

New Smyrna Beach Utilities Commission Regular Meeting January 22, 2024

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

Safety Message by Vernon Steele: Near Miss: NSBU Line Crew identifies Cracked Line Hardware Before Failure

Mr. Steele highlighted the awareness of field crews and how they pay attention to detail. He described how the crew found a cracked clamp while relocating overhead wire. If missed, a failure would have caused a large power outage. The crack could have been a result of high stress, (aluminum clamps get stress cracks periodically) for either over-tightening or a possible defect in the clamp. This information was communicated to the other crews to be on the lookout and no similar issues were found. An atmosphere of heightened awareness exists among the crews.

Public Participation

Ms Arvidson, representing the NSB Garden Club thanked the Commission for their financial and environmental support for the Garden Clubs water conservation efforts. She presented a plaque that will be placed, under cover, in the gazebo of the Garden Club.

Approval of Consent Items: 6 items were presented and all approved.

- a) Minutes of Regular NSBUC Meeting Held 12-14-2023.
- b) Ratification – Granted and Accepted Third Party Utility Easement
- c.) Annexation Approval – NSBU Voluntary Annexation of Lift Station No. 119 Property Site (Adjacent to Tractor Supply)
- d.) Project Approval - Lift Station No. 60 Upgrades (Kimley-Horn)
- e.) Project Approval – Airport Substation – Relay Replacement (Burns & McDonald).
- f.) Budget Ratification (Increase) – FY2024 Assignment of Work – Southern Traffic Supply

General Manager's Report

Financial Status – December 2023 (FYTD24) - E. Chavez

December 2023 FYTD Results:

- Change in net assets of \$1.0M higher versus prior year driven by higher revenues primarily water and reclaimed (rates, customer growth), lower purchased power, and MTM adjustments.
- FEMA Reimbursement (Ian & Nicole) \$1.8M received
- Offset by lower revenue due to increased purchase power reserve, purchased power reserve, decreased electric revenue, and increased year-over-year depreciation.
- Electric year-over-year consumption 2.0% higher vs. PY
- December Water consumption is as follows:
 - 4.7% increase in water.
 - Wastewater is 3.1% higher than the prior year and Reclaimed is higher vs. the prior year.
- December purchased power is \$46.20 per MWh. \$ 69.74 LY
 - \$6.88 or approx.13.0% lower than the \$53.28 per MWh Budget and approx. 34.0% less than the prior year.
 - The Fuel and Purchased Power Cost Adjustment Calculation (FPPCAC) was successfully reduced from \$21.30 to \$7.00 per 1,000kWh, effective with the first billing cycle in 2024.
 - Natural gas is running \$2-\$3 as opposed to LY running at \$3.58.
 - The current over-recovery position is down trending and the December 2023 Over-recovery reserve of \$6.9M reflects a \$3.1M improvement from September.
- **December 2023 Operating Income/Loss)**
 - Dec '23 FYTD operating loss of \$1.6M is \$1.4M less than Dec. '22 driven by over-recovery adjustment which **reduces revenue and increases PP reserve**, higher year-over-year depreciation, lower electrical revenue partially offset by increased revenue primarily water and reclaimed (rates and continued customer growth) and lower purchase power.

- December 2023 OVER-RECOVERY balance is \$6.9M which is ABOVE the target of \$5.0M. December over-recovery of \$6.9 reflects a \$0.7M improvement from Nov. 2023. Trending as expected based on current energy market and the lower cost of Natural Gas which favorable 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+)
- **December 23 Change in Net Assets:**
 - Dec. '23 FYTD Change in Net Assets was \$1.5M which was \$1.0 higher than Dec. '22. Dec. FYTD is driven by increased revenue, primarily water and reclaimed (rates and continued customer growth), FEMA reimbursement, lowered purchase power and MTM adjustments partially offset by over-recovery adj. which **reduces revenue and increases PP reserve**, lowered electric revenue and increased depreciation.
 - Dec. '23 Capital Contributions were \$0.5M which is slightly lower than the prior year. The December capital contributions comprised primarily of cash.
- **December FYTD 2023 Results - Capital**
 - **December 2023 Capital Expenditure \$3.3M**
 - **1.9M - Major project** spend include: Lift station (#5) Replacement, N. Glencoe Rebuild (EL), GWTP Chemical Improvements, ERIP Phase III, I95 Pioneer Trail Interchange, LS #12 Reconstruction and Work and Asset Management (WAMS) implementation.
 - **1.4 - Annual project** spend includes: Gravity sewer lining and new business electric & water installations.

