AGENDA MINUTES
MEETING
CITY HALL, 501 W MEADOW STREET
MONDAY, FEBRUARY 5, 2024 5:30 PM

1. CALL TO ORDER

The City of Leesburg Electric Advisory Board held a regular meeting on Monday, February 5, 2024, at Leesburg City Hall. Chairperson Morris called the meeting to order at 5:30 p.m. with the following members present:

Board Member Jack Braton
Board Member Dan Robuck
Board Member Marc Schwartz
Vice-Chair Jessica Flinn
Chairperson Tim Morris

Also, present were City Manager (CM) Al Minner, City Clerk (CC) J. Andi Purvis, Electric Director (ED) Brad Chase, Deputy Electric Director (DED) Chris Adkins, Kevin Flinn, and others.

INVOCATION

Chairperson Morris 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. APPROVAL OF MINUTES:

A. Inaugural meeting held November 1, 2023

Chairperson Morris asked if there were any corrections to the November 1, 2023, minutes. If not, he would entertain a motion. Board member Schwartz made a motion to approve the minutes and Board member Flinn seconded the motion. Chairperson Morris stated all in favor signify by saying aye, oppose same sign, motion carried unanimously.

B. Regular meeting held December 4, 2023

Chairperson Morris asked for a motion to approve the December 4, 2023, minutes. Board member Flinn made a motion to approve the minutes and Board member Schwartz seconded the motion. Chairperson Morris stated all in favor signify by saying aye, oppose same sign, motion carried unanimously.

3. PRESENTATION / DISCUSSION:

A. Power Cost Adjustment History

CM Minner gave a quick run down of where we are headed in the next six months. Tonight, we will talk a little bit about the power cost adjustment, which he thinks is an important piece of the budget, with a big impact on your bill, so we will talk about how we come up with it those parameters. Next month, March, we will go over the electric budget. He showed his large notebook of what the city's whole big budget looks like. The electric budget copy you received is probably like almost 48% of the whole budget. Sixty million dollars right there in power cost, so that is 60 divided by 200ish, whatever that percentage is. Do not know how long it will take us to get through the budget. We will try to keep it to an hour and then, if we get some overrun, we will go into next month. When done with the budget, Brad is back up, and we will start breaking the system down, kind of breaking down the component parts. Talk about the feeders, the primary lines, and how we break the distribution system down. That is going to be an important part to get to where we want to go, which is rate setting and the budget for next year. Brad will probably be the one running April and May as we talk about the system overview and the system improvements, the CIPs (Capital Improvement Projects). You need to have a kind of feel for what is out there, where we see the weaknesses, and where we want to invest the capital monies. Then in June and July we will start talking Fiscal Year 25 budget. We will rebuild everything and probably provide you with blank sheets to walk you through our recommendations, kind of like we do with the commission. That part of the budget will be rate setting, so you see how we recommend where we are on rates as far as rate setting goes for the next year. We will probably have Jim and Brad yelling at us to increase the rate a little bit, but we will save that for the June and July discussions. If there is any question about this budget, this document, you can give me a call or send me an email at Al.minner, with two "N"s, otherwise it will not get to me.

Showing a slide of a utility bill he explained all the sections, one for electric, one for gas, one for sewer, trash, stormwater, water and then the last section which shows the total utility bill/cost. When everybody was complaining about their utility bill, everybody kind of looks at the bottom line and says I have a $300 electric bill. The purpose of this slide is to say that this is not just your electric bill, it is actually your utility bill. If you are the typical inside Leesburg corporate limits customer, you get a bill for seven things. It has your electric bill, your gas bill, your sewer bill, your trash bill, your storm water bill. Storm water corporate limits is a flat fee per month that goes to the storm water fund to fix drainage and those type of things. It also includes your water bill, so you actually get a bill that has six utilities. Municipal corporations are going to be the only, going out on a limb, and say the only organization that when you get a bill it is a multiple bill. My guess is that when you heard people, a couple years ago, when we had the issue with the power cost adjustment, we had lots of complaints about the price of their electric bill, my electric bill is $1,000. My guess is that when people tell us that, that number is the bottom-line number, it is not the electric bill. He thinks it is really important to stress, and you as Electric Advisory board members, when you hear the complaints in the community about electric bills, typically the first thing staff does is break down the bill. Remember that is not just an electric bill, that is a six part utility bill. When you get your Duke or SECO bill, that is electric only. When you take comparisons of your neighbor who has SECO or whatever, and you compare those bottom lines, you are not doing a proper comparison. The first thing is to remind everyone is this is a utility bill not an electric bill. **Board member Flinn** asked so on her bill, she does not have gas at home, so are the surcharges and taxes listed on there as well. **CM Minner** replied, we are going to surcharge and tax you for all the different utilities that are taxable outside of the fund parts and those are all listed out at the bottom. An unincorporated bill will probably look more like, depending where you are, Chairman you probably have gas, electric. **Chairperson Morris** stated he only has electric. **CM Minner** said the Silver Lake area is

going to be an exception, so gas, water, and electric is a typical bill. Fruitland Park, probably just going to be electric. **Board member Schwartz** said he has electric, yes, but does think there is some gas available in Fruitland Park. **CM Minner** stated that was the point of that slide, when you get your bill, it is a utility bill not an electric bill.

