

**AGENDA MINUTES
MEETING
CITY HALL, 501 W MEADOW STREET
WEDNESDAY, NOVEMBER 1, 2023 5:30 PM**

1. CALL TO ORDER

The City of Leesburg Electric Advisory Board held its inaugural meeting on Wednesday, November 1, 2023, at Leesburg City Hall. City Manager Minner called the meeting to order at 5:30 p.m. with the following members present:

Dan Robuck, Large Commercial Account
Marc Schwartz, Fruitland Park Residential Customer
Tim Morris, Lake County Residential Customer
Jessica Flinn, Small Commercial Account

Board member Jack Braton, Leesburg Residential Customer, was absent. Also present were City Manager (CM) Al Minner, City Clerk (CC) J. Andi Purvis, Mike McCleary with FMPA, Electric Deputy Director (EDD) Chris Adkins, and others.

INVOCATION

CM Minner gave the invocation followed by the Pledge of Allegiance to the Flag of the United States of America.

PLEDGE OF ALLEGIANCE TO THE FLAG OF THE UNITED STATES OF AMERICA

2. SELECTION of OFFICERS:

CM Minner stated the first order of business was to choose a Chairperson and Vice-Chair.

Board member Robuck made a nomination for Tim Morris to serve as Chairperson. Nomination passed.

Board member Schwartz made a nomination for Jessica Flinn to serve as Vice-Chair. Nomination passed.

3. INTRODUCTIONS BY AL MINNER, CITY MANAGER

CM Minner provided a brief introduction of the purpose of why they are there. He wanted to talk a little bit about what they would be doing this evening, and would then turn it over for a presentation. The City of Leesburg is lucky and fortunate enough to be a special city in that we own and operate our own municipal electric utility. We own and operate several utilities; electric, water, sewer, and gas. We serve a metropolitan service area (MSA) of about fifty thousand people and growing in Northwest Lake County. Our electric territory is specific, as most of the other territories are, but in the electric world, the

Florida Public Service Commission (PSC) regulates utilities. There are some deviations in that and they would talk about those as they go along. However, the number one thing every utility in the state, whether you are an investor-owned utility, a cooperative utility, or a municipal electric utility, they all have to report to the Public Service Commission about territory. Every square inch of the State of Florida is drawn out and agreed to by in-depth legal descriptions of what area each utility serves. The City of Leesburg's electric territory is the northside of Fruitland Park from the Sumter/Lake County line, moving to the east, kind of straight across until they get to about one thousand feet east of Radio Road. Then that line goes straight down to Lake Harris and it comes around the lake and then there is a section of line that cuts across the top third of Lake Denham. When they get south of Singletary Park, if you find that section of line, it goes straight across to the Sumter County line and back up. If they can envision that box, that is the city's customer base. To date, we have about twenty-seven thousand electric customers and growing. One of the things we do in the municipal electric utility industry is keep track of what customers are inside and outside of our corporate limits. Of twenty-seven thousand customers, we are about fifty/fifty, fifty percent of our customers are inside corporate limits and fifty percent are outside corporate limits. The electric industry is changing in the State of Florida. He has been in the electric utility industry about thirty years, with a respite from that industry for about ten years when he was in Sebastian, Florida, but all the other cities he managed had electric utilities. In fact, one of the reasons he came to Leesburg was to get back into the electric industry. Things have changed but some things remain the same. One thing that they have always talked about in the municipal electric industry is the influence of investor-owned utilities, a tightening market, and a need to ensure that customers are properly represented. That really was the genesis for why the city back in 2017 created this advisory board. For lack of interest, lack of need, the board was never filled, but recently, during the last legislative session of this year in 2023, that was why he started the story, saying the industry has changed, even though it really has not. In the thirty years he has been in the business, they have always talked about the coming storm and the legislation last year in 2023 was really the catalyst that he saw for the first time that showed things were really starting to heat up. It is starting to heat up in terms of representation, and pretty much the squabble between investor-owned utilities and municipal utilities is that we are smarter about how we consume electricity, we are more efficient, and loads are not growing as fast as we projected back in the early 2000's. There has been more of a watchdog on us to make sure that we are competitive, to make sure that we are spending our money correctly, and there is more of a fight over the available customer base. What we have seen in the past couple of years is investor-owned utilities are starting to slip into taking over municipal electric utilities and purchasing other smaller investor-owned utilities. Long story short, that was the catalyst for what started with the legislation in the state capital this year. There are other sides to that story that narrow down and as we talk more they will get into it. The most recent one was with Gainesville Regional Utilities (GRU) and it all rooted back to that dichotomy that he just talked about. The board's purpose is to function as a utility authority. He did not want to steal too much thunder from Mr. McCleary because he will talk about the types of ways they get their electric provisions in the State of Florida. It is an investor-owned utility, co-ops, and municipal utility. He will talk about that, but the purpose is to sit as an authority and advise the commission on operations, capital improvements and ultimately, rate-making. To be able to do that, they need to know a little bit about electricity, not a lot, but a little bit. Tonight they will be talking about electricity 101. If we were taking a college course, we would need to know the basics and the divisions of how power goes from a power plant to how they turn it on in their house. Without that kind of rudimentary discussion, they will talk about stuff that they will be making recommendations on that they do not have a basis for. With no disrespect to anyone, but board member Robuck is most up to speed from his time on the commission and he represented the City of Leesburg at FMPA. It was important for them to have him as a board member. CM Minner introduced Mike McCleary, who is a former employee of Ocala Electric Utilities. He also moonlighted for a short term with the Florida Municipal Power Agency (FMPA). They are the organization that purchases the wholesale requirements for the city and other utilities.

