b>                | <b>\$ 167,652</b>    | <b>\$ 6,732</b> | <b>\$ (3,443)</b> | <b>\$ 170,941</b> | <b>\$ 4,835</b>                   |
| <b>Other Liabilities</b>                  |                      |                 |                   |                   |                                   |
| Pooled Loan                               | \$ 1,020             | \$ -            | \$ (1,020)        | \$ -              | \$ -                              |
| <b>Total Net Pooled Loans</b>             | <b>\$ 1,020</b>      | <b>\$ -</b>     | <b>\$ (1,020)</b> | <b>\$ -</b>       | <b>\$ -</b>                       |
| <b>Taxable Loans</b>                      |                      |                 |                   |                   |                                   |
| Wachovia Taxable                          | \$ 1,963             | \$ -            | \$ (156)          | \$ 1,807          | \$ 164                            |
| <b>Total Taxable Loans</b>                | <b>\$ 1,963</b>      | <b>\$ -</b>     | <b>\$ (156)</b>   | <b>\$ 1,807</b>   | <b>\$ 164</b>                     |
| <b>Total Other Liabilities</b>            | <b>\$ 2,983</b>      | <b>\$ -</b>     | <b>\$ (1,176)</b> | <b>\$ 1,807</b>   | <b>\$ 164</b>                     |
| <b>Total Business-Type<br/>Activities</b> | <b>\$ 170,635</b>    | <b>\$ 6,732</b> | <b>\$ (4,619)</b> | <b>\$ 172,748</b> | <b>\$ 4,999</b>                   |

All bonds except the series 2009A revenue bonds carry variable interest rates which ranged from .263% to .700% for the year ended September 30, 2010.

The Series 2000 and 2004 bonds provide for early redemption at the election of FMPA on any interest payment date at a call rate of 100%. The Series 2002 bonds are subject to redemption prior to maturity at the election of FMPA at 100%, beginning October 1, 2012 whereas the series 2003 bonds are not subject to early redemption.

**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended September 30, 2010*

**IX. Long-Term Debt (continued)**

**A. Debt (continued)**

**Stanton II Project (continued)**

Loan Payable to Pooled Loan Fund

The Stanton II Project had one loan payable to the Pooled Loan Fund as of September 30, 2009. Interest was payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loan varied from .82% to 1.05% during the fiscal year ended September 30, 2010.

Loan Payable to Wachovia Bank

In December 2003, the Stanton II Project entered into a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center.

**B. Major Debt Provisions (All Projects)**

Bonds, which are special obligations of FMPA, are payable solely from (1) revenues less operating expenses (both as defined by the respective bond resolutions) and (2) other monies and securities pledged for payment thereof by the respective bond resolutions. The respective resolutions require FMPA to deposit into special funds, all proceeds of bonds issued and all revenues generated as a result of the projects' respective Power Sales and Power Support Contracts or the Power Supply Contract. The purpose of the individual funds is also specifically defined in the respective bond resolutions.

Investments are generally restricted to those types described in Note I. Additional restrictions that apply to maturity dates are defined in the respective bond resolutions and our investment policy.

**C. Defeased Debt**

The following bonds have been defeased in substance. Since investments consisting of governmental obligations are held in escrow for payment of principal and interest, the bonds are not considered liabilities of FMPA for financial reporting purposes. The principal balances of the defeased bonds at September 30, 2010 are as follows:

| Dated    | Description                                     | Defeased Portion<br>Amount Originally<br>Issued<br>(000's US\$) | Balance at<br>September 30,<br>2010 |
|----------|---|---|-------------------------------------|
| May 1983 | St. Lucie Project<br>Revenue Bonds, Series 1983 | \$280,075   | \$26,185                            |

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### IX. Long-Term Debt (continued)

##### D. Annual Requirements

The annual cash flow debt service requirements to amortize the long term bonded debt outstanding as of September 30, 2010, are as follows:

