

CITY OF LAKE WORTH BEACH, FLORIDA

Electric Utility Rate Stabilization Fund

PRESENTED BY: Craig Shepard, Project Manager

May 30, 2023



Rate Stabilization Fund - Goals

- ▶ Provide Rate Stability
- ▶ Mitigate Fluctuating Power Costs
- ▶ Help Determine Power Cost Adjustment (PCA)
- ▶ Smooth the Impact to Customers
- ▶ Recover Power Costs Over Time
- ▶ Continue to Provide Competitive Rates

Rate Stabilization Fund

- ▶ Many Municipal Electric Utilities in Florida have a Rate Stabilization Fund
- ▶ Amounts are Deposited or Withdrawn from the Fund During Times of Fluctuating Costs to Smooth the Impact to Customers Through the PCA
- ▶ Set a Target Fund Balance
- ▶ Fund Balance Can Fluctuate During the Year

Sample Rate Stabilization Funds

- ▶ Municipal Electric Utilities in Florida Experienced Large Increases in Power Costs in 2021 and 2022
- ▶ Rate Stabilization Funds Helped to Smooth Impact to Customers' Bills
- ▶ Amounts are Deposited into the Fund during Times of Decreasing Power Costs
- ▶ Amounts are Withdrawn from the Fund during Times of Increasing Power Costs

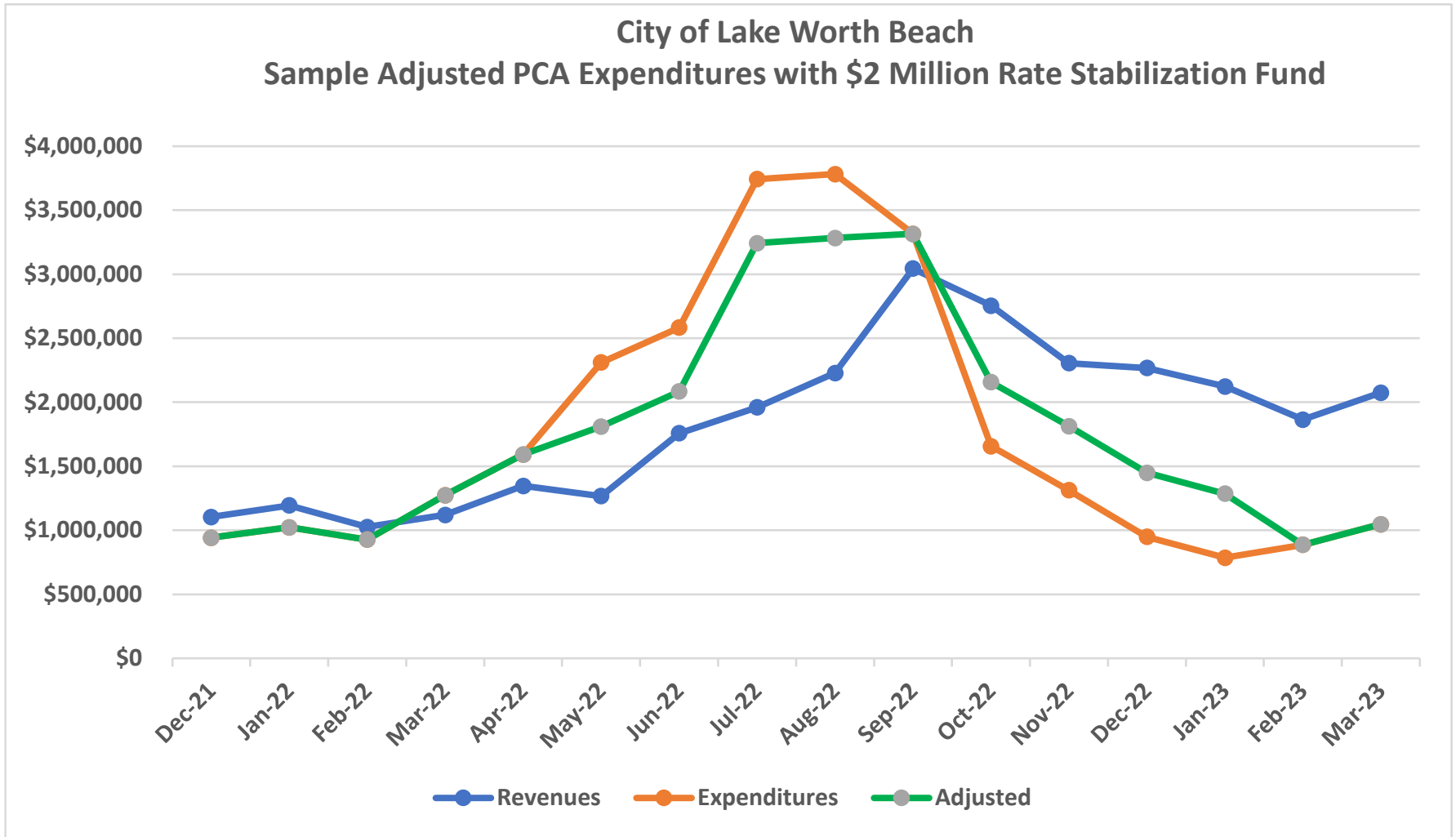
Examples of Rate Stabilization Funds

<u>Utility</u>	<u>Annual GWh</u>	<u>Rate Stabilization Fund</u>
Keys Energy Services	744	\$3.0 Million Balance
Kissimmee Utilities Authority	1,620	\$5.0 Million Minimum 25% of Annual Budget Maximum
Ocala Utility Services	1,300	15% of Projected Fuel Costs Minimum 25% of Projected Fuel Costs Maximum
City of Winter Park	420	10% of Annual Fuel Budget
City of Lake Worth Beach	480	To Be Determined

