

**New Smyrna Beach Utilities Commission Regular Meeting
September 25, 2023**

Participants: Chairman Davenport, Commissioners Conrad, Smith, Kelly, GM Bunch, General Counsel Cloud, Executive Manager/Clerk D Simmons

Safety Message by John McMurray: September is National Preparedness Month

Mr. McMurray gave an overview of the necessity for an emergency preparedness plan. Three key factors were reviewed.

- 1.) Assess needs - Medications needing refrigeration, mobility or assistive devices, pet needs.
- 2.) Make a Plan – Tailor a plan based on the needs determined in #1.
- 3.) Engage a support network – Reach out to family, friends, and neighbors as a support before, during and after an emergency. Share your plan with the group who can help.

Mr. McMurray also stressed checking smoke alarms and fire extinguishers. Institute plan for semiannual maintenance on your air conditioning systems, check downspouts and secure your property.

Reorganization Item –

Election of officers – A motion made to retain the current officers to serve in the upcoming year. The motion was approved. Note: Chairman Davenport will term out after this year.

NSBU Regular Meeting Schedule for Calendar Year 2024 – Calendar was reviewed and approved.

Public Participation - Dawn Whitely 2071 Marsh Harbor Drive and City Commissioner Lisa Martin both thanked the Commission. Ms Whitely for listening to the citizens, caring for the community and the environment. Commissioner Martin thanked the Commission for their quick response to a service problem at her home.

Approval of Consent Items: 9 items were presented, and approved. Item 3d was pulled for discussion and later approved.

- a) Minutes of Regular NSBUC Meeting Held 8-28-2023
- b) Ratification Approval – Annual Chemicals for Water and Wastewater – 3rd Year Renewal Option Price Adjustment (over \$75K – Carmeuse and Odyssey Manufacturing)
- c) Award Approval – ITB No. 18-23 Annual Contract Hauling of Wet Lime Residuals from WTP (KAG Specialty Products Group)
- d) Risk Management Insurance Coverage for FY2024(FMIT)
Commissioner Hawes noted that all insurance increased. Mr. Chavez stated that the property rate went from \$293.0 to \$548.0 and that NSBU had continued coverage through FMIT(Florida Municipal Insurance Trust) which is a government entity and a good carrier. Chairman Davenport stated that both liability and casualty increased due to recent storms. Reinsurance and the cost of materials have increased tremendously in the past year. There is also a 5% deductible for each named storm. Chairman Davenport asked if they should shop a bigger carrier IE Brown and Brown. Mr. Chavez stated that the commission was tied into the current broker for another year, but they always shop and will reach out to Brown and Brown next year. Item was approved
- e.) Award Approval – ITB No. 10-23 – FY2024 Transformer Order (Gresco and Stuart Irby)
- f.) Approval – FY2024 Assignment of Work (Asplundh, Southern traffic Supply, and Osmose)
- g.) Ratification – Granted and Accepted Third Party Utility Easement
- h.) Sole Source Purchase for Chemical Polymer at Water Reclamation Facility (WRF) (Polydyne Inc.)
- i.) 2024 Funding for annual Contract for Gravity Sewer Rehabilitation Program (BLD Services, LLC)

General Manager's Report – J. Bunch

Financial Status - August 2023 - E. Chavez

August FYTD 2023 Results

- August financials reflected a change in net assets of approximately \$7.8 million. They are \$3.8M higher verses the prior year due to higher revenues (rates, customer growth, and purchase power adjustment), lower purchased power, increased capital contributions, higher interest earning, and MTM adjustments
- Offset by lower revenue due to increased purchase power reserve, increased operating expenses, slightly lower electric and water usage driven by milder fall-winter weather.

- FMPA managed investment earnings up \$0.6M driven by NSBU fixed maturity (approx 1 yr) investments and a more favorable interest rate environment.
- Electric consumption year over year is 2.1% lower vs. PY
 - August FYTD Purchase Power is \$56.83 per MWh(\$1.33 lower than July FYTD)
 - \$12.50 or 18.0% lower than the \$69.33 MWh Budget and approx. 17.6% less than the prior year.
- FYTD water consumption reflects a 1.4% decrease in water. Wastewater is flat with the prior year and a .02% decreased in Reclaimed.

