


Composite Exhibit "B"

MEMORANDUM

TO: James R. O'Connor, City Manager

FROM: Cynthia D. Lawson, Finance Director 

DATE: November 13, 2014

SUBJECT: **Impact on Electric Utility of Loss of Indian River Shores Customers**

On October 29, 2014, I provided a financial analysis of the impact of losing all of the electric utility customers outside the City limits on both the City's electric utility rates and its General Fund budget. Per your request, this analysis has been updated to assess the impact of the loss of only the City's Indian River Shores customers.

Based on the assumptions and data outlined below, the attached spreadsheet (Attachment A) provides for rate sufficiency at a revised electric rate of \$ 124.93 per 1,000 kWh residential customer; this represents an increase of 1% over current rates. In addition, the impact to the General Fund in loss of revenue is \$581,978 which is 14% of current property tax revenues.

Please note, however, that this analysis is based on a very high level review of the customer demographic data, as well as some very broad assumptions regarding staffing and cost reductions. In addition, the power cost model is deterministic and does not provide for significant changes in load characteristics when removing a particular demographic customer segment, which could produce unexpected variations in daily and seasonal load factors or other unknowns. Finally, the operational changes for the T&D Department would have to be studied in detail to achieve a better estimate of cost effects.

As a result, both Tom Richards (Electric Utility Director) and I recommend that the City wait for the results of the updated rate study and request an analysis by the City's rate consultant before reaching any definitive conclusions about the financial impact of the loss of this group of customers.

With the adopted FY 14-15 budget as a baseline, this analysis was prepared using the following data and assumptions:

- Actual customer usage data by class and location (for Sep 13-Jul 14) was used to develop information on the percentage of customer accounts and kWh sales in Indian River Shores.
- Based on this current customer demographic information, a revised retail sales forecast by class was prepared, with total projected sales of 625,999,000 kWh.
- Mr. Tom Richards, Electric Utility Director, prepared a revised purchased power cost forecast using the revised retail sales forecast.
- The analysis assumes that the City's power production would continue, with no change in power plant operating and personnel costs.

- Mr. Richards and Mr. Ted Fletcher, Director of T&D Operations, provided revised estimates of operating and capital costs for T&D. Customer service and non-departmental costs were also reduced.
- This analysis does not include one time costs for any engineering and construction necessary to revise the City's transmission and distribution system to serve the reduced customer base. It also does not include any one time costs for staffing reductions in T&D and Customer Service.
- The transfer to the General Fund is calculated at 6% of customer revenue.
- The General Fund general & administrative (G&A) charges to the Electric Utility would be decreased.

CC: T. Richards, Electric Utility Director
T. Fletcher, Director of T&D Operations

**IMPACT ON ELECTRIC UTILITY - LOSS OF INDIAN RIVER SHORES CUSTOMERS
FY 14-15
SUMMARY OF EXPENSES, REVENUE AND REVENUE SURPLUS (DEFICIENCY)**

PROJECTED FY 14-15

Operating Expenses

Power Resources	4,094,637
Purchased Power	55,866,789
Customer Service	1,783,707
Transmission & Distribution	5,116,375
Electric System Design	539,178
Electric Metering	849,391
Non-Departmental	3,415,895

Total Operating Expenses	71,665,972
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Other Revenue Requirements

Debt Service	5,523,125
Transfer to the R&R Fund (Fund 403)	2,500,000
Transfer to the General Fund (6% of customer revenue)	5,098,022

TOTAL REVENUE REQUIREMENTS	84,787,119
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Projected Rate Revenue

With rates at: \$ 124.93 per 1,000 kWh Residential

Residential	40,999,187
Commercial	41,123,174
Industrial	1,528,766
Outdoor Lighting	400,800

Total Projected Rate Revenue	84,051,927
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Other Revenue

Interest revenue	50,000
Customer fees and penalties	644,578
Customer Service charges - Water/Sewer & Solid Waste	503,000
Miscellaneous revenue	270,537

TOTAL REVENUE	85,520,041
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REVENUE SURPLUS (DEFICIENCY) CURRENT PROJECTED	732,922
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GENERAL FUND IMPACT

