



Utilities Advisory Board Minutes

January 22, 2020 at 12:00 p.m.

Public Safety Bldg., Ray Beary Community Room
500 N. Virginia Ave. | Winter Park, Florida

Present

John Miles (Chair), Karim Arja, Paul Conway, Robert Dornbush, Lawrie Platt Hall, Richard James, Jennifer W. Lyons, Tate Scott

City of Winter Park Staff

Justin Isler, Operations Manager Electric Utility

Michael Passarella, Engineer Electric Utility

Wes Hamil, Director of Finance

David Zusi, Director of Water & Wastewater Utility

Jason Riegler, Asst. Director of Water & Wastewater Utility

Peter Moore, Division Director, Office of Mgmt. & Budget

Jennifer Maier, Procurement Manager

Jennifer Kissel Guittard, Analyst

Karen Hood, Recording Secretary

Guest

Navid Nowakhtar, Florida Municipal Power Agency

Absent

Dan D'Alessandro, Director of Electric Utility

Kristopher Stenger, Assistant Director Building & Permitting Services

Vanessa Balta-Cook, Sustainability & Permitting Planner

Meeting called to order

Chairman John Miles called the meeting to order at 12:00 p.m.

Approval of minutes

Chmn. John Miles asked for a motion to approve the minutes. Paul Conway moved to approve the minutes and Lawrie Hall Platt seconded. The motion was carried unanimously.

Citizen Comments

None

Old Business

David Zusi reported he will be bringing to the UAB some documents summarizing all of the Water and Wastewater plans going forward including capital improvement projects. This information will be provided to the City Commission and he wants the information provided to the UAB to be consistent. The information will be presented in the near future. Will be bringing video from drone flying over service area to the next meeting.

New Business

Documents were passed out from the subcommittee to all present that included the following:

Piggyback FMPA contract
Content for cover letter
Comments on draft material
Questions and Observations for Potential Cost of Service Study Providers

Discussion with the UAB members, City staff present and guest regarding the Cost of Service Study relevant to the scope of work, questions for vendors, time allotment, grid scoring, and various details. Jennifer Maier will work with Wes Hamil to incorporate comments into one document to present at the UAB subcommittee meeting on February 5, 2020. All UAB members and staff are invited to the subcommittee meeting. The subcommittee's goal is to leave with deliverables to give the UAB at their next meeting.

Reports

Financial report presented by Wes Hamil (attached here)

Sustainability report shown on projector Vanessa Balta-Cook not present (attached here)

Adjournment

Chmn. Miles adjourned the meeting at 2:13 p.m. Next meeting is February 26, 2020

Respectfully Submitted,
Karen Hood
Recording Secretary

Approved 02/26/20

Winter Park Cost of Service Study

The City of Winter Park is seeking a cost of service consultant to perform a comprehensive study that provides a 5-year horizon of projections and cost of service analysis, including detailed analysis of retail power delivery costs, review of rate structure and rate design, as well as other key goals/targets for cost ratio alignment amongst classes. In order to accomplish these tasks, the City is exploring the option of piggybacking a current contract Florida Municipal Power Agency (FMPA) has with either Leidos Engineering LLC, NewGen Strategies & Solutions, or Public Resources Management Group, Inc.

The City's intention is to solicit written proposals from and interview each of the three firms and select one to piggyback its contract with FMPA. The City and the selected firm may negotiate to procure any of the services at the pricing in the selected firm's contract with FMPA but the scope may not be expanded beyond that of the applicable contract.

The City has a revenue projection model it uses to forecast rate revenues for the each fiscal year to ensure overall revenue sufficiency. What staff is less certain about is the equitability of those rates between customer classes. When the City acquired its electric utility from Progress Energy in June 2005, it adopted the same rates as Progress Energy Florida. Since that time, the City has adopted across the board adjustments to those rates but has not performed a cost of service study.

Background of Winter Park's Electric Utility

Winter Park is a distribution only utility. The System consists of an electric transmission and distribution system providing electricity to 15,000 customers within the approximately nine square mile area of the City. The governance of the System is vested with the City Commission.

