

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

*(Note Only – This meeting was rescheduled to today at 10:00 am during the 9-12-22 Special NSBU Meeting, rescheduled from 9-26-22 at 3:00 p.m.)*

Chairman Davenport opened the Regular / Reorganizational meeting, called the meeting to order. Then requested all to stand for the pledge and asked Commissioner Smith to lead.

Commissioner Smith then led in the Pledge of Allegiance.

Upon completion, Chairman Davenport requested Commissioner Conrad to provide the prayer.

Commissioner Conrad then provided the invocation.

Safety Message by Josef Grusauskas – Preventing Waterborne Disease Exposure:

Chairman Davenport stated okay, now we've got a safety message from Mr. Grusauskas – Preventing Waterborne Disease Exposure.

Mr. Grusauskas came to the podium and stated good morning council.

Chairman Davenport stated good morning, thank you.

Mr. Grusauskas commenced his presentation and stated so a little background, globally two billion people drink contaminated water in undeveloped areas. About a half million people die from waterborne diseases. In urban areas like United States we don't have that because of good public works. Waterborne diseases, microbiology transmits diseases, cholera, E. coli, pseudomonas, are common ones in United States. Preventing waterborne diseases, it's carried in water, so your drinking water, consuming foods, those types of things. The EPA has robust drinking water standards in the United States that have achieved a high-level of elimination of waterborne diseases. The New Smyrna Beach Utility is compliant with all EPA's waterborne disease protocols. We take water out of the ground water, Aquifer. We treat it with chlorine to what's called a 4-log disinfectant. That means we neutralize or kill all pathogens in the water before we put it in the distribution system.

Mr. Grusauskas continued and stated the City produces two billion gallons of drinking water per year. We 24-hour monitor that water quality with the chlorine content and the kill in that system. We take 70 biological samples a month, that's basically two a day out in the system to ensure that our water quality is clean to drink. We also do other parameters and they're in our annual CCR (Consumer Confidence Report). Once we produce the drinking water, we have 309 miles of mains. Those mains are protected by a cross-contamination program, typically backflow. We have commercial backflows that we test every year. We have residential programs. We have a back-up which is our AMI (AMR) program, our meters show if there's any backflow on that meter, we can immediately go back and stop that.

Safety Message by Josef Grusauskas – Preventing Waterborne Disease Exposure (cont.):

Mr. Grusauskas continued, so why are we here? Waterborne diseases are still prevalent in the environment. Everyone needs to practice good prevention. That means once the water leaves our meter and goes into your home, you can't cross contaminate your pipes with your irrigation systems, you need to have backflow preventers, etc., and you also need to use personal hygiene. Building codes only work when people follow them. If you modify your plumbing in your house, you are not protected any more from bacteria. Backflow preventers need to be at every external connection. That means when you connect your hose bib there should be a backflow device there. It's very important that that device is there to separate your home from your hoses. Air gapping, people underestimate the importance of an air gap. Whenever you have a hose bib or a faucet, you should never submerge that because that allows that bacteria to harbor in that connection point. And then faucets and drains, everything should be kept clean so that bacteria do not grow in them.

Mr. Grusauskas continued, good hygiene practices, wash your hands regularly, wash your hands after you use the bathroom. People always forget, when you pet your pet, your pet is out there in the environment, they are in the environment that has these pathogens that live in it, you should wash your hands after handling your pets, and obviously before preparing any food. I'm going to close with don't drink water from a pool, or hot tub, or one of those other things, they all harbor diseases. And never drink water when you're traveling, especially abroad, because they do not have the same standards as the United States. So with that I'm going to close with if you don't think these waterborne diseases are prevalent in the United States, my daughter went on a retreat in college, and it was to an organic farm in the middle of the country. And they didn't really believe in electricity and they reused their water for everything. And of the people who went, half of them came back with waterborne disease issues. My daughter was hospitalized for almost two weeks in intensive care because of waterborne diseases because they didn't follow the simple protocols of wash your hands, take your sewer, treat it, those types of things. It's very important, we have a good tight system but you have to take personal preventative measures in preparing food and keeping your hands clean so that you do not consume waterborne diseases.

Mr. Bunch then stated any questions for Mr. Grusauskas?

Chairman Davenport reiterated any questions?

Commissioner Smith stated just one.

Chairman Davenport stated Commissioner.

Commissioner Smith stated what about pathogens in recycled irrigation water.

Mr. Grusauskas stated in recycled irrigation water we kill, the same treatment we use to make our drinking water safe, we kill the pathogens in the wastewater at the end of the process when we create reclaimed water or reuse water. It has the same kill ratio we use chlorine to disinfect the water so it is clean, but I will tell you the reclaimed water also has nitrogen and phosphorus which are fertilizers in it. So naturally as that water is reused bacteria is going to want to grow in it so even though it's been killed, reclaimed water is going to regrow things

Safety Message by Josef Grusauskas – Preventing Waterborne Disease Exposure (cont.):

and be a harbor for those type of things. So its perfect for irrigation but not for consumption. If you use reclaimed water on your garden, you should put it on the roots, not on your fruits.

Commissioner Smith stated I like that slogan.

Mr. Grusauskas stated that's a good statement, I read that somewhere.

Commissioner Smith stated thank you.

Chairman Davenport stated any other questions?

Commissioner Conrad stated thank you very much.

Mr. Bunch stated very good, thank you Mr. Grusauskas.

Chairman Davenport confirmed no further questions and then added thank you Mr. Grusauskas, great job.

Roll Call:

Chairman Davenport stated okay, next, Mrs. Simmons can 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:

(I-a) Election of Officers (cont.):

Chairman Davenport stated okay, thank you Mrs. Simmons. Item number I., our reorganizational item and I'm sorry Commissioner Hawes isn't here, and I'm sorry Commissioner Kelly is out. But Commissioner Hawes is on the phone, correct?

Commissioner Hawes then stated yes.

Chairman Davenport continued and stated I really have enjoyed being your Chairman this year. It's been an exciting learning curve and you sit here and watch somebody and do it. It's just been a real pleasure. So with that being said if we can get item number one (I-a.), election of officers; hear some motions here.

Commissioner Hawes stated his name (participating via conference phone) and then stated I'd like to make the motion that Commissioner Davenport remain as Chair for the coming year.

Chairman Davenport stated well thank you Commissioner Hawes.

Commissioner Conrad stated I would second that.

Chairman Davenport stated thank you Commissioner. It's been an honor, I've really enjoyed it, we all work together, and we all get along together and we listen to what everybody's got to say out here, so I'll accept that.

Mr. Bunch stated I think we just need a vote, is that correct Mrs. Simmons?

Commissioner Smith stated question.

Chairman Davenport stated comments over there?

Commissioner Smith stated just a question, can we just keep the same slate of officers, rather than going through all those, what four or five officers.

Commissioner Conrad stated can we do that?

Mr. Cloud stated yes, someone can make a motion to re-elect the same slate of officers that you currently have, that and a second, and a vote accomplishes what you want to accomplish.

Commissioner Smith stated well there's a second, there's a motion on the floor.

Commissioner Conrad then stated well we'd have to modify the vote, or the motion.

Mr. Cloud interjected or withdraw it.

Commissioner Conrad reiterated or withdraw it.

Chairman Davenport stated Commissioner Hawes, did you hear that sir?

Commissioner Hawes stated I did and maybe the easiest thing to do is just modify the motion to do what Mr. Cloud has said, just to go forward with the same slate and use that for this coming year; 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

(I-a) Election of Officers (cont.):

Hawes, Secretary-Treasurer Conrad, Assistant Secretary-Treasurer Smith, and Commissioner Kelly.

Chairman Davenport stated okay.

Mr. Cloud stated that works.

Commissioner Conrad stated and I second it.

Chairman Davenport stated okay, so you made the motion Commissioner Hawes, Vice Chairman Hawes and Commissioner Conrad you seconded it. Correct, any discussion anywhere? Okay, roll call please Mrs. Simmons.