Moving to another slide, CM MInner said let's forget about everything else and just talk about electric. He picked this bill for a specific purpose because its consumption is 1,365 kilowatts, and believe it or not, that is the average bill. We say a thousand all the time, the industry standard is you measure 1,000 kilowatts and that is how the industry measures each other on what that first thousand costs. In Leesburg, probably around 40 to 45% of our customers use a thousand or less, but the average bill is about 1,300 Kilowatts. So, that typical family of four is going to use about 13. What you can expect on the average consumption, residential bill, you are always going to have four parts. The first part is what we call the customer charge, you may hear me slip up and call it the base bill every now and again, so if you hear me say base bill, that base bill and customer charge are synonyms, the same thing. That is a flat 15 bucks. This charge is fixed every year by the city commission by our rate resolution, which has the rates for all the utilities, fixed every year, one time a year. The next one is your 0 to 1,000 use, the bill is whatever your consumption is times and that is in dollars, so that is 9.2 cents, almost 9.3 cents, a kilowatt for your first thousand. That is the same for all residential customers. Over 1,000 you pay a little bit more, about 11.5 cents. Then the fourth part, is the power cost adjustment. Again, those first three charges are fixed by the city commission once a year, in that rate resolution. The power cost adjustment on this bill for November shows it went down to the two cents. So, the power cost adjustment is your consumption, the 1365, time 2 cents is $27.30. You add those four numbers up and your power is $177.39. That is your total electric bill.

Board member Flinn asked about comparisons and the 13 in Florida that run basically like we do. **CM Minner** stated you are talking about the different types of electric; there are three primary types of providers, investor owned, co-ops, and Municipal corporations. There are four investor-owned, but the big three are FPL, Duke, and TECO, and in that size order too. He thinks there are 43 municipal electric corporations and not sure how many co-ops there are in the state. He can think of about five off the top of his head, but there is probably a little more than that as far as numbers are concerned. He almost brought that chart, but was going to save that for some good news. He will say the numbers for January, SECO is beating us, do not hold me to this, but they are hanging out around 119. Mount Dora is also regional, they are beating us by about a dollar, they are hanging out around 125 – 126. Duke is still the expensive one in the region and they are hanging out around 175. We are about 127, so regionally we are pretty good. Statewide we are beating all the investor-owned utilities. FPL is typically always the lowest hanging out now around 133. I want to say TECO hangs out around 130. We are beating all the investor-owned on the Muni side, believe it or not, we are really kind of middle of the pack. Low Muni hanging out around 110, the high Muni is going to be GRU at round 172, and Ocala is like 166. Statewide we are in a pretty good spot. We are significantly ahead of Duke and SECO, kind of nip and tuck, and Mount Dora typically is always a little bit ahead of us. That goes back into a power supply situation as they are not in the all-requirements project. They buy surplus energies, put together their wholesale numbers a little bit differently than we do, so they see a little more up and down probably in their rates based on who they are getting the cheap surplus energy from. Regionally, we are hanging in there. When people complain that we are the worst, the best place to go is www.publicpower.com and go to the utility comparison section. That is the FMEA chart where we grab these numbers from on a monthly basis. That publicpower.com is provided by the Florida Municipal Electric Association. **Chairperson Morris**, asked, looking at the utility bill slide, what the $15 is for. **CM Minner** replied, base charge, and I cannot answer that in a real technical way. **Board member Robuck** thinks the reason it would exist is because if you want to hook up to Leesburg power, whether you use it or not, there is a cost to that. If you turn everything off, you might want to turn it back on, and you ought to pay

something. To him, that is why, philosophically, you would have a base rate at all. There is a fee to have power at your house. **CM Minner** said he does not know our philosophy, honestly on that question. Cutting down some layers of the whole rate making Matrix, which really boils back to our consultant, Doug Hansen, and our finance director Jim Williams. They are kind of more in the nuts and bolts of the rate making. Kind of the philosophy on the base rate is that is a capital expense or fixed cost expense that everybody has and it is your share of that. Then you get into the user fees and the more you use, the more expensive it becomes, hence the steps and then the power cost adjustment. So, those are really kind of the four main points of the residential rate structure. Commercial gets a little bit different because commercial can look like residential if you are not a demand customer and then if you are a demand customer we charge you for demand. Probably 80% of our base is residential so that is kind of the Matrix.

Moving to the Electric Fund Cash and Reserve Requirement slide, CM Minner stated now we are going to get into the power cost adjustment because the power cost adjustment is probably the most elastic in that rate. That is what we have seen as the driver of rates going up and rates coming down. He thinks this is probably the most complex chart, but it also gives the most information as well, and it is a super easy chart to understand once you know everything you are looking at.
This chart shows about four different things. Starting in the middle, in the kind of pink area, every accountant, government, finance officer association standards for accounting says in your pocket, you want to have a 90-day surplus of cash. That is based on all the monies you take in and some different things. One of the things that we do not include in that is power cost supplies. What we do is we take 90 days, and that changes every year because that is going to go up or down based on total revenues in, but typically, we do not want to see that line dip below 5 million and right now we are hanging out around 8 million. You do not want to see your cash go below 8 million, but in all honesty in the electric fund I am going to tell you that, that number is too low because of things that can happen. For example, if a big lightning strike came and blew up one substation, that is three million bucks right there, so electric money goes super quick. Now 90 days of cash in the general fund, that is another story, but electric is pretty volatile. My goal for us is really to stay above the $15 million number. So how do you know how much cash we have, on the chart, that represents the green number, the green bar is total cash in. So, December of 2019, we had almost 23 million bucks, that was reserved. It kind of falls up and down. Green is total cash in, the pink is reserve number, and the next number is your allocated cash, the orange number. So that means we have 4 million dollars of projects Brad wants to do. They call those allocated or earmark projects, so he is buying bucket trucks, he is buying transformers, wire; we have not bought it yet, but we have it allocated, so it is shown. This says we have 20 million, looking at the November column, but we only have 16 million because we spent four already. Looking now to August of 2022, bad number, we only have 7.5 million in cash, but Brad still has about 2 million in projects.
Board member Flinn asked if that is because it is seasonal, like August is crazy hot. **CM Minner** replied it is, but in this case it was not. What happened here, in this case, what you see fall off is a combination of two things, number one was the power cost went crazy high, remember at that time frame we really did not address the power cost, so from say this peak of August 21 until and it was August 22, that is the $12.5 million number, our loss from power costs. The other issue going on in there is post 2000 inflation and now just about everything Brad touched is almost double. The typical pole mount transformer that blows up that cost about 15-25 hundred bucks, now that thing is about 4,000 and has more wait times. This is where Brad starts getting worried, that is kind of our internal argument. Now meters that used to be like 150 bucks are now 300 bucks and the wait time now is over two years. So what we have now is an inventory issue. That is what Brad and I argue about. Brad sees wait time and is like if you complain and you need something done he needs to have it in the shop and I am like Brad watch your cash. Those two numbers are exacerbated by the power cost number and inflation, so we had that drop off.
The blue line is the balance of the power cost adjustment. I showed this back when we had that big

