

New Smyrna Beach Utilities Commission Regular Meeting December 14, 2023

Participants: Chairman – Davenport, Commissioners Conrad, Smith, CFO – Chavez, Counsel Cloud, Executive Manager/Clerk D Simmons

Safety Message by Tom West: Worker Fatigue/Irregular Shifts:

Mr. West highlighted that there is a lot of shift work both on the electric and water side. The plants run 24/7. Especially during the holiday season when people are taking time off, everyone is on the lookout to ensure that the employees are not overworked. His group is very conscious of the health of his employees and strives to ensure that everyone is operating at a proper level.

Public Participation – None

Approval of Consent Items: 5 items were presented and all approved.

- a) Minutes of Regular NSBUC Meeting Held 11-27-2023.
- b) Approval – Master Services Agreement – Duke Energy One, Inc.
- c.) Approval – Professional Services for Water and Wastewater Hydraulic Model Training, Support and Updates - Stantec Consulting Services
- d.) Project Approval – S.R. 44 Regional Center Water Main Replacement
- e.) Approval – Annual Contract Renewal for Cogsdale Corporation – NSBU’s CID, ERP and Third-Party Software Applications .

General Manager’s Report – J. Bunch

Financial Status – November (FTTD24) - E. Chavez

Mr. Chavez highlighted the upcoming joint City Commission/NSBU meeting Jan 15th at 5:15 at the city chambers. Topics to include: septic-to- sewer and the Western complex headquarters.

November 2023 Results: November 2023 Financials reflect a change in net assets of approx.

\$1.9M

- Change in net assets of \$1.6M higher verses prior year driven by higher revenues (rates, customer growth, and purchase power adjustment), lower purchased power, and MTM adjustments.
- FEMA Reimbursement (Ian & Nicole) Almost fully reimbursed.
- Offset by lower revenue due to increased purchase power reserve and increased year-over-year depreciation. Depreciation will always be higher due to the addition of assets.
- Electric consumption year over year is 3.9% higher vs. PY
- November Water consumption was 3.5%% higher than PY.
- Wastewater was 3.0% higher than the prior year and Reclaimed was higher than the prior year.
- November purchased power is \$46.20 per MWh
 - \$7.08 or approx. 13.2% lower than the \$53.28 per MWh Budget and approx. 3.7% less than the prior year.
 - Natural gas drives the overall purchase power market which bodes well for NSBU. Natural gas was \$2.98 in October, \$2.71 in November and December to date at \$2.30. These lower prices appear to be staying constant and the Natural gas supplies are available due to the warmer weather in the northeast.
 - The current over-recovery position is down trending and the November 2023 Over-recovery reserve of \$6.2M reflects a \$2.4M improvement from September.

Fuel & Purchase Power (FPPCAC) Update:

- With the current fuel & purchased power over-recovery reserve of \$6.2M and the relative stability of the current purchase Power price per MWh, Mr. Chavez (CFO) proposes to reduce the Fuel & Purchased Power Cost Adjustment(FPPCAC) from, \$23.30 to \$7.00 per 1,000kWh.

This reduction will be effective with the first billing cycle in Jan 2024. The average 1,000 kWh electric residential customer will see over a \$14 reduction (or approx. 12% decrease). Continued monitoring of the cost of purchased power and the overall energy markets will determine if future changes are required.

- Mr. Chavez requested approval for the rate reduction as part of New Business 7A but asked if the Commission wanted to approve it now. Commissioner Conrad asked if the rate reduction was too low but was assured that this new number still is very conservative. A motion was made for approval, seconded and all approved.