To assist the City Commission and City management in matters pertaining to the System, the City has created a utilities advisory board (UAB). The UAB consists of nine members who are appointed by the Mayor and confirmed by the City Commission and serve terms of three years. The UAB recommends policies regarding the System and proposes budgets and rates for the System. The City Commission, however, has final approval regarding budgets, rates and debt issuance for the System. Overall responsibility for management of the System and the day-to-day management and operational aspects of the System are the responsibility of the Director of Electric Utilities who reports to the City Manager.

The City purchases its electricity from the following bulk power providers:

Contractor	Description	Expiration Date
Covanta Energy Corp	10 MW 24 x 7 Block	12/31/2024
OUC	Serves the full requirements of two 12.47 kV Winter Park distribution feeders (~15-20 MW)	12/31/2026
FMPA	10 MW Solar I	Expected to be online in early 2023
FMPA	10 MW Solar II	Expected to be online in early 2023
FMPA	Partial requirements/load following serves balance of Winter Park's Load	12/31/2027

Evaluation Process

Following the interviews and time for review of written materials provided, a selection committee composed of City staff and a sub-committee of the UAB will rank the firms based on the following criteria and make a recommendation to the City Commission:

Ideal timing for completion of the study would be July 31, 2020. Required meetings to attend would likely include two presentations to the City's Utility Advisory Board and possibly one to the City Commission.

Evaluation Criteria

Criteria	Weight	Grade	Maximum Total Points
Understanding of Scope of Work	4	1 2 3 4 5	20
Qualifications of Firm	5	1 2 3 4 5	25
Qualifications of Proposed Team	6	1 2 3 4 5	30
Price Proposal	4	1 2 3 4 5	20
Project Schedule	1	1 2 3 4 5	5

Questions for Interviews:

Below are some questions which will be directed to each firm during the interviews:

1. What specific experience and qualifications of the firm are relevant to this project?
2. Who would lead it, what is their background and relevant experience?
3. How would you benchmark Winter Park Electric, and against whom?
4. Describe the robustness of your ratemaking model, its data base, and analytic capabilities, and how we could we access and use it in the future? Please provide redacted examples of output.
5. Please describe the process, timeline, milestones and reporting process for the project.
6. How can we split the work, i.e., what data can the City provide, to streamline the process and keep costs down?
7. How might changes in the external environment in: power sources, technologies, regulations and consumer expectations beyond what are experiencing today affect our operations and ratemaking over the next 10 years?

8. Ratemaking is both an art and a science, how do you factor in the art component when making recommendations?

Questions

To ensure fair consideration for all prospective Respondents throughout the duration of this process, the City prohibits communication, whether direct or indirect, regarding the subject matter or the specifications by any means whatsoever, whether oral or written, with any City employee, elected official, selection committee member, or representative of the City, from the date of first publication or issuance of the specifications until the Commission makes the award.

The sole exception to the foregoing rule is that any questions relative to interpretation of specifications or this process may be addressed to employees in the City's Procurement Division, in writing via email, and, the person sending the question agrees that the Procurement Division may furnish a copy of the question to all other plan holders and other persons who have registered an interest in responding. Questions of a material nature must be received no later than date.

Content for cover letter and questions for consultants

Content for project summary:

- Benchmarking of operational efficiencies against like utilities and best in class
- Cost Recovery Analysis
- Proposed rate schedule to better align rates with cost of service
- Access to your model in future years

Questions for Consultants:

1. What specific experience and qualifications of the firm are relevant to this project and
2. Who would lead it, what is their background and relevant experience?
3. How would you benchmark Winter Park Electric, and against whom?
4. Describe the robustness of your ratemaking model, its data base, and analytic capabilities, and how we could we access and use it in the future? Please provide redacted examples of output.
5. Please describe the process, timeline, milestones and reporting process for the project.
6. How can we split the work, i.e., what data can we provide, to streamline the process and keep costs down?
7. How might changes in the external environment in: power sources, technologies, regulations and consumer expectations beyond what are experiencing today affect our operations and ratemaking over the next 10 years?
8. Ratemaking is both an art and a science, how do you factor in the art component when making recommendations?
9. How much will we get for \$75,000?