There was a discussion among the Commissioners, Mr. Chavez, and Mr. Bunch regarding the ability to lower the FPPCAC cost due to the lowered price of natural gas. The upper northeast areas of the country are more dependent on pipelines to deliver their energy, whereas here in Florida, Texas and Louisiana supply our natural gas. Per Mr. Bunch, the state of Florida is 70% dependent on gas. Due to our high dollars in reserve over budget, Mr. Chavez stated that even if geopolitical forces cause natural gas to rise again, we are in good shape not having to raise our rates for the customers because our reserve is in good shape. NSBU is different than some other utility companies that change rates possible monthly. NSBU only looks are rate changes, if necessary, once a year. NSBU has one of the lowest utility rates in the state.

1st Quarter FY2024 Balanced Scorecard and Enterpris Metrics

Scorecard – Safety and Risk: Safety is a priority. Risks are inherent with work hazards.

- Zero recorded OSHA Injuries and Preventable accidents in December and Q1. In the calendar year '23, OSHA incident rates of 0.60, was the best on record for NSBU. Mr. Bunch is expecting kudos from the industry on this achievement. Mr. Bunch attributes these positive results to the Safety Management Training System (SMS) and the Safety Handbook Training to office and field personnel.

Scorecard – Electric Reliability

- Electric Reliability for the calendar year: Electric reliability for the calendar year '23 was the best on record and FY'24 is starting off in the same vein.. (SAIFI) Frequency of outages for the month and (SAIDI) the average duration of outages were both in the green with both expected to meet or be below goal for the year end. (CAIDI), the restoration time for the month was in the red due to fewer outages ones were out needed actual repairs and/or off-hour responses.
- FY 2024 Improvement Plans
 - ERIP Phase III – In Q2 new electronic devices will be installed to automate restoration tying sections together. This new devices will also be integrated with the Sensus Smart Grid System(which was approved late 2023) later in the year. Feeder lines will be added to the Western areas and Venetian Bay to improve reliability within those areas. Upgrades to specific relays and related equipment at the NSB airport and Field St. substations will improve device coordination, thereby reducing a large number of feeder and transformer outages.
 - Cost Management and Water Reliability - Annual costs for electric, water, and wastewater per customer, are all under target for year end. All water reliability metrics for water and wastewater also are under target. Mr. Bunch applauded Tom West and his team for doing a great job an staying on top of any issues and responding accordingly.
 - Customer Service – Call Center metrics continue to below target and the average speed to answer calls is 38 seconds which is above the standard. Mr. Bunch cited Sr. Customer Service Manager Danielle Woods for doing a great job. Billing and Collections were either equal to or lower than their targets. The

lowered collection rates are is due to overall demographics of the area with good income in the area. "Overall Customer Service metrics continue to be exceptional."

