

CITY OF LAKE WORTH BEACH, FLORIDA

Electric Utility Rate Stabilization Fund

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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- ▶ Amounts are Deposited or Withdrawn from the Fund During Times of Fluctuating Costs to Smooth the Impact to Customers Through the PCA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

Power Cost Adjustment (PCA)

PURCHASE POWER COST ADJUSTMENT (PCA)

Purchased Power Cost Adjustment (PCA): A Purchased Power Cost Adjustment Charge (PCA) shall be established for a projected 3 month period for energy sales during that period 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 generating fuel, and transmission costs

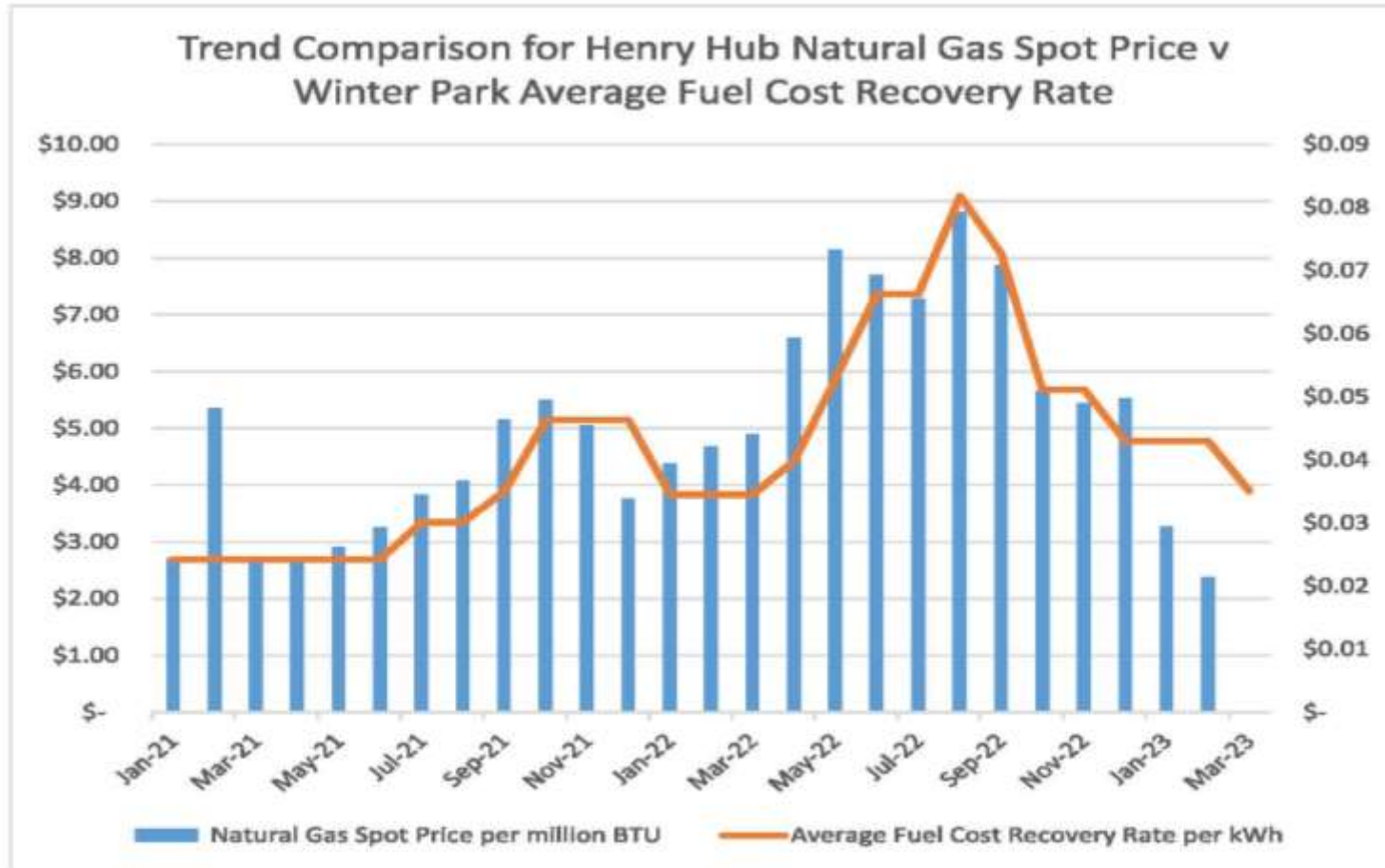
B = A true-up amount representing the over or under recovery of purchased power costs from the prior period