November 2023 Operating Income/Loss)

- Nov '23 FYTD operating loss of \$0.5M is \$0.5M less than Nov. '22 driven by over-recovery adjustment which **reduces revenue and increases PP reserve**, higher year-over-year depreciation partially offset by increased revenue (rates, updated fuel and PP cost adjustment and continued customer growth), and lower purchased power. FYTD Electric kWh sales are 3.9% higher than in the prior year.
- November 2023 OVER-RECOVERY balance is \$6.2M which is ABOVE the target of \$5.0M. November over-recovery of \$6.2 reflects a \$1.0M improvement from Oct. 2023. Trending as expected based on the current energy market and the lower cost of natural gas which favorably impacts NSBU Purchase Power.
- FPPCAC = Fuel and Purchased Power Cost Adjustment Clause. Targeted reserve is 15% to 20% of annual purchased power costs (estimate \$5M+)

November 23 Change in Net Assets:

- Nov. '23 was \$1.9M which was \$1.6 higher than Nov. '22. Nov FYTD is driven by: increased revenue (rates, updated fuel and PP cost adjustment and customer growth,) FEMA reimbursements, lowered purchase power and MTM adjustments partially offset by over-recovery adj. which **reduces revenue and increases PP reserve**, and increased depreciation. Nov. Electric kWh sales are 39% higher than the prior year.
- Nov. '23 Capital Contributions were \$0.4M which is flat with the prior year. The November capital contributions comprised primarily of cash.

November FYTD 2023 Results - Capital

- **November 2023 Capital Expenditure \$2.1M**
- **1.1M - Major project** spend includes: Lift station (#3) Replacement, N. Glencoe Rebuild (EL), GWTP Chemical Improvements, and Work and Asset Management (WAMS) implementation.
- **\$1.0 - Annual project** spend includes: Gravity sewer lining, (est. Life span 30yrs) and new business electric & water installations.

New Business:

a.) Approval – Modification (Decrease) to Fuel and Purchase Power Cost Adjustment Clause (FPPCAC) – E. Chavez and T. Beyrle. **Unanimous approval** submitted during General Manager's report.

b.) Approval – Modification/Extension of Purchase Power Agreement Between FPL and NSBU – Sixth Amendment/Firm Power & Energy

- Current Status – NSBU FPL entered into a firm capacity & energy agreement in Jan 2014. It has subsequently been modified five times and extended through December 31, 2027. The current structure is based on FPL's System Average energy cost, leveraging the current natural gas exposure (67%) and FPL's other energy supply options such as nuclear (20%) and solar (4%).
- Proposed Amendment – Adding Solar. NSBU & FPL have agreed to a sixth amendment to the current agreement details as follows:
 - Provide additional 5MW per month

- Keep pricing constant((\$10.00 less than the previous year.)
- Adding a solar component which will provide a known, fixed quantity of energy from FPL's solar fleet(note site dependent) for 2024-2026
- Solar energy will have a not exceed \$45MWH, which is less than NSBU's current all-in energy cost.
- NSBU zero carbon energy (nuclear and solar) increases from 35% to 39%
- New expiration of December 31, 2030, with possible 3yr. extension.

Summary : The amendment extends favorable supply terms adding 5MW per month to accommodate growth and adds 20MW peak solar energy sale which requires no capital investment, reduces NSBU's carbon footprint by providing the energy immediately with effective date(1/1/2024). Recommended Action: to approve the Sixth amendment **Unanimous Approval**

c.) Approval – NSBU's Path to Zero Emissions – Aspirational Statement CFO Chavez standing in for CEO Bunch

- “In keeping with our Vision to provide safe, reliable and cost-effective utility services for our community, New Smyrna Beach Utilities strives to eliminate carbon emissions from its energy supply portfolio, through leveraging a combination of low-cost renewables, and other zero emission resources, while also reducing fuel price volatility.” **Unanimous approval**

Time for Commissioners

The commissioners thanked the staff for their work and wished everyone happy holidays. Chairmen Davenport briefly discussed a city economic development meeting he attended earlier in the day and highlighted the 30 upcoming projects for the city. A big one that will impact NSBU is Deering Park on Rt. 44 consisting of 2100 homes, an additional 6,000 residents and commercial space which will increase the tax base 3:1. He asked everyone to start discussing, monthly, the new Western Complex project. The project will be discussed in the joint City Commission/NSBU meeting Jan. 15th