- Materials Management, HR and Info Technology - Materials Management met or exceeded goals in issuing Purchase Orders for both jobs under \$75.0 and over \$75.0 YTF. Human Resources – These numbers are just being monitored. There are some positions that are not being fulfilled, repurposing personnel in other areas or just not fulfilling jobs that are not needed in order to maintain costs. Information Technology – Cyber Security Training Participation is below the target due to turnover in staff but a new Sr. IT Manager has been brought on board and is addressing these needs. Mr. Bunch wanted to assure the Commission that the Supervisory Controls and Data Acquisition Collection Systems (SCDAS) are the "Goose that laid the Golden Egg." When terrorists try to hack into Utilities these are the systems they target. Our system has had no breaches in the 5 years Mr. Bunch has been here. The Organizational Risk rate and the Phishing Test Click Rate are running below target.
- Overall, on the scorecards, good result with no Industry complaints.

Commission Counsel's Report – General Counsel

Approval – Mutual termination of Fire Hydrant Inspection and Flow testing Agreement – County of Volusia County to consider this in their February meeting with anticipated approval. The Commission already voted and approved. This is just a clean up vote. Approved

Mr. Cloud made two suggestions regarding the Septic to Sewer project in order for it to be successful. One is to get funding up front for capital costs so that the costs are not put onto the customer. Second, a concerted effort should be made in Public Relations to educate the customers about the project.

New Business: Scheduling request – Special NSBU Meeting for GM-CEO Annual Salary Determination (FY23 Performance) Mr. Chavez explained that this will follow the same process as last year and more information will be forthcoming.

Time for Commissioners

Mr. Bunch asked to reconvene to discuss the two major projects that were discussed in the joint City and NSBU meeting on January 16, 2024. He wanted the commission to establish direction of where they wanted to go on the two projects, Septic-to-Sewer, and the Western Complex/Canal Street projects.

Western Complex/Canal Street Ms Couillard reviewed the information shared at the joint meeting. The estimated costs of the new Headquarters and the new Fleet/Field Operations building combined are \$41.0M. There was a lot of discussion among the commissioners, Mr. Bunch and Mr. Cloud about the city and county involvement with the possibility of participating in the building within this Western complex. There are many possibilities for leases, purchases, or private/public participation among the three entities. The economic benefits from this project go beyond NSBU in the local community. IE construction jobs, business revenue, etc. The potential sale of the Canal St. HQ and outparcels fronting RT44 could offset some of the building costs thereby making the development and HQ move more feasible. The next steps involve proposing a recommendation "to move forward to develop a master plan and strategy to implement sale of the HQ building, the sale of the outparcels and the building of a new NSBU campus on the Western Complex site A." NSBUC will continue to work with the city and county as the project goes forward trying to secure grant monies from FEMA and other sources. The county's interests involve combining certain areas of their oversight in a central location while the city is interested in a joint venture with NSBUC on a combined field/fleet facilities building. New costs will be developed and a secondary meeting with Mr. Fishkind, who made a presentation at the joint meeting, is in the works. He will be able to give more substance to the direction that could be taken. A vote was taken to proceed, and it was unanimous.

Septic-to-Sewer - Ms. Couillard presented an update from last week's joint meeting. The city will take the lead on Aqua Golf with NSBU as support. NSBU will take the lead on Silver Sands, with no input from the city because Silver Sands is county property. The county is fine with NSBU taking the lead with their support because they have no funds. Ms. Couillard applied for grants for the two projects and was able to secure \$7.5M for Silver Sands. NSBU is waiting for additional information from their consultant Meade and Hunt, who are pursuing more grant opportunities.

Next Steps: Ms. Couillard asked for approval to move forward on the Silver Sands project design and construction phasing development plan as well as incorporating community outreach after costs are determined. She will continue to apply for additional funding because the initial \$7.5m grant doesn't cover the total cost of conversion from septic to sewer for the customers. A motion was made for approval and 4 agreed and one voted nay.

Aqua Golf – Ms. Couillard and the NSBU will continue to work with the City of NSB as this project moves forward.

Commissioners Smith, Hawes, and Davenport all applauded the good work done at the joint meeting. All commissioners expressed excitement and a bit of caution on all the new projects that are moving forward. They are all pleased with the direction that the NSBU has and is taking, and they want to continue with the success.