Comments on draft material

- Criteria for evaluation – I would replace Price Proposal with Analytic Model/Db; combine Firm and Team qualifications for one component.
- Need to integrate vendor instructions for preparing for the interview
 - Two-hour interview
 - First twenty minutes for vendor ppt to introduce firm and experience
 - Interactive discussion using preliminary questions as framework; documented examples are encouraged for this session
 - Final ten minutes for vendor closing
 - Limit your presenting team to no more than three including your proposed team lead

Questions and Observations for Potential Cost of Service Study Providers

1. The scope prepared for the cost of service RFP provides a very good overview of the City and its expectations for a cost of service study. It should be updated to remove or extend the end of May deadline for completing the study. It should also be updated for the extension of the OUC contract through 12/31/2026 and participation in the FMPP Solar II project.
2. The City has a revenue projection model it uses to forecast rate revenues for the next fiscal year to ensure overall revenue sufficiency. What staff is less certain about is the equitability of those rates between customer classes.
3. Describe your general approach to a cost of service study
4. Who would be the project member interacting most with the City's staff? Please describe his/her experience in completing cost of service studies for electric utilities similar in size to Winter Park.
5. How have cost of service studies you have completed in the past helped improve cost ratio alignment among customer classes?
6. Were client staff left with a rate model that could be utilized in-house in future years?
7. The City has a limited budget for a cost of service study. What can City staff provide to you in order to achieve the best bang for the buck from the study?
- 8.

Financial Report

For the Month of December (25 of fiscal year lapsed) Fiscal Year 2020

Water and Sewer Fund

Sewer sales in terms of thousands of gallons are 1.04% greater than the first quarter of FY 2019. Water sales are up 1.22% for the same comparable period.

Rates were increased by 2.36% effective October 1, 2019.

Expenses for October are 10.44% greater than the first quarter of FY 2019 but are still projected to be within the FY 2020 budget.

\$3,724,515 of the Other Capital Spending budget is for Winter Park's share of improvements to the Iron Bridge Wastewater Treatment Facility. Another \$916,813 is for relocating water and sewer lines for the I-4 Ultimate Project. The time frame for spending these project dollars is mostly determined by other parties.

The bottom line is a positive addition of \$1,155,740.

Electric Services Fund

kWh sales for October – December 2019 extrapolate to annual FY 2020 sales of 425,000,000 based on historical first quarter sales as a percentage of annual sales for the past five years.

The City over recovered on fuel costs for the first quarter by \$455,743. This results from both lower natural gas prices as well as a very favorable power sales vs. power purchases ratio of 112.50%. This ratio should get closer to 95% for the fiscal year as we get into the months where more power is purchased than sold. Customers are billed over 20 billing cycles that occur throughout each month to level the workload of billing, working with customers on any questions they have and service disconnections for non-payment. A large portion of the kWh billed to a customer in any given month is based on customer usage in the preceding calendar month. Power is purchased based on kWh delivered to the substations from the first day of the month to the last.

Fuel rates were reduced significantly January 1, 2020 which will return the over recovery to the customers over the calendar year. The City has set a target fuel cost stabilization fund balance of \$1,200,000 at December 31, 2020. The balance at December 31, 2019 was \$1,770,944. The reduction in fuel cost recovery rates is expected to reduce the electric portion of customer bills by 6 – 8%.

The City extended its interconnection agreement with Orlando Utilities Commission (OUC) through December 2026. This contract extension is expected to reduce fuel costs by \$833,091 and

non-fuel costs by \$726,911 for the calendar year 2020 in comparison to fiscal year 2019 costs based on FY 2019 kWh purchases.

The fiscal year is off to a good start and staff expects the deficit cash balance to be erased based on the factors below as well as the OUC contract extension:

Unrestricted cash balance – 09/30/2019	(3,885,984.47)
Reimbursement from FDOT for FY 2019 Fairbanks work that was received in FY 2020	1,242,730.70
Reimbursement from FEMA and State for Hurricane Irma work expected to be received in FY 2020	819,889.23
Substation transformer replacement in FY 2020 budget not expected to occur	1,000,000.00
Contingency in FY 2020 budget	940,938.00
Projected unrestricted cash balance – 09/30/2020	117,573.46