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

Chairman Davenport stated well thank you, I look forward to serving and all of us have been getting along so well and we're just doing the right thing for the right reasons, that's what's important.

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

Chairman Davenport stated item number b., Regular Meeting Schedule for 2023.

Commissioner Smith stated I move that that be adopted; specifically a motion approving the NSBU Regular Meeting Calendar / Schedule for calendar year 2023.

Commissioner Conrad stated I'll second that.

Chairman Davenport stated okay, any discussion. There being none, requested Mrs. Simmons to call the roll on the motion.

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

(1) Agenda Changes, Additions and Deletions:

Chairman Davenport stated okay moving right along, agenda item number one, any agenda changes, additions or deletions Mr. Bunch.

Mr. Bunch stated no sir Chairman.

Chairman Davenport stated there's not any?

Mr. Bunch stated no changes, additions, or deletions, thank you.

(2) Public Participation:

Chairman Davenport stated next area, number two, item number 2. Public Participation. Have any public participation, anybody, please? Okay, none, thank you.

There was no public participation at this time.

(3) Approval of Consent Items:

Chairman Davenport stated next item on the agenda, approval of the consent items. Do we have approval, or do we want to pull anything, any Commissioners? Commissioner Smith?

Commissioner Smith stated yes, I want to pull f., 3-f.

Chairman Davenport stated pull number 3-f., okay. Commissioner Conrad?

Commissioner Conrad stated no, I have nothing to pull.

Chairman Davenport stated Commissioner Hawes, are you okay sir?

Commissioner Hawes stated yes sir.

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

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 Osmose, 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 Osmose 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.

(3) Approval of Consent Items (cont.):

Chairman Davenport stated okay, we have a motion by Commissioner Conrad and then seconded by Commissioner Smith. Any discussion anybody? There being none, Chairman Davenport requested Mrs. Simmons to call the roll.

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

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

Chairman Davenport then initially stated item number 4. General Manager's Report.

Commissioner Smith interjected do you want to discuss...

Mr. Bunch simultaneously stated do you want to talk about f.?

Chairman Davenport stated sorry did I miss something, oh f., I'm sorry, yes. Excuse me Commissioner Smith.

Commissioner Smith stated that's okay Chairman. This may sound like nit-picking, but I read the agenda item and there's a statement in there to recommend approval to the lowest qualified consultant. Now that sounds like, I think it meant to say recommend approval to the...

Mr. Bunch interjected to the lowest cost qualified consultant maybe.

Commissioner Smith stated something other than this.

Mr. Bunch stated yes, I saw that yesterday.

Commissioner Smith continued, it just sounds, sound like we just, we're going to approve the lowest qualified consultant.

Ms. Couillard stated got it.

Commissioner Smith continued, which I don't think is what was meant to be said, so I don't know if it could be rephrased to say recommend approval to the lowest cost bid from a qualified consultant. I don't know, I don't want to make it more complicated but when I read that it sounded like we were going to award the bid to the lowest qualified consultant which didn't sound correct.

Ms. Couillard stated no problem, we can fix that.

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.

(3-f) Project Approval – Portable Water Well Rehabilitation Plan (cont.):

Commissioner Conrad seconded this motion.

Chairman Davenport stated okay, that is interesting, especially since it's \$1.5 million, lowest qualified. Thank you for picking up on that, that was very interesting Commissioner Smith. That shows we are reading the packages as we should be. Okay, any more discussion on that, we're going to have the wording changed is that correct?

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 Smith stated that's it.

Ms. Couillard stated okay.

Commissioner Conrad stated and I seconded it.

Chairman Davenport stated okay, Mrs. Simmons we got a motion and a second, call the roll please ma'am.

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 was ultimately corrected by Engineering: ...to award to the "continuing service contractor providing the lowest cost proposal".)

(4) General Manager's Report:

Chairman Davenport stated okay, item number four, General Manager's Report.

Mr. Bunch stated okay, good morning everybody, a couple of items on the General Manager's Report and New Business. They're related to our monthly financial status update. We've got a little bit of presentation in there about recent development activity, just to give you a high-level summary on that. And then we'll go into the new business and some contracts for FPL as well as discussion on potential revision to our purchased fuel adjustment factor. So with that I'm going to ask Mr. Chavez, our Vice President and CFO come up to the podium please.

(4-a) Financial Status – August 2022:

Mr. Chavez came to the podium and stated hello everybody. Proceeded to the first slide of his presentation on the August Financial Performance and stated August year to date financial statements, change in net assets of about \$4.0 million. So what we're still seeing, consistent

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

with previous months, increased revenues, rates and usage, and then of course the increased purchased power and operating expenses. Now our year over year electric consumption is slightly higher, about 2.6%. We'd expect it to be a lot higher but its really the milder weather. What's really driven it higher was the hotter May through August, that in of itself was 8.5% increased usage over that period over last year, good story. The purchased power as we've seen from prior months, we're at \$68.97 per megawatt hour, so that's still 34% greater than the prior year. Now that is still better than some of our other peer utilities that are over \$100 per megawatt hour. So in this regard we are doing the best that we can to get the lowest cost of purchased power. Later on in this presentation or in the meeting itself, Mr. Beyrle and I will talk about the FPL contract and revisions to try to even get a lower cost.

Mr. Chavez continued and stated just to get you a point of reference on the natural gas you'll see the nat. gas, Henry Hub. So as we're trying to make sure that our, that everyone, our customers and such understand that natural gas and the price of that drives all the utilities in Florida as well as the rest of the country. So right now, August 2022, it's \$8.81 per MMBtu, in August 2021 that was \$4.07, so that's a 116% greater than the prior year. So that and the next slide I'll go through a little more on the historical but that is the primary driver on what's driving purchased power higher this year versus prior years. On the water consumption side we're higher, 5.5% in water, 3.8% in wastewater, and 11.6% in reclaimed. So those continue to be strong numbers just as we are in electric.

Mr. Chavez continued and stated so the one change that we have in this month's financials and I've communicated separately with most of our Commissioners is for this mark to market adjustment that we have related to the investments that FMPA is assisting us with. That mark to market adjustment was solely related to a correction of what was being used for the value, the market value of those investments. It in no way shape or form affected or impacted the investments that we chose, the returns that we're getting, none of, it's solely an accounting adjustment required but has no impact on our returns as we will hold all of our investments to maturity; so just wanted to clarify that. And from a matter of reference, just from the time that FMPA started assisting us our rates of return on those investments are just over 4%. If we look at the interest earnings, that's on the consolidated or combined income statement, we're over \$200,000 higher than the prior year, and that's solely driven by those investments that FMPA is assisting us with. So they're experts in those investments and are assisting us in getting the right type of investments for the market that we're in. So overall, these are shorter term investments because as the rates continue to increase, we're going to look to lock in, and because the rates keep going up we're going to look at other investments that will then have a similar maturity. So yesterday the Federal, the Fed. increased rates 75 basis points, so yes, mortgages go up but investments that are out there will also go up, all else being equal. So we'll continue to do that, look at those other opportunities.

Mr. Bunch stated could you speak maybe Mr. Chavez, so take us back to how we got here. I believe we looked at investment strategy, policy, that was done.

Mr. Chavez stated yes.

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

Mr. Bunch continued, you started working with FMPA, can you kind of, maybe do that walk for us again to help remind the Commission where we came from.

Mr. Chavez stated yes, so we used this opportunity probably I'd say a year ago, just about a year ago we looked at our investments policy which had really been dated. Our Financial Advisor, Toby Wagner (Southern Investment Securities, LLC) and a few others helped us kind of craft what's best in class as it relates to what investments we should be in. The overall of the investment policy, that we and FMPA have a similar focus, its 100% conservative in the sense of optimizing the best returns at the lowest risk possible. So preservation of capital is paramount in that investment policy. So we worked with and reviewed it with Commissioner Conrad at that time and then FMPA as a subject matter expert also assisted us with how they looked at their investments since they had been doing this for a number of different projects for themselves. So leveraging their expertise which thankfully to us is at no cost, they've set it up and we've set it up fiduciarily in the sense of custodial assets. There is no access, highest preservation of capital is the foremost. So that's where we're at and that's how we're executing.

