

STAFF REPORT UTILITY MEETING

AGENDA DATE: April 30, 2024

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 2023, the City approved the second of two (2) unilateral one (1) year extensions. The second-year extension is set to expire December 31st, 2024. Under the Agreement, City and OUC have a mutual option to a one-time extension of the Term until December 31, 2025 ("Extended Term"), which shall be mutually agreed in writing by no later than June 1, 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 Projects (Solar II & Solar III) which will begin delivering electric energy to City by late summer 2024.

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.

City's Electric Utility Staff is pleased with OUC's 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, the accuracy, transparency, and ease of verifying monthly billings, and the competitive pricing and measurable savings achieved on behalf of City's electric utility customers.

MOTION:

Move to approve/disapprove the exercise of the City's right to a third one-year (1) extension of the OUC Agreement and for staff to provide such notification to OUC by June 1, 2024.

ATTACHMENT(S):

Fiscal Impact Analysis
 OUC Agreement (Redacted)

FISCAL IMPACT ANALYSIS

Five Year Summary of Fiscal Impact:

Fiscal Years	2024	2025	2026	2027	2028
Inflows/Revenues					
Appropriated (Budgeted)	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/Expenditures					
Appropriated (Budgeted)	0	0	0	0	0
Operating	0	\$8,646,927	0	0	0
Capital	0	0	0	0	0
Net Fiscal Impact <i>(If not budgeted)</i>	0	0	0	0	0
No. of Addn'l Full-Time Employee Positions	0	0	0	0	0

Contract Award - Existing Appropriation (Budgeted)	
	Expenditure
Department	Electric
Division	Power Generation
GL Description	Cont. Services/Purchase Power
GL Account Number	401-6031-531.34-20
Project Number	N/A
Requested Funds	\$8,646,927
Remaining Balance	\$0
Source of Revenue (i.e. Paygo. Current Revenue, Bond Money, Grants, etc.)	New Fiscal Year