

[ANNOTATED VERSION*]

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MINUTES OF A REGULAR (REORGANIZATIONAL) MEETING OF THE NEW SMYRNA BEACH UTILITIES, HELD THURSDAY, SEPTEMBER 22, 2022, AT 10:00 A.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

(NOTE – THIS REGULAR U.C. MEETING WAS HELD ON-SITE AND WAS RESCHEDULED AT 9-12-22 SPECIAL MTG. FROM 9-26-22 AT 3:00 PM)

Chairman Davenport opened the Regular / Reorganizational NSBU Meeting, called the meeting to order.

Commissioner Smith led in the Pledge of Allegiance and Commissioner Conrad provided the invocation.

Safety Message by Josef Grusauskas – Preventing Waterborne Disease Exposure:

Mr. Grusauskas provided a presentation and discussed prevention of Waterborne Disease Exposure. Explained how public water systems prevent disease exposure and provided factoids specific to NSBU’s drinking water system and distribution to customers. Also explained personal and private prevention required beyond NSBU system, i.e., plumbing, building code protection practices, and personal hygiene. Concluded with everyone should only consume properly treated water.

Roll Call

Chairman Davenport stated okay, next, Mrs. Simmons get a roll call please ma’am.

A roll call was taken with a quorum of the U.C. Commissioners in attendance as follows:
(Reorganizational Mtg. – Roll call in alphabetical order)

Commissioner Lillian Conrad
Chairman James Davenport
Commissioner Richard Hawes *(Participated Via Conf. Call)*
Commissioner Lawrence Kelly, Jr. *(Absent)*
Commissioner James Smith

Others in attendance at this time were as follows: J. Bunch, General Manager/CEO; E. Chavez, Vice President/CFO; V. Steele, Director, Electric Operations; T. Beyrle, Sr. Mgr. System Ops.; J. Couillard, Director, Engineering; J. McMurray, Director, Strategic Programs; J. Grusauskas, Director, Water Resources; Heather Carrizales, Senior Manager, Support Services; J. Michel, I.T. Manager, Infrastructure; M. Spellers, Sr. Help Desk Technician; L. Green, Help Desk Technician; D. Simmons, Exec. Mgr./ Recording Secretary; General Counsel Thomas Cloud, Esquire – Gray|Robinson Attorneys at Law; Rich Popp (Treasurer and Risk Director) and Sena Mitchell (Mgr. Investments & Cash Mgmt.), FMPA Reps.; and John Moss, a member of the public in attendance on site.

I. Reorganizational Items

(I-a) Election of Officers:

Chairman Davenport commented to the Commissioners that he had really enjoyed being their Chairman this year. Then opened the floor for motions regarding the election of officers for the coming year.

Commission Action:

Commissioner Hawes initially made a motion for Chairman Davenport to remain as Chairman for the next fiscal year.

Commissioner Conrad seconded the motion.

Commissioner Smith suggested making a motion to approve the existing slate of officers for the coming year.

General Counsel confirmed this action could be accomplished with a motion, second and vote. Also added the existing motion could be modified or withdrawn.

Commissioner Hawes then modified his existing motion to go forward with the existing slate of officers for the coming year (*fiscal*); specifically a motion approving the existing slate of officers to continue for another year, for fiscal year 2023 (10-2022 thru 9-2023): Chairman Davenport, Vice Chair Hawes, Secretary-Treasurer Conrad, Assistant Secretary-Treasurer Smith, and Commissioner Kelly.

Commissioner Conrad then seconded this modified motion.

Commissioner Hawes' motion then passed unanimously on a roll call vote.

(I-b) NSBU Regular Meeting Schedule for Calendar Year 2023:

Chairman Davenport introduced the next Reorganizational item.

Commission Action:

Commissioner Smith made a motion to adopt the Regular Meeting Schedule for next year; specifically a motion approving the NSBU Regular Meeting Calendar/Schedule for calendar year 2023.

Commissioner Conrad seconded the motion.

Commissioner Smith's motion then passed unanimously on a roll call vote.

(1) Agenda Changes, Additions and Deletions:

Chairman Davenport confirmed with Mr. Bunch there were no agenda changes, additions or deletions to the meeting today.

(2) Public Participation:

Chairman Davenport confirmed there was no public participation at this time.

(3) Approval of Consent Items:

Chairman Davenport announced item number 3. Approval of Consent Items and asked if any of the Commissioners wanted to pull any item(s) for discussion.

Commissioner Smith indicated he would like to pull consent item 3-f. for discussion.

Commission Action:

Chairman Davenport stated we'll pull f. and then we'll need to get a motion for a. through i., with the exclusion of item f.

