

CITY OF GREEN COVE SPRINGS CITY COUNCIL SPECIAL SESSION

321 WALNUT STREET, GREEN COVE SPRINGS, FLORIDA
TUESDAY, MARCH 25, 2025 – 6:00 PM



The city council prohibits the use of cell phones and other electronic devices which emit an audible sound during all meetings with the exception of law enforcement, fire and rescue or health care providers on call. Persons in violation may be requested to leave the meeting.

Anyone wishing to address the City Council is requested to complete a card at the City Clerk's desk. Speakers are respectfully requested to abide by the following procedures:

- | | |
|---------------------------------------------------------------|-------------------------------------------------|
| <i>*Limit your comments to three (3) minutes</i> | <i>*No debating and rebuttals</i> |
| <i>*Speak directly to the Mayor not staff or the audience</i> | <i>*Time cannot be allocated to others</i> |
| <i>*No raising your hand and speaking from the audience</i> | <i>*Only speak one (1) time per agenda item</i> |
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AGENDA

Invocation & Pledge of Allegiance to the Flag

Roll Call

Mayor to call on members of the audience wishing to address the Council on matters not on the Agenda.

COUNCIL BUSINESS

1. Presentation and discussion of updated Electric Rate Study. *Mike Null and Navid Nowakhtar, FMPA*

Adjournment

The City Council meets the first and third Tuesday of each month beginning at 6:00 p.m., unless otherwise scheduled. Meetings are held in City Hall at 321 Walnut Street. Video and audio recordings of the meetings are available in the City Clerk's Office upon request.

City may take action on any matter during this meeting, including items that are not set forth within this agenda.

Minutes of the City Council meetings can be obtained from the City Clerk's office. The Meetings are usually recorded, but are not transcribed verbatim for the minutes. Persons requiring a verbatim transcript may make arrangements with the City Clerk to duplicate the recordings, if available, or arrange to have a court reporter present at the meeting. The cost of duplication and/or court reporter will be at the expense of the requesting party.

Persons who wish to appeal any decision made by the City Council with respect to any matter considered at this meeting will need a record of the proceedings, and for such purpose may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is based. The City is not responsible if the in-house recording is incomplete for any reason.

ADA NOTICE

In accordance with Section 286.26, Florida Statutes, persons with disabilities needing special accommodations to participate in this meeting should contact the City Clerk's office no later than 5:00 p.m. on the day prior to the meeting.

PUBLIC PARTICIPATION:

Pursuant to Section 286.0114, Florida Statutes, effective October 1, 2013, the public is invited to speak on any "proposition" before a board, commission, council, or appointed committee takes official action regardless of whether the issue is on the Agenda. Certain exemptions for emergencies, ministerial acts, etc. apply. This public participation does not affect the right of a person to be heard as otherwise provided by law.

EXPARTE COMMUNICATIONS

Oral or written exchanges (sometimes referred to as lobbying or information gathering) between a Council Member and others, including staff, where there is a substantive discussion regarding a quasi-judicial decision by the City Council. The exchanges must be disclosed by the City Council so the public may respond to such exchanges before a vote is taken.



STAFF REPORT

CITY OF GREEN COVE SPRINGS, FLORIDA

TO: City Council Special Session **MEETING DATE:** March 25, 2025
FROM: Mike Null, Asst. City Manager
SUBJECT: Presentation and discussion of updated Electric Rate Study. *Mike Null and Navid Nowakhtar, FMPA*

BACKGROUND

The Electric Department completed a rate study with Leidos in July 2024. Following the completion of the FY 2023 Audit report and the FY 24-25 budget process, staff felt it was best to immediately update the rate study with the most recent information as the rate study had used unaudited 2023 numbers as the base year. Over the last several months, city staff has worked closely with Leidos and staff from FMPA to update the July 2024 rate study as well as establishing certain assumptions to ensure the financial health of the Electric Department enterprise fund and the physical health of the electric system moving forward.

Navid Nowakhtar with FMPA will be presenting the findings of this rate study update Tuesday evening.

FISCAL IMPACT

TBD

RECOMMENDATION

Subject to City Council discussion and direction.