| Fiscal Year<br>Ending<br>September                                      | (000's US\$)      |  |                  |  |                     |  |                  |                 |                    |  |
|---|-------------------|--|------------------|--|---------------------|--|------------------|-----------------|--------------------|--|
|   | St. Lucie Project |  | Stanton Project  |  | All-Req Project     |  | Tri-City Project |                 | Stanton II Project |  |
|   | Principal         | Interest<br>Including<br>Swaps,<br>Net | Principal        | Interest<br>Including<br>Swaps,<br>Net | Principal           | Interest<br>Including<br>Swaps,<br>Net | Principal        | Interest        | Principal          | Interest<br>Including<br>Swaps,<br>Net |
| 2011  | \$ -              | \$ 9,767                               | \$ 4,860         | \$ 3,435                               | \$ 26,905           | \$ 55,757                              | \$ 2,220         | \$ 1,156        | \$ 4,835           | \$ 7,886                               |
| 2012  | 1,425             | 9,435                                  | 5,945            | 3,219                                  | 28,080              | 54,536                                 | 2,545            | 1,091           | 5,415              | 7,688                                  |
| 2013  | 2,340             | 9,228                                  | 6,225            | 2,931                                  | 33,165              | 53,152                                 | 2,620            | 1,021           | 5,625              | 7,477                                  |
| 2014  | 2,705             | 9,228                                  | 6,520            | 2,611                                  | 34,660              | 51,617                                 | 2,705            | 924             | 7,840              | 7,268                                  |
| 2015  | 2,845             | 9,228                                  | 6,865            | 2,261                                  | 36,235              | 49,974                                 | 2,830            | 800             | 6,245              | 6,867                                  |
| 2016  | 2,985             | 9,228                                  | 7,220            | 1,893                                  | 37,945              | 48,251                                 | 2,965            | 670             | 6,505              | 6,606                                  |
| 2017 - 2021   | 17,320            | 46,139                                 | 32,955           | 3,572                                  | 233,890             | 209,717                                | 13,440           | 1,243           | 37,925             | 28,116                                 |
| 2022 - 2026   | 270,200           | 4,614                                  |                  |  | 283,625             | 144,194                                |                  |                 | 48,290             | 18,460                                 |
| 2027 - 2031   |                   |  |                  |  | 349,695             | 68,109                                 |                  |                 | 57,840             | 3,033                                  |
| 2032 - 2036   |                   |  |                  |  | 90,970              | 3,809                                  |                  |                 |                    |  |
| 2037 - 2038   |                   |  |                  |  |                     |  |                  |                 |                    |  |
| <b>Total Principal &amp; Interest</b>                                   | <b>\$ 299,820</b> | <b>\$ 106,867</b>                      | <b>\$ 70,590</b> | <b>\$ 19,922</b>                       | <b>\$ 1,155,170</b> | <b>\$ 739,116</b>                      | <b>\$ 29,325</b> | <b>\$ 6,905</b> | <b>\$ 180,520</b>  | <b>\$ 93,401</b>                       |
| Less:   |                   |  |                  |  |                     |  |                  |                 |                    |  |
| Interest  |                   | (106,867)                              |                  | (19,922)                               |                     | (739,116)                              |                  | (6,905)         |                    | (93,401)                               |
| Unamortized Loss<br>on refunding  | (30,915)          |  | (2,040)          |  | (15,082)            |  | (2,894)          |                 | (10,103)           |  |
| Add:  |                   |  |                  |  |                     |  |                  |                 |                    |  |
| Unamortized Premium<br>(Discount), net                                  | 2,388             |  | 679              |  | 5,938               |  | 886              |                 | 524                |  |
| <b>Total Net Debt Service<br/>Requirement at<br/>September 30, 2010</b> | <b>\$ 271,293</b> | <b>\$ -</b>                            | <b>\$ 69,229</b> | <b>\$ -</b>                            | <b>\$ 1,146,026</b> | <b>\$ -</b>                            | <b>\$ 27,317</b> | <b>\$ -</b>     | <b>\$ 170,941</b>  | <b>\$ -</b>                            |

The annual cash flow debt service requirements to amortize all long term debt outstanding as of September 30, 2010, are as follows:

| Fiscal Year<br>Ending<br>September    | (000's US\$)    |  |                   |  |                    |                  |                     |  |                  |                  |                    |  |                     |
|---------------------------------------|-----------------|--|-------------------|--|--------------------|------------------|---------------------|--|------------------|------------------|--------------------|--|---------------------|
|                                       | Agency Project  |  | St. Lucie Project |  | Stanton Project    |                  | All-Req Project     |  | Tri-City Project |                  | Stanton II Project |  | Totals              |
|                                       | Principal       | Interest<br>Including<br>Swaps,<br>Net | Principal         | Interest<br>Including<br>Swaps,<br>Net | Stanton<br>Project | Interest         | Principal           | Interest<br>Including<br>Swaps,<br>Net | Principal        | Interest         | Principal          | Interest<br>Including<br>Swaps,<br>Net |                     |
| 2011                                  | \$ 155          | \$ 83                                  | \$ -              | \$ 9,767                               | \$ 4,965           | \$ 3,492         | \$ 37,088           | \$ 66,325                              | \$ 2,258         | \$ 3,966         | \$ 4,999           | \$ 7,976                               | \$ 141,074          |
| 2012                                  | 165             | 76                                     | 1,425             | 9,435                                  | 6,055              | 3,272            | 38,788              | 64,580                                 | 2,584            | 3,630            | 5,587              | 7,771                                  | 143,368             |
| 2013                                  | 170             | 68                                     | 2,340             | 9,228                                  | 6,340              | 2,978            | 42,929              | 62,623                                 | 2,661            | 3,292            | 5,806              | 7,550                                  | 145,985             |
| 2014                                  | 175             | 59                                     | 2,705             | 9,228                                  | 6,641              | 2,652            | 44,954              | 60,557                                 | 2,748            | 2,904            | 8,030              | 7,333                                  | 147,986             |
| 2015                                  | 185             | 50                                     | 2,845             | 9,228                                  | 6,992              | 2,296            | 46,917              | 58,360                                 | 2,875            | 2,488            | 6,444              | 6,922                                  | 145,602             |
| 2016                                  | 190             | 41                                     | 2,985             | 9,228                                  | 7,353              | 1,922            | 49,185              | 56,079                                 | 3,013            | 2,055            | 6,714              | 6,651                                  | 145,416             |
| 2017 - 2021                           | 630             | 64                                     | 17,320            | 46,139                                 | 33,396             | 3,617            | 296,110             | 238,999                                | 13,598           | 3,474            | 38,617             | 28,186                                 | 720,150             |
| 2022 - 2026                           |                 |  | 270,200           | 4,614                                  |                    |                  | 346,616             | 157,272                                |                  |                  | 48,290             | 18,460                                 | 845,452             |
| 2027 - 2031                           |                 |  |                   |  |                    |                  | 365,619             | 68,637                                 |                  |                  | 57,840             | 4,227                                  | 496,323             |
| 2032 - 2036                           |                 |  |                   |  |                    |                  | 90,970              | 3,808                                  |                  |                  |                    |  | 94,778              |
| 2037 - 2038                           |                 |  |                   |  |                    |                  |                     |  |                  |                  |                    |  | 0                   |
| <b>Total Principal &amp; Interest</b> | <b>\$ 1,670</b> | <b>\$ 441</b>                          | <b>\$ 299,820</b> | <b>\$ 106,867</b>                      | <b>\$ 71,742</b>   | <b>\$ 20,229</b> | <b>\$ 1,359,176</b> | <b>\$ 837,240</b>                      | <b>\$ 29,737</b> | <b>\$ 21,809</b> | <b>\$ 182,327</b>  | <b>\$ 95,076</b>                       | <b>\$ 3,026,134</b> |



## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

## X. Commitments and Contingencies

### A. Participation Agreements

FMPA has entered into participation agreements, and acquired through capital leases, individual ownership of generating facilities as follows:

| <b>Project</b>   | <b>Operating Utility</b>           | <b>Joint Ownership Interest</b>                                 | <b>Commercial Operation Date</b>    |
|------------------|------------------------------------|---|-------------------------------------|
| St. Lucie        | Florida Power & Light              | 8.806% of St. Lucie Unit 2 nuclear plant                        | August 1983                         |
| Stanton          | Orlando Utilities Commission (OUC) | 14.8193% of Stanton Energy Center (SEC) Unit 1 coal-fired plant | July 1987                           |
| All-Requirements | OUC                                | 11.3253% of SEC Unit 1  | July 1987                           |
| Tri-City         | OUC                                | 5.3012% of SEC Unit 1   | July 1987                           |
| All-Requirements | OUC                                | 51.2% of Indian River Units A & B combustion turbines           | A - June 1989<br>B - July 1989      |
| All-Requirements | OUC                                | 21% of Indian River Units C & D combustion turbines             | C - August 1992<br>D - October 1992 |
| All-Requirements | OUC                                | 5.1724% of SEC Unit 2 coal-fired plant                          | June 1996                           |
| Stanton II       | OUC                                | 23.2367% of SEC Unit 2  | June 1996                           |
| All-Requirements | Southern Company                   | 7% of Stanton Unit A combined cycle                             | October 2003                        |