Commissioner Conrad stated so moved, to approve consent items a. through e., and g. through i., with item f. being approved after discussion below; specifically a motion approving item 3-a. Minutes of Regular U.C. Meeting Held 8-2-22, approve as submitted; item 3-b. Granted and Accepted Third Party Utilities Easements (4), ratifying the acceptance of four third party granted utility easements – granted to NSBU for 1101 Walter St., 1103 Walter St., and 1105 Walter Street from DEVABFOR, LLC, and for North Glencoe Road (vacant property) from S&M AG, LLC, copies attached to this agenda item; item 3-c. Developer's Agreement for Gulfstream Villas SP-15-20 by GH6 NSB CP, LLC, as submitted and authorize the GM/CEO or his designee to execute all documents associated with this matter; item 3-d. Developer's Agreement for All Aboard Storage – NSB Depot (110 Ponce St.) – 1350 N. Dixie NSB, LLC, as submitted and authorize the GM/CEO or his designee to execute all documents associated with this matter; item 3-e. Developer's Agreement – Florida Days Phase 5 – Old Smyrna Land Company, LLC, as submitted and authorize the GM/CEO or his designee to execute all documents associated with this matter; item 3-g. Risk Management Insurance Coverages for FY2023, approve continuance for fiscal year 2023 with Florida Municipal Insurance Trust (FMIT) through Florida League of Cities per the attached renewal quote for a total annual premium cost of \$527,185.00 and authorize the GM/CEO or his designee to execute all documents associated with this matter; item 3-h. FY2023 Assignment of Work – Pike Electric, Asplundh and Osrose, approve the issuance of purchase order in the amounts outlined in the agenda item to Pike Electric, LLC in a total amount of \$1,000,000.00, to Asplundh Tree Expert Co. in a total amount of \$1,025,000.00, and to Osrose Utilities Services, Inc. in a total amount of \$100,000.00, to complete FY'23 budgeted, planned work and authorize the GM/CEO or his designee to execute all documents associated with this matter; and item 3-i. Line 17 / I-95 Reconductoring Project, approve the overall project in the total amount of \$1,005,000.00, and authorize the GM/CEO or his designee to execute all documents associated with this matter.

Commissioner Smith stated second.

Commissioner Conrad's motion then passed unanimously on a roll call vote.

(3-f) Project Approval – Potable Water Well Rehabilitation Plan:

Commissioner Smith indicated there was a statement included in the agenda item summary that he didn't believe meant to be said, which stated "recommend approval to the lowest qualified consultant". Perhaps could be rephrased to something like recommend approval to the lowest cost bid from a qualified consultant.

Ms. Couillard and Mr. Bunch both indicated this would be corrected.

Commission Action:

Commissioner Smith stated and that's my only nit-picking and otherwise I would recommend that if that could be changed, recommend approval of that item; specifically a motion to approve the overall project for a five-year total budget of \$1,468,034.00, including work to A.C. Schultes of FL, Inc. in the amount of \$96,762.50 for rehab. of well nos. 15 and 17 and authorize the GM/CEO or his designee to execute all documents associated with this matter.

Mr. Bunch stated we'll approve with the expectation that we'll change the wording. Do we need, I guess a question of protocol, do we need to bring it back next month for ratification or approve as is with that scrivener's error changed.

Commissioner Smith stated I recommend approval as is with the scrivener's change.

Mr. Cloud stated yes, that's the simplest way to accomplish what you want to do.

Commissioner Conrad seconded the motion.

Commissioner Smith's motion then passed unanimously on a roll call vote.

(Statement discussed above was included in the summary section of the agenda item, scrivener's error ultimately corrected by Engineering: ...to award to "continuing service contractor providing the lowest cost proposal".)

(4) General Manager's Report:

Mr. Bunch requested Mr. Chavez to come to the podium and provide the August 2022 Financial Performance Report.

(4-a) Financial Status – August 2022:

Mr. Chavez provided a presentation on the August 2022 Financial Performance. Change in net assets approximately \$4.0 million, driven by increased revenues (rates and usage), offset by increased purchased power and operating expenses. Electric consumption during August slightly higher by 2.6%, water consumption increased 5.5%, wastewater 3.8%, and reclaimed 11.6%. May through August 2022 electric consumption was 8.5% increased usage over the same period last year. Fiscal year to date purchased power at \$68.97 per megawatt hour, which is 34.3% higher than prior year. Noted this is still better than some of our peer utilities that are over \$100 per megawatt hour. Briefly discussed the \$1.2 million mark to market loss,

(4-a) Financial Status – August 2022 (cont.):

a non-cash required accounting entry to record NSBU's investments at their fair market value. Pointed out with FMPA's assistance, NSBU now earning about 4%, over \$200,000 more interest than prior year. Previously had been earning abysmally low (less than .5%) interest rate in Bank of America money market account, wasn't best use of NSBU funds. Current investments are relatively conservative, safe, secure high-quality companies – high-quality corporate debt instruments. These investments will be held to maturity, with coupon payments being made, is a very good process.