DECREASE IN TRANSFER	541,978
DECREASE IN G&A EXPENSES	40,000

TOTAL GENERAL FUND IMPACT	581,978
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FY 14-15 AD VALOREM TAXES	4,278,471
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IMPACT AS % OF CURRENT TAXES	14%
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**IMPACT ON ELECTRIC UTILITY - LOSS OF ALL OUTSIDE CITY CUSTOMERS
FY 14-15
SUMMARY OF EXPENSES, REVENUE AND REVENUE SURPLUS (DEFICIENCY)**

PROJECTED FY 14-15

Operating Expenses	
Power Resources	4,094,637
Purchased Power	26,629,120
Customer Service	868,097
Transmission & Distribution	2,925,931
Electric System Design	312,424
Electric Metering	491,743
Non-Departmental	2,255,895
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Total Operating Expenses	37,577,847
Other Revenue Requirements	
Debt Service	5,523,125
Transfer to the R&R Fund (Fund 403)	1,400,000
Transfer to the General Fund (6% of customer revenue)	2,858,146
	-
TOTAL REVENUE REQUIREMENTS	47,359,118
Projected Rate Revenue	
	With rates at: \$ 164.43 per 1,000 kWh Residential
Residential	19,209,444
Commercial	25,568,379
Industrial	2,080,272
Outdoor Lighting	400,800
	-
Total Projected Rate Revenue	47,258,895
Other Revenue	
Interest revenue	50,000
Customer fees and penalties	265,456
Customer Service charges - Water/Sewer & Solid Waste	503,000
Miscellaneous revenue	111,415
	-
TOTAL REVENUE	48,188,766
REVENUE SURPLUS (DEFICIENCY) CURRENT PROJECTED	829,648
GENERAL FUND IMPACT	
DECREASE IN TRANSFER	2,781,854
DECREASE IN G&A EXPENSES	800,000
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TOTAL GENERAL FUND IMPACT	3,581,854
FY 14-15 AD VALOREM TAXES	4,278,471
IMPACT AS % OF CURRENT TAXES	84%

As of: 11/7/2014

FY 14-15 SALES AND REVENUE FORECAST SUMMARY

	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
# of Customers by Class													
Residential	9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865
Commercial	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003
Industrial	1	1	1	1	1	1	1	1	1	1	1	1	1
Outdoor Lighting	474	474	474	474	474	474	474	474	474	474	474	474	474
BASED ON THREE YEAR AVERAGE													
Forecasted kWh Sales	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	TOTAL
Residential	9,711,008	8,255,715	7,905,504	9,783,170	8,182,257	7,981,279	8,688,142	9,089,076	10,346,604	10,909,750	11,355,157	11,706,844	113,914,508
Commercial	13,789,988	12,652,843	11,989,018	12,043,970	11,208,342	11,347,616	12,498,937	13,089,855	14,123,331	14,344,353	14,612,436	15,194,112	156,894,803
Industrial	1,326,836	807,048	928,098	752,993	902,216	995,633	1,131,511	1,273,051	1,383,048	1,383,048	1,551,278	1,527,419	13,962,180
Outdoor Lighting	136,421	136,439	137,406	137,465	137,201	136,976	137,729	137,864	137,788	137,788	137,761	136,840	1,647,677
TOTAL	24,964,254	21,852,045	20,960,026	22,717,598	20,430,017	20,461,503	22,456,320	23,589,846	25,990,771	26,774,939	27,656,633	28,565,215	286,419,167
													286,419,167
BASE RATE REVENUE	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	TOTAL
Residential	82,175	82,175	82,175	82,175	82,175	82,175	82,175	82,175	82,175	82,175	82,175	82,175	986,105
Commercial	37,490	37,490	37,490	37,490	37,490	37,490	37,490	37,490	37,490	37,490	37,490	37,490	449,880
Industrial	40	40	40	40	40	40	40	40	40	40	40	40	478
TOTAL	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	119,705	1,436,463
ENERGY CHARGES													TOTAL
Residential:	490,166	384,949	359,628	495,384	379,638	365,107	416,213	445,201	536,120	576,835	609,038	634,465	5,692,743
Commercial	691,092	631,091	540,887	610,691	558,742	590,962	636,350	651,419	693,835	711,176	714,586	829,241	7,860,070
Industrial (incl demand chg)	56,262	40,403	43,576	33,801	35,236	38,526	43,786	45,821	48,808	48,697	55,119	53,918	543,955
TOTAL	1,237,520	1,056,442	944,091	1,139,876	973,615	994,595	1,096,349	1,142,440	1,278,763	1,336,708	1,378,744	1,517,624	14,096,768
BULK POWER COSTS													TOTAL
Residential	1,068,211	908,129	869,805	1,076,149	900,048	877,941	955,696	999,798	1,138,125	1,200,073	1,249,067	1,287,753	12,530,596
Commercial	1,516,899	1,391,813	1,318,792	1,324,837	1,232,918	1,248,238	1,374,883	1,439,884	1,553,566	1,577,879	1,607,368	1,671,352	17,258,428
Industrial	145,952	88,775	102,091	82,829	99,244	109,520	124,466	140,036	152,135	152,135	170,641	168,016	1,535,840
TOTAL	2,731,062	2,388,717	2,290,488	2,483,815	2,232,210	2,235,698	2,455,045	2,579,718	2,843,828	2,930,087	3,027,076	3,127,121	31,324,864
PROJECTED													
TOTAL BILLED REVENUE	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	TOTAL
Residential	1,640,553	1,375,253	1,311,409	1,653,708	1,361,861	1,325,223	1,454,084	1,527,174	1,756,422	1,859,083	1,940,281	2,004,393	19,209,444
Commercial	2,245,480	2,060,393	1,897,169	1,973,017	1,829,149	1,876,690	2,048,723	2,128,793	2,284,892	2,326,545	2,359,444	2,538,084	25,568,379
Industrial	202,254	129,218	145,706	116,670	134,520	148,086	168,292	185,896	200,983	200,872	225,800	221,974	2,080,272
Subtotal	4,088,287	3,564,864	3,354,284	3,743,396	3,325,530	3,349,998	3,671,099	3,841,864	4,242,297	4,386,500	4,525,525	4,764,451	46,858,095
Outdoor Lighting (use last 3 mo avg)	33,400	33,400	33,400	33,400	33,400	33,400	33,400	33,400	33,400	33,400	33,400	33,400	400,800
TOTAL	4,121,687	3,598,264	3,387,684	3,776,796	3,358,930	3,383,398	3,704,499	3,875,264	4,275,697	4,419,900	4,558,925	4,797,851	47,258,895