4. PUBLIC POWER PRESENTATION BY MIKE McCLEARY, FMPA

Mike McCleary of FMPA said his presentation would be pretty broad. He may cover things they may already know, but the concept was to make sure that everybody starts off in the same position. There may be a slide or two that they may want to get a copy for conversations in the future, so they know which part of the process they are talking about. Referring to a slide, he said he liked the photograph, because it demonstrated how reliant we are on electricity. He wondered what the world would be like without it. He wanted to show what Florida looked like in the early 1900's, but unfortunately, we did not have the space agency at the time to help with that, but it does give an idea of where we are today. He showed a postcard from a cooperative utility in Texas where, in 1942, someone had a power failure. They had to send a postcard informing them that their lights were out and asking if someone could come to fix them. No one knows how long it took to get that fixed. Back then people were not as concerned about getting their lights turned back on as we are today. The basics of where we are and the caveat to all of this are talked about in broad strokes. There are three types of utility in Florida; investor-owned utilities, which are Duke, Florida Power and Light and TECO. We also have municipally owned utilities, which include various cities that have systems. Then we have cooperatives, the Rural Electric Authority, which was formed in the early 1930's. When it comes to margins, they talk about why margins are important and the difference between what it costs to deliver the product to the end customer, whatever is left over at the end, and what they do with it and where it goes. In an investor-owned utility, that margin would go to the stockholders, who are invested in it, getting their rate of return. Municipal-owned utilities have a margin and whatever is left over between delivery and costs tends to go back to the community. However, it is not always in a specific area. It is typically broad strokes when they talk about community. With cooperatives, the Rural Electric Authority was formed back when it was not practical to have a lightbulb twenty to thirty miles out in the middle of nowhere. Back then, the idea was to electrify the whole United States and a program was put together to encourage electrification across the country. With the municipal and investor owned, they think of the system being how many meters they have in a mile of wire, and the cooperative is how many miles of wire to a meter. They are completely different thought processes. What makes Leesburg unique is having SECO, who is a cooperative and, because of The Villages being overly dense, that is a unique format. Cooperatives are usually a much different business model than what we see at SECO. It is not that way at Clay Electric Co-op, which is located in the Ocala National Forest. They are a completely different utility. He showed the three different business structures and how they look with where the margins go. **CM Minner** mentioned that of the three utilities in the state, seventy-five percent of customers are covered by an investor-owned utility. The investor-owned utilities are Duke and Florida Power and Light. Florida Power and Light is the big giant in the state and one of the biggest investor-owned utilities in the nation. We also have TECO and the Florida Public Utilities, located in the panhandle, but they are pretty small. Seventy-five percent of the state is covered by an investor-owned utility. That leaves municipals and co-ops to cover the last twenty-five percent, which is pretty much split down the middle at thirteen and a half percent each. In the State of Florida there are thirty-three municipal electric utilities and six co-ops. Between all the organizations and entities, everyone is able to have lights in the state. Those are important numbers to keep in your head. **Mr. McCleary** said to throw out another generality. When talking about voltages, it has been said that it is generated at fourteen thousand volts. That is not an exact number, it depends upon the generating unit because it may be twelve or thirteen thousand volts. These are all generalities and there are usually a broad range of variations for why it is that way. Just for broad strokes, they say it generates somewhere around the fourteen thousand volt range. From there, the voltage is stepped up and it goes in to the transmission system. It goes across the transmission system (whatever distance it is between the source and the customer) and goes into a distribution area. In Leesburg we have a distribution area where the voltage is transformed again. It is twelve thousand four hundred and seventy volts. That is the city's voltage distribution. It then steps down more for the customer. That is a broad stroke of the big picture of how it starts at the generating unit and

works its way to the customer.

Referring to a slide, he said, to get a little more specific without getting too deep, there are a variety of types of generation. In the top left, is a steam turbine/gas turbine. For Leesburg, the bulk of the fleet that we generate electricity from is called a combined cycle. It is a massive jet engine that burns natural gas. That natural gas turns in the jet engine, which creates electricity. The steam that comes off of that, from trying to cool it, turns on another generator, so they wind up with both forms and have far fewer losses. In that combined cycle there are two different things. By doing that, they use more energy from the gas, turning that into electricity. Keep in mind when they talk about electricity, it is really just moving energy. It is cheaper to move electricity from a source to your house than it is to carry a can of gas. This is an energy source; it converts into something that can be transported and carried around. Sometimes he carries it around on his phone, sometimes it is carried around on the wires, but that is what they are doing. They are just trying to move it. Internal combustion engines are the things they are accustomed to. It may be a generator in their house, which has an internal combustion engine. There was a time when many communities ran on oil or diesel generators. When it comes to hydro-electricity, you may think about the Hoover Dam. There is only one hydroelectric facility in Florida. It is called the Jim Woodruff. It is located in the panhandle near Chattahoochee. Wind turbines do not work well in Florida because we do not have the wind needed for them. They need a good steady wind to keep going. We are accustomed to photo-volatile solar panels. We see them, and we talk about them a lot. They have looked at the value of installing them. No matter which one they talk about, there is always a cost and a value. They also hear about biofuel. He knows of a trash facility where, when the methane gas comes off, it is burnt and that is a biofuel. They could take tree limbs and weeds, burn them up and spin another turbine. That would be another form of biofuel. The grease from McDonald's gets put into diesel trucks as a biofuel. These are the resources for our generation. There is a variety of them, but they do not need to get into what is better or worse, because it is about where they are in the world and how it works. With the transmission system and thinking about it being like a turnpike, there is very limited access, large structures, large conductors, and most of the systems are owned by investor-owned utilities. Some municipalities have small pieces of transmission structures, but the larger pieces are owned by the big guys because they can afford to do that. Keep in mind that everyone who uses the highways pays for that. They pay a toll when they use the highway. Electrons are dumped into a pool and the straws in the transmission system draw the electrons out and deliver them to where they need to go. They may or may not get the electrons that are generated for you specifically because there is a large pool and they are all together. It goes in the path of least resistance. One thing to note about transmission lines is that we cannot just go out and build our own. We cannot run out and say we want to get into business. There are regulations in place that keep us from doing that and no one wants to have one in their backyard. If that happened, it would be a pretty big undertaking, but they cannot go out and start building these structures. **Board member Robuck** asked if the public service commission had set their rates for transmission? **Mr. McCleary** answered it was not the power service commission that set the rates, but there is an organization that does set the rates. However, he did not believe it was the public service commission. That is outside his skillset, but it is a regulated rate. The distribution system is at the utility level, and the first thing they look for are the substations. There are several located throughout the community. Inside the substations are two large transformers that will step the voltage down from the delivery voltage to something that is common to the community. It makes it easier to move around and puts it at a level that the regular employees are able to deal with. He mentioned that he really simplified this because he could go through lists of what is located inside the fences, but there is a transformer and a breaker system. If the lights blink in your house, that is typically the breakers, and they can talk more about that later. However, when the lights blink, that is a good thing, it tells you that the system is doing its job. When the lights blink, that means your lights will stay on and the problem is solved. A lot of times people do not understand that, but the breakers are doing their job when the lights turn on and off quickly; it is the breakers trying to solve the problem. Then there are communication systems and when he talks about communication systems for those old