Green Cove Springs Electric Rates Workshop

Green Cove Springs

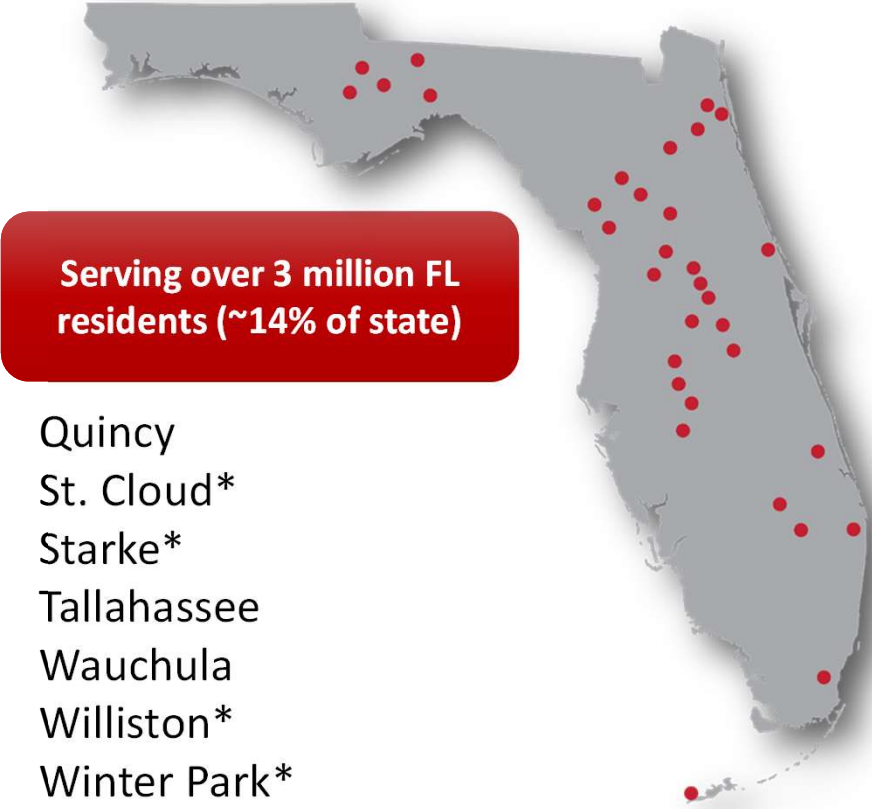
March 25, 2025

All 33 Florida Municipals Are Members of FMPA

Provides Full Long-Term to 13 and Partial Power Supply to 13

Alachua*
Bartow
Blountstown
Bushnell*
CFTOD*
Chattahoochee
Clewiston*
Fort Meade*
Fort Pierce*
Gainesville
Green Cove Springs*
Town of Havana*
Homestead*

Jacksonville*
Jacksonville Beach*
Key West*
Kissimmee*
Lake Worth Beach*
Lakeland*
Leesburg*
Moore Haven*
Mount Dora*
New Smyrna Beach*
Newberry*
Ocala*
Orlando*

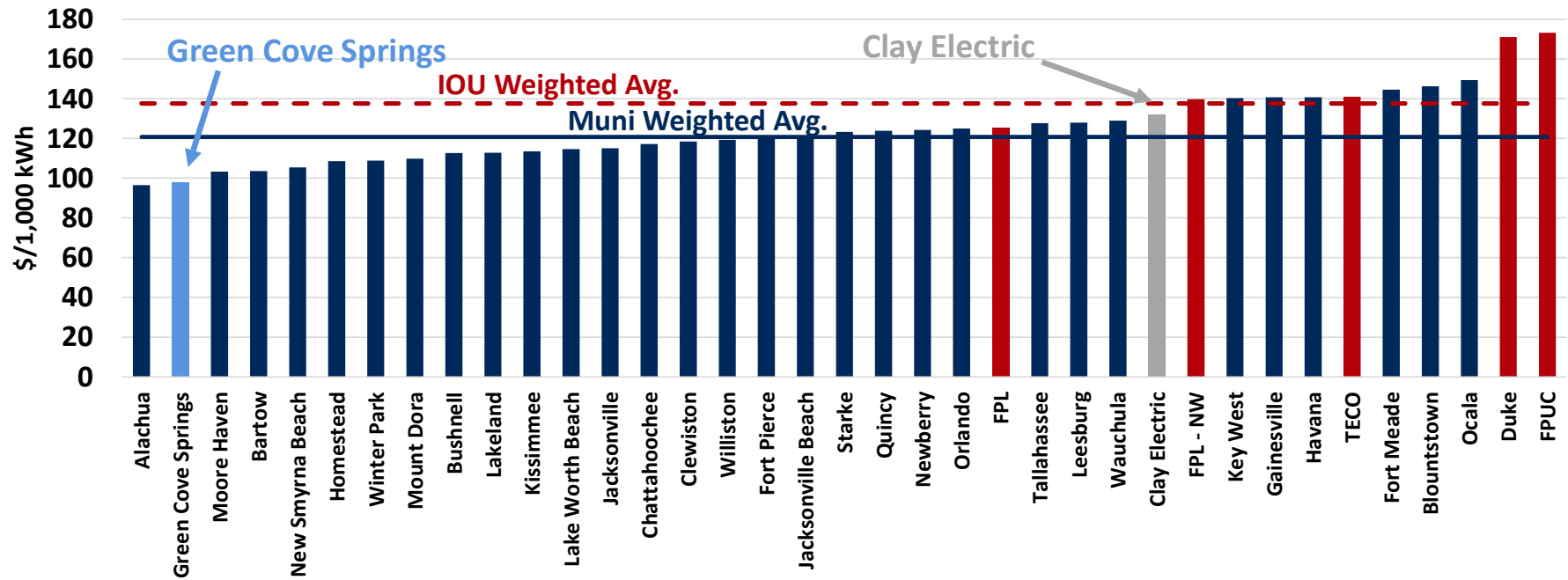


* Supply all or some of members' energy via FMPA's electric power generating resources (current and planned).

