City Commission Work Session

Agenda

June 9, 2022 @ 1:00 pm

City Hall - Commission Chambers
401 S. Park Avenue

welcome

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assistance & appeals

Persons with disabilities needing assistance to participate in any of these proceedings should contact the City Clerk's Office (407-599-3277) at least 48 hours in advance of the meeting.

"If a person decides to appeal any decision made by the Board with respect to any matter considered at this hearing, a record of the proceedings is needed 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." (F.S. 286.0105).

please note

Times are projected and subject to change.

This is a joint work session with the Utilities Advisory Board. No public comment will be taken.

1. **Call to Order**

2. **Discussion Item(s)**

   a. Discussion of funding for undergrounding efforts including residential service lines — 1 hour

3. **Adjournment**

City Commission **agenda item**

item type Discussion Item(s)	meeting date June 9, 2022
prepared by Wes Hamil	approved by Wes Hamil, Michelle del Valle, Randy Knight
board approval Completed	
strategic objective	

subject
Discussion of funding for undergrounding efforts including residential service lines

motion / recommendation
Reach consensus on best approach for funding undergrounding overhead power lines and residential service lines

background
The Utilities Advisory Board discussed this topic at its May 24 meeting. The PowerPoint presentation attached summarizes the discussion points and recommendations.

alternatives / other considerations

fiscal impact
The draft FY 2023 budget includes $7,392,000 for undergrounding

ATTACHMENTS:
Undergrounding Program.pptx

ATTACHMENTS:
Options to fund service lines.pdf

What Has Changed Since January

- The cost of some materials has doubled or tripled and lead times for ordering them can be a year or longer. Currently, production is on schedule for completing eight miles of undergrounding in FY 2022 because of supplies in inventory. As these are depleted in the coming months, production will slow.
- The rising cost of natural gas has required significant increases in the City's fuel cost recovery rates. Below is the effect on total electric charges for a residential customer using 1,000 kWh per month:

	01/01/2022	04/01/2022	05/01/2022	06/01/2022
Total monthly electric charges, including taxes	$134.28	$139.66	$154.04	$168.13

- Other utility increases coming up in the near term include 4.53% for water and wastewater, 5.00% for stormwater and a minimum of 3.50% for garbage.
- The Consumer Price Index increase from April 2021 to April 2022 was 8.30%.

Undergrounding Work Remaining to be Completed

- At the end of the current fiscal year, staff projects approximately 33 miles of overhead power lines and 4,300 residential service lines will remain to convert to underground facilities
- The cost to underground a mile of overhead power lines has been about $700,000 in recent months. Assuming an inflated average cost per mile of $1,250,000/mile of power lines and $2,500 per residential service line, about $52,000,000 would be required to complete the undergrounding program including service lines.
- Funded at the FY 2023 proposed budget amount of $7,392,000, it would take until FY 2030 to complete the program.
- The estimated costs per unit are very rough and intended only to give an idea of the level of funding that may be required.

Recommendation of Utility Advisory Board

- Given the uncertainty of the availability of materials even if funding for undergrounding were increased and other inflationary pressures our customers are currently experiencing, an increase in electric rates to fund undergrounding efforts is not recommended at this time.
- The board recommends continued monitoring of prices and availability of materials by staff and revisiting the projected completion target on an annual basis.
- Staff will also plan for how to best optimize efforts given the expected challenges in obtaining materials, perhaps shifting more focus to the residential services lines if materials are unavailable for overhead power lines.