enough to remember putting a key in the ignition in your car to turn it on, they do put a key in it to turn it on. That closes the relay and the relay then makes the starter go. It communicates with the breaker and tells it what to do and under what circumstances it will do it. It can be as simple as turning a key, or it could be very sophisticated where there is a room with all sorts of screens where people are looking at flashing lights all over. It would leave you wondering if they understand what they are doing. The typical transformer in a substation costs around one million dollars. They could start a bit less but they can go significantly higher. The lead times are anywhere between eighteen and thirty-six months. He was in management about five to six years ago and they had a transformer fail. He stated they needed a new one immediately, and it took almost nine months to fix his emergency. The components are critical to the system and they have to pay attention to them and take care of them. Once it leaves the substation, everything outside the substation is referred to as the fence. That is everything outside and it goes from there all the way to either a house or business. There are poles, wires, and underground stuff. Everyone sees it but it is more recognized as being a green box near the edge of your property. Electricity is carried by the conductors. It goes from the substation to the transformers and that takes twelve thousand volts. It steps down to a reasonable rate for a home or business. Most homes will be wired for one hundred and twenty to two hundred and forty volts. That serves a house as service conductors. He marvels at the idea of this being a hazard. We all tell our children not to play with it because it is dangerous. Yet there is one hundred and twenty volts accessible right there, which is a relatively safe system. They have done a good job creating a system that works and moves energy around. They touched on voltages and transmission systems and have higher voltages because of that and those things are much more efficient once they start getting closer. That is why they lower the voltage to make it safer, but efficiencies are lost there and it is harder to carry the energy. They can get into the math of it at another meeting if they want to go that far. For metering, that is when it comes to your home, there is a single meter that goes into the house and all the electricity that goes into the house goes through that meter. That is a typical home. It is pretty basic and he used to joke with the meter people because they count electrons to find out how much each household is using. It is an important part of the process, because they need to know how much the bill is. As they get onto larger and larger scales, there are meters in the system where the delivery point is, that counts the electrons. The same principle, it just includes more scale. It is more complex, but it is the same basic thing and they are doing the same counting as they go by. That is the big stroke of what the system is and how it runs.

Now that they touched on generation, transmission, and distribution systems, he wanted to give a quick breakdown. Again, with wholesale costs, this is typical and not necessarily specific to anyone, it is just broad strokes. The wholesale cost of energy from the generation to the delivery point is between sixty and seventy percent of the overall delivered price. When they look at that, the other thirty to forty percent is what runs the company and it takes care of all the internal stuff. The interesting part, when they look at this, it is a much more complex part. The closer they get to the house or the business, the more complex it is. The more people, the more wires and stuff they need. However, that is a smaller portion of the overall and that is relative to fuel. He would let the economists deal with that, if they want to do that. To understand how this breaks out, when they talk about the wholesale, they are talking about generating from the supplier, which is FMPA, and then the transmission lines, how to get it there. They get a certain percentage of it and that is a regulated cost. What happens internally is relative to the operating maintenance costs and overhead is part of that cost.

Chairperson Morris inquired if that sixty to seventy percent is regulated. **Mr. McCleary** replied the generation itself is not regulated because they own the generation. The city owns the generation as a member of FMPA. They are owner members. The fixed cost is just that, it is a fixed cost. That is how much it costs to have this machine sitting there doing its thing. Then the variable part of that is the cost of fuel, so by participating in the budgetary process and participating with them throughout the process, the city is the one that regulates the prices. **CM Minner** added to give a local number. There are three components; generation, transmission, and then distribution. For distribution for the city, he would