Green Cove Springs Rates Highly Competitive Today

Rank Near Lowest In The State, Far Below IOU Average

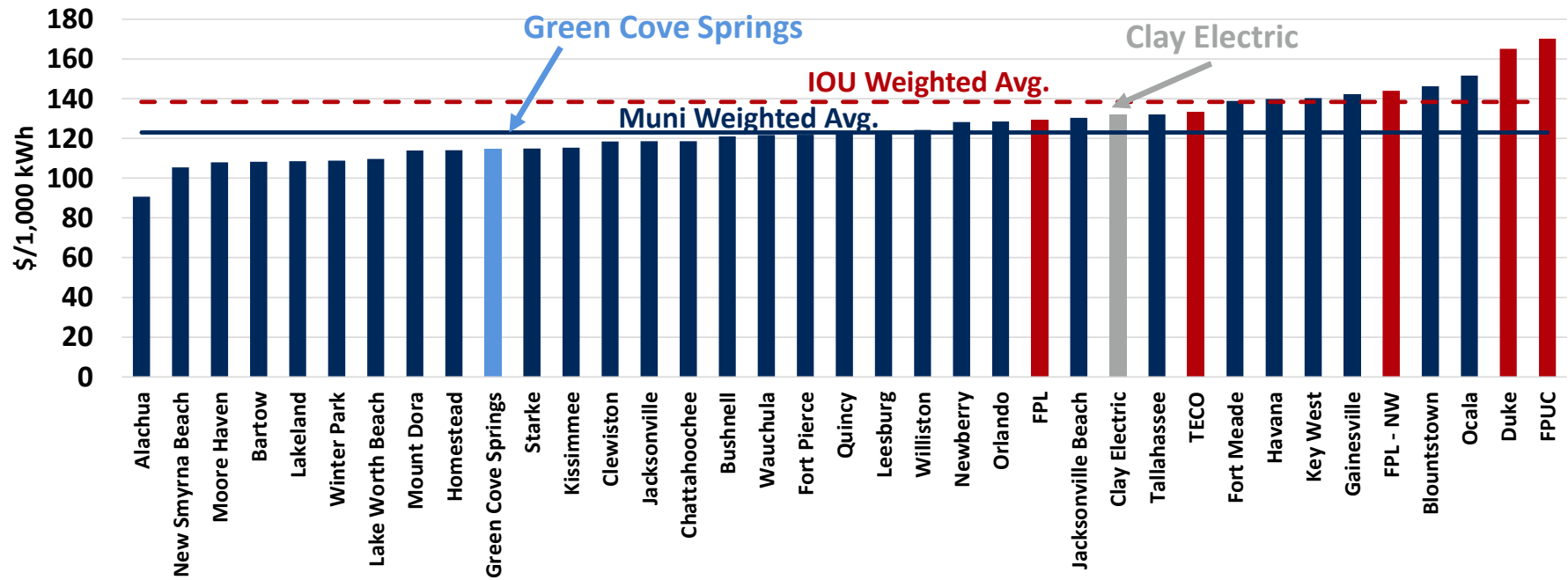
1,000 kWh Residential Bill Comparison: December 2024



Note: Muni and IOU weighted averages are weighted by 2023 annual load. Based on FMEA data and other publicly available sources.

Green Cove Springs Rates Highly Competitive Full Yr. Well Below Municipal and IOU Weighted Avg. Last 12 Months

1,000 kWh Residential Bill Comparison: 12-Month Weighted Average CY 2024

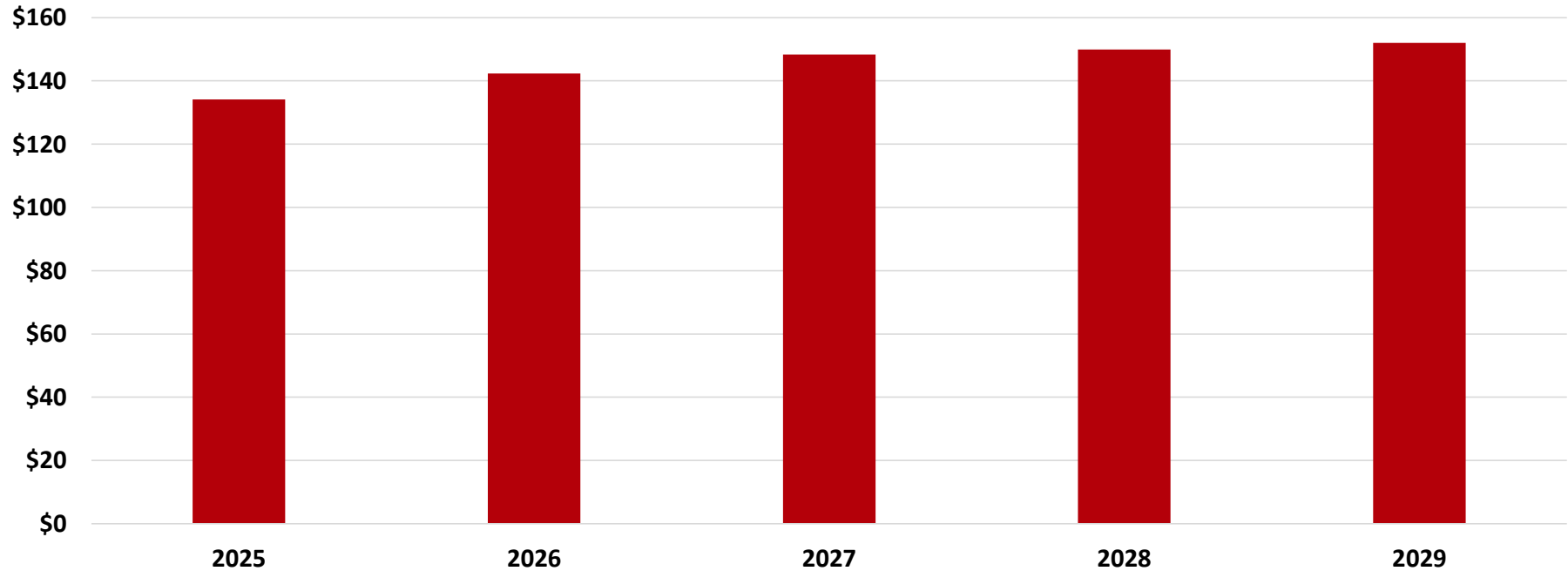


Note: Muni and IOU weighted averages are weighted by 2023 annual load. Based on FMEA data and other publicly available sources.