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	
Option 1 (no increase in rates, no new debt, extend undergrounding):																		
Undergrounding program, including residential service lines in project areas either underway or yet to be started			7,392,000	7,392,000	7,392,000	7,392,000	7,392,000	7,392,000	5,648,000									50,000,000
Remaining overhead residential service lines in project areas already completed										2,000,000								2,000,000
Deposits refunded		(610,000)																(610,000)
FY 2022 contingency		1,000,000																1,000,000
Working capital	11,931,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	
Number of days working capital		123	117	112	106	101	97	92	88	83	79	76	72	69	65	62	59	
Monthly electric bill for 1.300 kWh residential customer		205.38	205.38	205.38	205.38	205.38	205.38	205.38	205.38	185.49	178.02	178.02	178.02	178.02	178.02	178.02	178.02	192.17
		As of May 1, 2022									Costs for undergrounding go away							
Option 2 (increase energy rates effective October 1, 2022 to cover increased costs of completing undergrounding by FY 2027, no new debt):																		
Undergrounding program, including residential service lines in project areas either underway or yet to be started			7,392,000	10,652,000	10,652,000	10,652,000	10,652,000											50,000,000
Remaining overhead residential service lines in project areas already completed								2,000,000										2,000,000
Deposits refunded		(610,000)																(610,000)
Assume increases in undergrounding beyond FY 2023 reduce working capital				(3,260,000)	(3,260,000)	(3,260,000)	(3,260,000)											(13,040,000)
Additional revenue from increasing rates to complete undergrounding by FY 2027				3,260,000	3,260,000	3,260,000	3,260,000											13,040,000
FY 2022 contingency		1,000,000																1,000,000
Working capital	11,931,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	
Number of days working capital		123	117	112	106	101	97	92	88	83	79	76	72	69	65	62	59	
Monthly electric bill for 1.300 kWh residential customer		205.38	205.38	217.45	217.45	217.45	217.45	185.49	178.02	178.02	178.02	178.02	178.02	178.02	178.02	178.02	178.02	191.76
		As of May 1, 2022						Costs for undergrounding go away										
Option 3 (finance $7,524,000 cost for undergrounding service lines over 15 years, rate increases to cover costs of completing undergrounding by FY 2027 and debt service):																		
Undergrounding program, including residential service lines in project areas either underway or yet to be started			7,392,000	10,652,000	10,652,000	10,652,000	10,652,000											50,000,000
Remaining overhead residential service lines in project areas already completed								2,000,000										2,000,000
Deposits refunded		(610,000)																(610,000)
Debt service to fund residential service drops			(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(759,719)	(11,395,790)
Assume increases in undergrounding beyond FY 2023 reduce working capital				(3,260,000)	(3,260,000)	(3,260,000)	(3,260,000)											(13,040,000)
Additional revenue from rate increase to cover debt service			759,719	759,719	759,719	759,719	759,719	759,719	759,719	759,719	759,719	759,719	759,719	759,719	759,719	759,719	759,719	11,395,790
Additional revenue from increasing rates to complete undergrounding by FY 2027				3,260,000	3,260,000	3,260,000	3,260,000											13,040,000
FY 2022 contingency		1,000,000																1,000,000
Working capital	11,931,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	12,321,573	
Number of days working capital		123	117	112	106	101	97	92	88	83	79	76	72	69	65	62	59	
Monthly electric bill for 1.300 kWh residential customer		205.38	208.20	201.72	201.72	201.72	201.72	188.30	180.83	180.83	180.83	180.83	180.83	180.83	180.83	180.83	180.83	189.76
		As of May 1, 2022						Costs for undergrounding go away, debt service continues										
Amount to borrow	8,750,000																	
Term	15																	
Interest rate	3.5%																	
Annual debt service	759,719																	
Daily operating expenses for computing number of days working capital		100,000	105,000	110,250	115,763	121,551	127,628	134,010	140,710	147,746	155,133	162,889	171,034	179,586	188,565	197,993	207,893	

Inflation and supply availability issues make forecasting very uncertain. These are some basic assumptions made:

1. The FY 2023 proposed budget is very close to break even with a contingency balance of only about $100K and undergrounding budgeted at $7,392,000

2. Forecast of future undergrounding costs:	Number of Units	Cost per Unit	Projected Total
Overhead miles remaining after FY 2022	33	1,250,000	41,250,000
Overhead residential service lines in project areas that are either in progress or have not yet been	3,500	2,500	8,750,000
Total costs to be incurred while project areas are underway			50,000,000
Overhead residential service lines remaining in project areas that have already been completed	800	2,500	2,000,000

Rate Schedule RS-1	RS-RS-I-EL		
RESIDENTIAL SERVICE - INSIDE			
FY22 - May 1, 2022			
ENTER kWh FIRST 1,000	1,000		
ENTER kWh ABOVE 1,000	300		
CUSTOMER CHARGE - CCHG	**16.98**		
NON-FUEL ENERGY CHARGE			
1st 1,000 kWh x cents per kWh	50.45	1,000	0.050449
All additional kWh x cents per kWh	21.78	300	0.072609
FUEL COST RECOVERY FACTOR (TAXABLE)			
Total 1st 1,000 kWh x cents per kWh	9.09	1,300	0.006990
FUEL COST RECOVERY FACTOR (NON TAXABLE)			
1st 1,000 kWh x cents per kWh	42.11	1,000	0.042110
All additional kWh x cents per kWh	15.63	300	0.052110
SUB TOTAL OF ALL ABOVE CHARGES	**156.04**		
FRANCHISE FEE EQUIVALENT			
all charges above x 6%	9.36		0.060000
SUB TOTAL OF ALL ABOVE CHARGES	**165.40**		
GROSS RECEIPTS TAX FACTOR			
all charges above x .025641	4.24		0.025641
SUB TOTAL OF ALL ABOVE CHARGES	**169.64**		
REMOVE FUEL COST RECOVERY (NON TAXABLE)	(57.74)		
SUB TOTAL ABOVE CHGS **(Less - Fuel Cost - Non-Taxable)**	**111.90**		
ELECTRIC UTILITY TAX (Municipal Tax)			
10% x Sub Total **(Less - Fuel Cost - Non-Taxable)**	11.19		0.10
ADD BACK FUEL COST RECOVERY (NON TAXABLE)	57.74		
TOTAL CHARGES	**180.83**		