Mr. Chavez then continued with fiscal year to date capital expenditures, at approximately \$18.9 million, \$10.7 million in major projects and \$8.2 million in annual projects. The current year end projection for capital expenditures is \$21 million. Prior year end forecast was \$29.9 million. Explained this was as everyone in the supply chain and all the macro issues as it relates to materials and resources. NSBU is lower than budget, but definitely every year for the last several years have been increasing and executing our projects spend.

Mr. Chavez continued to the next slide and discussed the natural gas spot price, historical. In August 2022 at \$8.81 per MMBtu, in August 2021 was at \$4.07 – now 116% greater than the prior year. Fuel and Purchased Power Cost Adjustment Clause (FPPCAC) is a direct pass-thru expense and indicated NSBU currently has an under-recovery of \$800,000 and cannot continue to operate in an under-recovered position.

Mr. Bunch indicated NSBU absorbed about \$8 million of increased fuel and purchased power costs over the last twelve to fourteen months. Insulated our customers from this increase until now.

Mr. Chavez then continued with fiscal year 2022 income before contributions, at \$2.7 million profit versus \$0.7 million loss, a \$3.4 million year over year improvement. On the next slide discussed NSBU's May 2020 original bond pricing, 2.76% versus current August 2022 market rate conditions of 4.21%. NSBU will be saving \$21.3 million in interest over the 30-year period for the refunding \$15.3 million debt and \$65 million new for this bond issuance.

After some more historical information provided regarding the bond issuance process and results, Mr. Bunch stated a couple of months ago we had talked about this at a Commission meeting and had thought it was about a million per year in savings. Indicated this comparison was done by the financial analysts, not in-house, figured the Commission was owed the right answer having talked about an approximate amount a couple of times.

Mr. Chavez then introduced the two FMPA representatives in attendance at this meeting who are assisting NSBU with investments. Mr. Rich Popp, Risk Manager and Treasurer, and Sena Mitchell, Mgr. Investments & Cash Mgmt. Indicated FMPA manages approximately \$800 million in total between FMPA's various projects, NSBU's money, and some other members' money. Within discussions explained NSBU's investments are individually managed, have specific securities assigned in a trust account. It's completely separate, any decision FMPA makes on any other portfolio does not impact NSBU on their securities. The custodian is Principal, used to be Wells Fargo but spun off their custody account to Principal in February of this year. Nothing is executed through the trust account without NSBU's sign-off, by

(4-a) Financial Status – August 2022 (cont.):

Mr. Chavez, and these investments adhere to NSBU’s investment policy. The custody agreement has a quarterly reporting requirement, but Mr. Popp indicated they talk monthly with NSBU.

Mr. Bunch then proceeded with the financial presentation to discuss and provide an update on contributed infrastructure, easements and fee payments. Explained total construction “starts” will likely finish even with fiscal year 2021 but less than fiscal year 2019 peak. Total “completions” were on the path to finish ahead of fiscal year 2021, approximately equal to fiscal year 2020. Also pointed out the average start to completion times have now doubled, went from 160 to 175 days in 2019 versus over 350 days in 2022. The new development activity has declined with significant price increases, mainly due to COVID, supply chain and related resource issues.

(4-b) Informational Update – Western Utilities Complex (WUC) Property:

Ms. Couillard provided a brief status update on NSBU’s Western Utilities Complex property. Indicated a final approval for the PUD with the City of New Smyrna Beach is expected in the next month or two, going very well. However, due to surveying delays the planned NSBU Commission Workshop, to discuss recommendations for the development of this property, has now been delayed to January 2023.

Within this discussion, Mr. Bunch pointed out this Workshop would be to get the NSBU Commissioners together to talk about options, some relative costs and provide a chance to say yes, looks like a good direction on that. Once NSBU aligns on the direction, then perhaps this can be a discussion in a NSBU and City Commission Joint Workshop. Indicated due to a new Mayor and one to two new City Commissioners, will want to give them a little time to get on their feet and therefore the timeline for a Joint Workshop would probably be in March-ish (2023).

(5) Commission Counsel’s Report – General Counsel:

Mr. Cloud indicated he had nothing to report at this time.

(6) Old Business:

There were no Old Business items to consider at this time.

(7) New Business:

Chairman Davenport then went to New Business.

Mr. Bunch stated Mr. Beyrle and if needed, Mr. Chavez would now come up and talk about the power supply contract.