Operational control of the electric generation plants rests with the operating utility and includes the authority to enter into long-term purchase obligations with suppliers. FMPA is liable under its participation agreements for its ownership interest of total construction and operating costs. Further contracts with Orlando Utilities Commission (OUC) include commitments for purchases of coal. Through participation with OUC, FMPA has minimum annual purchases of coal through 2013 as shown below:

| <b>Project</b>           | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Stanton Project          | 129         | 40          | 31          | None        | None        |
| All-Requirements Project | 144         | 45          | 35          | None        | None        |
| Tri-City Project         | 46          | 14          | 11          | None        | None        |
| Stanton II Project       | 203         | 63          | 49          | None        | None        |

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2010*

## X. Commitments and Contingencies (continued)

### B. Other Agreements

FMPA has entered into certain long-term contracts for transmission services for its projects. These amounts are recoverable from participants in the projects (except the All-Requirements Project) through the Power Sales and Project Support Contracts. FMPA has entered into Power Sales and Project Support Contracts with each of the project participants for entitlement shares aggregating 100% of FMPA's joint ownership interest. In the case of the All-Requirements Project, a Power Supply Contract was entered into providing for the participant's total power requirements (except for certain excluded resources). Revenues received under these individual project contracts are expected to be sufficient to pay all of the related project costs.

#### 1. St. Lucie Project

- FMPA has entered into a Reliability Exchange Agreement and a Replacement Power Agreement with FPL. The Reliability and Exchange agreement results in FMPA exchanging 50% of its share of the output from St. Lucie Unit 2 for a like amount from the St. Lucie Unit 1. The Replacement Power Agreement provides for replacement power and energy to be made available to FMPA if FPL voluntarily ceases to operate or reduces output from St. Lucie Unit 2 or St. Lucie Unit 1 for economic reasons or valley-load conditions.
- The St. Lucie Project, a joint owner of St. Lucie Unit 2, is subject to the Price Anderson Act, which was enacted to provide financial protection for the public in the event of a nuclear power plant accident. During 2006, the Price Anderson Act was extended for 20 years. As the first layer of financial protection, FPL has purchased \$300 million of public liability insurance from pools of commercial insurers on behalf of all joint owners. The second layer of financial protection is provided under an industry retrospective payment plan. Under this plan, St. Lucie Unit 2 is subject to an assessment of \$100.59 million per reactor with a provision for payment of such assessment to be made over time, as necessary, which limits the payment in any one year to no more than \$15 million per reactor and adjusts the payout for inflation in the future. FMPA is liable for its ownership interest of any assessment made against St. Lucie Unit 2 under this plan.
- On December 19, 1999, FMPA (as Decommissioning Trust Administrator) and J.P. Morgan Chase (formerly Chase Manhattan Bank) entered into a Forward Sale Agreement for a portion of the St. Lucie Decommissioning Trust. The agreement provides that J.P. Morgan Chase deliver securities initially with a value not to be less than \$10,225,000 for an equivalent payment. Each month, an additional \$75,000 in securities will be delivered by J.P. Morgan Chase in exchange for an equivalent payment from the Trustee for the Decommissioning Fund. Upon maturity, the securities and the yield earned along with any cash delivered by J.P. Morgan Chase will be equivalent to 7.03% of the face value of the Agreement. The Forward Sale Agreement has a termination date of April 6, 2023.

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2010**

**X. Commitments and Contingencies (continued)**

**B. Other Agreements (continued)**

**1. St. Lucie Project (continued)**

- During the first quarter of 2008, Florida Power and Light (FPL) started a project to increase the electrical generating capacity of St. Lucie Unit 2 by approximately 103 MW. The St. Lucie Project has elected to participate in this power uprate project. This uprate project is expected to increase the capacity owned by the St. Lucie Project by approximately 9 MW. The uprate project will be completed in conjunction with regularly scheduled outages, and is expected to be completed in 2012. These costs are reflected in the Construction Work in Process amount in Note IV, part B.
- In June 2004, the Agency entered into a Forward Sale Agreement and a Credit Support Agreement for the St. Lucie Project with Merrill Lynch. The Credit Support Agreement requires the Agency to establish a collateral account with the Trustee that must contain cash and securities that have a market value of \$7.5 million. This collateral is posted for the benefit of Merrill Lynch should the Agency be unable to keep its commitments under the Forward Sale Agreement. Under the Forward Sale Agreement, Merrill Lynch is required to deliver and the Trustee is required to purchase certain eligible securities on behalf of the St. Lucie Project. Under this Agreement, the securities or securities and cash to be delivered will guarantee the project an annual effective yield of 6.22% between January 1, 2008 and July 1, 2026 on the semi-annual amounts deposited. It is expected that the amounts invested pursuant to the Forward Sale Agreement will be used to redeem auction rate bonds outstanding for this project.