Mr. Bunch stated what kind of instruments is the money sitting in, can you give us a few examples?

Mr. Chavez stated high, very conservative corporate investments, corporate debt, commercial paper. So relatively conservative, safe, secure high-quality companies, BMW, you name it, it is those types of vehicles which will earn higher than if they were just sitting in a money market account. Those are the types of investments that we look at, high-quality corporate debt instruments.

Mr. Bunch stated so you made reference to a percent, where were we a year ago with the bank, where are we now and how much more are you seeing in interest on a dollar basis.

Mr. Chavez stated so with Bank of America, sitting in just a standard money market or whatever they offer, it was consistently less than half of a percent, so it was really, even with an increasing interest rate environment, it still was abysmally low. So really more fee, it just wasn't the best use of our funds. With the FMPA and what we're looking at we're about an average of these of 4%. So that \$226,000 of the increase in interest over last year is solely driven by these investments with FMPA which we will hold to maturity and the coupon payments are being made, very good process.

Mr. Chavez continued, the year-to-date capital expenditures \$18.9 million, that's \$10.7 million in major projects and \$8.2 million in annual projects. So our forecast for year end is about \$21 million, our budget, our original budget was \$29.9 million for the year. So we of course as everyone in the supply chain and all the macro issues as it relates to materials and resources, we're lower than budget, but we definitely, every year for the last several years, we've been increasing and executing our projects spend. So major projects, just a quick recap, the pond expansion, electric reliability improvement projects, lift station no. 5. So a lot of the bigger projects are focusing on electric reliability and some of the water improvements, those are the large drivers on ours. And you'll start to see more in the next two to four years

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

but we're on the reliability and resiliency of our system. Annual projects spend, so this one is the bread and butter of everything that we do, sewer lining, some vehicles, new business electric and water installations, so those are bread and butter of items that typically, those don't fluctuate as much.

Mr. Chavez went to the next slide and stated okay, so this is the graph that I was referring to on the natural gas which in essence sets the price for, it's Henry Hub Natural Gas Spot Price. If you look at the very bottom line, that blue line, you notice and that would be in 2020, so you'll see there it hovered around the \$2.00 to \$3.00. Which for the last several years that's where natural gas had really kind of lived at in that pricing which meant relatively low purchased power for not only our utility but for other utilities. Then you'll see here in 2021, the red line, that's the spike of the start. Now you'll see in February I believe that was the time around that Texas had its issue. Mind you Texas is on its own but that spooked the markets in the sense of that there was some sort of global issue. So it was a temporary spike but then kind of calmed down and of course you'll see an increase and a slight decrease into the end of 2021. Well then go figure, here we go in 2022, started out relatively flat but then of course you start to see the increases that we see today. We work closely with our FPL and looking, working with their market analysts and such. And yes, they don't see the change, they see it as well staying at this relatively high level for some time. Now mind you as some of these global macro-economic gets resolved that may bring, may drive those prices down, but for now we just don't know. So as you'll see here, August, if you look at the August point it was \$2.30, \$2.30 per MMBtu, we're at \$8.81 per MMBtu. So that single factor in and of itself is the largest driver on the purchased power, and it talks about it a little bit at the bottom there.

Mr. Chavez went to the next slide and stated in our August Operating Income and Loss, so as part of the overall rate study and what we did back in 2020, 2021, August '21 reflected a year-to-date operating loss of \$230,000. Now we're more in an operating income of \$2.9 million. Once again, the revenues, a driver of the usage and the rates, purchased power still is a looming item, it's offset by the under-recoveries that we're having. So when natural gas and when we set, when we had completed the rate study, we had done a \$3.98 credit per 1,000 kilowatts to our customers. We did that to bring down that over recovery, to in essence provide it back to our customers. Purchased power is a pass through, so now that we have purchased power rates being significantly higher than the last two years, we have to now increase that purchased power (factor). We continually, Mr. Beyrle and his team will continually monitor the markets to see where we can get more favorable contract pricing on purchased power. But as you know until a lot of these commodity increases, until that stuff starts to come down, we're at the mercy of these markets. So we are always trying to get the best for our customers, it's just a factor of where we're at in the market. And down in bullet point number two, right now we are currently at an under-recovery of \$800,000, so we have already given back all of that over-recovery to our customers and now this is where we need to actually build up that reserve to ensure that we have it. We cannot continue to operate in an under-recovered position.

Mr. Bunch stated so in round numbers over the last twelve or so months, fourteen months, we've absorbed \$8 million in additional fuel costs by draining the reserve. So up to this point

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

in time we've insulated customers from seeing that, at some point you're hoping that the prices stabilize or drop but that didn't happen.

Chairman Davenport stated so where do we go after we use all those reserves, then the next step is?

Mr. Bunch stated that's a presentation in I think the next section.

Commissioner Smith stated 7-b.

Mr. Bunch continued when we talk about our FPL contract and purchased power costs.

Mr. Chavez stated so we'll finish this here, but with Mr. Beyrle, we'll go through that, the combo of those two items. Then proceeded to the next slide and stated so August 2022 this is just the change in net assets, this is everything. So we're at, as of last year, we were at \$4.4 million, we're now at about \$4 million so same drivers as the previous slide this just takes into consideration the capital contributions and other non-operating adjustments. I guess one thing to point out, so you'll see there the capital contribution decrease, which Mr. Bunch will talk about in the next couple of slides. That capital contribution decrease is just you know the development and such and what we're collecting is decreasing, so we'll go through that a little further. But I think in the upper right-hand corner, the fiscal year 2022 income before contributions, \$2.7 million profit versus a \$700,000 loss. So everything that we're doing is to build back up these reserves, make sure that we have adequate funds for the short and the long term of how we operate.

Mr. Chavez went to the next slide and stated so this one we wanted to give you an update on where we were at with when we did our financing. It was part of an overall plan to ensure that we had the right rates, the right financing for electric and water reliability and resiliency over the next you know ten or fifteen, the longer term is what we were looking at. So at the time that we did our, we did a concerted effort to meet with our rating agencies, Fitch and Moody's, get excellent ratings, then go to the markets to obtain financing at the lowest costs for our customers and for us as an entity. So if you, the key thing is that our all-in total interest costs at the time that we did the bond financing in May 2020 was 2.76%. We had Hilltop Securities run a mock model of okay, in today's interest rate environment what would that financing cost us. And this was at the end of August, before the Fed. increase there, this most recent 75 basis points, the all-in total interest costs at that time would have been about 4.21%. So that's a savings of in essence 145 basis points or 1.45%. That resulted a total savings of \$21.3 million over 30 years. So that's how much more the refunding and that \$65 million in capital would have cost us had we waited to do it. Based on you know, whether call it good luck or whatever, we saved, and we got the financing that we needed for these long-term projects that we're enacting. Just wanted to make sure that was...

Mr. Bunch interjected so when Mr. Chavez recommended going to market, I think going back, you had gone up to New York, you got the bond rating agencies to give us the ratings and then you pretty much watched the markets for about three or four months to choose a good opportune time to jump in, is that about right?

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

Mr. Chavez stated yes, because at the time we were in the midst of COVID so when Mr. Bunch, myself and the underwriting team had gone to New York, I believe there was literally five or ten cases in New York City when we met with them. So went through that, got excellent ratings, well then the credit markets literally froze up, so there were no municipal debt issuances for a period of time. So right when those unfroze, we then watched the market, we challenged the underwriters to say look, this is where we want to be and we struck at that and we were oversubscribed in that, in our debt. Meaning there were a lot of takers for high-quality, conservative entities such as ourselves. Between that and the rating and they understood where we were at, so it really helped in our favor that we had a good story, we have a solid system that's run well.