WINTER PARK WATER AND WASTEWATER METRICS
December 31, 2019

	FY 2020 YTD				FY 2019 YTD	
	FY 2020 YTD	FY 2020 Annualized	FY 2020 Budget	Variance from Budget	FY 2019 YTD	FY 2019 in Total
Operating Performance:						
Water and Irrigation Sales (thousands of gallons)						
Sewer - inside city limits	266,758	1,059,864	1,015,000	44,864	258,491	1,011,909
Sewer - outside city limits	221,490	871,675	890,000	(18,325)	224,747	875,441
Water - inside city limits	423,351	1,679,702	1,500,000	179,702	405,377	1,570,520
Irrigation - Inside City	158,173	621,347	585,000	36,347	158,654	597,526
Water - outside city limits	302,810	1,185,519	1,235,000	(49,481)	308,590	1,191,314
Irrigation - Outside City	28,162	111,939	115,000	(3,061)	28,864	113,481
Total	1,400,744	5,530,044	5,340,000	190,044	1,384,723	5,360,191
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Operating revenues:						
Sewer - inside city limits	\$ 1,757,505	\$ 6,982,804	\$ 6,853,863	\$ 128,941	1,653,438	6,578,659
Sewer - outside city limits	1,798,855	7,079,411	7,187,087	(107,676)	1,772,526	6,904,201
Water - inside city limits	2,595,781	10,299,099	9,416,085	883,014	2,448,502	9,311,730
Water - outside city limits	1,495,993	5,856,895	5,860,424	(3,529)	1,462,580	5,715,448
Other operating revenues	488,877	1,955,508	1,710,000	245,508	509,924	1,774,573
Total operating revenues	8,137,011	32,173,717	31,027,459	1,146,258	7,846,970	30,284,611
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Operating expenses:						
General and administration	470,576	1,882,303	2,037,150	154,847	362,607	1,935,137
Operations	2,716,307	13,038,271	13,736,984	698,713	2,622,261	12,859,869
Labor costs capitalized	60,000	240,000	400,000	160,000	32,457	415,000
Wastewater treatment by other agencies	1,357,279	5,429,114	5,429,114	-	1,151,769	5,114,188
Total operating expenses	4,604,161	20,589,688	21,603,248	1,013,560	4,169,094	20,324,194
Net Operating income	3,532,850	11,584,028	9,424,211	2,159,817	3,677,876	9,960,418

WINTER PARK WATER AND WASTEWATER METRICS
December 31, 2019

	FY 2020 YTD				FY 2019 YTD	
	FY 2020 YTD	FY 2020 Annualized	FY 2020 Budget	Variance from Budget	FY 2019 YTD	FY 2019 in Total
Other sources (uses):						
Investment earnings	68,631	274,525	58,154	216,371	185,218	446,431
Miscellaneous revenue	4,924	19,697	12,000	7,697	1,250	19,899
Transfer to Renewal and Replacement Fund	(407,697)	(1,630,789)	(1,630,789)	0	(515,131)	(2,096,335)
Transfer to General Fund	(636,735)	(2,546,941)	(2,546,941)	0	(611,637)	(2,446,548)
Transfer for Organizational Support	(19,412)	(77,650)	(77,650)	0	(19,339)	(77,354)
Transfer to Capital Projects Fund	(51,875)	(207,500)	(207,500)	(0)	(37,885)	(351,538)
Transfer to Electric Fund	(45,499)	(181,995)	(181,995)	-	(47,108)	(188,431)
Other Capital Spending	(75,287)	(301,149)	(5,627,616)	5,326,467	(4,009)	(169,358)
Debt service sinking fund deposits	(1,214,160)	(4,846,491)	(4,849,490)	2,999	(1,389,848)	(5,176,360)
Total other sources (uses)	(2,377,111)	(9,498,293)	(15,051,827)	5,553,534	(2,438,489)	(10,039,594)
Net increase (decrease) in funds	\$ 1,155,740	\$ 2,085,735	\$ (5,627,616)	\$ 7,713,351	1,239,387	(79,177)
Debt service coverage		2.50				2.09