		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	TOTAL
FY 14-15 Forecast Reduced to Inside City Only														
Residential	32.6%	9,711,008	8,255,715	7,905,504	9,783,170	8,182,257	7,981,279	8,688,142	9,089,076	10,346,604	10,909,750	11,355,157	11,706,844	113,914,501
Commercial	45.2%	13,789,988	12,652,843	11,989,018	12,043,970	11,208,342	11,347,616	12,498,937	13,089,855	14,123,331	14,344,353	14,612,436	15,194,112	156,894,801
Industrial	100.0%	1,326,836	807,048	928,098	752,993	902,216	995,633	1,131,511	1,273,051	1,383,048	1,383,048	1,551,278	1,527,419	13,962,181
Outdoor Lighting	40.0%	136,421	136,439	137,406	137,465	137,201	136,976	137,729	137,864	137,788	137,788	137,761	136,840	1,647,671
TOTAL		24,964,254	21,852,045	20,960,026	22,717,598	20,430,017	20,461,503	22,456,320	23,589,846	25,990,771	26,774,939	27,656,633	28,565,215	286,419,161

Year	Month	Stanton		Stanton II		St Lucie		OUC		FPL Transm		Vero MWh	Fuel Cost	Vero NEL Forecast MWh	Stanton 1 Sold MWh	Sales Revenue		Total Cost	12 month Total Cost	Retail Sales kWh
		MWh	Cost	MWh	Cost	MWh	Cost	MWh	Cost	MWh	Cost					50%	90%			
2014	October	5072.5	\$ 611,212	0	\$ 369,047	9826	\$ 722,359	9406	\$ 395,069	-592	\$ 119,574	2500	\$ 162,500	26,212	0	\$ -	\$ 2,379,762		24,964,254	
	November	5072.5	\$ 611,212	11960	\$ 788,112	9826	\$ 722,359	-2409	\$ (101,183)	-468	\$ 83,529	1500	\$ 97,500	22,945	-2536.25	\$ (79,981)	\$ 2,121,548		21,852,045	
	December	5072.5	\$ 611,212	11960	\$ 788,112	9826	\$ 722,359	-3305	\$ (138,806)	-509	\$ 87,248	1500	\$ 97,500	22,008	-2536.25	\$ (79,981)	\$ 2,087,644		20,960,026	
2015	January	5072.5	\$ 611,212	11960	\$ 788,112	9826	\$ 722,359	-2921	\$ (122,693)	953	\$ 87,871	1500	\$ 97,500	23,853	-2536.25	\$ (79,981)	\$ 2,104,380		22,717,598	
	February	5072.5	\$ 611,212	11960	\$ 788,112	9826	\$ 722,359	-3850	\$ (161,710)	-521	\$ 81,813	1500	\$ 97,500	21,452	-2536.25	\$ (79,981)	\$ 2,059,306		20,430,017	
	March	5072.5	\$ 611,212	11960	\$ 788,112	9826	\$ 722,359	-3777	\$ (158,648)	-560	\$ 98,909	1500	\$ 97,500	21,485	-2536.25	\$ (79,981)	\$ 2,079,464		20,461,503	
	April	5072.5	\$ 611,212	0	\$ 369,047	4913	\$ 361,180	11731	\$ 492,708	-638	\$ 125,000	2500	\$ 162,500	23,579	0	\$ -	\$ 2,121,647		22,456,320	
	May	5072.5	\$ 611,212	11960	\$ 788,112	9826	\$ 722,359	-414	\$ (17,374)	-639	\$ 125,378	1500	\$ 97,500	24,769	-2536.25	\$ (79,981)	\$ 2,247,206		23,589,846	
	June	5072.5	\$ 611,212	11960	\$ 788,112	9826	\$ 722,359	2106	\$ 88,433	-638	\$ 125,000	1500	\$ 97,500	27,290	-2536.25	\$ (79,981)	\$ 2,352,636		25,990,771	
	July	5072.5	\$ 611,212	11960	\$ 788,112	9826	\$ 722,359	1617	\$ 67,925	674	\$ 130,698	1500	\$ 97,500	28,114	-2536.25	\$ (79,981)	\$ 2,337,826		26,774,939	
	August	5072.5	\$ 611,212	11960	\$ 788,112	9826	\$ 722,359	3824	\$ 160,624	-607	\$ 110,851	1500	\$ 97,500	29,039	-2536.25	\$ (79,981)	\$ 2,410,677		27,656,633	