increase in the power cost adjustment number. The magic number is 3 million bucks. The fluctuation, we want to have 3 million bucks reserved to absorb the ups and downs of wholesale power cost supplies. We try to keep 3 million in reserve, so when this is up over 5 million, we think that is a little too high, so that is when we could nip the power cost amount down. If it is too low then we start eating up our cash and we need to get it back so then that is an over recovery, and when we bring in too much based on the elastic cost of power then we have to do the opposite. The trick to this chart is this blue number is embedded in the green chart so it is not 5 million plus 20, look we got 25, it all looks really happy. But we have 20 million bucks that was right, but ready cash that you can use for anything except power supply was really 15 million because the balance there was five. Just keep in mind that this green chart shows the power cost number. Easy way to explain we have lost cost, so we have to increase the power cost supply. I do not remember what our power cost was then, think it was like 1.75 cents per kilowatt and we went up to the 7 cents. **Chairperson Morris** asked how often can you do that. **CM Minner** answered every month. Back to the utility bill slide, you have the customer charge, fixed, the per kilowatt charge, fixed, the power cost, what we are calling here bulk power cost adjustment, PCA, BPCA, or BCPA all those are synonyms. That charge, by our resolution and our policies, the commission allows staff to manage that on a monthly basis. So, the heartbeat of this presentation is going to be how do we manage that. This chart, here is where we were in November, we slow down on these monthly charts, typically October through January, because all the accountants downstairs shift over to doing the audit and then about February they are back like clockwork getting this done. This number I am going to say is better but the electric fund believe it or not is still not in great shape because if you take these numbers off, now we have actually recovered the lost 12.5 million. Remember even though this number is 9.5, it is 9.5 plus 3 because that is where we want to be, so we dropped it from 3 to 9.5, which is where the 12.5 came in. We wanted to recover that back to 3 million and what you see now is yeah power cost adjustments looking pretty good, but remember from this number where it looks like we are starting to recover which we are at 12, it is really 12 less four, so really sitting at eight, right on the bubble of where the recommended cash reserve level is from all the accountants. That is below the 2 million Brad has allocated.

Board member Robuck said he understands the need to keep more cash with the inventory issues, that makes sense. But if the thought is that the 20 million is in case you have like this kind of edge case scenario where a substation goes and you have to replace it, that is not an everyday thing. Is it worth considering maybe instead of trying to keep 20 on hand like we used to, to keep 10 and then just have like a $10 million line of credit? I mean it is going to cost you 50 or 100 grand a year, but. **CM Minner** replied perhaps, but we have not gotten there yet. He does not see us going back to 20, that is where he kind of has the 15 and honestly, the electric fund pretty much has had a lot of cash and where it has been spent has been system improvements. There is kind of a three-legged stool of system improvements, the capital expenditures is a three-legged stool on things we want to improve ourselves. So, the feeder to Jack's house is bad, it is all copper wire that needs upgraded so his lights do not blink on and off, and we want to change out feeder 59, which is primary. Capital improvement projects to improve the system is one type of capital expenditure. The next type of capital expenditure is a new subdivision being built, so we have formulas that have the developer contributions and then there is some cash that we tip and the high level on that is the return on investment has to be within four years. If above four years we will work out a plan with you on how the contributions you have to provide us to build your extension or if you are four years or less then there is another formula and you have to pay some upfront cost, but then we will pay you back as meters are hooked up. That is a policy the commission set that we really have not visited in a long time.

Board member Robuck asked if that has been updated with the inflationary pressures. **CM Minner** replied, no and that is something Brad and I are talking about, like should we increase four to five, but really what we try to do is, again, try to match the competition. **Board member Robuck** stated but the number you come up with is on a per project basis. **ED Chase** said it is based on current cost. It lies a little bit in the warehouse, but as Al was saying we want to be competitive with our neighbors, SECO and