Mr. Bunch stated so a couple of months ago we had talked about this at a Commission meeting, and we were thinking well its maybe about a million dollars a year but when you do a bond issuance its actually not one bond at one rate, it's a couple of pages of various bonds at various maturities at various rates. And they're as low as 1.9% and maybe as high as 4% in some cases, but when you take the value, again they're using a very complicated calculator to chug out that \$21.7 million but that's what it came down to for our Commission and the customers. But again, that was done by the financial analysts and not in-house and not a guess, but we figured we owed you the right answer having talked about what the approximate amount might have been a couple of times. So any questions for Mr. Chavez on that?

There being none, Mr. Chavez stated so before we turn it over into the developer and such, I just wanted to introduce Rich Popp and Sena Mitchell from FMPA who's helping us with our investments and such. So I didn't know if you, he could come up and answer any questions if you guys had any, but just wanted to have them attend and kind of just, the assistance they've been helping us with has been great.

Mr. Bunch then stated would it be embarrassing you if maybe we just asked you both to come up and introduce yourselves, tell the Commission about what you do at FMPA and that may generate a question or two.

The first FMPA representative came to the podium and stated good morning, I'm Rich Popp with FMPA. I'm the Risk Manager and Treasurer.

Chairman Davenport asked Mr. Popp to speak into the microphone please.

Mr. Popp stated sure, sorry about that, then reiterated his name and title, and added he's been at FMPA over 20 years and served in various roles during that time period. And this is my co-worker Sena Mitchell, and she has just recently moved into the role of Investments, before that she was Cash Management, so now she's leaving the Cash Management role and also managing with my assistance the Investments.

Mr. Bunch stated and so you're managing our money which is part of I'm sure a much bigger pot, so can you give a sense of how big that total pot is that you manage? About \$800 million I think, somewhere...?

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

Mr. Popp stated yes, about \$800 million in total between FMPA's various projects, your money and some other members' money as well.

Chairman Davenport stated what organization is this again that you say other members, you've got New Smyrna Beach Utilities and...?

Mr. Popp stated yes, so throughout the state FMPA has a membership of 31 municipalities, just like New Smyrna Beach, and for most of our projects, the largest one is the All Requirements Project (ARP) where we manage all of their electric wholesale needs. But also, we have other projects where we have ownership, joint ownership in power systems throughout the state and at different times different members have taken ownership. Our newest and most growing project is the Solar Project where we work with many systems to jointly arrange purchased power arrangements for solar assets throughout the state.

Mr. Bunch stated so Florida Municipal Power Agency is a joint action agency. You've met their GM-CEO Jacob Williams, he's been over here a couple of times. Commissioner Conrad, Commissioner Smith went with us to the annual conference in Palm Beach a few months ago and that was with FMEA, the electric association, it's also a joint annual conference. So Linda Howard is Mr. Chavez' counterpart, their CFO (FMPA), but their financial policy guidance for us and the management of the investments, that's all done through our dues, there's no additional costs. And I wanted to thank Rich Popp and Sena Mitchell for coming over today.

Commissioner Hawes then announced himself and stated I had a question if I could.

Chairman Davenport stated go ahead.

Commissioner Hawes stated okay, thank you. Are these investments, are kind of for us for example, are they individually managed or are they pooled with others? How do you do that?

Mr. Popp stated your investments are individually managed, so you have specific securities that are in your trust account that are assigned to New Smyrna Beach.

Commissioner Hawes stated and so there's a custodian that holds on to these and does all of the accounting and all that great stuff, is that accurate then?

Mr. Popp stated yes, it's completely separate, any decision FMPA makes on any other portfolio does not impact New Smyrna Beach on their securities.

Commissioner Hawes stated okay, and then just out of curiosity who is the custodian, who is the person that hangs onto this?

Mr. Popp stated Principal custody providers.

Commissioner Hawes stated I'm sorry, I couldn't quite hear that.

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

Mr. Popp stated Principal, it used to be Wells Fargo, they spun off their custody account to Principal in February of this year.

Commissioner Hawes stated okay, thank you.

Chairman Davenport stated how are we protected so one day we wake up and all our moneys gone; we're protected right. I mean I'm asking a very simple question that I'm looking someone isn't going hey, we're out of money, like how did that happen? We have management. Could that happen to us?

Mr. Popp stated no, we can't do any transaction without Mr. Chavez' approval, so nothing is executed through the trust account without New Smyrna Beach sign-off.

Chairman Davenport added, but in these investments, they are protected regarding if you will a stop, loss, how much we could lose. Or I mean give me an example...

Mr. Popp stated that's more of a stock position, again these are all bond investments, treasuries.

Chairman Davenport stated okay, got you.

Mr. Popp, continued, money market and so that's really...

Chairman Davenport stated you answered my question.

Mr. Cloud stated I believe there's a policy guidance document for these investments too.

Chairman Davenport stated right.

Mr. Popp stated correct, we adhere to the policy of New Smyrna Beach.

Mr. Bunch stated so the custodial agreement if I recall, in fact I think Counselor Cloud worked with FMPA's Jody Finklea.

Mr. Cloud confirmed.

Mr. Bunch continued, to put that in place, and protects from anybody selling our assets without our approval and that's Mr. Chavez' approval and there's a quarter..? How periodically do we get the summary and updates about activity.

Mr. Popp stated the agreement has quarterly, but we talk monthly.

Mr. Cloud stated they are prohibited I believe from doing stuff like the gas futures from ten or twelve years ago.

Mr. Popp stated right, that's outside the policy parameters.

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

Chairman Davenport stated so we're protected in this.

Mr. Popp stated yes.

Mr. Cloud commented I'm sorry, I was showing my age.

Commissioner Hawes stated, and Chairman Davenport just for sake of saying it too, and I could be wrong about this so correct me if I am, but the custodian account is in our name so it's kind of in a way like us having a bank account, it's our stuff.

Mr. Popp stated yes.

Commissioner Hawes continued, they just kind of have access, discretion to go in and do some things.

Chairman Davenport stated okay, thank you. Then stated thank you to Mr. Popp and asked if Commissioners had any other questions.

Mr. Popp also stated thank you.

There being none, Mr. Popp added we enjoy working with your staff and glad we can provide this service for the communities.

Chairman Davenport commented well we've got some good ones.

Mr. Popp stated yes, and then reiterated thank you.

Mr. Chavez then stated okay, so I will turn it over to Mr. Bunch to go over the developer items.

Mr. Bunch stated yes, I'll cover these three or four slides very quickly, but I thought just because of some, you hear nationwide news about what's happening in the real estate market and you may be thinking well what's that mean to the business here in New Smyrna Beach. So in some respects local is different than national but what I think we see going on with our business, new development, pretty much mimics what we see going on nation-wide. So the first slide there, this is the history of CIAC. CIAC is contributions in aid of construction, developers pay us in several fashions. Yellow is cash payments and fees for capital connection fees, service fees, inspection fees, everything related to new development and services. The blue is the value of easements, so let's say a developer is required to give us ten acres of easements to access the property. Maybe there's a parcel where we're going to put a lift station or a substation, the value of those easements then get booked as revenue to us in the CIAC. So you see the yellow chart if you will, the bar, from 2019, it looks like that year the total of everything far surpassed anything in recent years, but I think the CIAC collected that year was somewhere in the range of almost \$7 million. The following year dropped off quite a bit to only a little over a million, then it jumped back up again in 2021. Difference

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

between \$9 and \$3.5 is probably \$5.5 million, and then this year it fell off again. That really doesn't speak to the overall activity that we see, the activity that we see is reflected a little better in the following two charts.

Mr. Bunch then stated so let's go to the next page Mrs. Simmons. So while I said 2019 was the biggest in overall CIAC year, it was also the largest in the last five in terms of overall starts. So starts are very closely timed with building permits getting issued and what happens is the builders, developers they get permits from the City and the County to build, about the same time they also come to us and say I want new electric service for these lots. So the light green bars are individual residential and townhomes and commercial and the darker green bars are commercial condos and apartments. So you can see 2019 was actually a very busy year relative to all the others when you also account the condos and apartments. So the Beacon Apartments out on 44 were put in service that year, a number of the condos by the North Causeway, Riverside also went in service that year, so a very busy year. Residential then dropped off a little bit in the next year in 2020, no apartments condos literally in the next two years. And then this year we see the residential will probably land if you consider the total, a little north of last year but not quite as busy as 2019 overall. The black bar is also that contribution in aid of construction I spoke to, you can see the spike in 2019 fall off and then jump back up in 2021. But again the activity is really better captured in these green bars for the new permits.