WINTER PARK ELECTRIC UTILITY METRICS

December 31, 2019

	FY'20	FY'20	FY'20	Variance			
	<u>YTD</u>	<u>Annualized</u>	<u>Budget</u>	<u>from</u>	<u>FY'19</u>	<u>FY'18</u>	<u>FY'17</u>
				<u>Budget</u>			
<u>Technical Performance</u>							
Net Sales (kWh)	108,548,774	425,022,855	420,000,000	5,022,855	425,487,483	414,329,035	424,821,271
Average Revenue/kWh	0.1089	0.1078			10.98%		0.1043
Wholesale Power Purchased (kWh)	96,489,737	434,255,207	442,105,263	(7,850,056)	439,804,052	434,246,377	429,845,391
Wholesale Power Cost/kWh	(0.0594)	(0.0515)			(0)		(0.0627)
Gross margin	0.0495	0.0562			5.07%		0.0415
Sold vs. Purchased kWh Ratio	112.50%	97.87%	95.00%		96.74%	95.41%	98.83%
<u>Revenues and Expenses Directly Related to Sales of Electricity:</u>							
Electric Sales:							
Customer charges - residential	616,108	2,464,433	2,482,314	(17,881)	2,232,225		
Customer charges - commercial and public authority	136,417	545,667	548,363	(2,696)	499,223		
Demand charges	736,978	2,947,912	2,916,488	31,424	2,694,021		
Street Lighting	94,220	376,880	383,100	(6,220)	380,733		
Non-Fuel kWh charges	7,094,612	28,832,535	27,342,334	1,490,202	28,308,084	33,381,040	30,628,559
Fuel	3,145,573	10,639,122	12,156,576	(1,517,454)	12,623,109	13,739,354	13,663,392
Purchased Power :							
Fuel	(2,688,581)	(10,754,323)	(12,156,576)	1,402,253	(12,616,487)	(13,739,354)	(12,619,342)
Non-Fuel	(2,186,577)	(8,201,124)	(7,539,787)	(661,337)	(9,916,779)	(10,180,683)	(10,778,312)
Transmission Power Cost	(856,495)	(3,425,979)	(3,357,884)	(68,095)	(3,468,020)	(3,510,746)	(3,558,875)
Net Revenue from Sales of Electricity	6,092,256	23,425,124	22,774,927	650,197	20,736,109	19,689,611	17,335,422
<u>Other Operating Income (Expenses):</u>							
Other Operating Revenues	47,631	190,525	346,900	(156,375)	319,801	350,997	276,212
General and Administrative Expenses	(449,260)	(1,797,038)	(1,886,309)	89,271	(2,011,213)	(1,804,767)	(1,705,609)
Operating Expenses	(1,311,687)	(5,246,747)	(5,964,050)	717,303	(5,721,815)	(5,616,455)	(7,170,834)
Total Other Operating Income (Expenses)	(1,713,315)	(6,853,260)	(7,503,459)	650,199	(7,413,227)	(7,070,224)	(8,600,231)
Net Operating Income	4,378,941	16,571,864	15,271,468	1,300,396	13,322,883	12,619,387	8,735,191