FPL Seeking \$9 Billion Rate Hike Next Four Years*

Rate Spread Likely To Grow Materially in Favor of GCS

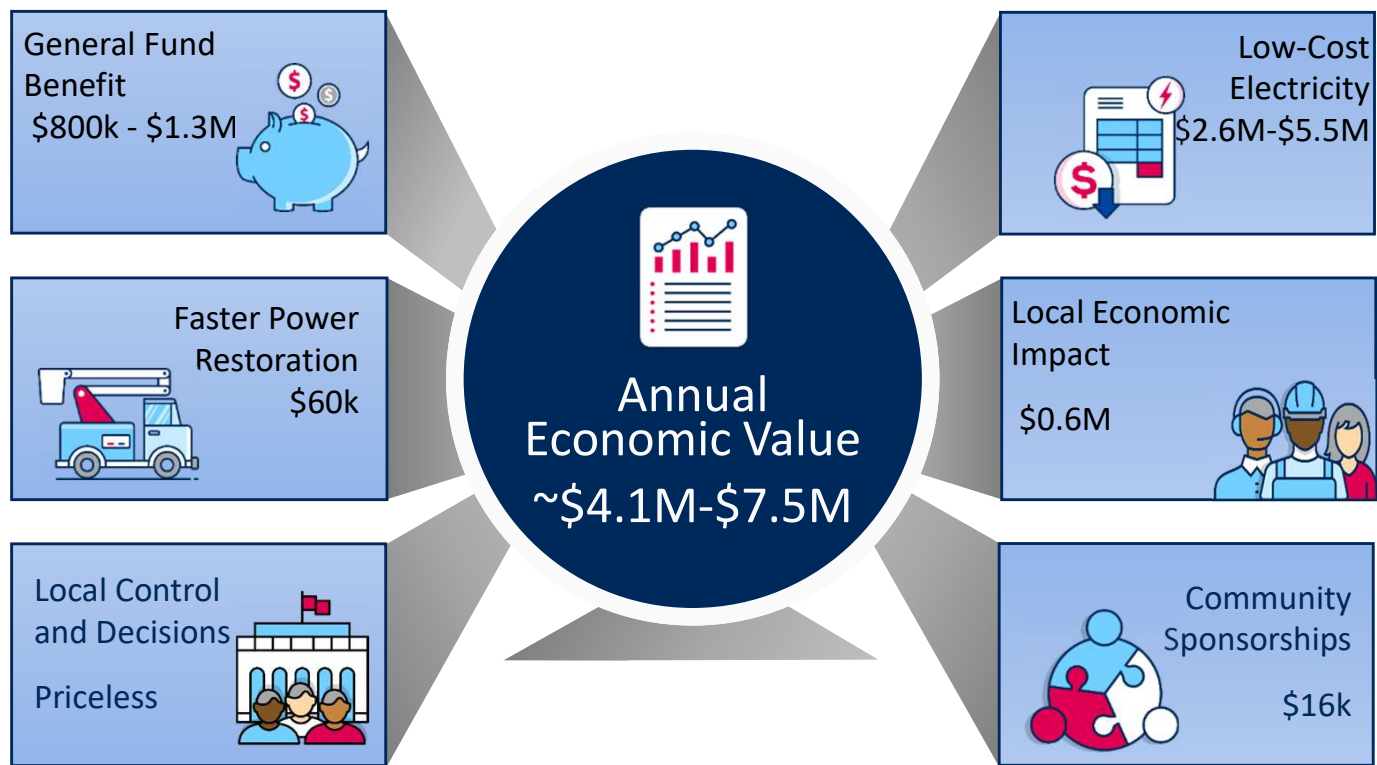
As Filed FPL Residential Rate Increase Potential For FPL (Traditional Service Area)*



*SOURCE: <https://www.cbsnews.com/miami/news/fpl-seeks-steep-rate-hikes-over-next-four-years/>