Mr. Bunch stated next page is well they've been building awhile now they're actually becoming customers. So a completion is when we actually set the meter, they've been given the certificate of occupancy, plumbing permits, electrical inspections, rather both passed; they're getting ready to move in. So these are really the, we've got people ready to move in and you can see that peak year actually occurred in 2020. So if you recall the prior slide, for starts the peaks occurred in 2019 and then the following year occurred in 2020. Now what we've seen interesting enough, that little black line is how many days from start to complete, so roughly how many days from the time they took out a building permit to the time that the meter was spinning. And so you'll notice, we've talked about supply chain, this one really makes it jump off the page. So the right bar, number of days corresponds to that black line, so literally we went from about 175 or so days, 160 some days in 2019 to 350 plus days this past year. So the building cycle time, and this is the developers, so we get a permit request, request for service and then we put a meter in, that's gone from 165 to 350 plus days in a little more than a two-year period. So we talk about supply chain, COVID, people not working, how long it's taking builders and developers, that's the way we've seen it impact their business.

Chairman Davenport stated that's a major cost expense to the bottom line you know of everything; that's twice as long.

Mr. Bunch stated costs have gone up, timelines have expanded out. And then lastly the point I want to make on this slide is we'll probably finish the total number of completions because we have another month, we've got all the month of September. We'll probably finish the residential townhomes and individual lots equal to 2020, but we don't have quite as many apartments and condos to put in service. But that said from like how much works involved

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

it's much easier for us to put in 300 condos or apartments because that's only a couple of buildings versus how much work goes into planning five, ten, twenty, thirty, fifty, or one hundred lots for a subdivision. And the value of the infrastructure turned over for CIAC is much heavier balanced toward the residential development work also.

Mr. Bunch stated so in summary, the next page, and we've got about five years history now. The starts included residential, apartments and condos, is close aligned with the building permit volumes will likely finish even with last year 2021, but less than the 2019 peak, it's still a strong year. The total completions following the strong recent housing sales and the trailing twelve to eighteen months appear to be on a path to actually finish ahead of 2021 and approximately equal to 2020. So up until what about three months ago you put a house on the market and it was sold. We saw that too and the way we saw it is we're going to be close to a peak in the number of residential and townhome house completions this current year. The new development activity for the large developments, that appears to be in decline and the way we're seeing that is less CIAC and also less start requests coming in as we speak. The contributed capital infrastructure easements and payments are down, so that's kind of also a reflection of developer optimism. If the developers are really optimistic about the economy and the housing market they would be knocking on the door with new developments. So far what we're seeing is one big national developer looking at the area south of 44 or out west of 95 which is across from Walmart. But Ms. Couillard correct me if I'm wrong, but I think at this point they're pretty much planning level discussions, is that correct. So they're on the sideline, they're planning, and the way they typically do it is try to get all their permits on paper, approval through the City, all the development approvals and then when we they get a sense of optimism about the economy turning around and demand jumping back we'll probably see them knocking on the door to start building. So a good deal of this year's new business activity is actually fill-in lots and commercial. As you go out 44, all of those new commercial places, Circle K, across the street you've got 7-11, Wendy's next to Circle K and some others. We've probably seen more commercial customers this year which are really good for revenue. And although a very, very strong year with the residential, things look like they're tailing off a little bit and again my comments back to the original opening is what we're seeing here is not different than the national economy. But we don't have a crystal ball and don't like to make those kinds of predictions of where we see it's going to bottom out or when we think its going to take off. So that's kind of the high-level summary of this year in somewhat of a detail but then the last couple of years on a comparative level. So any questions, any questions on those slides?

Then Mr. Bunch stated okay, that sounds like a no, Mr. Chavez back to you for the next item.

Mr. Chavez stated so that was everything of the regular items. I mean in the appendix you have the key performance indicators but that was the, unless there's any other questions, that was the end of the Finance update.

Mr. Bunch stated and then that will conclude the General Manager's Report, section 4. - Chairman, Counsel.

Mr. Chavez stated thank you.

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

Chairman Davenport stated okay, the next item is going to item b. here, that would be the informational update Western Utilities Complex, Ms. Couillard, thank you.

Ms. Couillard stated yes, so we have a couple of things happening with the Western Complex. We are in the final approval mode with the City for our PUD for the whole site. That's going very well, so we should wrap that up in the next month or so, we're waiting on just a few comments to answer. And then when talking about the Workshop that we had discussed, it took longer for me to get surveyors out in certain areas of the property that are higher, so I'm going to have to push our Workshop into January; they're just starting now. Once we do that, process it through, we're going to look at the site and come back and make recommendations to where we should build, what we should build, and when. So I did promise October, November and unfortunately, it's taking us forever to get surveyors for everything. I wanted to give you an update, that I hadn't forgotten, and I just have to back it up a couple of months.

Chairman Davenport stated so we will be having a Joint Workshop with the City?

Ms. Couillard stated not with the City, just with us.

Chairman Davenport stated just with us, okay.

Ms. Couillard stated yes, and with our consultants.

Chairman Davenport stated should we include the City?

Commissioner Conrad stated no, this is the Western Complex correct?

Ms. Couillard stated no, we don't need to.

Chairman Davenport continued, to give them an update, just to communicate with them.

Mr. Bunch stated I think it's a little premature in January.

Ms. Couillard concurred.

Mr. Bunch stated my suggestion and I think Ms. Couillard's suggestion is get you, the Commissioners together, and talk about options. What we see, some relative costs, and give you a chance to say yes, this looks like a good direction on that. I think when we align on a direction, then maybe discussion in the Commission's Joint Workshop will be a good time.

Ms. Couillard stated yes.

Mr. Bunch stated so we're getting a new Mayor, at least one new Commissioner, maybe more, and so probably give them a little time to get on their feet; March-ish (2023) sounds like a good timeline.

Chairman Davenport stated okay, anything else?

Ms. Couillard stated no, that's it.

Chairman Davenport and Mr. Bunch then stated thank you to Ms. Couillard.

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

Chairman Davenport stated okay, moving right along, our General Counsel's report.

Mr. Cloud stated I have nothing to report, all quiet on the western front.

Chairman Davenport stated mercy, I'd have come up with something just to say I'm earning my keep. Good job though Mr. Cloud, thank you.

(6) Old Business:

Chairman Davenport stated all right, item number six, any Old Business to cover? Confirmed no old business.

(7) New Business:

Chairman Davenport then stated number seven, New Business.

Mr. Bunch stated okay, I would ask Tim Beyrle and if needed Efren Chavez 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:

Chairman Davenport stated let's see, item a. Approval – Contract Extension – Fifth Amendment to the Native Load Firm Power and Energy Transaction Confirmation between NSBU and FPL. That is a mouthful listen, thank you.

Mr. Bunch interjected, yes, item 7-a.

Mr. Beyrle came to the podium and stated so currently we have a contract with Florida Power and Light that we entered into in 2014. We've amended it three times, so we're on, this would be the fifth amendment, we're looking for approval for today. It currently has two components we have a base load and an intermediate component. And the base load is based on FPL's system average energy costs and it has a slightly higher fixed cost each month. The intermediate has a lower fixed cost but its tied entirely to natural gas and the heat rate, a specific heat rate for a unit. So during back when natural gas was \$2.00, and we didn't call on that component as much, the lower fixed cost made it worthwhile, we were saving quite a bit of money during those, during the lower energy months we've seen. And the base load is based on everything that FPL has which includes their nuclear, their solar, their natural gas.