	September	5072.5	\$ 611,212	11960	\$ 788,112	4913	\$ 361,184	8677	\$ 364,420	-592	\$ 119,574	2500	\$ 162,500	29,993	-2536.25	\$ (79,981)	\$ 2,327,022		28,565,215	
FY15		60870	\$ 7,334,548	119600	\$ 8,619,213	108086	\$ 7,945,954	20685	\$ 868,766	-4138.27	\$ 1,295,445	21000	\$ 1,365,000	300,740			\$ 26,629,120	\$ 26,629,120	286,419,167	

RESIDENTIAL CLASS - SALES AND REVENUE FORECAST DETAIL

		Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
# of Customers														
Residential		9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865	9,865	
Customers Average 50- 500 Kwh/mo	36%	3,551	3,551	3,551	3,551	3,551	3,551	3,551	3,551	3,551	3,551	3,551	3,551	
Customers Average 500-1,000 Kwh/mo	35%	3,453	3,453	3,453	3,453	3,453	3,453	3,453	3,453	3,453	3,453	3,453	3,453	
Customers Average Over 1,000 Kwh/mo	29%	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	
BASED ON TWO YEAR AVERAGE														
Forecasted KwH Sales														TOTAL
Residential		9,711,008	8,255,715	7,905,504	9,783,170	8,182,257	7,981,279	8,688,142	9,089,076	10,346,604	10,909,750	11,355,157	11,706,844	113,914,50
Sales Breakout														
Customers Average Under 500 Kwh/mo		1,775,700	1,775,700	1,775,700	1,775,700	1,775,700	1,775,700	1,775,700	1,775,700	1,775,700	1,775,700	1,775,700	1,775,700	
Customers Average 500-1,000 Kwh/mo		3,452,750	3,452,750	3,452,750	3,452,750	3,452,750	3,452,750	3,452,750	3,452,750	3,452,750	3,452,750	3,452,750	3,452,750	
Customers Average Over 1,000 Kwh/mo		4,482,558	3,027,265	2,677,054	4,554,720	2,953,807	2,752,829	3,459,692	3,860,626	5,118,154	5,681,300	6,125,707	6,478,394	
Average KwH / mo for cust over 1,000		1,567	1,058	936	1,592	1,032	962	1,209	1,349	1,789	1,986	2,142	2,264	1,49
First Tier Sales		8,089,300	8,089,300	8,089,300	8,089,300	8,089,300	8,089,300	8,089,300	8,089,300	8,089,300	8,089,300	8,089,300	8,089,300	
Second Tier Sales		1,621,708	166,415	(183,796)	1,693,870	92,957	(108,021)	598,842	999,776	2,257,304	2,820,450	3,265,857	3,617,544	
BASE RATE REVENUE														
	per month													TOTAL
Residential	8.33	82,175	82,175	82,175	82,175	82,175	82,175	82,175	82,175	82,175	82,175	82,175	82,175	986,10
ENERGY CHARGES														
	Per kWh													TOTAL
Residential:														
First Tier	0.0461	372,917	372,917	372,917	372,917	372,917	372,917	372,917	372,917	372,917	372,917	372,917	372,917	4,475,00
Second Tier	0.0723	117,249	12,092	(13,288)	122,467	6,721	(7,810)	43,296	72,284	163,208	203,919	236,121	261,548	1,217,74
BULK POWER COSTS														
	Per kWh													TOTAL
Residential	0.11	1,068,211	908,129	869,605	1,076,149	900,048	877,941	955,696	999,798	1,138,126	1,200,073	1,249,067	1,287,753	12,530,59
TOTAL BILLED REVENUE														
Residential		1,640,553	1,375,253	1,311,409	1,653,708	1,361,861	1,325,223	1,454,084	1,527,174	1,756,422	1,859,083	1,940,281	2,004,393	19,209,44