include the metering, customer service, and all that stuff. That is part of everything that comes after the substation. Generation and transmission is what the city buys from FMPA. That is typically sixty to seventy percent of the cost to get electricity to your house. In Leesburg, that number is probably closer to eighty percent. If they have been to a budget presentation, they show the big giant book that the city commission adopts. This year there was a two hundred and twenty million dollar budget. Every year, he says there is one section in that two hundred and twenty million budget that is forty percent of the whole budget and that is FMPA. The city's FMPA number is about sixty million dollars and that is in the electric fund. It is about sixty million and that number covers generation and transmission. When they look at the electric distribution numbers, which are personnel, operations, capital and debt, the rough house is about sixty million to pay FMPA. Personnel is around three million dollars, operations are about three million and capital is around six million, but it needs to be three million dollars. Then our debts were around three million dollars. So, about eighty percent is generation and transmission. When they start talking about fixing prices, our cost, which is eighty percent, is dictated to us because of generation and transmission. **Board member Robuck** said the city has a representative on that and even though he does not remember the number, the big number from FMPA is fuel cost. **Mr. McCleary** agreed and that is variable and he would say over the past year or so it has been as much as fifty percent of their cost, which is natural gas. It fluctuates and there was a time when it was much more stable. That is the best way to say it. He can remember conversations about saving ten to fifteen cents on an MMBtu of gas. Now, if it was only a ten cent swing, everyone would be tickled to death because they have been watching it swing by dollars; between three to ten dollars. It can be dramatic. **CM Minner** mentioned that for Leesburg eighty percent is generation and transmission and then fifty percent of that eighty percent is natural gas. So, when the city saw a big spike in power cost adjustment from a penny and a half to seven cents to get the recovery, that was because of the volatility of that market. When the rate was down to around one hundred and seventeen per thousand, gas cost about two bucks a dekatherm. Gas in that time frame, for about a year, jumped up to ten to fifteen dollars a dekatherm. The market had come back to around four dollars and we put in hedging, so we saw it start to recover, which is when they dropped it to three cents and then they dropped it again to two cents. We have kind of artificially ensured our costs will not exceed four bucks, and it can manage that fifty percent. The fluctuation, of fifty percent, has a humongous impact on that eighty percent. **Chairperson Morris** questioned if there were any other companies like FMPA that Leesburg could use or are they the only company that does this. **CM Minner** responded that they are the only company that does it in the State of Florida. Every state is different, yet they are the same. In Missouri they have the Missouri Intergovernmental Joint Electric Association and there is pretty much one for every state. **Board member Robuck** stated that the city is actually an owner, we own part of this. **CM Minner** continued by saying, all the municipal electric utilities across the state are either going to generate their own power or they are going to buy it from a conglomerate like FMPA. They will have the Georgia Municipal Power Agency, Alabama Power, and Oklahoma Power, so every state has their own. **Board member Flinn** wanted to verify if he said thirteen or thirty-three cities. **CM Minner** replied it was thirty-three. **Board member Robuck** added that FMPA, which the city is a member of, does shop to an extent. **CM Minner** stated they would break down FMPA more at another time, but FMPA has what they call different projects. They will have a project with maybe just two utilities, like Jacksonville Electric Authority (JEA) and OUC. They will have a power plant that was built to serve members from FMPA, but it may not cover all the members, but it does cover JEA and OUC. There are six projects in FMPA. **Mr. McCleary** remarked that he was unsure of the specific number, but when a generation facility is being purchased, or being built, FMPA has the opportunity to invest in that on the city's behalf. That is the project they are talking about. Right now, they are building Turkey Lake where FMPA and its members, whichever members decide, like St. Lucie, decided to take part in that. It may be one half of one percent right. It is minimal when they think about it in the grand scheme of things. For the city, it could equate to ten or fifteen percent of what energy delivers. **Chairperson Morris** said to drill down on that they are probably bonding it. **CM Minner** agreed. **Chairperson Morris** added that they are responsible for paying off that bond. **CM**

Minner mentioned there are layers. They have FMPA as the mothership and when they say a project, that means a generation project. There could be multiple generation projects and these are different requirements. Hence, the All Requirements Project (ARP). The city goes to FMPA with thirteen other cities and we buy all our requirements from FMPA. That is one project at FMPA. It is the flagship project of FMPA. **Chairperson Morris** inquired if it may not be a facility that we are drawing power from. **CM Minner** agreed. FMPA and the all-requirements project will have different projects underneath itself where we may buy a contract from OUC, Duke, or from FPL. We may have our own power plant and the chart just keeps unfolding. That is just one project and there may be another project that FMPA is involved in, like St. Lucie, which is a nuclear project. There is a nuclear power plant in St. Lucie County, where FPL owns part of it and different member cities of St. Lucie and Leesburg is one of them. They will see two lines in the budget and that will be the All Requirements Project, where we buy about ninety percent of our power and that comes from the All Requirements Project. However, some of our power comes from St. Lucie, who we are a member of. Leesburg is a member of two projects. So, whenever they see somebody with a lapel pin, that is FMPA. When they say project, that means some type of generation facility. **Board member Robuck** commented that a couple of years ago, FMPA did a solar project and we chose not to participate in that one because it would have raised our costs at the time. We did some surveys and the residents were not wild about that. That was an example of when they did one and we elected not to participate, but we could have. **Chairperson Morris** asked if it helped the rates, being a participant. **CM Minner** answered it depends. Typically, municipal electric utilities that have one hundred thousand customers or more will have their own generation facilities, so the City of Lakeland owns the Macintosh Plant. JEA has their own facility and they would mix that with other projects, but that number is typically 100,000 and above. For Florida, 100,000 and above would be JEA, Gainesville, Tallahassee, which does not have any generation, Lakeland, and Orlando Utility Commission. Those cities, minus Tallahassee, are the big five in the state. All of them but Tallahassee have their own generation and they purchase from others. As they drop in utility size, they start seeing the utilities coming together to make generation and transmission choices that are most efficient. That is the Walmart mentality of purchasing power. The larger the group you get together, the better chance you have of safety in numbers. They would share the loss or share the gain and that keeps it neutral. **Board member Robuck** mentioned that was what he got out. When he first went on the commission, the city was ARP and Mount Dora, who also has a utility, was just buying an open market. At that time they had much lower rates than us and it was because there was an excess of power on the market at that time. However, that can flip the other way and if they are just buying short-term, so through ARP, we have guaranteed capacity and access to that. The flip side is, we may not always be the lowest provider. **Mr. McCleary** said there was a function of that and he asked them to forgive him because they were getting off the slides, but there is a function of that. They did not discuss when they talked about straight up where the price per megawatt delivered. Mount Dora has to go to market and if they have not traveled the path they will find that going to market is cumbersome. It takes a significant amount of effort for staff to dedicate themselves to that process and they may wind up at a lower megawatt hour rate. When they are done with the negotiations, they may find that they have invested a small fortune in getting there and they have to do it again in five years. There is a base price but there is a level of administration that happens on a grand scale in their office in Orlando with people that deal with all that in the city's name so they do not need to. **Board member Schwartz** asked what ARP stands for. **CM Minner** answered that ARP is the all-requirements project, so ARP is one of the number of projects that FMPA manages. FMPA manages a number of projects and one of them is the all requirements project. There are thirteen member cities of that; KUA Kissemmee Utility Authority, Leesburg, Ocala, Fort Meade, Bushnell, and Key West. There are thirteen cities that come together and we would say probably Leesburg, of the thirteen cities, is probably the top eight as far as number of customers. Typically, what they will see is, for comparison purposes, thirty-three electric utilities in the State of Florida, Leesburg ranks twelve at twenty-seven thousand customers, and once you get below Leesburg, in customer base-so, that is the remaining fifteen utilities, twelve hundred five thousand repeat thirteen times. **Chairperson Morris** wanted to know who

manages FMPA in their budget process? **CM Minner** said that would be the member cities.