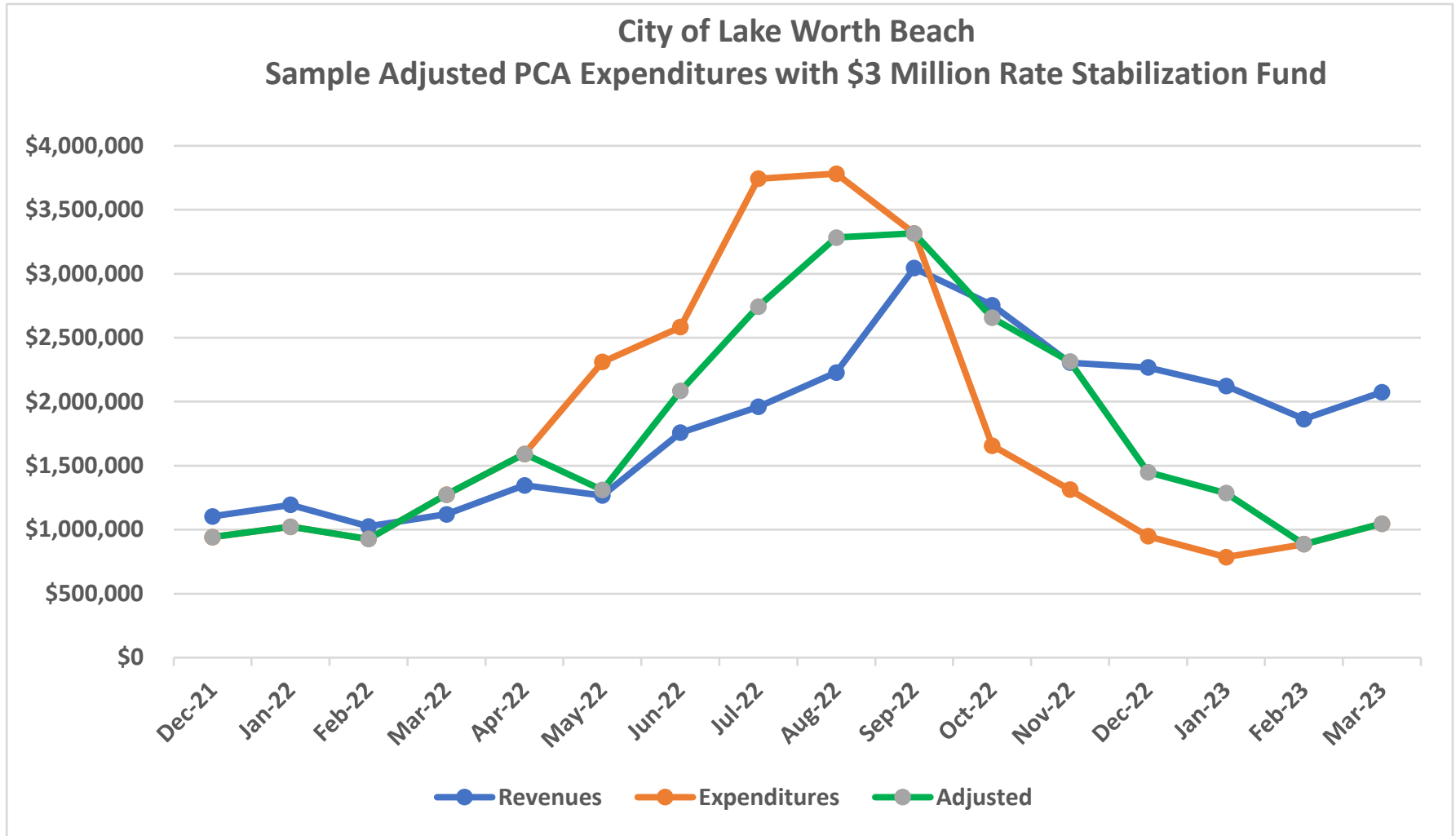
Sample Rate Stabilization Fund Target Balance

- ▶ Lake Worth Beach Fiscal Year 2024 PCA Projected Power Costs = \$16,500,000
- ▶ 15% x \$16,500,000 = \$2,475,000
- ▶ 20% x \$16,500,000 = \$3,300,000
- ▶ 25% x \$16,500,000 = \$4,125,000
- ▶ Keys Energy Ratio = \$3,000,000 x 480/744 = \$1,935,000
- ▶ KUA Ratio = \$5,000,000 x 480/1620 = \$1,481,000