Electric Utility Provides High Value to Community

*\$4.1 - \$7.5 Million in Annual Economic Value From Business**



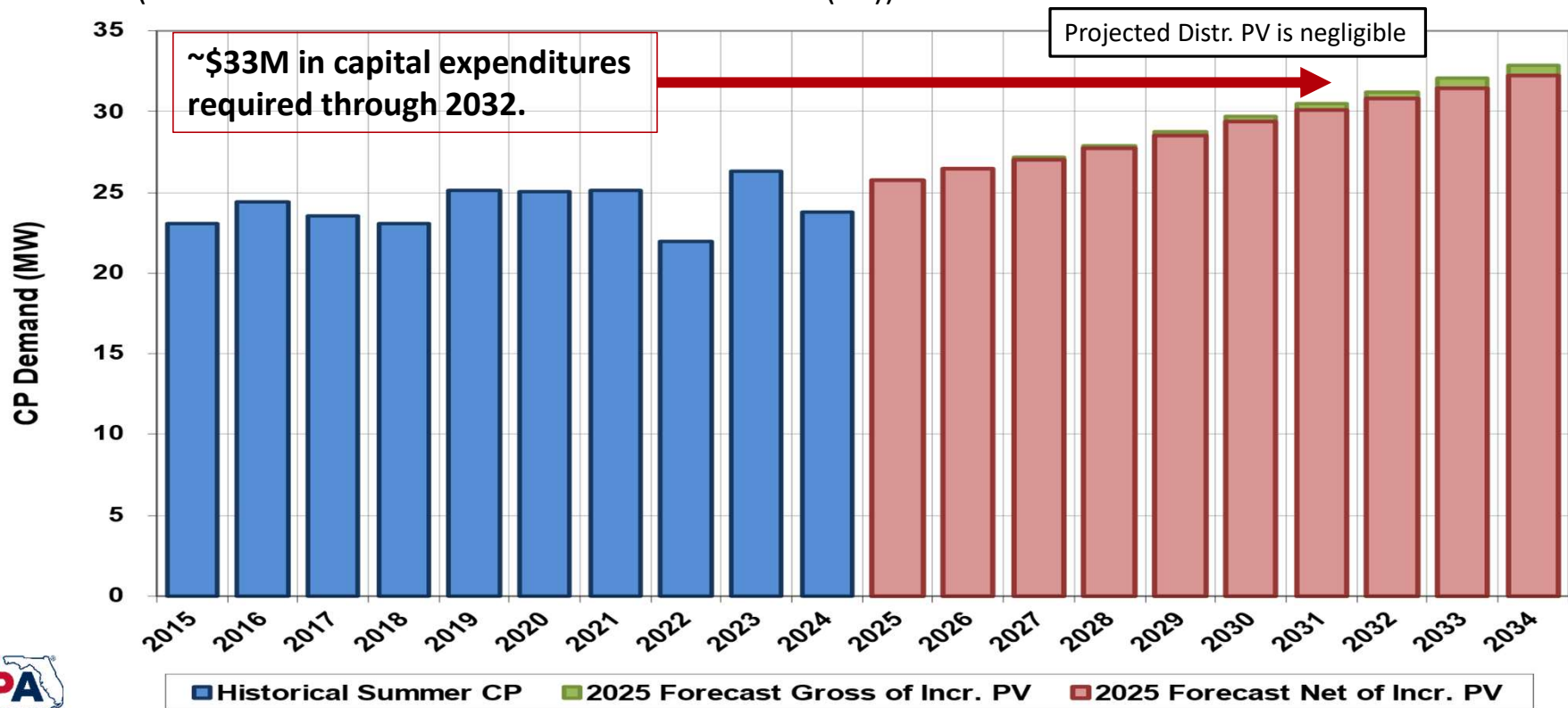
*Estimate based on publicly available information. Subject to change, based on conditions and assumptions.

Future Load Growth Expectations Drive Investments

Must Proactively Plan Infrastructure To Support Needs

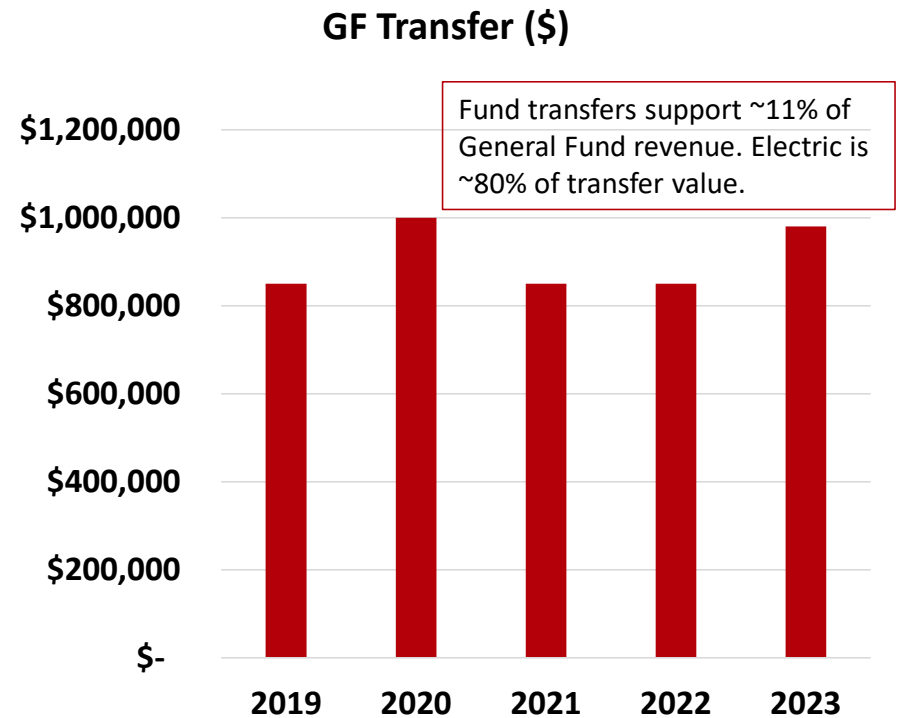
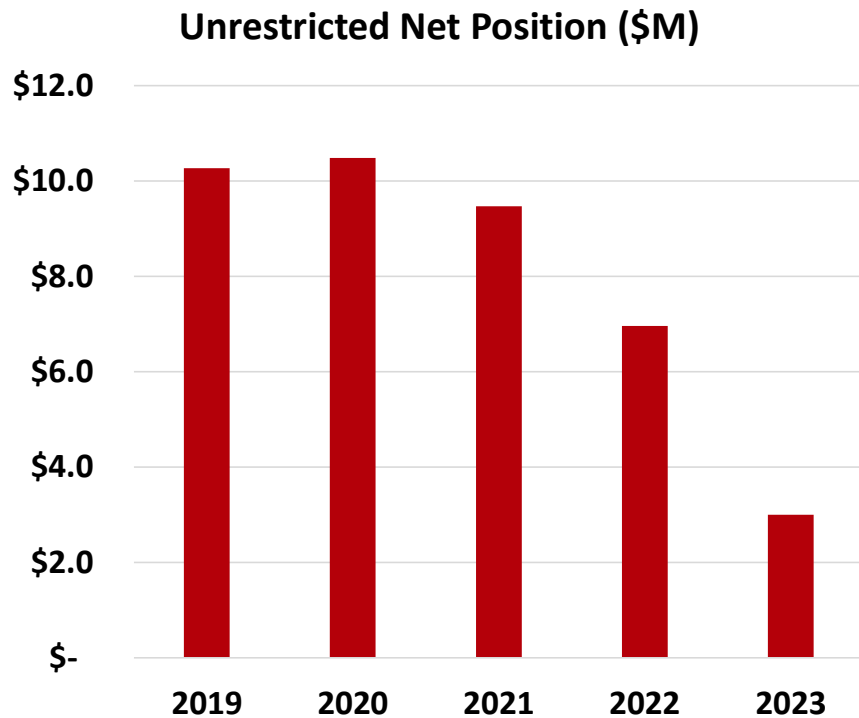
Projected GCS Delivered Summer Coincident Peak Demand