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

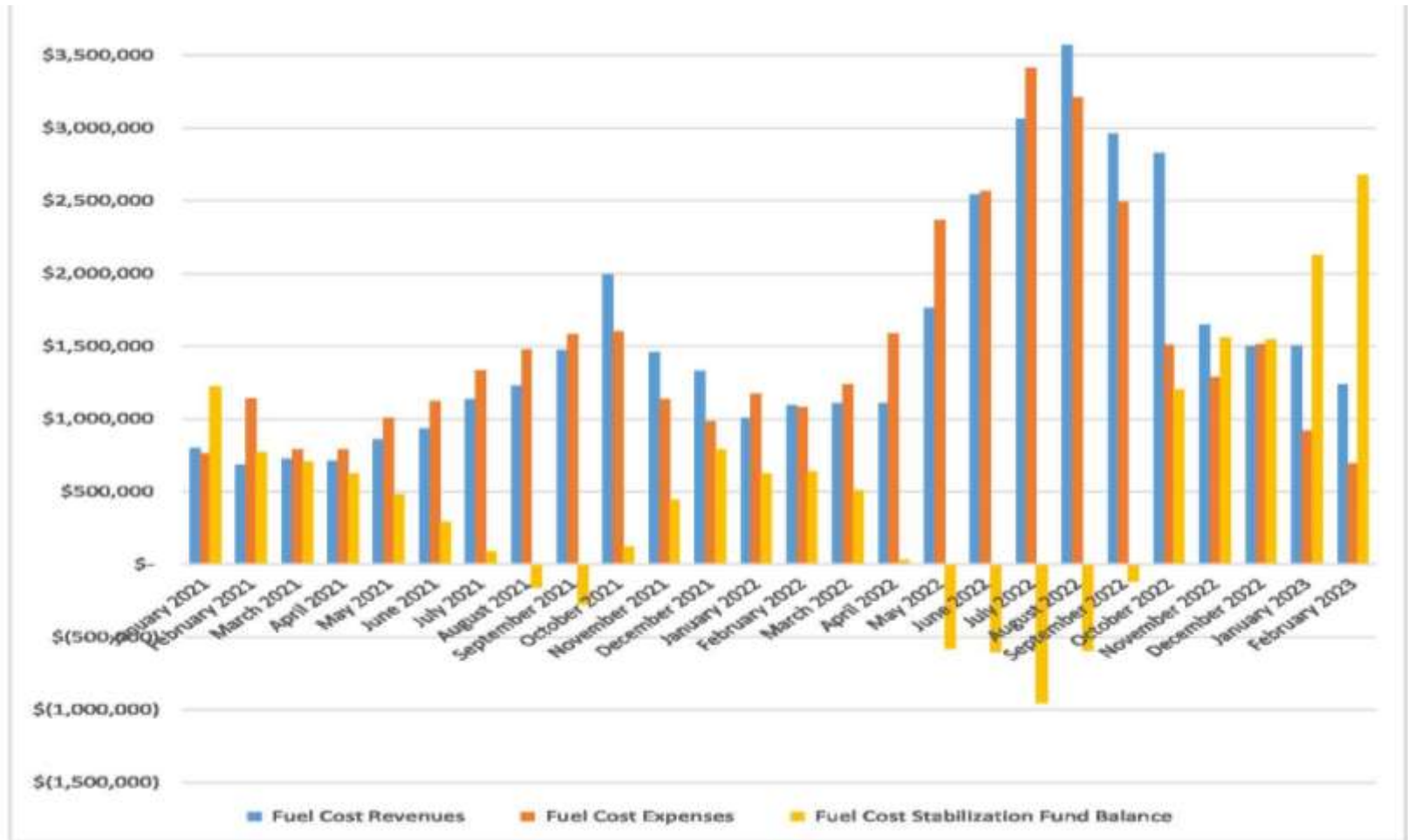
The purchased power cost adjustment charge will be reconciled quarterly and trued up between estimated costs and billing units and actual costs and billing units.

Natural Gas Prices and PCA Example – City of Winter Park



Source: City of Winter Park

Rate Stabilization Fund Balances Example – City of Winter Park



Source: City of Winter Park

Comparison 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	15% - 25% of Projected PCA Costs

Proposed Rate Stabilization Fund

- ▶ Fiscal Year 2023 PCA Projected Power Costs = \$15,851,000
- ▶ 15% x \$15,851,000 = \$2,338,000
- ▶ 25% x \$15,851,000 = \$3,963,000
- ▶ Keys Energy Ratio = \$3,000,000 x 480/744 = \$1,935,000
- ▶ KUA Ratio = \$5,000,000 x 480/1620 = \$1,481,000

Recommendations

- ▶ Establish Rate Stabilization Fund
- ▶ Plan to Make Deposits into Fund
- ▶ Set Target of 15% - 25% of Annual Power Costs or \$2.4 - \$4.0 Million for Fund Balance

Questions / Comments

POINTS OF CONTACT

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