(7-a) Approval – Contract Extension – Fifth Amendment to Native Load Firm Power and Energy Transaction Confirmation Between NSBU and FPL:

Mr. Beyrle came to the podium and provided a presentation for this item. Indicated this was a current contract with Florida Power and Light, entered into in 2014, amended three times, and NSBU is now recommending a modification and extension, a proposed 5th Amendment to the 1-28-14 Firm Capacity and Energy Agreement. Explained NSBU staff are proposing to combine the base load and intermediate into a single product – only base load. Instead of having the intermediate tied to natural gas prices, everything will be tied to FPL’s system average cost which is a mix of 57% natural gas, 32% nuclear, that will be NSBU’s mix, which includes St. Lucie, 4% solar and 7% other. Looking at FPL’s fuel forecasts for the next year, NSBU sees a savings of about \$500,000 in fiscal year 2023. While enacting this modification, NSBU will also be extending this contract which now expires at the end of 2024, will be extending to the end of 2027. Also will have an option to extend to 2030 a couple of years from now if NSBU desires.

Commissioner Conrad inquired about how often the contract could be modified.

Mr. Beyrle stated there was a clause in the contract that NSBU could go back to the existing structure if desired, but FPL would then want NSBU to extend the contract to 2030. Also have the option to increase megawatts taken, if NSBU’s load grows, with a year’s notice.

Mr. Cloud did point out an extension beyond four years would require a City Ordinance but did not see that as a roadblock if a favorable rate was available. Also stated this was one area where the four-year limit has probably helped the utility.

Chairman Davenport suggested these savings be communicated to the City Commission and NSBU customers via social media. Added let it be known out there and give NSBU recognition for the hard work that you do.

Commission Action:

Commissioner Smith then stated so moved; specifically a motion to approve the Fifth Amendment to the Native Load Firm Power and Energy Transaction Confirmation between the UCNSB and FP&L Company, originally dated January 28, 2014, with a new expiration date of 12-31-27, and authorize the General Manager/CEO or his designee to execute the documents associated with this matter.

Commissioner Conrad stated I’ll second it.

Commissioner Smith’s motion then passed unanimously on a roll call vote.

(7-b) Approval – FPPCAC Adjustment (Increase):

Mr. Beyrle commented Mr. Chavez had covered quite a bit of this during his financial presentation and stated he would go over some of the higher points. Proceeded to discuss this presentation entitled “Modification to the Fuel and Purchased Power Cost Adjustment Clause factor (FPPCAC).

(7-b) Approval – FPPCAC Adjustment (Increase) (cont.):

Mr. Beyrle provided some information regarding historical FPPCAC charges and stated current recommended increase was \$21.30/1,000 kWh, an approximate 16% bill increase, for amount of \$119.71. Also provides a three-year natural gas price comparison, some recent municipal and investor-owned announced rate increases, plus a comparison of NSBU's proposed new FPPCAC rate versus July 2022 electric utility rates for all Florida utilities. Explained NSBU would remain in the lower quartile in this comparison, 6th lowest of the 37 other Florida entities. In the future actual October rate comparison, NSBU may then rank even lower as other entities rates may go up.

Commissioner Smith suggested delaying this FPPCAC increase until January 2023.

After discussion of the existing under-recovery and increased risk of natural gas pricing, all Commissioners concurred with the recommended October 2022 commencement of this FPPCAC increase of \$21.30 per 1,000 kWh.

Mr. Bunch indicated that staff would now create and include a new chart for the Commission, to report on the monthly status of the FPPCAC reserve fund.

Commission Action:

Commissioner Conrad stated okay, I make a motion to increase the fuel and purchased power (cost) adjustment clause factor from .00425 per kilowatt hour to .02130 per kilowatt hour with the first billing cycle in October 2022; specifically approval of a modification (increase) to the fuel and purchased power cost adjustment clause from the current \$4.25 charge per 1,000 kWh to \$21.30 charge per 1,000 kWh effective with the first billing cycle in October, 2022.

Commissioner Hawes stated, and I would second the motion.

Chairman Davenport stated we have a motion, we have second, any discussion. There being none, requested Mrs. Simmons to call the roll.

Commissioner Conrad's motion then passed unanimously on a roll call vote.

(8) Possible Other Business – Time for Commissioners:

Commissioner Conrad thanked the Commission for letting here discuss quite a few issues today, don't normally do that but covered a lot of ground and have a clear understanding of what we need to do to go forward.

Commissioner Smith requested staff to consider a rebate for appliances that use less water.

Mr. Bunch indicated that staff would consider that and may provide a quick presentation at a future meeting regarding existing rebates and recommendations.

Chairman Davenport confirmed there were no further comments and adjourned the meeting.

(8) Possible Other Business – Time for Commissioners (cont.):

There being no further business to come before the Commission, the Regular (Reorganizational) U.C. Meeting closed at 11:27 a.m.

APPROVED:

ATTEST:



ACTING. CHAIRMAN



ASST. SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their Oct. 24, 2022 meeting.