August '23 Operating Income/(Loss)

- August '23 of \$1.5M is \$1.5M less than August '22 driven by over-recovery adjustment which reduces revenue and increases PP reserve, higher operating expenses, slightly lower electric and water usage partially offset by increased revenue (rates, updated fuel cost adjustment and continued customer growth), and lower purchased power. total FYTD Electric kWh sales are 2.1% lower than prior year driven by mild weather and hurricane impacts.
- August 2023 OVER-RECOVERY balance is \$2.4M which is \$0.6M under FY end '23 target of \$3.0 initial reserves. August FYTD over-recovery of \$2.4M is very favorable and reflects a \$1.9M improvement from July and \$4.8M since October month-end. Trending is expected to continue based on the current energy market and the reduced price of natural gas. FPPCAC = Fuel and Purchased Power Cost Adjustment Clause. Longer term targeted reserve is 15% to 20% of annual purchased power costs(estimate\$5M+)

August FYTD 2023 Change in Net Assets

- August '23 Change in Net Assets were \$7.8M which was \$3.8 higher than August '22. and is driven by MTM adjustments, increased revenue (rates, updated fuel cost adjustment and continued customer growth), lowered purchase power, increased capital contributions, and interest earnings partially offset by over-recovery adj. which reduces revenue and increases PP reserve, higher operating expenses, slightly lower electric and water usage. Total FYTD Electric kWh sales are 2.1% lower than the prior year driven by mild fall-winter weather.
- August Capital Contributions were \$5.7M, which is \$3.2M higher than the previous year. The August FYTD capital contributions were mainly comprised of \$2.5M cash, \$1.3M easements, and \$1.9M in contributed assets.

August 2023 FYTD capital expenditures total approximately \$18.6M. \$9.8 Million in Major and \$8.8M in annual projects.

- \$9.8M -Major projects spending included: Electric Reliability Improvement Program (ERIP); Lift station #3 Upgrade Project; Lift Station (# 5 & #12). Replacements and Improvements (#10 and #79) Replacement, Line 17 Rebuild, Glencoe Wells (#2 & #3) upgrade, Airport Static, N. Glencoe Rebuild (EL), 5th Street Bridge, Barracuda Bridge, Glencoe Water Treatment Plant Improvements, Fiber Loop Installation, Saxon Force Main Replacement (WW), and I95 Pioneer Trail Interchange.
- \$8.8 - Annual project spending included: Gravity sewer lining, tools & equipment, pumps, transformers, air conditioner replacements, and new business electric and water installation.

Monthly and FYTD Purchased Power Costs are on a stable/downward trend due to lower natural gas process a resulting in the purchase power coming down.

The August 2023 Under-Recovery balance continues on a downward trend with the long-term target at year end to be at \$5.0M in the over-recovery position. August over-recovery of \$2.4M reflects a \$1.0M improvement from July and \$4.8M since October month-end.

Mr. Chavez was asked about any worries for the business, and he noted that the key focus has been on safety performance. Outage performance has been going well and will review the KPI's for year end in October. CEO Bunch discussed that the power prices will experience a seasonal bump due to winter demand on fossil fuels. Revenue and profit are looking good. Electric profit is up, and water is going in the right direction. The UC is in the third year of a 3-year increase in water rates. Made the decision to spread the increase over the 3 years instead on one major jump. The main issue with water is the huge increase in chemical processes that no one saw coming. He praised Efrin Chavez and his team for doing a great job on managing the business.

Informational Update – City/County Fire Hydrant Maintenance

Tom West Director of Water Resources reviewed the agreement with the county on hydrant maintenance. Repairs and painting. A 2019 bill requires the owner of fire hydrants to maintain them. Currently the UC paints and maintains the hydrants. Staff have been looking for ways to recover the cost of maintenance. The cost is included in the UC's budget. Any recovery will go into the utility general fund, not water. Future discussions with the city and the county will center on assigning costs. Mr. Cloud gave his legal assessment of the new statute and feels that management should be able to recoup costs associated with the maintenance of the hydrants and recommends continued discussion. A question arose about how the information about hydrant testing was disseminated. Reports about flow tests and maintenance are documented and go to Fire Department.

Update – AMI Smart Grid System Project – Contract Negotiation Status – J. McMurray, Quanta Technology - Jesus Gonzalez Consultant

Mr. McMurray gave a brief recap of the selection process that narrowed it down to two vendors. Sensus was the overall favorite, but the prices were higher than the 2nd choice, Aclara. Sensus was charged with reworking some cost and come back with a new proposal and contract negotiations ensued. Current negotiations have resulted in revised pricing that reduces the \$5.4M gap between the two companies by \$3.8M. They are in the process of exploring additional options for further reductions. Next steps were outlined, and a new timeline was discussed. Anticipated contract award by Q42023 with the initial project start up in Q12024.

Commission Counsel's Report – Proposal Resolution No. 2023-03. G.C. Cloud.

Mr. Cloud asked for approval of the Proposal resolution and explained that the history of this program hasn't worked for years. He asked for suspension. Approximately 2700 customers participate in the program and they would continue. No new customers would be added, Motion Approved.

Time for Commissioners

Commissioner Smith thanked the City Commission and city clerk for re-appointing him to another three-year term. He is happy to have the opportunity to serve the community.

Commissioner Kelly acknowledged the good work the commission did in the last meeting with the public participation in listening to the community and working with them