Chairperson Morris asked if they would bring a yearly budget saying we needed to expand and get twelve more people to do whatever and that is what their costs are. **CM Minner** agreed, the FMPA has a staff of about eighty employees. **Mr. McCleary** stated it is seventy three, which is a guessed number by the number of parking spaces, and they are about to bring in two more facilities which will increase their inhouse number of employees because of the generating plants coming on board. The FMPA is a cooperative of cities. They are formed and looking at their business model, he has a tax-exempt form and when he does business it is like a government. Everything he does he has to make sure it is for the public good. That is the basis of the work he does. It is the basis of the work they do in his building. It is always from that perspective, the same as it is in this building. They are a cooperative of the municipal utilities and they function very similar to a government body. They are governed by a board of directors of thirty-three members and there is an executive committee which is made up of the all-requirements project. The all requirements project is just that, they will take their energy from FMPA and the members ventured into this saying they are all going to band together and do it as a unit. The reason they get into that is to say that they do not want people coming and going because they issued bonds. You cannot have people coming and going when you have that kind of liability out there. **Board member Flinn** inquired if board member Robuck was on that committee. **Board member Robuck** responded he was on the policy-maker committee. Al and Brad serve as voting members. **CM Minner** clarified that Brad Chase is the Electric Director. **Board member Robuck** said there is a city commissioner who serves as a representative, and there are quarterly meetings of the policymakers. It is worth going over if you have time at some point because they go through what the power cost is, the operational costs, and their target for the year. They talk about what is happening and it explains how FMPA works. **Board member Flinn** asked if there was always a commissioner appointed for that. **Board member Robuck** stated correct. **Mr. McCleary** stated for the record that there are public meetings, just like this one, and everyone is welcome to them. They are broadcast so they can tune in from wherever they are. They do not have to come to the office in Orlando, but they are welcome to because they have plenty of space. They are publicly noticed and broadcast so they can attend. To provide some perspective on what a single event can do, (referring to a slide) he wanted them to notice where Key West was and this picture shows what Florida looked like in May of 2017. He then showed a picture of Florida the day after Irma. Irma came up through the center of the state and on the next slide he showed where the Keys were. It took them a couple of weeks to get everything going. He just wanted to show a perspective on how fragile this system can be. As a lineman, he prefers to think that the lights are still on, that is how robust we are, when considering how devastating that system was. If there are any questions, he would be glad to help.

Board member Schwartz said the city stopped recycling. They are being told that the garbage is being used to generate power. Where is that going? There is a sticker on his recycling bin that says there is no need to separate any longer. It is all going to one place where it is burned for electric. **CM Minner** answered that he would put that into biofuel sections. In Leesburg, we stopped recycling because of expense and problems with the recycling chain post covid and because most of the recyclables were sold to China. After covid there were transportation issues and all sorts of stuff and in the city's backyard there is an incinerator, Covanta. So, Covanta is a biosolid generator where they burn garbage and the heat from the garbage they mix with water and that water makes steam, which turns into a turbine and is connected to the grid. They are their own proprietors for selling generation into the grid and different entities purchase power from Covanta. In all honestly, he did not know who the buyers of that were. He does not believe that FMPA buys power from Covanta, but one of the member cities used to, and that was Winter Park. The trash goes into the truck, it goes to Covanta, it goes to the incinerator and burns. Recyclables are burnable and they burn at such a temperature that it goes away and, because they are turned into fuel or electricity, cities receive credit for being green because it is considered a biofuel. **Board member Schwartz** asked where Covanta was located. **CM Minner** answered it is located off of Hayward Worm Farm Road, near Arlington Ridge. **Board member Schwartz** asked why the city does not benefit from

something that is geographically that close to us. **CM Minner** responded because the city is in the all-requirements project. The all-requirements project started in the late 1980s when a group of cities came together and formed the all-requirements project. When the group of cities came in, they sold tax-exempt bonds and tax-exempt bonds are the heartbeat of why the investor-owned utilities do not like municipal utilities, because the bonds are tax credits and their bonds are taxable. That would be the first argument. He had a commissioner in Fort Meade who did not know much about the banking business and he said municipal utilities are like Credit Unions. Municipal utilities are the credit unions for the banking industry. The cities came together and formed a group to generate “x” kilowatts for the group and they sold 30-year bonds. Part of the agreement, when we shook the hand, was they were going to cut the cost and share the highs and lows, but you cannot get out of the group because we had to spend millions of dollars buying that block of energy. The principle of the all requirements project is you cannot generate electricity because that hurts the group. Now, add that in to fifty years later, is the number of series of bonds, series of generation projects, and every time they initiate a new project, the same rule starts as another thirty year commitment. **Board member Robuck** added that it would not matter anyway because they would still sell it at market rate. They would not sell it to the city cheaper because we are closer, they will still sell it at the market rate. It is not like buying it from a generation where they get the specific electrons because they all go into the distribution system and spread it around. Unless the city could purchase Covanta and actually own the incinerator, then that would be a different story. **CM Minner** said even in that suggestion, if the city bought Covanta and built a 69kV line to hook into all our substations, our agreement with FMPA says we cannot do that. We have to share the cost with our partners and we are tied with the bonds.

