

STAFF REPORT UTILITY MEETING

AGENDA DATE: April 25, 2023

DEPARTMENT: Electric Utility

TITLE:

Exercise of City's extension rights under the OUC Supplemental Energy and Capacity Agreement

SUMMARY:

City's initial Term under the Agreement with Orlando Utility Commission (OUC) expired December 31, 2022. In April of 2022, the City approved the first of two (2) unilateral one (1) year extension. The first one-year extension is set to expire December 31st 2023. Under the Agreement, City has until June 1, 2023 to exercise its extension rights for the second additional one-year Extension Term extending the Agreement until December 2024.

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) projects, the City's own solar farm build atop City's closed landfill, the City's power plant, and a contract with Orlando Utilities Commission for supplemental energy and capacity effective 1/1/2019 with a term of up to seven years ("OUC Agreement"). City's entitlements and/or contracts with FMPA include participation in the St. Lucie Project, Stanton I Project, and the FMPA Municipal Solar Project (Solar I) which will begin delivering electric energy to City by December 2023.

OUC's selection as City's provider of supplemental energy and capacity was the result of City's competitive bid process conducted in 2018 and which has resulted in an estimated \$9 million per year in savings to City. City's competitive agreement with OUC has played a large role in City's achieving residential electric utility rates ranked among the lowest in the state of Florida. The OUC Agreement typically provides for approximately 50% of the City's electric supply annually.

The term of the OUC Agreement is comprised of an Initial Term of four (4) years expiring December 31, 2022, with extension rights for up to three (3) one-year terms which if exercised extend the overall term until December 31, 2025. Under the OUC Agreement, OUC performs various tasks on behalf of City, among them are: A) OUC coordinates, schedules, and dispatches electric energy to the City to supplement energy supplied from the City's contractual entitlements described in the opening paragraph above; B) OUC schedules and dispatches the City's power plant units in the Florida Municipal Power Pool ("FMPP") for City and/or FMPP benefit; C) OUC provides City with electric capacity as nominated by City annually and monthly in order for City to remain in compliance with regulatory requirements for electric generation reserves; and D) OUC arranges for and schedules electric energy deliveries to City via the FPL network transmission system.

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City's Electric Utility Staff is pleased with OUCs performance under the agreement, the flexibility the OUC Agreement provides City in its ability to vary electric capacity nominations monthly to match changes in system requirements, transparency, and ease of verifying monthly billings, and the competitive pricing and measurable savings achieved on behalf of City's electric utility customers.

In April of 2022 the City Commission approved the first one-year (1) extension under which the City is currently receiving service.

MOTION:

Move to approve/disapprove the exercise of the City's right to a second one-year (1) extension of the OUC Agreement and for Staff to provide such notification to OUC by June 1st, 2023.

ATTACHMENT(S):

Fiscal Impact Analysis
Redacted Agreement

FISCAL IMPACT ANALYSIS

Five Year Summary of Fiscal Impact:

Fiscal Years	2023	2024	2025	2026	2027
Inflows					
Current Appropriation	0	0	0	0	0
Program Income	0	0	0	0	0
Grants	0	0	0	0	0
In Kind	0	0	0	0	0
Outflows					
Operating	0	\$11,233,117	0	0	0
Capital	0	0	0	0	0
Net Fiscal Impact	0	\$11,233,117	0	0	0
No. of Addn'l Full-Time Employee Positions					
	0	0	0	0	0

New Appropriation Fiscal Impact:	
	Revenue Source
Department	Expenditure
	Electric
Division	Power Generation
GL Description	Cont. Services/Purchase Power
GL Account Number	401-6031-531-34.20
Project Number	N/A
Requested Funds	\$11,233,117