**2. All-Requirements Project**

FMPA supplies all of the wholesale power needs of the All-Requirements Project participants (except for certain excluded resources). In addition to its ownership facilities, FMPA has entered into interchange and power purchase contracts with minimum future payments as detailed below:

| <b>Supplier</b>                   | <b>End of Contract</b> | <b>Minimum Contract Liability<br/>(000's US\$)</b> |
|-----------------------------------|------------------------|--|
| Progress Energy Florida           | 12/31/2010             | \$ 2,550   |
| Florida Power & Light             | 5/31/2013              | 41,210   |
| Southern Company - Stanton A PPA  | 9/30/2023              | 92,840   |
| Southern Company - Oleander 5 PPA | 12/16/2027             | 145,710  |
| Total Minimum Liability           |                        | <u>\$ 282,310</u>                                  |

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### X. Commitments and Contingencies (continued)

##### B. Other Agreements (continued)

##### 2. All-Requirements Project (continued)

Other Agreements are as follows:

- In October 2003, FMPA executed contracts for a \$10 million investment in a brine water processing plant and other water facilities at the Stanton Energy Center in Orlando, Florida.

The Stanton Unit A combined cycle generator receives cooling water treatment services from the brine plant and associated facilities. The owners of Stanton Unit A (Southern Company Florida, FMPA, and Orlando Utilities Commission) pays FMPA's Stanton, Stanton II, Tri-City and All-Requirements Projects a fixed and a variable operation and maintenance charge for services received from this facility.

- The All-Requirements Project has several commitments for natural gas transportation services to supply fuel to its owned and leased generation facilities. Below were the current commitments during the past year:

| Pipeline                  | Ave Daily Volume<br>(mmBtu/day) | Annual Cost<br>(000's US\$) | Expiration | Primary Delivery/Receiving<br>Point |
|---------------------------|---------------------------------|-----------------------------|------------|-------------------------------------|
| Fl Gas Transmission FTS-1 | 22,514                          | \$ 5,420                    | Various    | Cane Island<br>Treasure Coast       |
| Fl Gas Transmission FTS-2 | 64,770                          | 18,380                      | Various    | Cane Island<br>Treasure Coast       |
| TECO-Peoples Gas          | -                               | 750                         | Various    | Treasure Coast                      |
| Gulfstream Natural Gas    | 10,000                          | 2,150                       | 2013       | Cane Island                         |
|                           |                                 | <u>\$ 26,700</u>            |            |                                     |

- The All-Requirements Project has entered into two storage contracts with SG Resources Mississippi LLC, each for 500,000 mmBtu of storage capacity in the Southern Pines Storage facility. The first contract was effective August 1, 2008 and the second contract will become effective October 1, 2011. Both contracts have a term of 10 years from their effective date.

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2010*

#### X. Commitments and Contingencies (continued)

##### B. Other Agreements (continued)

##### 2. All-Requirements Project (continued)

- The All-Requirements Project has entered into two natural gas deals for physical gas purchases with Florida Gas Utility that extends through September 2011. Under this agreement, the All-Requirements Project will purchase a specific amount of gas at a FGT Zone 3 index price less \$0.23/mmBtu.
- The All-Requirements Project has entered into a natural gas deal for physical gas purchased with Florida Gas Utility that extends through June 2012. Under this agreement the All-Requirements Project will purchase a specific amount of gas with a remaining value of approximately \$68.8 million as of September 30, 2010.
- FMPA is under a contractual agreement to have generation facilities in Key West, Florida, at a minimum level of 60% of the island utility's peak capacity requirements. FMPA has completed construction in Key West, Florida (Stock Island) of a 47 MW low sulfur oil-fired combustion turbine power plant. This plant is owned by FMPA and operated by Keys Energy Services, the municipal electric utility serving Key West and the lower Florida Keys.
- The All-Requirements Project has extended a dispatching service contract with Orlando Utilities Commission (OUC) through December 2011. This contract provides the necessary services to balance load to generation and ensure a safe and reliable operation. FMPA's estimated cost for this service is estimated to be \$810,000 per year, not adjusted for inflation.
- On January 30, 2008, the All-Requirements Project signed a contract service agreement with General Electric International, Inc. The service agreement obligation coincides with the declaration of commercial operation for Unit 1 at the Treasure Coast Energy Center. The term of the contract is the earlier of 15 years or first major inspection. The current termination payment is \$2 million.
- The All Requirements Project has signed an Engineer, Procure and Construct contract with Zachary Industrial, Inc. for the construction of Cane Island #4. The total value of the contract is approximately \$300 million. Most major components for the plant have been procured and construction activities have commenced. At September 30, 2010 \$271 million had been paid to Zachary under the contract, and the project is 79 percent complete.
- The All Requirements Project has signed a contract with Kissimmee Utility Authority to install substation equipment and complete certain transmission upgrades needed to deliver power from Cane Island #4 to the All Requirements Project members. The total value of the contract is \$17 million of which \$8.7 million had been paid to KUA at September 30, 2010.
- The All Requirements Project has signed contracts with Fort Pierce Utilities Authority (FPUA) and Kissimmee Utilities Authority (KUA) to operate and maintain Treasure Coast Energy Center and Cane Island Power Park generation facilities. The contracts provide for reimbursement of direct and indirect costs incurred by FPUA and KUA for