Base Case (Gross and Net of Incremental Distributed Solar (PV))



Recent Revenues Insufficient To Cover Electric Cost

Net Position Declining, Electric Transfers ~80% of Total



Leidos Review of Rates Drives Revenue Sufficiency

Capital/O&M Plan With No “Plan of Finance” Rarely Gets Accomplished



Rate study looks across entire electric business to answer key questions to support prioritized plan with sufficient detail.



What are the crucial capital expenditure needs of the enterprise? How will funds be secured?



What new technologies do we want to deploy? Are they high priority?



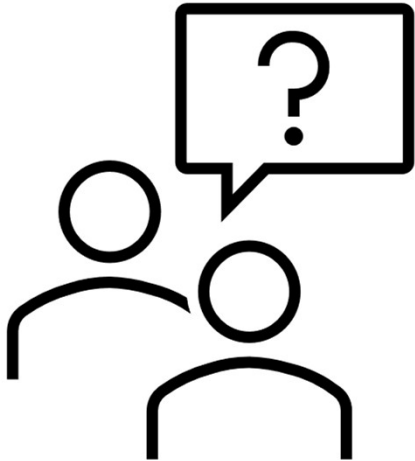
What are the administrative and general costs we expect?



Do we have enough revenue to accomplish our goals?

Impact On Rates Reviewed Iteratively in Leidos Model

Priorities, Timing, Customer Rate Impacts All Part of Equation



As wholesale power costs evolve, model adjusts to ensure break-even on power costs via PCA.



How do rates compare with neighbors? What can we afford, or can expenditures be smoothed?



Are strategic priorities part of adjusted rate structure?