Board member Schwartz said he had some billing questions. Does the city bill differently for residential than they do for commercial? And if so, why? **CM Minner** replied yes. We bill differently based on rate. There are classes of customers; residential customers, commercial customers, and commercial demand customers. Residential customers are the bread and butter of our system, as about seventy-five percent of our customers are residential customers. They have a typical load performance and there is a certain typical voltage that we talked about, the 220 volts that go into the house. It is a single phase, meaning there is one stream of electricity that comes into the house that turns on your lights, your refrigerator and it does everything. It is easy to measure and easy to consume and we understand it. That has a price based on that cost. The next level of customer is a commercial customer and they typically have a higher voltage that goes into their business, but they function like a house on steroids. Then there is a demand customer. The demand customer is what we refer to as a three-phase customer. They need a higher voltage to turn on bigger motors and engines. If they go out and look at their overhead, a circuit is a series of three wires, but we call them in phases; A phase, B phase, and C phase. An example would be McDonald's, Romac, and Cutrale because they need three phases of energy to turn their motors. They are billed on two levels. In the residence and commercial industry, they just pay for what they consume, but they have a peak and a non-peak. If it was water, they drink gallons, but it comes out of the faucet at a pressure. When you are a big customer and a demand customer, the city bills for how much they peak, at how much you consume at one time and how much is used over the course of a month. Because when Dan is cutting wood at 3:00 p.m. he is putting a load on the system, that then trickles back to the generation side, so we have to bill a generation facility and there are three phases of generation; base load, intermediate, and peak load. The higher they get there, the more expensive it becomes. Let's just say the number one hundred and there are 365 days a year at 24 hours a day, you are going to use fifty percent of one hundred. You will bill the power plant, which is 365/7 days a week. Every minute of the day, the engine is on. It is called a base load. The intermediate load is a bit less than the peaking load. They may need as much peak as they have on the base but do not use that energy all the time. However, they have the same cost to bill that generation. When they peak, everything has to go on at once and then everything has to turn off. To recalculate that back, it is in the residential matrix, but on the commercial demand side, we count it even closer because those are the contributors that really cause us to peak out.

That is why we have different rate structures. Some of the different utilities will shift the costs around so that residential rates will subsidize industrial rates or industrial rates will subsidize residential rates. The city's rate-making strategy as a municipal electric utility is to equally divide the cost amongst all customers. There are tiers of rates. **Board member Robuck** said there are tiers within residential as well based on the usage, correct? **CM Minner** said the city tiers are based on the usage, but our tier is the first thousand is one rate, over one thousand is another and we only have two tiers. **Chairperson Morris** asked if seventy-five percent were residential, then that demand customer is what ten percent? **CM Minner** replied that the demand and industrial is about twenty-five percent for Leesburg and every entity will be different. **Mr. McCleary** mentioned that one of the consultants referred to renting a car and the family was coming. They have six people that will ride with him, so he needs to go get a car that will hold six people. After picking up six people, if you drop off four and now there are only two of them and they ride around for the rest of the month, even though they needed the six-person car when they first rented it, that was the demand. Now, with how much fuel he burns the rest of the time, that is the usage. **CM Minner** said the city will measure the system 24/7. We are generally running around one hundred megawatts, but depending on the time of year, because we are dual peakers in Florida, we peak in the summer and winter. Depending on when it is hot or cold, you will turn that dial up to either cool off your home or warm it up in the winter time. Leesburg generally runs ninety to one hundred megawatts constantly. However, we do peak and this year the United States, everyone put together, had the highest peak in the history of electrification. This year we broke our peak. We were at one fifteen and we went to one twenty-five using round numbers. Our peak is about twenty-five percent more of our load three percent of the time. The best lesson he ever got about electrification was from a guy named Ken Yzel from Medgemug. We have power over time and it is the s-curve. The peaks are expensive and if we roll that into how we buy electricity from the all-requirements project, we do it like a demand customer. We have a standard usage, and a peak, so we pay a typical use charge and then we have a peak charge and whenever we peak, our price goes up. **Mr. McCleary** said, as a component of that, the transmission system is the same way. When they consider what it is like at rush hour, everyone is trying to get home at the same time and the transmission is the same way. When Leesburg is peaking, so is Ocala and Winter Park. Everyone is using that same wire, so those transmission structures that we see from nine to five, Monday through Friday, may only be at seventy percent of normal. Those prices are governed the same way. **Chairperson Morris** asked if they are penalized for the power plant to go peak. **Mr. McCleary** agreed, stating that is a function of the way the pricing is, in order to make the pricing equitable so that everybody pays their part. There are places where they are able to adjust their rates according to that time frame. It is a challenging thing and an expensive endeavor, but it happens. From what he reads in the articles, it does not work as well as we wish it would. The one thing about electricity is that it is always paid in the rear and we have already used it. When we put gas in the car, we watch the pump. With the temperature outside and adjusting the thermostats to fit that day, we feel good about what it is, but it will be thirty to forty-five days before they feel the pressure of that. It is really hard to get prices to change his activity unless it has a significant impact on his budget. **Board member Schwartz** said as we continue to grow as a community both on the residential and commercial side, will we get better economies for our raw costs, that would potentially show up across the service area. **CM Minner** replied no, because the all-requirements project is designed to provide an equitable price for the cities and the rate matrix gives credit for whether you are a generator or a non-generating city. There are two or three cities in the all-requirements project that bring generation to the table and, while we all get the same rate, we start giving credits back to the cities that bring generation to the table in addition to the other resources that we buy. So, because Leesburg joined the party back in the 1980s as a non-generating city, as we grow we are growing customer base, but we are still not able to bring our own generation to the table because when we joined the party we were a non-generating city. We do not get scales of economy for our growth, we get scales of economy because we are in the pool. **Board member Robuck** mentioned that the city gets scale on the other twenty percent though, the non-FMPA portion of the budget, the city's internal portion of the budget. As we bring people on, we are not growing staff, but we are not growing the city's

operational budget in the electric department, which does not grow exponentially with new customers. We do not need a new electric director if we add five thousand customers, there is still one electric director. **Chairperson Morris** said it was not a break even. There has to be profitability somewhere for growth.