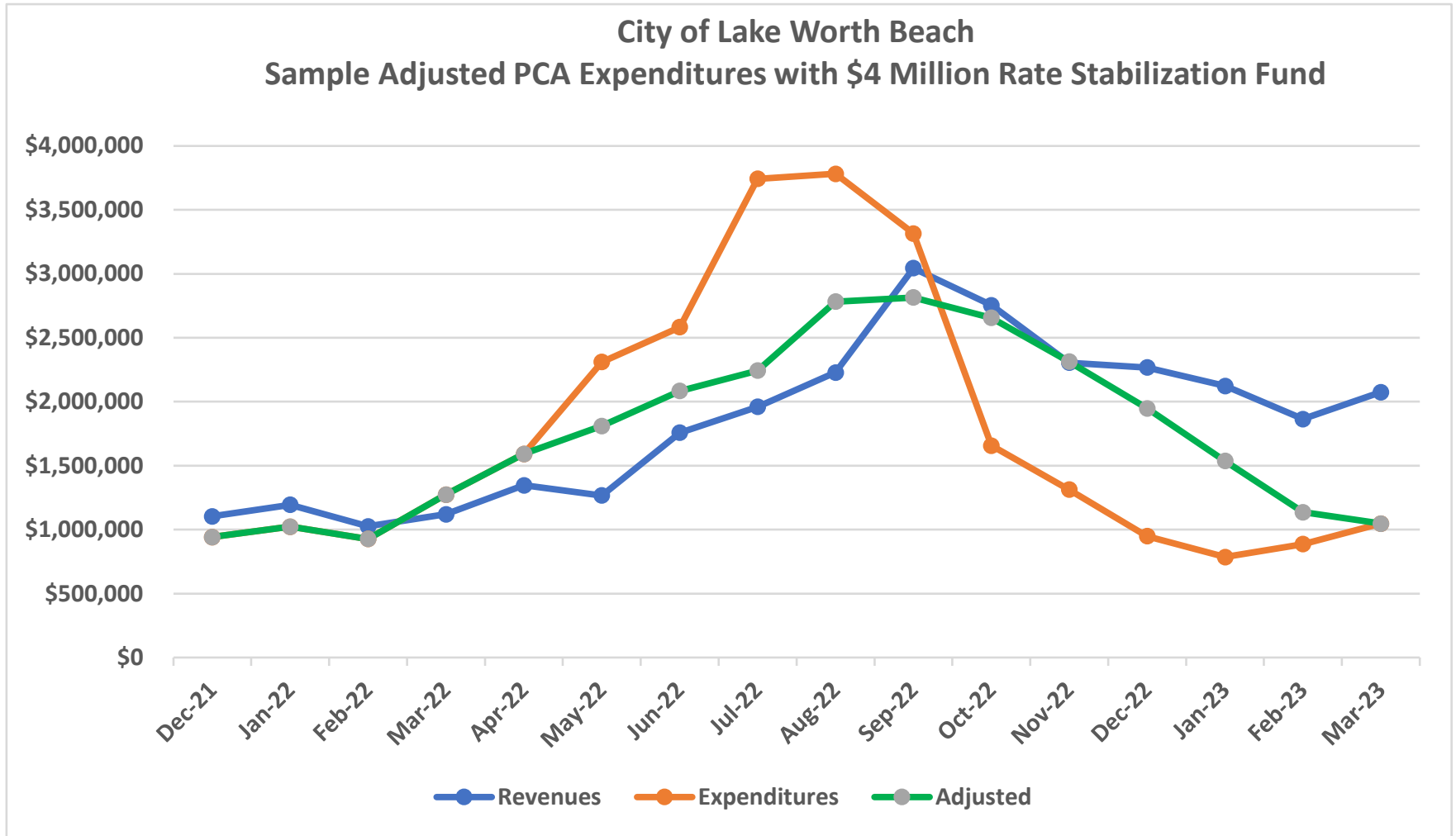
Sample \$2 Million Fund Balance



Sample \$3 Million Fund Balance



Sample \$4 Million Fund Balance



Recommendations

- ▶ Establish Rate Stabilization Fund
- ▶ Plan to Make Deposits into Fund
- ▶ Example: Target of 15% - 25% of Annual PCA Power Costs for Fund Balance
- ▶ Example: Target \$2.0 - \$4.0 Million for Fund Balance
- ▶ Proposed Target Fund Balance =
20% of Annual PCA Power Costs = \$3.3 Million

Questions / Comments

POINTS OF CONTACT

Craig R. Shepard

PRINCIPAL ANALYST / PROJECT MANAGER

407.648.3538

12901 Science Drive

Orlando, FL 32826

craig.r.shepard@leidos.com

Selvin H. Dottin

QUALITY ASSURANCE / QUALITY CONTROL REVIEWER

407.648.3534

12901 Science Drive

Orlando, FL 32826

selvin.h.dottin@leidos.com

Visit us at energy.leidos.com