Duke, when we look at commercial projects. Trying to use the same formula that they use to develop customer aid contribution in the residential. We come up with a cost to build the subdivision and if they build it in four years they get that money back on a per lot basis, so they get to have a dog in a fight so to speak, and if they do not build out then we are going to keep some of that money.
CM Minner replied so, in English, we do not want someone going off to Duke where they are building a subdivision and their delta on the ROI is 3 million bucks, building 600 houses. Duke is going to say we want that number of houses divided by that Capital contribution. We do not want to be if you go to Duke to a 3 million contribution that you have to pay in, we do not want to be 6 million. We want to look like Duke and SECO. Our policy is pretty similar and that is where we get that from an economic development perspective. When you get the big company coming in and they need all sorts of crazy big upgrades to the system you do not want to be the expensive area that keeps GE from moving in because they got to pay the city 10 million versus paying an IOU 5 million. As they drill down into those levels they are doing site selection and those are numbers they are looking at, especially on the industrial and the commercial sides.
Board member Schwartz said you use the example of a power station getting hit by lightning and it is a $3 million cost to get back up and running again. Do you carry insurance policies of any kind that would cover any of those costs and how does that work? **CM Minner** answered yes, we do and the problem we have with that is just supply stuff and getting that thing up and running. **Board member Flinn** asked just the speed of being able to get it. **ED Chase** stated to buy a substation transformer is over two years. Buying a distribution transformer, we have been getting them a little bit quicker, but again things that we used to get in 6 weeks are now a year and a half. **Board member Schwartz** said his question was really more from a cost standpoint. Is it truly $3 million cash out of pocket or is it a half a million deductible and the insurance is going to cover the rest? **CM Minner** said that is more of a Jim Williams question, but he will get a coverage number to better answer that because there are some areas where it pays and then some where it does not. Like the typical lightning strike comes, it blows up the transformer and you know we are out 5,000 bucks to change the pole mount and the time, we are out that. On the catastrophic stuff he does not think we have one for one coverage, but he will confirm that with Jim. Then the only other time we are starting to get reimbursements is the when it is a declared emergency and FEMA is starting to pay. A tornado or hurricane comes in and as long as it is a declared emergency, municipal electric systems do get funding from FEMA and that runs dependent on who is President, literally, and dependent on if it is an election year. You laugh, but it is true, I have seen it. Case in point, back in 2004 when Charlie hit, Bush was running for reelection, and that was really the first year where the FEMA reimbursement went from 75% to 90%. Since Charlie, FEMA has been a lot different, we have had a couple of other big named storms where the federal government started to change payouts, but we do get reimbursed on the major storms. So, if the feeders go down, transformers go down, and all that then that does become reimbursable, but at that time we still want to have cash on hand because unless we do short-term notes and that kind of stuff, time is of the essence. We want to get stuff back up.

Board member Schwartz asked what does residential growth play. He does not see any indication that Leesburg has gone through a period of residential growth where you are adding more customers and obviously you have big growth coming up over the next few years. What role does the growth play in managing those numbers, you are technically bringing in more money? **CM Minner** replied we have not done that chart, but can say we have had Capital expenses go out and meters have not spun yet. **Board member Schwartz** asked is that part of your four-year return on investment. **CM Minner** replied yes. We have a couple of big subdivisions that have gone out where we have not ROI'd yet from. Two right off the top of his head are The Villages extension in Sumpter County, The Villages of St Catherine. What was the build out on that, like 9 million or something, that was a pretty big bill. We did have debt on that issue and we have been spinning meters over there for not quite a year. Another big one out would be Lake Denim Estates, that was a big one, maybe a million or so bucks. Meters have been spinning and that subdivision we will call fully built out. We built 600 meters there but we have

probably only been spinning those 600 meters for maybe a year. Long story short on that note, our territorial box is starting to fill up and I do not think, probably past the next 3 to 5 years, I do not think our Capital system expansion numbers are going to go like they have been going. As those start to slow down, probably in the next maybe 3 to 7 years, you will start seeing that number improve just because we have paid our ROIs and are now back to those fixed returns. Probably have like a five year bridge of that number looking ugly. **Chairperson Morris** inquired if you are having to bond those to build them out. **CM Minner** replied no, the only time we issued debt to build out was for The Villages. **Chairperson Morris** asked what kind of bond, was it a bond issue? **CM Minner** replied a bank note. We have some existing bond, do not know what the remaining principle is on that. Total debt is about 3 million out of 90, so we do not have a lot of debt. We had the two notes, the one major one and then The Villages one, 15 million, which we issued in 2018 or 2019. **Board member Flinn** asked how many homes was that 15 million. **CM Minner** replied about a thousand, but that 15 million was also some other system improvements we did.

Looking at the power cost adjustment chart, CM Minner said essentially this is really the magic behind kind of everything crazy. What we do is track our power cost expenses and those are the first lines. We had three sources of generation, so remember going back to the components that make up the bill or that make up the service, generation, transmission, distribution, and metering. These costs are generation and transmission, so this is what we would call a bundled, wholesale cost. The transmission actually has its own line, but that cost is weaved into the energy portion. We have capacity so that is your demand. This bill works like, if you are a demand commercial customer you get billed on the energy you use, the amount of kilowatts used, and one time a month when you peak. You are drawing a certain load, a cost for what you peak at, and that is called capacity.

We have three power plants if you will the ARP, which is the all requirements project, which is the lion shares of what we do. CR3 is Crystal River 3, that used to be nuclear energy we bought from Duke, you will see zeros all the way across there because we do not take energy from Crystal River anymore. When the nuclear power plant had the maintenance problem, became unusable, we got a settlement back in 2014 or 2015, think the settlement was like 8 million bucks. Then we have the St. Lucy nuclear plant. When FPL built St. Lucy they sold parts of it out to everybody and FMPA through the St. Lucy project we purchased a piece of St. Lucy. You will see that change in the capacity numbers maybe in a couple years. Solar 3 will be the next one in there. We bought a piece of the solar project, that is 18 megawatts that FMPA is building. We anticipate fiscal year 26-ish, so you will see a third number there. Those are our usage rates, so 110,000 Kilowatts or 110 megawatts, it is the same pretty much, it is steady, but that is not indicative of what our peak is. Our actual peak capacity was 125 megawatts and we hit that peak last year. One of the things FMPA does is smooth out the capacity charge so that we have peaks and valleys. One month we have a peak of 125 megawatts and the next month maybe we only peak at around 80 megawatts. That really came from FMPA and they have done that for the last two or three years where they smooth our capacity charges. You see that carried over from the ARP project and the St. Lucy project, so that is part number one.