Mr. Beyrle went to the next slide and stated so what we're proposing in this 5<sup>th</sup> Amendment is instead of having a base load and an intermediate, we will just combine all into baseload. So 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 our mix, which includes our St. Lucie, 4% solar and 7% other. So we get to take advantage of all our other mix other than just natural gas. We've looked at what their fuel forecasts are for the next year and we see a savings of about \$500,000 in fiscal year 2023. And at the same time

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

we would extend the contract, which now expires at the end of 2024, we would go through 2027. And then we would have the option to also go 2030 a couple of years from now if we chose to. So the actual megawatts that we would be taking have no changes, it's just the structure so we would get to take advantage of their total system.

Commissioner Conrad asked how often can we modify this contract?

Mr. Beyrle stated there is a clause in there that if we wanted to go back to the existing structure we could, but at that point they would want us to extend it to 2030. We have the option, if we give them a year's notice, we can increase the megawatts that we take out of it. They just want a year's notice, so we can increase what we're taking on the contract should our load keep growing at the rate it is, but we have the option to change it back.

Commissioner Conrad stated okay, so it's a year's notice, twelve months' notice.

Mr. Beyrle stated yes.

Commissioner Conrad stated in other words this is expiring if we have no modifications in 2024.

Mr. Beyrle stated correct.

Commissioner Conrad stated okay, and now we're going to modify it for 2023 through 2027, but we can go back in and modify in 2025.

Mr. Beyrle stated correct, and at that point they would want us to extend it to 2030 because if we're going to change it back its because it's going to benefit us, so they want to have something on their end that's going to benefit them as well.

Commissioner Conrad interjected and that's important to note.

Mr. Cloud then stated which would require a City Ordinance because it would exceed the four-year period.

Mr. Beyrle stated yes.

Commissioner Conrad stated oh, that's interesting.

Mr. Beyrle added so that's something we would have to consider.

Mr. Cloud interjected I wouldn't see that as a roadblock if there was a favorable rate to be had. They've been very cooperative and candidly this is the one area of where the four-year limit has probably helped the utility.

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

Mr. Beyrle stated since I've been involved in this type of work, we've gone to the City one time and we didn't have an issue with it for a five-year contract.

Commissioner Conrad stated thank you.

Mr. Bunch stated Mr. Beyrle, we're partnering with FMPA on the solar project which was supposed to go into service I guess the end of 2021, but that's being delayed because of supply chain issues.

Mr. Beyrle interjected 2023.

Mr. Bunch stated 2023 rather, does that have any impact on this contract or what would it need.

Mr. Beyrle stated no, it would offset some of the energy across certain times of the day, but it really wouldn't, it would probably benefit us more because we would have that low-cost energy coming out of the solar.

Mr. Bunch stated but there's no penalty for like if we have...

Mr. Beyrle stated no.

Mr. Bunch continued, let's say that's 10 megawatts, I don't know how many megawatt hours that would be a month, but there's no penalty for a drop in load when that comes in place, is that correct.

Mr. Beyrle stated no, we schedule this a day ahead just like we do the existing contracts now.

Mr. Bunch stated thank you.

Chairman Davenport stated I think it would behoove us to let, if you will, Facebook or social media tell what a great job you've done here Mr. Chavez and Mr. Beyrle regarding this contract. This combination in this amendment, a \$500,000 annual savings to our customers compared to what we've done before. Get the word out, hey we saved a half of million dollars, it's just another communication to let them know we're doing, trying to do a good job for them, for our community. So if we could do something like that it would be nice, to let it be known out there and give you recognition for the hard work you do; thank you. Any questions Commissioners? There being none, stated okay, thank you very much Mr. Beyrle.

Mr. Bunch then stated we would need, Mr. Beyrle are you looking for a motion of approval?

Mr. Beyrle stated we're looking for a motion to approve the 5<sup>th</sup> Amendment.

Chairman Davenport stated okay, there you go, thank you.

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

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.

Chairman Davenport stated we have a motion by Commissioner Smith.

Commissioner Conrad stated I'll second it.

Chairman Davenport stated okay, Commissioner Conrad seconded it. Any other discussion? There being none, then requested Mrs. Simmons to call the roll.

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

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

Chairman Davenport stated now we're to item number b., Approval of the FPPCAC Adjustment Increase.

Mr. Beyrle stated Mr. Chavez covered quite a bit of this during his presentation, but I'll just go over some of the higher points and proceeded to discuss a presentation entitled "Modification to the Fuel and Purchased Power Cost Adjustment Clause factor (FPPCAC). As Mr. Chavez said back in May we adjusted from the credit of \$3.98 to the charge of \$4.25 based on the conditions at the time and since then we continued to deplete the reserves where its now an under-recovery instead of the over-recovery that we had before. We've seen that all the utilities or most of the utilities in Florida are increasing their fuel costs, either they have or they're going to.

Mr. Beyrle went to the next slide and stated this is Mr. Chavez' natural gas slide, so that's kind of the driver behind this. Then went to the next slide and stated so this just shows a few of the ones that we've pulled out of the news recently. Florida Power and Light, all the investor-owned utilities are going to be raising their fuel costs January 1<sup>st</sup>, a lot of them already have this year. We have Lakeland Electric, they've announced an increase in September. So we, an increase to \$21.30 per 1,000 kilowatt hours would put us at \$119.71 per 1,000 kWh, which would still be very competitive around the state.

Mr. Beyrle went to the next slide and stated you can see these are based on July (2022) 1,000 kilowatt hour rates, we would be around sixth based on our October 1<sup>st</sup> number versus everybody else's July number.

Mr. Bunch stated if I could just pause there for a moment Mr. Beyrle. So the left bar is our current rate, so we are and have been for a year and half the lowest in the state. The difference between the lowest in the state, which assuming that doesn't change for Moore

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

Haven and us, it's going to be about \$7.00. So that grouping of six utilities, difference is only \$7.00. When you start jumping up into the middle and the upper, and as Mr. Beyrle shows on the prior slide, you go the middle group's \$130 to \$150 and then you have the next quartile which is say \$150 and \$175. And people on the upper end, starting around Duke, go over \$200 for that same, which is today \$103 bill and with the purchased power increase we jump to somewhere around \$119 and some change.

Mr. Beyrle interjected \$119.71.

Mr. Bunch stated so that shows the spread of all the utilities in the state now and even with the increase, is that correct Mr. Beyrle?

Mr. Beyrle stated yes, and that's based, this chart is based on their July numbers so when we look back, say in December when they give everybody's October comparison, everyone probably will be jumped up from there.

Chairman Davenport commented man, that's a big jump isn't it.

Mr. Beyrle stated it is.

Chairman Davenport stated \$4.25 to \$21.30.

Mr. Beyrle stated and really what that allows us to do is since we did deplete the reserve it allows us to cover our costs for the next fiscal year plus build some more reserve back in.

Commissioner Conrad stated so how long did it take us to deplete the reserve?

Mr. Beyrle stated twelve months.

Commissioner Conrad stated so we did this as of the September of last year.

Mr. Beyrle stated yes, we were right at about \$7.5 million and right now we're about \$0.5 million under-recovered.

Commissioner Conrad stated okay, and if we increase this to \$21.30 per 1,000 kilowatts, how many months will it take us to get to what's recommended in the 2021 rate study.

Mr. Beyrle stated twelve months.

Commissioner Conrad reiterated twelve months, so this is a forecast year out for our fiscal year.

Mr. Beyrle stated correct.

Mr. Cloud interjected assuming that everything goes according to plan.

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

Commissioner Conrad stated well, that's the other thing. So I guess the acceleration rate from October last year, that's on one of these trend lines right?

Mr. Chavez stated that's the nat. gas to Mr. Beyrle.

Mr. Beyrle then stated the natural gas.

Commissioner Conrad stated yes.

Mr. Cloud stated they don't know for example what might happen in Ukraine which could have an impact or any other of a number of hot spots in the world that could have an impact.

Commissioner Conrad stated so I think it behooves us to keep a trailing, monthly change as it relates to the impact on having a \$21.3 surcharge going into effect for our new fiscal year if that's what we vote to do.

