

STAFF REPORT UTILITY MEETING

AGENDA DATE: October 25, 2022

DEPARTMENT: Electric Utility

TITLE:

Purchased Power Cost Adjustment (PCA)

SUMMARY:

Establishing the Purchased Power Cost Adjustment in Electric Utility Rates effective December 1, 2022.

BACKGROUND AND JUSTIFICATION:

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 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 order to establish the PCA, City's Electric Utility Staff provides a recommendation to the City Commission of the PCA for the upcoming 3-month period. In determining the PCA recommendation, Staff uses a combination of actual incurred purchased power costs for the prior period (which are true-up to the prior forecast for the same period) together with a forecast of purchased power costs for the upcoming 3-month period. In performing its analysis Staff calculates a True-Up amount representing the over or under recovery of purchased power costs from the prior period, which are then credited or debited to the following period accordingly.

Due to the impact of high natural gas costs on wholesale power costs Staff has developed two cases for evaluation by the City Commission. The cases include a Base Case for recovery of the True-Up in which the True-Up amount would be recovered over a 3-month period, and an Alternate Case in which the True-Up amount would be recovered over a period of 4 calendar quarters. The Alternate Case would serve to minimize the near-term impact to customers of high energy prices by spreading the recovery of the True-Up amount over a longer period of time.

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 December 1, 2022 under a Base Case are as follows:

$$A = \$3,956,745$$

$$B = \$4,294,034$$

$$C = \$0$$

$$D = 117,097 \text{ MWh}$$

$$PCA = \$70.46 \text{ per MWh}$$

Base Case PCA; Residential First 1,000 kWh per month = \$0.06836 per kWh

Base Case PCA; Residential Additional kWh above 1,000 kWh per month = \$0.07836 per kWh

Base Case PCA; Average; Commercial and Demand = \$0.07046 per kWh

Alternatively, the recommended PCA elements effective December 1, 2022 under the Alternate Case are as follows:

$$A = \$3,956,745$$

$$B = \$3,422,345$$

$$C = \$0$$

D =117,097 MWh

PCA = \$63.02 per MWh

Alternate Case PCA; Residential First 1,000 kWh per month = \$0.06092 per kWh

Alternate Case PCA; Residential Additional kWh above 1,000 kWh per month = \$0.07092 per kWh

Alternate Case PCA; Average; Commercial and Demand = \$0.06302 per kWh

If approved, the PCA for all customer rate classes will change effective December 1, 2022. For comparison purposes the monthly bill for the benchmark 1,000 kWh per month Residential Customer will increase by \$6.98 per month under the Base Case, or by \$0.00 per month under the Alternate Case.

MOTION:

Move to approve/disapprove the PCA as presented under the Base Case or Alternate Case effective December 1, 2022.

ATTACHMENT(S):

PCA Base Calculation December 1, 2022

PCA Alternate Calculation December 1, 2022

Gas Pricing Graph

Rate Comparison

Resolution 92-2021