Part number two is the energy charge. Every kilowatt that goes through that Citywide we pay for that use, we bundle that up. The top part of this is basically you come down to the different, these are the components just like the rates that we have the four customer charges base one, base two, and base three, these are the determinants that go into figuring out the all requirements bill. This is basically coming down now once you take those usage numbers, you have the total FMPA power bill, the total St. Lucy power bill, you have the total power bill, and then your cost per megawatt. Then we come into some fixed things that go into the variables of how we calculate. Based on the formulas we have come up with, this number you cannot read, but it says 06524, so 6 and a half cents of every kilowatt that we buy is fixed and everything above six is variable, so that is where we start adjusting the fuel cost. Then we come down, after we throw all in the mix, and do our math, we come down and we hit our over or under recovery numbers. If the numbers are black that means we over recovered after we put all our math in

and if it is red that means we under recovered, meaning we did not charge enough for the energy based on all these determinants. This final line, which is here in green, by the way it is only green here for the 3 months because that is the first quarter of 2024. We ended fiscal year 2023 with 2.8 in the power cost number. So, we ended at 2.8, we over recovered at 1.5, and we had a balance of 4.1 in the power cost, that is a little fatter than we like. But why isn't it consistent because you see the fluctuations throughout the year. Where you start seeing recoveries is when it is hot because usage and peaks kind of balance out and you sell more kilowatts and make a little bit more money. In the winter and the lower kilowatt sale months where we still have high demand but lower usage we start seeing a loss based on that. So just like in this this year alone 1.5 million over, half a million under, half a million under, so 191 that is almost like a break-even number. We do not budget these numbers per se in the budget book, which is why we try to pick out a factor of the power cost adjustment that is stable so everybody does not see peaks and valleys in their bill. We do this on a regular monthly basis when the FMPA bill comes in. We plug the numbers in the chart and we start doing prognostications based on these numbers that help us set where the power cost adjustment should be. Again, you kind of see how we fluctuate up and down and so like here for example we got 4.9 we were at three and then the other number in this chart, you cannot see this again my apologies, but this number here that is the actual power cost. When you go to your bill and see that number, this is the assumption we made, that we have set. We started out the fiscal year at 3 and we started seeing recoveries, you go back to that blue line you saw we started seeing that 3 cents then we were at 7 cents and we started bringing it down as we started over recovering as we try to flatten it out and keep it steady. So we started the fiscal year with an assumption of three and if you go to our website and look at the electric rate watch you will see our assumption for the entire year of what we thought the power cost adjustment was going to be. Then the next chart down shows the actual. We started out at 3 all year long and so when we hit this month we started at three but as we started to over recover we started recalibrating, so we got some space and if we stay on that trend we are going to see this number go crazy high, so what is the right number to bring it back, that magic number we came up with in this case is 2. Case in point, end of October we had 4.2 million bucks in the power cost adjustment, we brought the power cost adjustment down to the 2 cents a kilowatt and by the end of the fiscal year we are going to have 1.9 million. Technically, that is a loss of about 2 million bucks, so two is the right number, but again part of setting this rate is when we get into October, November we come off these big months, we know we are going to go up a little bit so by the time this October rolls around it is a good recovery month. Even though we end at 2 million, 1.936, pretty comfortable that come October, November that number gets better and then it goes on its trend.

Chairperson Morris said the electric department is its own entity, correct, and all the money that is recovered in the electric department stays in the electric department. **CM Minner** replied yes, and using an excel chart, he showed where the electric money is going. In column O, the September number is 1.936, okay, so I am going to say we did not ratchet down the power cost adjustment and we kept it at 3 cents all year long. We went from what was the number 1.99 and so now at 6.2. **Board member Schwartz** said now drop it to 1 cent and let's see what that does. **CM Minner** said that is exactly what we want to do and so in that same cell, let's say we want the bill to be cheaper and remember every penny is 10 bucks, right, so if we dropped it to 1 cent you are going to save 10 bucks per thousand. But now look at that, the utility is under recovered 2.3 so that is an ugly number for the utility; a nice number for you, bad number for us. Put 0.15 in there. **Board member Schwartz** asked is that what you were trying to explain when you said, and I'm going to paraphrase, but as I understood when there was the big meeting that night you were explaining that the utility was cash rich and it was slowly being drawn down because it was cash rich as the costs were going up the surplus was coming down until you drop below the point where it needeeds to be readjusted again. **CM Minner** replied that is exactly right. The driver of this is the power cost, but then the growth numbers, the ROI, building stuff, we are not getting meters back, capital expenses, all that goes in there so it is all part of the equation, but the number one biggest cause is the power cost adjustment. Back to the chart, he said we are still under recovered at a penny and

a half, so that is 15 bucks, now put in .02. **Board member Robuck** said the only thing in the year that will change realistically on this is that energy cost from FMPA, everything else is pretty much set. **CM Minner** agreed. **Board member Robuck** asked how much hedging are they doing at the moment. **CM Minner** answered about 75 percent of the total load. **ED Chase** stated we are in pretty good shape for about 18 months but we are not at 75%, we are at 75% now but then it dove tails down a little bit 50% and there are discussions about what is 2026 or 2027, what do we want to do with those push out years. **CM Minner** said it is 75% to April 25 if I am correct. Basically, from now until April 2025 probably going to see two cents and we might be able to go another half a penny or three quarters of and we will get down to three quarters of a penny and everything, but two is the happy number and that keeps us about where we need to be.
Board member Schwartz said and that results in almost a $2 million profit. **CM Minner** replied no, I am not going to call that profit, going back to the chart that is spare change, so that we can absorb the ibs and yangs and power cost supply. **Board member Schwartz** asked if all these numbers are a combination of residential and commercial. **CM Minner** answered yes, total electric sales.