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2010*

#### X. Commitments and Contingencies (continued)

##### B. Other Agreements (continued)

###### 2. All-Requirements Project (continued)

operating the plants. The project, in consultation with FPUA and KUA, sets staffing levels, operating and capital budgets, and operating parameters for the plants.

- The City of Starke and the City of Green Cove Springs have each given FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Project Contract that the term of their respective contracts will not renew automatically each year after the initial contract term. The terms of their respective contracts are now fixed; Starke's contract terminates on October 1, 2036, and Green Cove Springs' contract terminates on October 1, 2037.
- The City of Vero Beach has notified FMPA that it will limit its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitations commenced January 1, 2010 and continue for the term of the ARP Contract.
- The City of Lake Worth has notified FMPA that it will limit its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitation will commence January 1, 2014. Additionally, effective January 1, 2014 the Capacity and Energy Sales contract between the City and FMPA will terminate. The amount of capacity and energy the City will eventually purchase under this conversion of their contract will be determined based on the City's usage during calendar year 2013.
- On November 16, 2004, FMPA signed an agreement with six other public gas and electric utilities in five different states to form a gas supply agency called Public Gas Partners, Inc. (PGP), a Georgia nonprofit corporation. This agency was created to secure economical, long-term wholesale natural gas supplies for its seven members in order to stabilize and reduce the cost of natural gas. The members of PGP, along with FMPA, include Municipal Gas Authority of Georgia, Florida Gas Utility, Lower Alabama Gas District, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation. Florida Gas Utility has left the organization and their interest was acquired by all members, except for FMPA and the Tennessee Energy Acquisition Corporation, as of May 2008.

FMPA has entered into two separate Production Sharing Agreements (PSAs) that obligate FMPA to pay as a component of gas operations expense its share of all costs incurred by the related PGP Pool until all related PGP or participant debt has been paid and the last volumes have been delivered. In addition, PGP has the option, with at least six months notice, to require FMPA to prepay for its share of pool costs, which may be financed by FMPA through the issuance of bonds or some other form of long-term financing. The PSAs include a step-up provision that could obligate FMPA to increase its participation share in the pool by up to 25% in the event of default of another member.

On November 1, 2004 FMPA entered into a PSA as a 22.04% participant of PGP Gas Supply Pool No. 1 (PGP Pool #1). PGP Gas Supply Pool No. 1 was formed by all of the participants. PGP Pool No.1 had targeted an initial supply portfolio capable of producing 68,000 mmBtu per day of natural gas or 493 Bcf over a twenty year period. The acquisition period for PGP Pool #1 has closed after acquiring a supply currently estimated to be 155 Bcf. Current production from Pool #1 is 25,000 mmBtu per day. FMPA's share of this amounts to 5,510 mmBtu per day.

## **NOTES TO FINANCIAL STATEMENTS**

### *For the Year Ended September 30, 2010*

#### **X. Commitments and Contingencies (continued)**

##### **B. Other Agreements (continued)**

###### **2. All-Requirements Project (continued)**

On October 1, 2005, FMPA entered into a PSA as a 25.90% participant of PGP Gas Supply Pool No. 2 (PGP Pool #2). PGP Gas Supply Pool No. 2 was formed to participate in specific transactions that have different acquisition criteria than PGP Pool #1. PGP Pool #2 had a total expenditure limit of \$200 million, with FMPA's share being \$52 million as authorized by the Board (before step-up provisions which would increase ARP's commitment to a maximum of \$65 million). The other members of PGP Pool #2, along with FMPA, include Municipal Gas Authority of Georgia, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation. FMPA entered into a separate agreement with Fort Pierce Utility District whereby FMPA agreed to sell to FPUA 3.474903% of the benefits that FMPA receives from its participation in PGP Pool #2. The acquisition period for PGP Pool #2 has closed after acquiring a supply currently estimated to be 44 Bcf. Current production for Pool #2 is 7,500 mmBtu per day. FMPA's share of this amounts to 1,943 mmBtu per day.

