

EXECUTIVE BRIEF REGULAR MEETING

AGENDA DATE: December 7, 2021

DEPARTMENT: Electric Utility

TITLE:

Resolution No. 92-2021 - Establishing new Electric Utility Rates and Charges to be Effective January 1, 2022

SUMMARY:

Resolution No. 92-2021 establishes new Electric Utility Rates and Charges effective January 1, 2022.

BACKGROUND AND JUSTIFICATION:

Since 2014, City's electric utility reduced electric rates three times under the direction of the City Commission to achieve rate parity with the neighboring investor owned utility for the benchmark 1,000 kWhr/month customer (an industry standard benchmark for comparison purposes). The last of the three electric rate decreases was implemented in February, 2018, with rates remaining unchanged since then. Today the City's electric utility's residential bills rank among the lowest in the state of Florida, most recent public data as of September 2021 ranks our electric utility 8th out of 32 municipal utilities, and well below the statewide municipal utility average, and with actual bills for a benchmark 1,000 kWhr/month customer ~0.5% lower than the neighboring utility. The proposed rate increases of 6% for residential and commercial customers in the accompanying resolution will result in rates for the benchmark residential customer higher than today but remaining below those of the neighboring utility, and with commercial rates higher than today but with the gap in bills to the neighboring electric utility declining.

The electric utility has been able to operate without rate increases since 2014 due to significant cost cutting efforts by Staff and declines in fuel costs, the latter of which have increased significantly over the past few months globally, nationally, and in Florida. Staff efforts to reduce costs have included implementing operating cost controls, renegotiated energy and capacity contracts, and refinancing of outstanding debt. Over the past four years electric utility Staff has also identified and brought in additional revenues from renegotiated pole attachment agreements, settlements for prior unauthorized attachments by communications companies to the utility's poles, customer growth, as well as bringing in new revenues from underutilized natural gas pipeline capacity assets.

The process of reviewing electric rates began in 2020, at which time the City's electric utility department selected Leidos via a competitive procurement process. Leidos, a leading rates-consulting firm among other services, was selected to conduct a comprehensive Cost of Service Study of the electric utility and recommend adjustments to electric utility rates, where deemed advisable, in order to assure adequacy of revenues to cover increased costs going forward. The electric utility is currently operating under Resolution 69-2021 which continued previously set Electric Utility Rates and Charges for FY2022 without changes from FY2021 amounts.

On November 30th, 2021, following prior budget workshops and budget meetings held in September 2021 which included detailed financial modeling by Stantec, wholesale power cost modeling by Vantage, presentations by Davenport on bond ratings, and updated cost of service

study analysis by Leidos, Electric Utility Staff and Leidos' Staff presented their recommendations on suggested rate increases to the City Commission for discussion and approval. Also proposed were increases in minimum bills, as well as increase in streetlighting charges, all of which are detailed in the proposed resolution.

At the November 30, 2021 meeting the City Commission voted in favor of the suggested rate increases of 6.0% with an accompanying request that the annual Purchased Power Cost Adjustment be made quarterly rather than annually, and that the increased rates be effective January 1, 2022.

MOTION:

Move to approve/disapprove Resolution No. 92-2021 establishing the new Electric Utility rates and charges effective January 1, 2021.

ATTACHMENT(S):

Fiscal Impact Analysis - N/A
Leidos Rates Presentation from Nov. 30th, 2021 Meeting
Leidos Cost of Service Study
Existing Electric Utility Rates Resolution No. 69-2021
Proposed Electric Utility Rates Resolution No. 92-2021