Board member Flinn said she knows we are talking about reserves here as well, but Brad, do we have equipment on standby since you said it is a 2-year wait. **ED Chase** replied we can plan for a lot of things. We can plan for loss of cable, loss of transformers, loss of secondary transformers. We have everything on a pole from a 25 KVA to a 2500 KVA pad mount that we have spares for, we plan for that, not many, but we have spares in case one gets damaged or one gets hit. Or, we have a new customer like the new Elementary School that says we need a 1500 KVA pad mount, so we take what we have on reserve and we order a replacement. The larger transformers that Al was referring to, the substation, we do not have $1.7 million transformers sitting anywhere. Those are what you have to purchase and plan for the replacement. We look at a 30-year or 40-year transformer, and I think we replaced four 40-year transformers about three years ago. **CM Minner** said the short answer is yes, we have what we need at the shop. If you ask me, I am going to tell you we probably have two or three times what we need at the shop, that makes Brad happy, that makes me grumpy. Some of the capital projects that we are going to talk to you about in the upcoming months is Brad has some concepts of how we are going to link substations together. The best example I can give you is when we had the lightning strike that blew out the east substation back behind Cutrale, we went down, we lost one of the two major distribution transformers but then we started refeeding and back feeding, shifting stuff around, shifting different loads to different substations so that we could pick up the load and everybody would still be on. **ED Chase** said we lost three transformers that night not one and we used other feeders to pick it up. Duke was able to get one of the transmission lines re-energized and they got the station hot so we were able to restore our load, but that unit transmission was out for months. **CM Minner** said we can do without that stuff but then we are macgyvering and figuring out different ways to feed the system to keep everyone on. **Board member Flinn** said but long story short, we have enough equipment so we do not have to wait two years if there is a huge issue. **CM Minner** replied absolutely, yes. **Board member Braton** stated also in a situation like that, if you needed say a $3 million substation transformer and did not have one on hand, which he understands, but could you buy one from somebody else. Say Jesse and I are both in the restaurant business if she did not have something and I had one on hand in inventory I could certainly give it to her. **CM Minner** replied short answer is maybe. The emergency answer is we are going to divide the system and figure out how to get keep everybody on. When hurricanes come through we do not typically see the substations blow up. We will see wires come down, poles come down, transformers come down, that kind of thing due to tree damage and wind damage. Typically, we do not see substations blowing up like that, that is a freak accident, does not mean it won't happen, but again, odds are probably not right, knock on wood. So, as I mentioned, Brad has some concepts that we will talk about when we get to budget time, which will be in a couple months, of linking some of our substations together with a distribution voltage so that if something like that does happen again we can shift loads easier and keep everybody on.

There was one question that I did put a slide together for and that was where does your electric money go. I did these numbers, honestly really rough today so right off the bat they are not 100% accurate because it is based on the average bill. I will redo these numbers based on total sales, but my guess is it is not going to change too much, pretty much in the ballpark.
So, the first one Power Purchases, our total Electric fund budget is 89.4 million bucks, that is going to correspond with what you have in your budget book. Where do we spend that? CM Minner said 57.7 million is our estimate for fiscal year 24 on what our power bill is going to be. Distribution, rolled some numbers together in there, but basically that number is the distribution line crew, salaries, that kind of stuff. Everything it takes administration for Brad's department. **Board member Flinn** asked if that includes benefits and stuff for employees. **CM Minner** replied yes. Metering, is jobbed out differently in their budget, that $1.7 million a year is what we pay, so if you divide that by 27,000 (customers), divide that by 12, that is the cost per meter. He asked board member Flinn to do the math. **Board member Flinn** said the number is 3.61. **CM Minner** said so we spend $3.61 a month to read your meter and put a meter in, before GE that number was .50 cents. Everybody probably pays about the same as we do on that these days, kind of the high-tech or low-tech kind of thing. That is an important number.
Allocation, this is a goofy number but it includes stuff like the gross receipt tax that we collect and we have to pay to the state. It includes Fruitland Park franchise fees, half a million dollars. If you are a Fruitland Park customer, they have an 8% franchise fee on the system, so we bill Fruitland Park 8% on their usage and then we pay that to them, then that goes into their general fund. On our side of the house, we do not have that, we have the transfer instead of a franchise fee, but if you are a customer in Leesburg on Duke or SECO we are charging you 6%, not eight, six is the typical franchise fee. Allocation, once you get past the gross receipt tax and the Fruitland Park tax that next big number in that 8 million is 2 or 2.5 million. We call that the depreciation expense in the budget. Basically, that is cash we are taking out of our pocket and putting in depreciation, which on that other chart goes to RNR, and then we use RNR to fund Capital. Then the allocation is all the other general services the electric fund uses to run, you will see the city manager, Planning and Zoning, city attorney, and the number one is GIS and IT. Throw all those numbers together to operate quasi autonomously cost the electric fund probably not 8.2 because I would take 3 million off that number real quick, so it is probably more like 5 million.
Debt, our debt payment for The Villages extension and the old debt we had is 3.8, so the transfer number there is 3.2 million. That 3.2 million is kind of the profit right that goes straight off the top into the general fund. I would brag on that number all the time
because that is a really super good number.
Capital Improvements for fiscal year 24 was 2.9, that is rough house budget. A percentage, let's go back, so 64% of every penny that you spend goes to pay the power bill and then that breaks down into what is a fixed cost. So, 46% of the power bill is fixed, 53% we put into that formula as an adjustable fuel charge distribution, 13% so then you break it down into the pennies. If you have the typical 1365 kilowatt bill, for every kilowatt you are paying about 8 cents to buy your power. One and 3/4 cents to Greg and the guys to keep your meter coming, paying a quarter of a penny to Allen in the meter shop, paying a little over a penny to Mike to run your computers, paying half a penny for debt, paying another half a penny to the general fund and you are paying about half a penny to the CIPs.

Board member Flinn asked, probably too long for tonight so it could be an email, but do we know what our time is on our return on debt for The Villages project. **CM Minner** answered 15 years less three so there is a 12 year ticket on that club. That debt payment of the total 3.8, he thinks our debt payment on The Villages and stuff was probably around a million bucks, so it is probably a little over a third, but remember that is not just villages. It was The Villages, it was north substation, it was feeder 59 fix, so of that 15 million, I would say probably about half of it went to The Villages and then the other half went to other systems.