Apply increase to all customers

Rate Schedule RS-1	RS-RS-I-EL		
RESIDENTIAL SERVICE - INSIDE			
FY22 - May 1, 2022			
ENTER kWh FIRST 1,000	1,000		
ENTER kWh ABOVE 1,000	300		
CUSTOMER CHARGE - CCHG	**16.98**		
NON-FUEL ENERGY CHARGE			
1st 1,000 kWh x cents per kWh	51.23	1,000	0.051227
All additional kWh x cents per kWh	22.02	300	0.073387
FUEL COST RECOVERY FACTOR (TAXABLE)			
Total 1st 1,000 kWh x cents per kWh	9.09	1,300	0.006990
FUEL COST RECOVERY FACTOR (NON TAXABLE)			
1st 1,000 kWh x cents per kWh	42.11	1,000	0.042110
All additional kWh x cents per kWh	15.63	300	0.052110
SUB TOTAL OF ALL ABOVE CHARGES	**157.06**		
FRANCHISE FEE EQUIVALENT			
all charges above x 6%	9.42		0.060000
SUB TOTAL OF ALL ABOVE CHARGES	**166.48**		
GROSS RECEIPTS TAX FACTOR			
all charges above x .025641	4.27		0.025641
SUB TOTAL OF ALL ABOVE CHARGES	**170.75**		
REMOVE FUEL COST RECOVERY (NON TAXABLE)	(57.74)		
SUB TOTAL ABOVE CHGS **(Less - Fuel Cost - Non-Taxable)**	**113.01**		
ELECTRIC UTILITY TAX (Municipal Tax)			
10% x Sub Total **(Less - Fuel Cost - Non-Taxable)**	11.30		0.10
ADD BACK FUEL COST RECOVERY (NON TAXABLE)	57.74		
TOTAL CHARGES	**182.05**		

1.22
0.67%

420,000,000
0.000777705
326,636

Apply increase to residential customers only

Rate Schedule RS-1	RS-RS-I-EL		
RESIDENTIAL SERVICE - INSIDE			
FY22 - October 1, 2021			
ENTER kWh FIRST 1,000	1,000		
ENTER kWh ABOVE 1,000	300		
CUSTOMER CHARGE - CCHG	**16.98**		
NON-FUEL ENERGY CHARGE			
1st 1,000 kWh x cents per kWh	#REF!	1,000	#REF!
All additional kWh x cents per kWh	#REF!	300	#REF!
FUEL COST RECOVERY FACTOR (TAXABLE)			
Total 1st 1,000 kWh x cents per kWh	9.09	1,300	0.006990
FUEL COST RECOVERY FACTOR (NON TAXABLE)			
1st 1,000 kWh x cents per kWh	35.02	1,000	0.035020
All additional kWh x cents per kWh	13.51	300	0.045020
SUB TOTAL OF ALL ABOVE CHARGES	**#REF!**		
FRANCHISE FEE EQUIVALENT			
all charges above x 6%	#REF!		0.060000
SUB TOTAL OF ALL ABOVE CHARGES	**#REF!**		
GROSS RECEIPTS TAX FACTOR			
all charges above x .025641	#REF!		0.025641
SUB TOTAL OF ALL ABOVE CHARGES	**#REF!**		
REMOVE FUEL COST RECOVERY (NON TAXABLE)	(48.53)		
SUB TOTAL ABOVE CHGS **(Less - Fuel Cost - Non-Taxable)**	**#REF!**		
ELECTRIC UTILITY TAX (Municipal Tax)			
10% x Sub Total **(Less - Fuel Cost - Non-Taxable)**	#REF!		0.10
ADD BACK FUEL COST RECOVERY (NON TAXABLE)	48.53		
TOTAL CHARGES	**#REF!**		

#REF!
#REF!

190,000,000
0.009955679
1,891,579