

STAFF REPORT UTILITY MEETING

AGENDA DATE: January 30, 2024

DEPARTMENT: Electric Utility

TITLE:

Purchased Power Cost Adjustment (PCA)

SUMMARY:

The City's electric utility provides electricity to its customers using a variety of electric production resources. Among them are the City's entitlements in various Florida Municipal Power Agency (FMPA) St. Lucie and Stanton 1 Projects, the City's own solar farm atop City's closed landfill, the City's power plant, and a contract with Orlando Utilities Commission for supplemental energy and capacity (the "OUC Agreement").

As determined during the electric utility rate making process certain electric utility expenses largely related to the purchase of electric capacity, debt service, operations and maintenance, general fund transfer, and City shared internal service costs are recovered via the Base Energy Charge on customers' bills and are not included in the Purchased Power Cost Adjustment (PCA).

Expenses largely related to the purchase of electric energy from the aforementioned electric production resources, as well as the electric energy and capacity purchases under the OUC Agreement, and electric transmission costs, are recovered or returned via the Purchased Power Cost Adjustment (PCA) on customers' bills. As per City Resolution 92-2021 the PCA "shall be established for a projected 3-month period for energy sales during that period..."

In determining the PCA recommendation for March 1, Staff has calculated actual incurred purchased power costs beginning with September '23 (when the Commission approved the transfer of PCA funds to the RSF and Storm Fund) through December '23 together with a forecast of purchased power costs for the upcoming 3-month and 6-month periods (January '24 – March '24 and January '24 – June '24).

In performing its analysis Staff then calculates a True-Up amount representing the over or under recovery of purchased power costs from the prior period (Sep '23 – Dec '23), which are then credited or debited to the following period accordingly.

BACKGROUND AND JUSTIFICATION:

Due to the stability of natural gas costs on wholesale power costs Staff has developed two cases for evaluation by the City Commission. The cases include a Base Case in which the True-Up recovery amount would be deferred allowing for favorable reduction in the PCA over the next 3-month period, and an Alternate Case in which the True-Up recovery amount would also be deferred resulting in a favorable PCA reduction over the next 6-month period. Both Case's would benefit our customer base reflected in lower monthly electric bills.

Staff develops its estimates of future purchased power costs using widely published and publicly available values for natural gas futures contracts for the applicable months. City does not actually purchase natural gas futures contracts, it merely used published prices as a forecasting tool.

Section 3 of City's Resolution 92-2021 defines the Purchased Power Cost Adjustment (PCA) and formula for calculation as follows:

$$PCA = (A + B + C) / D$$

Where:

A = The projected purchased power costs for the projected 3-month period comprised of costs such as the FMPA Stanton 1 variable costs, the FMPA Municipal Solar Project power costs, supplemental purchased power capacity; energy and directly related costs, Lake Worth Beach electric utility power plant generating fuel; and transmission costs:

B = A true-up amount representing the over or under recovery of purchased power costs from the prior period

C = The amount transferred to or from the Rate Stabilization Fund for the projected period

D = The projected total retail sales in MWh for the projected 3-month period

Accordingly, the recommended PCA elements effective March 1, 2024 under a Base Case are as follows:

A = \$2,675,737 (January '24 – March '24)

B = \$0 (deferred)

C = \$0

D = 101,055 MWh

PCA = \$26.48 per MWh (Reduction of \$6.95 from current PCA of \$33.43)

Base Case PCA; Residential First 1,000 kWh per month = \$0.02438 per kWh

Base Case PCA; Residential Additional kWh above 1,000 kWh per month = \$0.03438 per kWh

Base Case PCA; Average; Commercial and Demand = \$0.02648 per kWh

Alternatively, the recommended PCA elements effective March 1, 2024 under the Alternate Case are as follows:

A = \$6,199,798 (January '24 – June '24)

B = \$0 (deferred)

C = \$0

D = 214,039 MWh

PCA = \$28.97 per MWh (Reduction of \$4.46 from current PCA of \$33.43)

Alternate Case PCA; Residential First 1,000 kWh per month = \$0.002687 per kWh

Alternate Case PCA; Residential Additional kWh above 1,000 kWh per month = \$0.03687 per kWh

Alternate Case PCA; Average; Commercial and Demand = \$0.02897 per kWh

If approved, the PCA for all customer rate classes will change effective March 1, 2024. For comparison purposes the monthly bill for the benchmark 1,000 kWh per month Residential Customer will be reduced by \$6.95 per month under the Base Case, or by \$4.46 per month under the Alternate Case.

MOTION:

Move to approve/disapprove the PCA as presented under the Base Case or Alternate Case effective May 1, 2024.

ATTACHMENT(S):

Resolution 92-2021

PCA Base Case Template for Rates Effective March 1, 2024

PCA Alternate Case Template for Rates Effective March 1, 2024

PCA Revenues vs Expenses Cumulative Graph

PCA Balance

Rate Stabilization Fund Balance

Total PCA Funds

Delivered MW Plus PCA Base Case Graph

Delivered MW Plus PCA Alternate Graph