Chairperson Morris said you mentioned one thing about competitiveness, that you want to make sure

that Leesburg was competitive. Does that mean somebody like Cutrale or Romac Lumber that uses a lot of power, they can shop their power and get it from wherever they want? **CM Minner** replied no. **ED Chase** added that you could make the decision not to build in our territory and build elsewhere if they thought it was more favorable. **Chairperson Morris** said okay, so in your 180 let's say that is everybody buys power from you. **CM Minner** said the 180 is the statute that dictates on Water and Sewer to Municipal corporations. If you define a territory pursuant to section 180, the city is going to take the map, put together an ordinance that does our 180, the water and sewer world in the municipal corporations, and cities are trying to identify where they have to build their water and sewer boundaries pursuant to 180; that is their territory. In the electric world we do not have a 180, think it is three something, but it basically says you have to agree and it has to be approved by the Public Service Commission. The Public Service Commission ultimately defines territory for the provisions of electricity. So a 180 in electric language, is your electric service territory that is established by the Public Service Commission and on the territorial issues, as we kind of talked about in previous meetings, that is the 100% area where we are regulated by the Public Service Commission. When we expanded into The Villages, we traded territories with Duke. Duke had a harder time getting to that area in Sumter than we did and The Villages wanted to design their Villages around, so they did not want electric territorial lines going through the middle of a village, so they kind of outlined how they wanted the provisions of electricity. Then they came to Duke and Leesburg to say how can you guys do this, we need to do a territorial exchange, so we wrote all that up, it went to Public Service Commission and they blessed it. Every square inch of Florida has territory by an electric provider and if that is going to change it has to go back to the Public Service Commission. So the Public Service Commission is your 180 in electric.

Board member Schwartz said you mentioned that you have 27,000 customers, is that residential and Commercial? **CM Minner** replied yes. **Board Member Schwartz** continued with a total 27,000 bills going out each month, of that 2 million bottom line, that is about $75 per customer profit. Straight math and I know it is apples to oranges because obviously residential consumes at a different rate. **CM Minner** said he would take his word for it, but that sounds a little fat. **Board member Schwartz** said just looking at what your bottom line was when you did the 0.2 adjustment, you went up 1.9 whatever bottom line, bottom corner, bottom cell, 1.9 that I call profit but you do not. **CM Minner** replied no that is a power cost. **Board member Robuck** stated the real profit that you could argue about is actually 3.2 million, it is the transfer. **CM Minner** said flat out this is profit yeah and there is probably some numbers in here that you could probably trim a little bit and that helps with general fund. These two are profit areas, because if you go your way and you go back to the power cost number, that number is in the bank. We are basically sitting on 3 million so I am not going to call that profit, I am going to call that if a crazy spike happens, we have $3 million to pay the power bill, that is a cost to doing business. If that blue line goes up, if power cost come down and we start significantly over recovering because we start seeing a decrease in our power cost supply, then the utility is going to give that back to the customer by lowering the power cost rate.

Chairperson Morris asked if there were any other questions.

Board member Schwartz said he had a procedural question and is just trying to figure out what our role is as we are a new group. The decision to no longer absorb the transaction fees for credit cards and debit and all that, was there any thought process at all about running that by the advisory board before that decision was made or do we not figure into those types of conversations. Not challenging it, just trying to understand it because if we are going to sit here and come up with all of these recommendations about the budget and it is really just going to fall on deaf ears anyway and the commission is going to do what the commission is entitled to do, I am just trying to understand our role. **CM Minner** stated the purpose of this body is to serve as an advisory board to the city Commission on making decisions about the utility. The decision to roll back the credit card payment was made by the commission during the budget

process in July - August of last year before this body was assembled. The concept to put this body together probably started in 17 or 18 when we amended the code to have an Advisory Board. There are two models in public power, there is the city commission based model to manage the utility and there is the Utility Authority based model to manage the utility. If you have a Utility Authority based model the advisory board is not called an advisory board it is the authority. Typically, the city commission will appoint the authority and then that authority manages the utility and there is an iron wall between the electric fund and the general fund in terms of autonomy to manage the electric fund. Kissimmee Utility Authority, Orlando Utility Commission, Jacksonville, Key West, and Fort Pierce those are cities where the city commission has separated the electric fund and given the keys to the car to the authority and they appoint the board. So the involvement of the city commission and those organizations pretty much the only thing
they do is appoint the authority members and take the PILOT. PILOT is the fun word for transfer, Payment in Lue of Taxes (PILOT) so in the authority you will see Payment in Lue of Taxes versus transfer, but a PILOT is a transfer. The world is getting ugly for municipal utilities, and he thinks in terms of legislation, in terms of outside customers not having a say, there is taxation without representation, these types of things. He thinks probably on the surface those arguments have some validity practically, do not think they are true and you may argue with me on this. Even though outside customers do not per se have a vote in Leesburg on what the ultimate decision is going to be, such as adding the dollar and the three bucks, such as what the final rate structure is, this commission, I think has had a history of listening to customers or explaining to outside customers that even though you do not have a direct vote, there is influence. I think there is influence beyond what influence you would have at the Public Service Commission, so, I would not call it a taxation without representation. Immediately to answer your question I think probably in the long run Municipal Utilities that do not have a Utility Authority will probably eventually be forced into having an authority. Do not know when that day comes, if it ever comes, but I think the foresight of the city commission when they created this back in 17 - 18 was they saw that day coming where they would forcibly be giving up control statutorily so we better start preparing for that. We kind of had those discussions in 18ish when we created the advisory board, but the legislature was not going that direction and we did not have a whole lot of interest in it. Same old same old. I think we have some of the same old issues where the commission still controls, and maybe the advisory board will have some frustration, or the commission may have some frustration, but I think the commission has been very good about taking staff recommendation. This year he envisions the process of these are the things that we are going to be recommending to the Commission in the budget workshops and that is why those budget workshops were strategically placed in June and July. We will bring your recommendations to the commission, and if the commission during a budget workshop says hey well, we need to do this, our response back next year will be let's run that past the advisory board. Whether the commission does that or not he does not know, but those decisions had they happened this year then we probably would have talked about those things. In all honesty the charge for the convenience charge was a commission made decision when they saw the half a million-dollar expense. They asked how can we save that, staff said we are absorbing those fees and the commission said we do not want to absorb those fees anymore. I do not even know if we would have brought that one because it that was just an ingrained type of thing. Where this board goes honestly, I do not know. I kind of suspect that in some time, “x” being time, do not know what that number is, I do think the state will probably start forcing cities to go into some type of authority model.
This year they started up again with the same House Bill 1277. HB 1277 has been watered down a little bit this year to where if I understand it is limiting, but it started out pretty wide scoped again where it was capping your transfer. Then it was capping it even more and ratcheting it down based on a percentage of your customers outside your city limits if you do not have an authority model. So, the state was starting to penalize you if you do not have an authority, that is taxation without representation, therefore you cannot transfer as much. That was last year. Big time this year, it started out that way and it is down to 10% max transfer for outside city limits, so the bill, the way it is being proposed right now, we are