Leidos Rate Study Sought Ideal State for Electric Utility

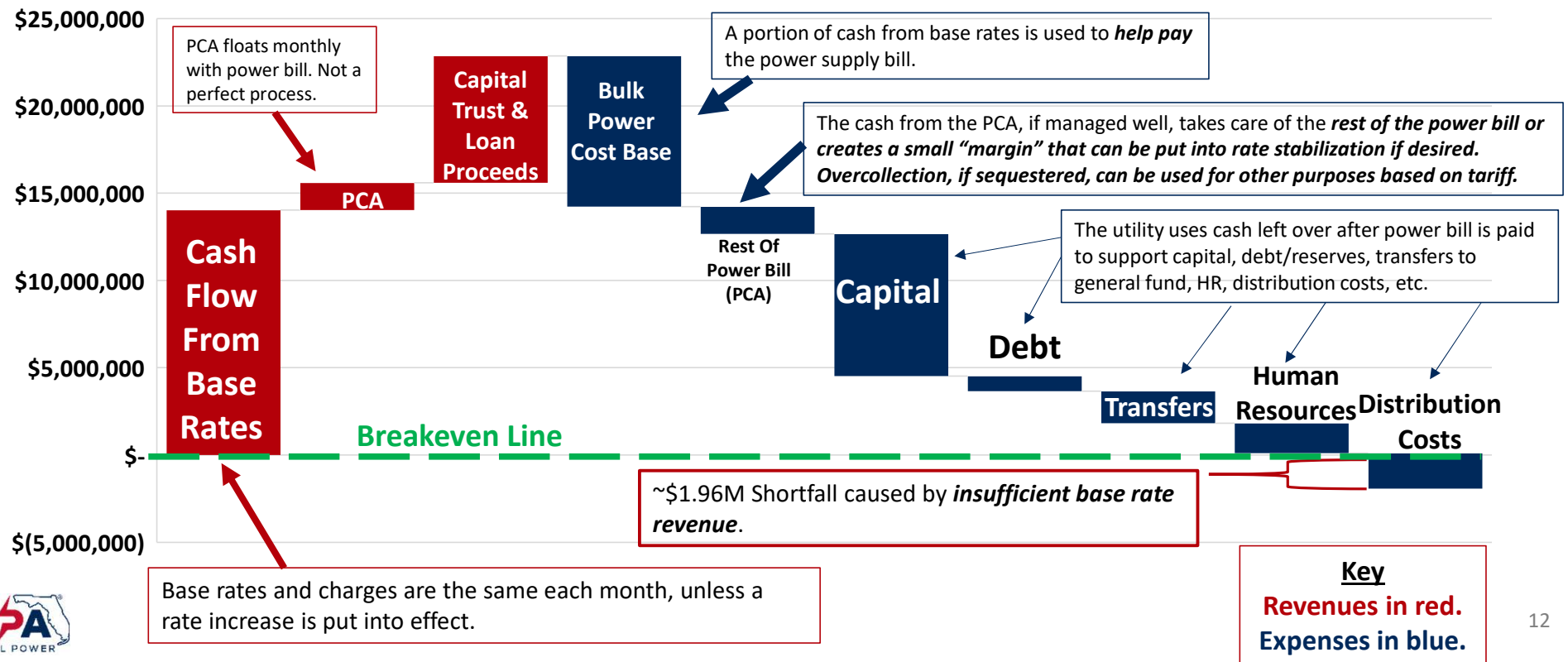
Key Driving Assumptions Impact Revenue Requirements

- **Retain Utility Value Delivery** - General Fund transfer modeled per electric tariff as 13% of prior year base revenues per year
- **Conservative Basis for Retail Sales** - flat load forecast
- **Accurate Starting Point for Modeling**
 - Capital improvement trust balance adjusted for FY'25
 - FY '24 trued up to reflect actual performance
- **Adequate Funding for Future Capital** - CIP/R&R Fund build modeled as 3% of base revenues in FY '26 – results in ~%\$500k per year to R&R and capital reserve

Projected Rates Insufficient w/o Base Rate Increase

FY'25 Projection Shows Sources of Revenue < Projected Use

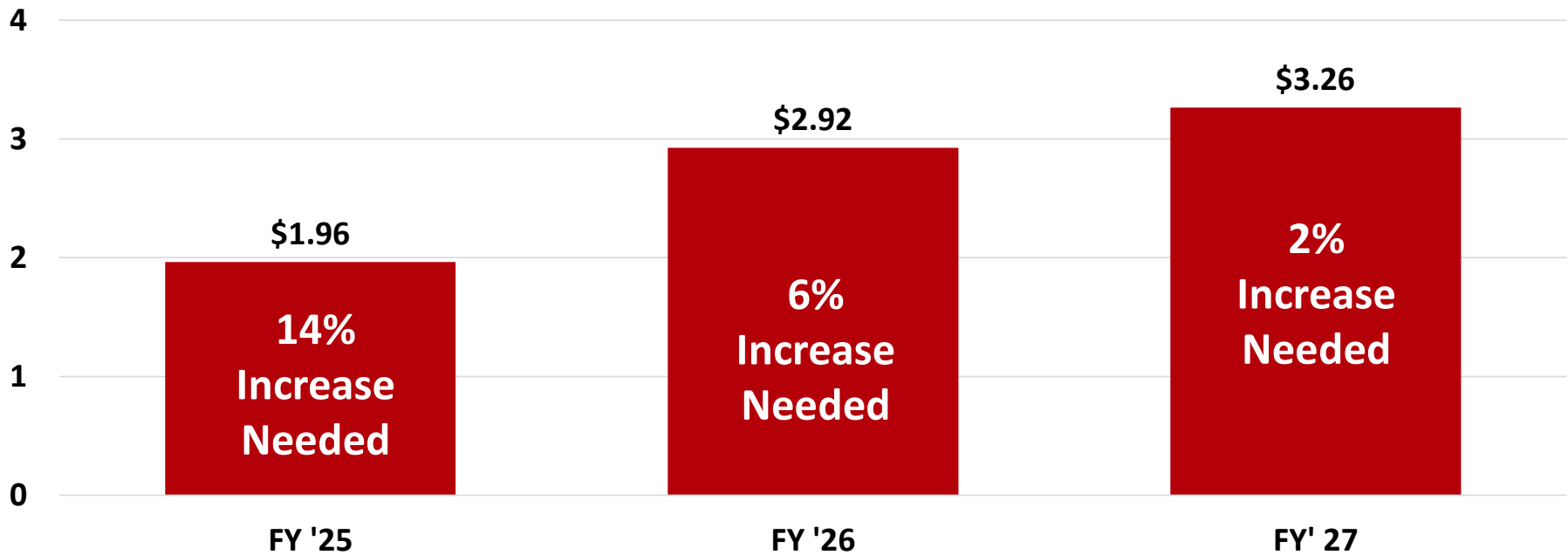
Projected FY 25 Cash Position w/o Rate Increase – GCS Electric (\$)