FMPA's share of the total investment costs (acquisition cost and capital development commitments) amounts to approximately \$79 million for PGP Pool #1, and \$26 million for PGP Pool #2.

From time to time, disputes arise between the agency and its members which may or may not be significant.

#### **XI. Capacity and Energy Sales Contract**

The All-Requirements Project has a contractual agreement with two member cities that own and operate generating facilities. These power plants are utilized by FMPA to meet the ARP power needs. The generating cities are compensated through capacity credits for power and reserves that they provide under the Capacity and Energy Sales Contracts between each city and FMPA.

Certain of the St. Lucie Project participants have entered into an agreement to sell capacity and energy to the All-Requirements Project. The All-Requirements Project has agreed to provide reserves and back-up capacity and energy for these sales. FMPA has been appointed as agent in the administration of this contract.

#### **XII. Mutual Aid Agreement**

The All-Requirements Project has agreed to extend its participation in a mutual aid agreement with seven other utilities for extended generator outages of defined base-load generating units. The participants include the City of Tallahassee, Gainesville Regional Utilities, JEA, Lakeland Electric, Orlando Utilities Commission, Municipal Electric Authority of Georgia, and Seminole Electric Cooperative, Inc. The All-Requirements Project has designated 120 MW's of Cane Island Unit 3 and 140 MW's of the Treasure Coast Energy Center. In the case of a qualifying failure, the All-Requirements Project will have the option to receive either 50% or 100% of the replacement of the designated MWs of the failed unit. The cost of replacement energy will be based on an identified gas index and heat rate in the agreement. In the event of any extended outage from any other participant, the All-Requirements Project would provide between 13 MW and 52 MW (based on the designation of the participant) for a maximum of nine months. This current agreement expires on October 7, 2012.

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2010

#### XIII. Employment Benefits

##### 1. Retirement Benefits

A Deferred Compensation Plan (in accordance with the Internal Revenue Code Section 457) and a Defined Contribution Pension (money purchase) Plan (under the Internal Revenue Code Section 401(a)) are offered to the Agency's full-time employees, excluding the General Manager and General Counsel, who become fully vested after six months of employment. FMPA's contribution is 10% of the individual's gross base salary for the 401(a) plan. Total payroll for the year ended September 30, 2010 was \$6.1 million, which approximates covered payroll.

The Agency's contribution may be made to either plan at the discretion of the employee. Additionally, an employee may contribute to the Deferred Compensation Plan so that the combined annual contribution does not exceed \$16,500 for 2010. Assets of both plans are held by ICMA Retirement Corporation, the Plan Administrator and Trustee.

Expenses for the Deferred Compensation Plan during fiscal year 2010 were \$650,660. Funds from these plans are not available to employees until termination or retirement, however funds from either plan can be made available, allowing an employee to borrow up to one half of their balance in the form of a loan.

##### 2. Post Employment Benefits other than Retirement

FMPA offers paid group health insurance to retired, full-time employees, with an employment start date prior to October 1, 2004 over the age of 55 who have a combined total of at least 900 months of age plus months of active service. This insurance is through the Agency's group health insurance plan, which covers active participants until retirement and retired participants until age 65. Retired participants over the age of 65 are offered a separate plan that is coordinated with Medicare coverage.

The Agency's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC). The Agency has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 43 for employers in plans with fewer than one hundred plan participants. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the Agency's OPEB expense for the year, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

|   | (000's) USD   |
|---|---------------|
| Annual required contribution            | \$ 340        |
| Interest on net OPEB obligation         | 15            |
| Annual OPEB expense                     | <u>355</u>    |
| Contributions made                      | 0             |
| Increase in net OPEB Obligation         | <u>355</u>    |
| Net OPEB Obligation - Beginning of Year | 471           |
| Net OPEB Obligation - End of Year       | <u>\$ 826</u> |



## **NOTES TO FINANCIAL STATEMENTS**

### *For the Year Ended September 30, 2010*

#### **XIV. Risk Management**

The Agency is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, injuries to employees and the public and damage to property of others. In addition, FMPA enters into contracts with third parties, some of whom are empowered to act as its agents in order to carry out the purpose of the contracts.