Mr. Chavez stated and that's a good point, in our monthly, in the monthly presentation I do reference how much over or under reserve that we have. So to Mr. Beyrle's point, we went you know with the Rate Study we gave back, the intention at the time, gas at that time was fairly constant, that's where we gave the \$3.98 back. Well, that quickly changed when you know socio-political, macro items changed, then nat. gas pretty much was on a trail blazing in the upwards direction. So then we did \$4.25 as kind of a stop gap at that point in time but now we have no reserve and we're actually in the negative by about \$800,000. So we need to get, the Rate Study recommended a \$5 million reserve, we're saying we can do it with around \$3 million, but it's a projection. And of course as we, you know Mr. Beyrle and his team looks at how can we optimize and maximize our purchased power in the sense of getting the lowest cost, we continue to look at that. So right now its solely a factor of, the biggest impact is the market and the nat. gas.

Mr. Bunch stated is the target "x" dollar amount or is the target a range of our annual purchased power?

Mr. Chavez stated its really, the target that we, its really a dollar amount. So \$5 million it was, what 20% at the time?

Mr. Beyrle stated yes, at that time.

Mr. Chavez continued, so what we're doing is we're hedging a bit because \$3 million would be a reasonable amount of reserve, and then we would evaluate again in a year to see where we're at, because it is a forecast.

Mr. Beyrle stated it was originally set at 20% of about \$25 million, but our forecasted costs are going to be \$30 million, but we just picked a number instead of going to a percentage.

Commissioner Conrad stated so if you took that number of \$30 million the recommendation would be \$7.5 million maybe?

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

Mr. Bunch stated \$6 to \$7 million.

Mr. Beyrle stated you know, and once...

Commissioner Conrad stated okay, so and now we're saying instead of doing \$5 million we're only going to go to 60% and that's still going to increase by 500% the amount from our current surcharge. Then added I guess I haven't figured that right, \$4 to \$21.

Mr. Beyrle stated right, it's about a 16% increase.

Mr. Bunch stated to the bill, but historically there's a part of the story that I think is missing. Historically the purchased power portion of the bill has been a lot higher than credit to the \$4 current charge right. So maybe over the last ten years can you tell us how that's gone up and down? You managed this a long time I assume you can speak to at least a few years.

Mr. Beyrle stated yes, we were under the old rate structure before and it was around a \$12 charge before we did the Rate Study. We were hovering around \$12 and \$15 usually before that for a few years. It was back in the \$40 range fifteen years ago.

Commissioner Conrad stated right.

Mr. Beyrle continued, until we got the reserve built up. We were actually under-recovered by a few million dollars for quite a while years ago.

Commissioner Conrad stated I guess my concern is I don't want to underestimate it. It's always harder to go back and say whoops, we made a mistake, we should have asked for \$28. So I'm a little more conservative maybe than some of my fellow Commissioners but...

Mr. Chavez stated I think what we did was we balanced between the, because the range that the consultants had provided really was between \$3 and \$5 million. The reason why it ended up being at the higher end is at the time of the Rate Study was I believe some of the Texas issues and what we had, so then we went to that higher level. But in reality, of from wherever we're at from the over-recovered position, just watching it and how we watch it monthly, we're more than comfortable with a \$3 million over-recovery. Right now our position, and we you know, we look at it and project out for twelve months, we'll continue to look at it and monitor it. So it won't be a surprise because we'll see, we look at this weekly and then we close the books monthly.

Mr. Bunch stated yes, and FPL and a number of the others have had multiple increases in the last year so we would monitor it. But let's say that target's 20%, to your point Commissioner Conrad the amount of money that's being calculated over has gone up. So I think \$3 million is a good starting target, but we've got to monitor the progress. If the market goes up again, we may have to come back and say well the price of gas has gone up again, or FPL's average cost has gone up, we need to ratchet it up a little higher. And that's what the others are doing as well, there are utilities in the state that right now are going to an \$80 rate for what we're

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

moving to \$19 or \$20 on. So relatively, on a relative basis, this is a very low fuel charge to what we have for others.

Mr. Beyrle stated and as you know conditions can get back to normal, that \$3 million, that 20% may be more in the \$3 million range, when we look back at what historical fuel costs have been.

Chairman Davenport stated Commissioner Hawes?

Commissioner Hawes (participating via conference phone) stated his name and added yes, thank you. Then directed to Mr. Bunch, I thought your comments just a minute ago, that's kind of what I was thinking because I do agree with Commissioner Conrad. You know you want to be careful with this. I didn't know, just kind of sitting here it's a little tough to follow perhaps, but if natural gas price did gap upward, you know does this change that dynamic. And I think what you're saying is yes it does, and we want to monitor this kind of going forward. Do I have that right?

Mr. Bunch stated that is accurate. What I would suggest is while we report currently on the balance, and I'm going to pick up on Commissioner Conrad's suggestion, we put a chart in the monthly, the General Manager's Report which we update monthly, the balance and also highlight where the target is and show the progress towards that.

Commissioner Conrad stated thank you.

Mr. Bunch continued, if everything works out, we hit the target, if the costs go up and reserve fund's dropping then we'll come back and talk about if and when that happens. Does that accomplish everybody's thoughts?

Chairman Davenport stated yes sir, that sounds good.

Mr. Bunch stated good input, thank you.

Chairman Davenport stated so we have a recommendation, anything else Commission? Yes sir, Commissioner Smith.

Commissioner Smith stated I really don't know how I calculated this but looking back I looked at my electric bill, most recent, and based upon approximately 2,000 kilowatt hours, it appeared to me that my bill was going to go up in October \$34.00 a month. Now I have a very strong appreciation for the concept of reserves, I managed a 1,400-acre property owners association with 27 homeowner's associations, and I know the value of reserves. I guess what it boils down to is timing because I'm afraid we're going to come out with all the inflationary things that are going on in the supermarket and at the gas pump, but not so much the gas pump anymore, I don't want us to come out as the "Grinch" that stole Christmas, because if this goes into effect in October, you know that's going to be a pretty hard hit for a lot of people. And I was wondering, is there anyway we could put off the timing of this to maybe start looking at the first of the year instead of October?

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

Mr. Bunch stated what's the cash burn if you don't raise it in October.

Mr. Cloud stated you will be amongst the last electric utilities in Florida to do this and at one of the more modest increases. If you'll go look at what the IOU's have been doing and of course you're right, it's generated quite a bit of customer hostility over it. But when you compare where we are relative to the rates of other utilities and the period of time, we've delayed because of the conservativeness of the \$5 million number. And I think the modest increase they've come to you with, I thought they were going to come earlier with a higher number because everybody else is. This is a very modest attempt when you look at it in the overall picture. It's good that we're going to have sort of an indicator added for this as we go forward because the main difference between investor-owned utilities and municipals is the PSC requires and drags them in every six months for a hearing on their fuel adjustment charges. So they've got to do it every six months, we have a lot more flexibility in that than the IOU's do. And I think that you should ask this question, absolutely, because that's why the Commission is here and we should ask it every month, but right now given what I see we really do need to do something because if you look at those red bars on you know the dashboard, your warning light's starting to come on that you don't have enough fuel pressure. That's what I see when I see the numbers this month.

Mr. Bunch stated I think, can I ask just a question. So Mr. Cloud's comments are on point, but I think Commissioner Smith's question is a good one. So if you don't change it October 1, you have October, November, December, that's three months, what is your estimated cash burn and what would that total be if we didn't make it October and we waited until January 1.

Chairman Davenport stated good point.

Commissioner Smith stated let me ask, let me extend this one. How about if we came later with more.

Mr. Bunch stated but the math between now and January will still work the same.

Mr. Cloud stated you want to bring it out at Christmas, right?

Mr. Beyrle stated it would be about a half million dollars it looks like, because October, November, December, those are our low load consumption months which also lessens some of the blow.

Mr. Bunch stated and you're not replenishing the reserve if you don't increase it, so what don't you put in the reserve during those months.

Mr. Beyrle stated about a half million dollars, we would under-recover about another half million.

Mr. Bunch stated total or per month, because you've been in like a million per month, per, recently.

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

Mr. Beyrle stated those have been really hot months.

Chairman Davenport stated for those three months it would be a half of a million dollars, correct? Okay.