Base Rate Revenue Needed Drives Rate Increases

FY '25 5 Months In, So FY '25 & FY '26 Could Be Combined

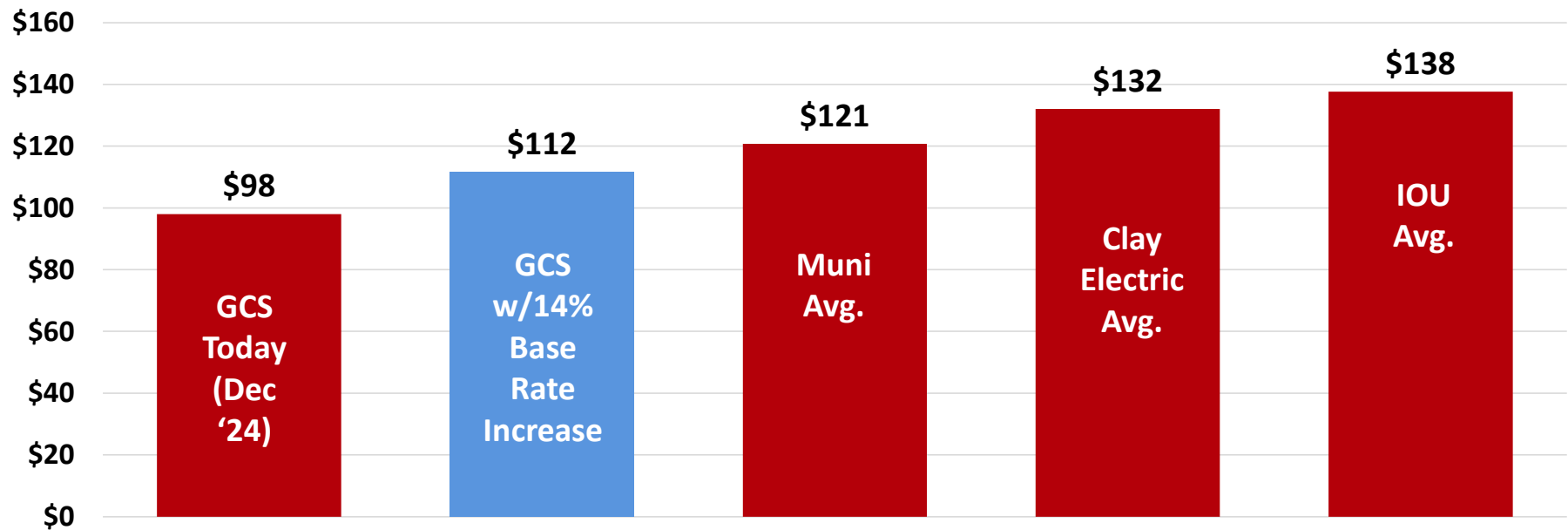
Projected Additional Base Rate Revenue Needed (\$M)



Base Rate Increase Possible While Staying Low Cost

Impact Example For Full Year FY '25 Base Rate Increase

Comparison of Green Cove Springs Recent Rate Today With Example Base Rate Increase (\$/MWh) - Residential



PCA Overcollection Due to Administrative Lag

Adjustment to PCA To \$0/MWh Post Rate Restructure

- Green Cove Springs implemented base rate increase during FY '24 (January) that included a rate restructuring to capture more bulk power cost in base rates (\$20/MWh more covered in base rates after implementation)
- Rates were filed with the PSC, but subject to administrative lag using prior bulk power cost base – resulted in overcollection of ~\$1.5M in FY '24
- ~\$0.5M over-collection rollover from prior period
- Recent period low-cost drove PCA down to \$0/MWh consistent with restructuring; ebb and flow will remain with lower volume sales months
- Staff proposing to strategically allocate \$2M over-recovery position, which requires stakeholder action

PCA Over-Recovery Proposed to Remain As Reserves

Ensures Funds Set Aside For Stabilization, Interfund Payback

- PCA over-recovery through fiscal year ended 2024 ~\$2M
- Exceeds threshold for needed adjustments
- Staff proposing to allocate funds to service needs as follows:
 - \$1M in general electric reserve
 - \$0.5M for PCA fluctuations
 - \$0.5M to repay interfund transfer

2. *Under recovery.* If the BPCA under recovers the actual costs of bulk power supply and related expenses, the city will increase the BPCA to collect the under recovery. If the BPCA over collects actual costs of bulk power supply and related expenses, the city will decrease the fuel adjustment to credit back to customers the over recovery. In order to stabilize fluctuations in the BPCA, the city manager may determine to phase in such increases or decreases over time. In no case, however, will cumulative under or over collections be allowed to exceed eight percent of the fiscal year's annual adopted bulk power supply budget without appropriate adjustments to the BPCA. All over recovered funds remaining at the end of a fiscal year would be carried over to the subsequent fiscal year to be applied to the BPCA calculation for future months.

Seeking Feedback On Next Steps and Strategies

Gradual Build To Ideal State Targeted

- Base rate increases required to align with ideal state for electric
- Gradual increases timed with active position management, especially for capital needs
- Gradual recovery to full transfer level based on base revenues
- Conservative assumptions on growth and financing needs
 - Helps temper near term needs, so more moderate rate increase can likely work to improve overall net position
- Seeking core feedback on level and timing of adjustments