Board member Schwartz said they talked early about the margin, where the margin goes back to the city. Is there an industry standard as to what an acceptable margin is at the end of the year? It is constantly a fluid thing, but what is an acceptable margin? **CM Minner** answered it is a secret if you are an investor-owned utility. They will report six to ten percent to the Public Service Commission stating they are only making that. A rule of thumb for a city is six to ten percent, which is seen in the transfer. If the margin to the general fund is within a six to ten percent window, you are deemed to have a reasonable margin. That is exclusive of what they call the cost allocations. The cost allocations in the City of Leesburg are, we have an electric utility being the electric fund and that fund specifically covers the cost of power through the all-requirements cost. St. Lucie, personnel, debt, and operations are the fixed costs. However, the electric fund uses the city manager, the electric fund uses the IT department, the electric department uses the customer service department, and the electric department uses the city attorney, so if the electric department was its own investor-owned utility or its own cooperative, they would have fleet costs and all the other costs. The city takes the costs that are in the general fund and divides them amongst the other utilities, such as electric, water, sewer, and gas on the percentage that the electric fund uses the city attorney. The percentage that the electric fund uses customer service. It is based on the percentage that the electric fund uses and, whatever that cost is, we charge that to the electric department. We do not say it is a transfer, because it is a cost allocation. We have the basic cost in the electric fund and we have the cost allocations and a transfer. The transfer to the City of Leesburg is six percent and that is where we created the referendum question that said it could never go over six percent. That was set at a fixed rate. **Board member Schwartz** said what he was wondering after factoring all of that in: what is the triple net margin in the end? After everything is all said and done, what percentage are we talking about? **CM Minner** answered it would be six percent plus whatever cash they put in their pocket at the end of the day. **Board member Schwartz** inquired if that was within an industry standard. **CM Minner** said yes. It will be on the low end of the industry standard for municipal electric. **Board member Robuck** said if the city did not have an electric utility, the meters inside the city limits, half of the customers, so it would not imply those, but whoever owns those, would have to pay us six percent for using the right of way. That is where that number comes from.

Chairperson Morris asked when talking about percentages, what kind of money are we talking about, how big is the electric department? **CM Minner** answered that the electric department is about ninety million this year. The transfer is about 4.7 million and that is six percent. There is some wiggle room in the definition of six percent and we kept that vague and the hiccup in the giddy up as we get into the budget process down the road, which they will talk about is if they include the cost of power in that six percent. We do not include the cost of power, which decreases what we could transfer. We are pretty pure as a Leesburg utility in trying to minimize the number that we take out of the electric fund. That was the primary purpose of that and to provide the customer with the lowest cost that we could. So, with that 4.7 million, our millage rate in the City of Leesburg will be 3.7 mills, which was reduced this year. 3.7 mills generates 6 million dollars in round numbers. If the city did not have that five million bucks, that means the millage rate would need to be almost double to replace that. **Board member Flinn** asked about the new growth coming to Leesburg. Will there be new substations and will that impact anything with this? **CM Minner** replied yes, and for Leesburg that would probably make us one of the most individual, differently municipal electric utilities in the State of Florida. Right now Leesburg has about 27,000 customers and we are fifty percent in the city and fifty percent out of the city. We have to remember that Leesburg's major growth is south of Lake Denham and that is Duke's territory. In the next five years, we have the potential of having more Leesburg residents that are not on our electric system than are on the electric system. That will be something to watch and that was another reason why we did the referendum

about the sale of the utility, because when you have the city commission up here there will be a chance that two or three of the commissioners in the future will not be Leesburg customers. Right now, only one is not and that is Commissioner Connell, who lives in Arlington Ridge. That number will change as The Villages grows and all the south US 27 area grows. Part two of the answer is, even though about eighty percent of our growth is in the south end, we have enough growth to the north in Fruitland Park and out on Radio Road, the 44 Corridor, that is necessitating the need for a sixth substation. The city recently closed on a parcel consisting of 1.4 acres located by Pembroke Pines off CR 44 where we are planning to put a sixth substation. **Chairperson Morris** asked if it really mattered where the city puts the substation. **CM Minner** replied that it does matter because the further away you get from the transmission system the more expensive it will be. The cost of a transformer is about a million bucks, so that is two million, and plus all the hardware, gear and switches, which includes engineering; the long-term cost to build the sixth substation will be about five million bucks. **Mr. McCleary** thinks that is a conservative number. **CM Minner** stated at this stage, he does not know how the city is getting there. This is something that he would recommend kicking the can down the road until the load grows to such a capacity and there are a lot of ingredients in that number. With the sixth substation, we see it on both ends of how that will change. **Board member Flinn** asked if there was a financial gain from anything in the south? **CM Minner** answered everything south will operate like a non-electric city. We have franchise agreements with Duke and SECO and as we annex and they build they will have to pay us six percent. Under the laws of the State of Florida, a municipal corporation has the right to provide municipal services. Municipal corporations provide municipal services and the state statute defines municipal services as trash, electric, water, and sewer. Those are municipal services and if you are in a city's 180, which 180 is a reference to a statute that city has the right to franchise. So, what non-electric cities do is they take that right of municipal services and they charge the utility whether it is investor-owned, co-op, or city. He wanted to explain the thought process that went into picking the people who sit on the board. Mark represents Fruitland Park because he is a resident of Fruitland Park and that is a municipal corporation, charging the City of Leesburg, which is another municipal corporation, which is an electric utility, an eight percent franchise fee for Leesburg having the right to serve Fruitland Park. Typically, that franchise is six percent for the right to serve and six percent to use the public right of way for the hardware. The other side of the equation is that every municipal corporation has the right to provide a utility tax. The statutory maximum utility tax is ten percent. There are six hundred and some odd municipal corporations in the State of Florida and about ninety-nine point nine percent of them have a utility tax and they charge you ten percent. Municipal corporations, not municipal electric utilities, municipal corporations use their statutory right to get six percent from electric service for franchise and they tax it at ten percent. When they get into non-electric cities, the three big revenue sources in the general fund are your property taxes, franchise fees, and utility tax. Leesburg's big source of revenue in the general fund is the transfers, the property tax, and the utility tax. **Chairperson Morris** stated so Mark could be paying more for his electricity because of the eight percent than what he pays being in the county. **CM Minner** replied yes, Fruitland Park has a franchise agreement with the City of Leesburg that runs on three five-year cycles and we are in year twelve now, the third cycle, where when the City Commission of Fruitland Park said to Leesburg we are going to tack on eight percent. They will see that a lot with investor-owned utilities because it is typically an investor-owned utility who has the franchise and it is a pass-through. The investor-owned utilities will complain that the franchise fee artificially increases their rate because people do not look at the details of the bill where it says the franchise fee is six percent, so what we publicize when we compare rates is our rate versus their rate without a franchise fee. For example, Duke hangs out around like one hundred and sixty seven right now for the first thousand, but what they are really paying is one hundred and sixty seven plus six percent. They are comparing a non-franchise rate to a non-franchise rate. **Board member Schwartz** asked if the franchise fee goes to Fruitland Park and is Fruitland Park charging a tax and a franchise fee? Do both of the lines go to Fruitland Park? **CM Minner** replied that eighteen percent of his electric bill goes to Fruitland Park. **Chairperson Morris** inquired if we annex somebody in to the city that was a Sumter Electric client, is

