

STAFF REPORT UTILITY MEETING

AGENDA DATE: September 26, 2023

DEPARTMENT: Electric Utility

TITLE:

Purchased Power Cost Adjustment Update (PCA)

SUMMARY:

Monthly update for the Purchased Power Cost Adjustment in Electric Utility Rates

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 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 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 options for December 1, Staff has calculated actual incurred purchased power costs beginning with December '21 (when the PCA resolution was adopted by the Commission) through July '23 together with a forecast of purchased power costs for the upcoming 3-month period (September '23 – November '23).

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 (Dec '21 – July '23), which are then credited or debited to the following period accordingly.

Monthly PCA Review:

Due to the impact of natural gas costs on wholesale power costs. Staff has developed three cases or options for evaluation by the City Commission.

Option 1 would allow for a transfer of \$3,500,000 to the Rate Stabilization Fund as well as a reduction of \$4.28 on the PCA for the 1,000 kWh/month residential customer.

Option 2 would allow for a transfer of \$2,500,000 to the Rate Stabilization Fund as well as a reduction of \$11.93 on the PCA for the 1,000 kWh/month residential customer.

Option 3 would allow for a transfer of \$500,000 to the Rate Stabilization Fund as well as a reduction of \$27.24 on the PCA for the 1,000 kWh/month residential customer.

Funding the Rate Stabilization Fund would serve to minimize the impact to customers during periods of increase due to rising natural gas fuel costs by withdrawing from the Rate Stabilization Fund to offset PCA costs.

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

Option 1:

Accordingly, the PCA elements effective December 1, 2023 under Option 1 are as follows:

A = \$3,914,976

B = -\$3,606,725

C = \$3,500,000

D = 130,638 MWh

PCA = \$29.15 per MWh

Option 1 PCA; Residential First 1,000 kWh per month = \$0.02705 per kWh

Option 1 PCA; Residential Additional kWh above 1,000 kWh per month = \$0.03705 per kWh

Option 1 PCA; Average; Commercial and Demand = \$0.02915 per kWh

Option 2:

Alternatively, the PCA elements effective December 1, 2023 under Option 2 are as follows:

A = \$3,914,976

B = -\$3,606,725

C = \$2,500,000

D = 130,638 MWh

PCA = \$21.50 per MWh

Option 2 PCA; Residential First 1,000 kWh per month = \$0.01940 per kWh

Option 2 PCA; Residential Additional kWh above 1,000 kWh per month = \$0.02940 per kWh

Option 2 PCA; Average; Commercial and Demand = \$0.02150 per kWh

Option 3:

Lastly, the PCA elements effective December 1, 2023 under Option 3 are as follows:

A = \$3,914,976

B = -\$3,606,725

C = \$500,000

D = 130,638 MWh

PCA = \$6.19 per MWh

Option 3 PCA; Residential First 1,000 kWh per month = \$0.00409 per kWh

Option 3 PCA; Residential Additional kWh above 1,000 kWh per month = \$0.01409 per kWh

Option 3 PCA; Average; Commercial and Demand = \$0.00619 per kWh

If approved, the PCA for all customer rate classes will change effective December 1, 2023.

MOTION:

Move to approve/disapprove PCA as presented under Option 1; Option 2; or Option 3 effective December 1, 2023.

ATTACHMENT(S):

Fiscal Impact Analysis- N/A

Resolution 92-2021

PCA Option 1

PCA Option 2

PCA Option 3

PCA revenues vs. expenses

PCA update – 12/21 – 7/23