already underneath that. Senator Baxley is a humongous advocate for Public Power. If you take a line on Tallahassee, do not know what they will do, but the thinks the line is that 1277 does not see the senate floor. We do not think that will happen next year because we lose Senator Baxley's seniority and there are good folks running to take his place, but they will not have the seniority and I think the lobbyist from the investor-owned utilities will continue to pick on this. In time yeah I do see where cities will probably be forced to be an all-out utility and then a body like this will be making the rules, the regulations, and setting the rates.

Board member Schwartz said in the meantime, his takeaway of our first three meetings, is that there are so few variables, and any influence, for lack of a better word, fixed, you are at the mercy, if you will, of the outside entities that send the power to you. That is why he is trying to figure out if part of our role is to represent the community and look at ways to improve quality, lower cost, whatever those objectives. What is occurring to me is that there are so few opportunities to influence any of that because of how complicated this whole process is to get the power from point A to my house. So when things like that came up, that was sort of my question, was that really the best timing finally coming off people calming down a little bit to say oh and by the way we are not going to hit you for $50 a year if you have been paying by credit card. Again, just sort of throwing it out there in trying to understand what role this group could have potentially played in a scenario. **CM Minner** stated with some sarcasm, you have not much flexibility in the electric fund to spin because you see that number, 64% of that number is fixed. That is actually more flexibility than the federal government. There is a whole lot more government talk about discretionary, non-discretionary money, billions and hundreds of billions of dollars on a daily basis and we think that is a lot of money, but that is still discretionary dollars. I think the concern more is rate structure, rate structure, rate structure. The voices from outside the city stamp in the rate structure, so that investor-own utilities say you look like us but even when you look like them, I am going to argue that even with the flaw on our policy we are still representing outside customers better than the Public Service Commission represents somebody on Duke and you do not elect the Public Service Commission, the governor appoints them. So where is representation in that.

Board member Robuck said he pushed to set this board up and the reason, it is none of those reasons actually because you are right, they do not have much authority. We do not have much flexibility because right now the City of Leesburg has a well-run utility, but that has not always been the case. Not all Municipal Utilities are well-run and I can tell you, despite being involved in electric stuff throughout my time on the commission, I have gotten more education in the two of these meetings I have attended than the 8 years on the commission, because as a commissioner you do not get into this level of detail. It is likely that the City of Leesburg will not always have a city manager who understands the electric utilities because most city managers do not have electric utility backgrounds because there are not many cities with it. You are not going to have Commissioners that do, so my thought was we need a board to be educated that eventually does become an electric authority. I think that does happen at some point, but even if it does not we need a board to hold the commission accountable, to make sure it does not get screwed up again because if you looked at where this utility was in like 2012, I can tell you it was causing severe problems for the city. That is not much fun because you are right, we can not do much right now, but I think it is really just serving as a check to make sure we always have a utility that is run as a utility and not a piggy bank for the city.

CM Minner stated case in point, where does the city commission who is not watching the dollars takes you astray, they see that transfer, they increase the transfer and instead of raising taxes they go immediately to the electric rate. I was hired December 16, 2013, and at that time the city commission had a three-tiered rate increase 5%, 5%, 5%. Do not know if you remember that, but I think the first year I was here was year two of that and that increase was already put in place because we just finished the budget. So, that summer, my first budget year here, was we do not need that money over there and oh by the way our power cost adjustment is super high. Think we were sitting on 9 to 10 million dollars, so now there you go, when this number starts leaking up to $10 million then you got to start yelling and

saying you got too much money on you and that needs to go back to the customers. When we did that presentation when we had to go to 7 cents, I think I did a 10-year chart like this and up until that time, where the gas numbers went crazy, we were keeping that power cost adjustment pretty constant between 3 and 5 million bucks. That is our goal to get back and stay at three and I think tonight's illustration shows that. We are sitting right now pretty much at 5 and end of the year that number is going to be down or we are going to be less than two. Where city commissions go astray is they hit the utility, they go to increase utility rates, and then take more money out. Case in point, I think we were at 127, 138, this is per thousand, and think we were scheduled to go to 142.50 or something for fiscal year 14. We said no, we are going to stay here and then Duke blew up.
Board member Robuck stated this is why he thinks it is so important, it is really easy to believe, he was out advocating for the 5% increases. He thought it was a good idea to like hey let's not do taxes, let's just do this because it sounds really good if you do not understand utilities. **Chairperson Morris** said it is a check and balance.

CM Minner ended by throwing out, just to start the betting, he thinks that in five years cities will be forced into having an authority.

4. ROLL CALL:

Board members had nothing further to discuss.

5. 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.

Motion by Member Marc Schwartz and Second by Member Flinn, the meeting adjourned at 6:52 p.m.