the city getting the six percent from SECO? **CM Minner** said yes. Typically, when we annex, we annex undeveloped parcels so there are no customers in that area, but it is a territory. **Board member Robuck** said, but if the city were to annex Fruitland Park, the rates would go down by eighteen percent. **Board member Schwartz** asked on the margin thing, does that have to stay within the utility or does any of the profit margin get filtered back into the city where they could point to things that have been done with that money. Like when he drives down the road and sees a sign that says your penny sales tax is at work, does the city as a whole benefit from the profits of an electric utility? **CM Minner** answered that every single penny of the margin, of the six percent goes to the general fund. **Chairperson Morris** said that \$4.7 million a year goes into the general fund. **CM Minner** said since he has been the city manager of Leesburg we have strived to reduce the transfers and keep that margin as low as possible. We have looked to other utilities to do fun projects. Those fun utilities where there are bigger margins to play with that are not as regulated is the gas utility. When the city entered into the gas utility these days, there was not a direct project that you can point to that the electric fund built. Back in the day, there used to be different underground projects and we used to take money from the electric fund to build a pool, or a fire department. We used to do that, but we no longer do that. The electric fund pretty much goes to the general operations of the city and sixty percent of the operations of the city's general fund are police and fire. In his opinion, six percent goes to pay for police and fire in Leesburg, which is the first requirement of the general fund to provide police and fire services. **Board member Schwartz** questioned, if they reduced that six percent to say three percent, would they have to find three percent elsewhere to fund police and fire? **CM Minner** replied yes. **Chairperson Morris** said could that come from the advalorem tax or would they need to clean the house and get rid of staff? Those are the things he was looking at in government. **Board Member Robuck** stated that it has come down from about ten percent to six percent. **CM Minner** stated correct. **Board member Schwartz** said, if you told Romac they could see a saving in the electric bill over the course of next year, that would mean something, but not to a residential customer. Three percent is not that big of a deal, but it would come at a cost, which is what he was trying to follow. Where are the dollars coming from and where are they going? **Board member Robuck** said from that standpoint, as a business owner, he does not necessarily want to see the absolute lowest utility cost in the State of Florida, because at least with utilities, everyone in the city and people outside the city pay that. There are no homesteads, exemptions, or caps on the rates. If they did not have that, it would come out of advalorem taxes which is borne almost entirely by businesses because we do not have to cap on the increases.

CM Minner mentioned what they are trying to do is create an advisory board that advises the city commission, who has ultimate rate making authority, from a group of people who are a crosssection of who the City of Leesburg provides electric to. A big electric customer, a small electric customer, a non-incorporated resident, an incorporated resident, and a Fruitland Park resident. That is the cross-section of customer base and we are trying to get that cross-section to influence how the city commission ultimately sets the rates.

5. ROLL CALL:

Chairperson Morris asked, for clarification, if this board has quasi-judicial authority, which means they cannot discuss anything with each other or anybody else outside of the meetings. **CM Minner** said technically they are not a quasi-judicial board, because they do not deal with matters of law, legal opinions, or legal matters. However, they are subject to the Sunshine Law, which means they cannot communicate outside of an advertised session to discuss issues that may come before them. That does not mean they cannot talk to each other anymore, it just means they cannot discuss items relating to electric rates outside of the meetings. **Chairperson Morris** said the reason he said something was because a member had been replying "all" to their emails and that cannot be done at the planning and zoning level. **CM Minner** agreed, they cannot reply "all". He can send the email out to all, but when responding

to an email it should only be replied to the sender, as long as the sender is not another member.

Chairperson Morris said he just wanted to make sure they get the lay of the land for how this board operates. He inquired if they could get copies of the legislation that was done in Tallahassee and tonight's PowerPoint. **Board member Schwartz** mentioned that it would also be nice to have a copy of the service map so they can see where the lines are and if there is legislation that defines how the committee works, that would be great.

Chairperson Morris asked if we had established meeting dates. **CM Minner** replied not at this time, because all members had different days that worked for them. Today Jack was unable to attend. His initial thought was to hold monthly meetings, and they could meet as much or as little as the members wanted. The ultimate goal is to have the board up to speed by May or June, so as we move into the budget time frame, we can talk intelligently about the operations and rate-making. He would like to set something up for the first part of December for the next meeting because he knows the holidays are coming. At the next meeting, they will take all this and break it down into the distribution and utilization portion of the City of Leesburg. Chris Atkins is one of the deputy directors for the electric department. Brad Chase is the electric director, but he was unable to attend tonight. Brad took the electric department and broke it down into two sections. Chris Adkins handles the support services, where they do SCADA, monitoring, metering, and system planning. On Greg David's side of the house, he is in charge of keeping the lights on and the line work. The hierarchy at electric goes from Brad Chase to Chris Adkins and Greg David and then down. At the next meeting, he will have Brad come, who has a similar presentation, but it is going to be Leesburg centric. He will have the upper level supervisors from the electric department with him, and they will break down how they do the distribution.

Chairperson Morris asked if the board could receive the budget because that would also be helpful. **CM Minner** replied absolutely he would get that out to them. To make it easier in the meantime, they can go to the city website, leesburgflorida.gov, and go to the budget. They can specifically look at the electric fund as that is the budget they will be using.

6. ADJOURN:

PERSONS WITH DISABILITIES NEEDING ASSISTANCE TO PARTICIPATE IN ANY OF THESE PROCEEDINGS SHOULD CONTACT THE HUMAN RESOURCES DEPARTMENT, ADA COORDINATOR, AT 728-9740, 48 HOURS IN ADVANCE OF THE MEETING.

F.S.S. 286.0105 "If a person decides to appeal any decision made by the Commission with respect to any matter considered at this meeting, they will need a record of the proceedings, and that for such purpose they 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 to be based." The City of Leesburg does not provide this verbatim record.

The meeting adjourned at 6:56 p.m.