WINTER PARK ELECTRIC UTILITY METRICS

December 31, 2019

	FY'20	FY'20	FY'20	Variance			
	<u>YTD</u>	<u>Annualized</u>	<u>Budget</u>	<u>from</u>	<u>FY'19</u>	<u>FY'18</u>	<u>FY'17</u>
				<u>Budget</u>			
Nonoperating Revenues (Expenses):							
Investment Earnings	32,263	129,054	(25,000)	154,054	(386,874)	(34,021)	(35,398)
Principal on Debt	(728,750)	(2,915,000)	(2,915,000)	-	(2,670,000)	(2,530,000)	(2,450,000)
Interest on Debt	(463,507)	(1,854,026)	(1,876,526)	22,500	(2,218,854)	(2,913,548)	(2,995,826)
Miscellaneous Revenue	979	3,917	-	3,917	22,635	83,427	21,910
Proceeds from Sale of Assets	2,731	10,924	25,000	(14,076)	25,886	32,599	18,592
Contributions in Aid of Construction (CIAC)	92,188	368,750	500,000	(131,250)	479,648	789,480	498,577
Residential Underground Conversions	27,420	109,680	80,000	29,680	68,245	81,158	94,004
Capital (including the costs of improvements paid for by CIAC revenues)	(128,324)	(2,075,000)	(2,075,000)	-	(2,174,625)	(1,678,010)	(1,546,321)
Replacement of Substation Transformer	-	-	(1,000,000)	1,000,000			
Reimbursement of Fairbanks Distribution Line Costs	725,262	1,738,873	-	1,738,873	1,333,048		
Undergrounding Fairbanks Distribution Lines	(725,262)	(1,738,873)	(1,738,873)	-	(1,333,048)	(1,029)	-
Undergrounding of Power Lines	(726,415)	(4,425,000)	(4,425,000)	-	(3,851,032)	(4,429,125)	(3,303,800)
Total Nonoperating Revenues (Expenses)	(1,891,415)	(10,646,700)	(13,450,399)	2,803,699	(10,704,970)	(10,599,071)	(9,698,262)
Income Before Operating Transfers	2,487,526	5,925,164	1,821,069	4,104,095	2,617,913	2,020,317	(963,071)
Operating Transfers In/Out:							
Transfers from Water and Sewer Fund	45,499	181,995	181,995	-	188,431	146,561	1,151,088
Transfers to General Fund	(651,685)	(2,648,451)	(2,545,301)	(103,150)	(2,577,382)	(2,557,836)	(2,463,692)
Tranfers for organizational support	(30,800)	(123,198)	(123,198)	-	(126,258)	(120,705)	(118,947)
Tranfers to capital projects	(33,125)	(132,500)	(132,500)	-	(99,615)	(122,500)	(179,771)
Total Operating Transfers	(670,111)	(2,722,154)	(2,619,004)	(103,150)	(2,614,824)	(2,654,480)	(1,611,322)
Net Change in Working Capital	1,817,415	3,203,010	(797,935)	4,000,945	3,089	(634,164)	(2,574,393)
Other Financial Parameters							
Debt Service Coverage		3.50			2.65	2.31	1.72
Fixed Rate Bonds Outstanding	55,945,000				56,595,000	62,185,000	64,685,000
Auction Rate Bonds Outstanding	-					1,000,000	1,030,000
Total Bonds Outstanding	55,945,000				56,595,000	63,185,000	65,715,000
Principal Retired						2,530,000	2,450,000
Cash Balance					(3,885,984)	(2,377,803)	(324,693)
Current year change in cash balance					(1,508,181)		

WINTER PARK ELECTRIC UTILITY METRICS

December 31, 2019

	FY'20	FY'20	FY'20	Variance			
	<u>YTD</u>	<u>Annualized</u>	<u>Budget</u>	<u>from</u>	<u>FY'19</u>	<u>FY'18</u>	<u>FY'17</u>
				<u>Budget</u>			
<u>Fuel Cost Stabilization Fund Balance:</u>							
Beginning Balance	1,315,201					1,998,073	2,127,701
Fuel Revenues	3,144,324					13,516,532	13,821,741
Fuel Expenses	<u>(2,688,581)</u>					<u>(14,211,039)</u>	<u>(13,951,369)</u>
Ending Balance	<u>1,770,944</u>					<u>1,303,566</u>	<u>1,998,073</u>
Current year change in fuel stabilization fund	455,743					(694,507)	(129,628)

Notes

Fiscal Years run from October to September; FY'20 is 10/1/19 to 9/30/20

Sustainability Report for UAB Meeting – 1/21/2020

- We are working with Finance and Fleet on a proposal to order 5 fully **electric vehicles for the city fleet**, should be ready for presentation at the Jan. 27th commission meeting
- The **solar install** at the Water Treatment plant is underway, nearing completion
- We have a full schedule of **events** on our [Eventbrite page](#), if you are not on our Sustainability e-list please let me know and I can add you, couple highlights:
 - Watershed Cleanup, Saturday, Feb. 1, starting at Kraft Azalea at 8am
 - Meatless Monday Cooking Demo, Monday Feb. 17 at 6pm
 - Earth Day in the Park, Saturday, Apr. 18 from 10am-2pm at Winter Park Community Center/Shady Park, we are looking to having pedicabs to move folks between the farmers market and the community center
 - Household Hazardous and Electronics Waste Collection Event, Saturday Apr. 25
- We have **replacement labels** available for residents who have curbside recycling and yard waste carts, they can be picked up at the Utility Billing Customer Service (City Hall, 1st floor) or they can be mailed to the customer, request form available on [City's Waste Diversion & Recycling Page](#)
- We are accepting applications for our **Green School Grant program**, we will be awarding several grants, each up to \$500 in value, to schools to support their sustainability efforts that support the City's sustainability action plan, projects could help improve the energy/water efficiency of their classrooms for example, applications are available at cityofwinterpark.org/greenschools
- We will also have **seats opening on our board** in May, please consider applying and tell your friends and neighbors