STAFF REPORT
UTILITY MEETING

AGENDA DATE: July 29, 2025 **DEPARTMENT:** Electric Utility

TITLE:

Purchased Power Cost Adjustment

SUMMARY:

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 such as the St. Lucie and Stanton 1 Projects, the Rice Creek Municipal Solar Project, the City's own solar farm atop City's closed landfill, the City's power plant, and a contract with Orlando Utilities Commission (OUC) 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 FMPA 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) line item on customers' bills as per City Resolution 11-2024.

Rising natural gas costs, a component of our cost of energy supply, has gradually eroded the Rate Stabilization fund (RSF) such that the balance is approaching the lower limits of the desired fund balance range as established by the City Commission.

BACKGROUND AND JUSTIFICATION:

Staff have developed a projection of the monthly purchased power costs for the period of September 2025 through November 2025 using forecasted natural gas pricing (using published Natural Gas Futures Quotes), contractual pricing for solar energy from the FMPA Municipal Solar Project, anticipated capacity purchases under the Supplemental Agreement, and expected system requirements for the period of September 2025 through November 2025.

These projections are intended to ensure the PCA accurately reflects the anticipated costs of wholesale power procurement. As natural gas prices remain a major driver of these costs, the use of futures market data enhances the reliability of this projection.

In addition to adjusting the PCA to reflect projected purchased power costs, staff recommends an incremental increase of $2.17 per 1000 kWh. This adjustment is expected to generate approximately $150,000 over the three-month period (Oct through Nov). These additional funds will be directed toward restoring the Total PCA Fund Balance, which has been steadily declining since March 2024.

As of June 20, 2025, the Total PCA Fund Balance stands at $288,424 which is below the threshold previously established by the City Commission as a healthy reserve level. The gradual replenishment of these reserves over the next three months will help reduce the need for a more abrupt PCA adjustment in the future, thereby promoting greater stability and predictability for customers.

MOTION:

Move to approve/disapprove the Purchased Power Cost Adjustment by $2.17 per 1,000 kWh as recommended

ATTACHMENT(S):

PCA Review
PCA Calculation Sheet
PCA Resolution 11-2024