Mr. Chavez added, we're under-recovered right now by \$800,000, so we'd be in the hole...

Chairman Davenport interjected \$1.3 million.

Commissioner Conrad stated so which would increase the surcharge rate starting in January to what? I mean think about it, we've got to get the money over the next twelve months, no matter when we decide to get it, it's the same money pot that we need to fill.

Commissioner Smith stated understood.

Commissioner Conrad stated so do you want to start in January, or you want to start in October.

Commissioner Hawes stated yes, and the other problem too is if natural gas prices did jump between now and then or January, we could really get hit with a whammy.

Commissioner Conrad stated yes, good point.

Chairman Davenport stated I like the idea of just sticking where we are, even though it's kind of October, September here, it's not Christmas, but intending to bill.

Commissioner Conrad stated and it's not going to hurt us quite as much because we've had unusually hot weather, which means we've had unusually higher electric bills anyhow. And during October, which would mean those are the meters being read in October, and the bill comes out at the end of October, correct?

Mr. Beyrle stated no, it's the first billing cycle in October, so some of it will be from September.

Commissioner Conrad stated oh, it will be from September, okay.

Mr. Chavez stated yes, because that is a good point.

Commissioner Conrad stated what is the first billing cycle date.

Mr. Chavez stated October, we put it in October 1<sup>st</sup> for the bills generated.

Commissioner Conrad stated so it would be for all of September.

Mr. Chavez stated depending on when your bill generates.

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

Commissioner Conrad stated which is going to be high, okay, well that's not a good argument, sorry, I'll take it back.

Chairman Davenport stated we have no control over this, we've seen the numbers today, we've seen the red line of the natural gas, it's just something we don't have control over. It's unfortunate but...

Mr. Bunch stated the consultants also recommend to us to do increases for Florida, September October time frame for what you precisely just described. Consumption, the weather tapers off, the bills start to be less, you get to January you're going to start to see the higher winter bills and it will be more pronounced. But we're going to go further in the red, you're going to start from the million and a half negative instead of \$800,000 negative, if Mr. Beyrle's estimates are accurate. And the other advantage of doing October 1 is that's the start of our fiscal year so you can see the impact of the change over the fiscal year. And when we did the rate changes last year, as well as the water this year, we anchored them to October 1 for the fiscal planning purposes as well.

Chairman Davenport stated well, I just, we have a recommendation here, we need a motion. The question is do we want to do it in October or do we want to do it in January. What's your thoughts Commissioner Smith, October or January?

Commissioner Smith stated well I'm feeling a little Don Quixote like about this.

Chairman Davenport commented do that later, at lunch time.

Commissioner Smith stated but I'll go along with whatever the majority of the Commission agrees to, I just think its something that you know all that's going on and I would never think the oil companies or the natural gas companies would ever intentionally gouge the public. Then added and I don't believe that. But I'm hoping you know the other part of this scenario we're just talking about one thing really, the rise or stabilization or rise in natural gas which who knows, that is a cloudy crystal ball. But the other part of the scenario is that you know if we get a, we've been lucky, knock on any kind of wood, with this hurricane season. You know we've still got some time to go and that could really affect the reserves on this so that's another factor, so I'll go along with the other Commissioners on this issue. I don't, I'll withdraw my suggestion to moving it to January and I'll have to move out of town if it goes up...

Chairman Davenport stated there you go, we might be loading up together.

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.

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

Chairman Davenport then stated great Commissioner Hawes, thank you. You might add in there, people read this, because of the natural gas rates have gone up so much; you know they don't know that.

Mr. Bunch stated yes, the agenda item lays that out pretty well.

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

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

Chairman Davenport then stated okay, thank you Mr. Beyrle, thank you Mr. Chavez, great job.

(8) Possible Other Business – Time for Commissioners:

Chairman Davenport stated item number eight, Time for our Commissioners. Commissioner Conrad do you have anything?

Commissioner Conrad stated thank you for letting me spout on so many issues today. I don't normally do that.

Chairman Davenport stated that's okay, that's what we're here for.

Commissioner Conrad stated I think we covered a lot of ground and I think we have a clear understanding of what we need to do going forward. I thank you all.

Chairman Davenport stated thank you. Commissioner Smith?

Commissioner Smith stated of course I have something, you know that. You know I think it's a wonderful program that the Utilities Commission has to rebate people who pick up the efficiency of the air conditioning units, it's an expensive investment. But I recently, we had one of our washing machines die and I went and made the extra investment in one that uses much less water. And I would like to see us have some type of rebate, I don't know how significant for appliances that used less water. Because to me the consumption of water and the consumption of electric go hand in hand as far as conservation of our natural resources. So I would just suggest that maybe staff could look at that and see if there's something that could be added to our rebate operation to reward those who use less water consuming appliances in their home; that's just a suggestion.

Chairman Davenport stated okay, Mr. Bunch.

Mr. Bunch stated I'll talk with staff, our person Ellen Fisher who is most familiar with our conservation rebate programs isn't here this morning, but we'll give you some feedback on the suggestion and we may have her do a quick presentation on what we currently do. Thank you.

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

Commissioner Smith stated okay, thank you.

Chairman Davenport stated is that all Commissioner Smith?

Commissioner Smith stated that's it.

Chairman Davenport stated thank you and then stated Commission Hawes?

Commissioner Hawes stated yes, well coming over the phone this might come off not as well as I had hoped but I think the thing that kind of caught me at the meeting today, and I want to give the New Smyrna Beach Utilities staff credit for this. We're in really uncertain times and there's just this friction of up and down and all of these things and so I think kind of for lack of a better word sort of the simpler and more basic we make our business practices, such as establishing the reserve in twelve months. Just, there's been a number of those issues, the more conservative, in other words if we can control, we control, and it doesn't get too fancy we're going to survive the up and down elsewhere probably a little better at least that's my belief. And that just sort of sounds like what we're doing and I wanted to tell you thank you and I appreciate it; that is it.

Chairman Davenport stated thank you Commissioner Hawes. Okay, I'd just like to say thank you for believing in me and this board here and just keeping things copacetic and let's have a great year. Time will fly, it goes by awfully fast, so we've got a lot of issues in front of us, and we've got a great team, we're working together.

Chairman Davenport continued, also I got a phone call the other day from an attorney, I referred it over, Ms. Couillard I sent it over to you, about the telephone pole right in the middle of the front yard. And I said right in the middle of their front yard, I said listen, normally that would cost you, you got you a daggum flagpole built right in, I'm going to bring a flag over there to you, you've got it all, I mean normally we charge people for this, but you got a flagpole right there. He didn't think that was too funny, the attorney, had to make some humor out of it, so I said you've got a flagpole. All right but anyway I want to thank everybody, Mr. Bunch and Mr. Chavez and Ms. Couillard and all the Department heads. Thank you on the update on the water today, that's very fascinating and you know we know that's a problem around the world. So anybody else got anything?

Commissioner Smith stated well I just wanted to add one other thing.

Chairman Davenport stated okay.

Commissioner Smith stated and this goes back to our discussion about the fuel charge, and you know I whined about the increase on my bill that its going to be, but I just saw on the news the other day that people in England are looking at an 80% increase in theirs.

Chairman Davenport stated 8%?

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

Commissioner Smith reiterated 80%, which ours is a lot less, what we look at.

Mr. Bunch added, and I haven't seen the numbers lately but jump across the pond to Germany from England and I think six months ago their price of electricity was over four times what it is here in Florida, and it's probably more now because of everything you know going on over in that neck of the woods.

Chairman Davenport stated all right, nothing else? Then I'll adjourn this meeting, thank you.

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

{NOTE – Effective at the U.C.'s 3-22-21 Regular U.C. Meeting, commencing with the minutes for Two Final Public Hearings and Regular U.C. Meeting Held 2-22-21, the Commission will start approving annotated minutes within the agenda package. These detailed, near verbatim minutes will still be prepared for reference, electronic searches, and will additionally be posted on the U.C.'s website – [ucnsb.org](http://ucnsb.org).}