These contracts subject FMPA to varying degrees and types of risk. The Agency has purchased commercial insurance that management believes is adequate to cover these various risks. FMPA elected to self-insure the Agency's risk for general liability. It is the opinion of general counsel that FMPA may enjoy sovereign immunity in the same manner as a municipality, as allowed by Florida Court of Appeals rulings. Under such rulings, Florida Statutes' limit of liability for claims or judgments by one person for general liability is \$100,000 or a total of \$200,000 for the same incident or occurrence. At no point have settlements exceeded coverage in the past two fiscal years.

The Agency has established an Audit and Risk Oversight Committee (AROC) made up of some of FMPA's Board of Directors and member's representatives, and has assigned corporate risk management to its Contract Compliance Audit and Risk Management Manager. The Contract Compliance Audit and Risk Management Manager is designated the Agency's Risk manager, and oversees the Risk Management Department, which reports to the General Manager. The objective of the Agency's risk management program is primarily to manage the impact of financial, operational and fuel price risks.

FMPA has created an Agency-Wide Risk Management Policy that addresses key risk areas including, but not limited to, fuel price, debt, investment, insurance, credit and contracts.

#### **XV. Interest Arbitrage and Rebate**

A rebate payable to the Internal Revenue Service (IRS) is calculated based on the investment of bond proceeds in financial instruments that yield interest income that is higher than the interest of the debt. This rebate is payable to the IRS within five years of the date of the bond offering and each consecutive five years thereafter.

The potential arbitrage liability at September 30, 2010 for each of the projects is as follows:

| <u>Project</u>           | <u>Amount (000's US\$)</u> |
|--------------------------|----------------------------|
| St. Lucie Project        | \$ 928                     |
| Stanton Project          | 39                         |
| All-Requirements Project | 228                        |
| Tri-City Project         | 44                         |
| Stanton II Project       | 373                        |
| Total                    | <u>\$ 1,612</u>            |

## **NOTES TO FINANCIAL STATEMENTS**

### *For the Year Ended September 30, 2010*

#### **XVI. Related Party Transactions**

##### **A. Governing Members and Committees**

Each of the 30 members of FMPA appoints a representative to FMPA's Board of Directors. The Board has responsibility for developing and approving FMPA's non All-Requirements Project budgets, hiring of the General Manager and General Counsel and establishing the Agency's bylaws, which govern how FMPA operates and the policies which implement such bylaws. The Board also authorizes all non-All-Requirements Project debt issued by FMPA. The Board elects a Chairman, Vice-Chairman, Secretary, and Treasurer. The Executive Committee consists of representatives from the fourteen active members of the All-Requirements Project. The Executive Committee elects a Chairman, Vice-Chairman, Secretary and Treasurer. The Executive committee has sole responsibility for developing and approving FMPA's Agency Fund and All-Requirements budgets, and authorizes all debt issued by the Agency Fund and the All-Requirements Project.

In order to facilitate the project decision-making process, there are project committees which are comprised of one representative from each participant in a project. The project committees serve in an advisory capacity, and all decisions concerning the project are decided by the Board of Directors.

##### **B. Florida Gas Utility (FGU)**

The All-Requirements Project has a contractual agreement to purchase natural gas from Florida Gas Utility (FGU), which accounts for approximately 70% of FGU's sales of natural gas.

#### **XVII. Subsequent Events**

##### **A. KEYS Revised, Amended, and Restated Capacity and Energy Sales Contract**

The Capacity and Energy Sales Contract with the Key Energy Services (KEYS) was revised effective January 1, 2011. Under the revised contract, the KEYS will receive agreed upon fixed payments over preset periods relating to the Stock Island Project. FMPA will assume all cost liability and operational management of the project. FMPA will account for this transaction as a capital lease. Total minimum payments under the agreement amount to \$6.7 million and the present value of these payments is \$5.4 million.

##### **B. City of Quincy Purchase Power Agreement**

Effective January 1, 2011, the Florida Municipal Power Agency and the City of Quincy, Florida have entered into an agreement to sell to the city, a portion of their capacity and energy needs for its electric load. Amounts will be billed to the city at a fixed capacity rate, and a variable fuel cost based on FMPA's actual fuel costs.

##### **C. St. Lucie Project Capital Borrowing**

On December 16, 2010, a private placement bank loan was taken in the amount of \$20.5 million to finance the anticipated capital needs for the fiscal year ending September 30, 2011 for the St. Lucie project. This loan has an annual interest rate of approximately 2.68%, and will mature in year 2021.

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