INDUSTRIAL CLASS - SALES AND REVENUE FORECAST DETAIL

# of Customers	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	TOTAL
Industrial	1	1	1	1	1	1	1	1	1	1	1	1	1
BASED ON THREE YEAR AVERAGE													
Forecasted KWH Sales													
Demand	2,952	2,439	2,369	1,798	1,809	1,973	2,242	2,297	2,431	2,424	2,752	2,686	TOTAL
Consumption	1,326,836	807,048	928,098	752,993	902,216	995,633	1,131,511	1,273,051	1,383,048	1,383,048	1,551,278	1,527,419	13,962,171
BASE RATE REVENUE													
Industrial	39.80	39.80	39.80	39.80	39.80	39.80	39.80	39.80	39.80	39.80	39.80	39.80	47
ENERGY CHARGES													
Industrial Demand Charge	6.64	19,599	16,192	15,733	11,938	12,011	13,098	14,887	15,249	16,144	16,095	18,270	17,835
Maximum for First Tier Charges	400	1,180,686	975,413	947,752	719,185	723,552	789,065	896,797	918,635	972,501	969,589	1,100,615	1,074,410
Industrial First Tier	0.0300	35,421	24,211	27,843	21,576	21,707	23,672	26,904	27,559	29,175	29,088	33,018	32,232
Industrial Second Tier	0.0085	1,242	-	-	287	1,519	1,756	1,995	3,013	3,490	3,514	3,831	3,851
BULK POWER COSTS													
Industrial	0.11	145,952	88,775	102,091	82,829	99,244	109,520	124,466	140,036	152,135	152,135	170,641	168,016
TOTAL BILLED REVENUE													
Industrial	202,254	129,218	145,706	116,670	134,520	148,086	168,292	185,896	200,983	200,872	225,800	221,974	2,080,271

COMMERCIAL CLASS - SALES AND REVENUE FORECAST DETAIL

# of Customers	Inside Only	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Commercial	2701 90%													
Commercial - Demand	302 10%													
Commercial	3003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	3,003	
BASED ON THREE YEAR AVERAGE														
Forecasted kWh Sales		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	TOTAL
Commercial (includes Demand)		13,789,988	12,652,843	11,989,018	12,043,970	11,208,342	11,347,616	12,498,937	13,089,855	14,123,331	14,344,353	14,612,436	15,194,112	156,894,8
BASE RATE REVENUE														
Commercial	per month 9.43	25,470	25,470	25,470	25,470	25,470	25,470	25,470	25,470	25,470	25,470	25,470	25,470	305,6
Commercial - Demand	39.80	12,020	12,020	12,020	12,020	12,020	12,020	12,020	12,020	12,020	12,020	12,020	12,020	144,2
FY 12-13 ENERGY CHARGES (BLENDED AVERAGE INCLUDING DEMAND CHARGES)														
		Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sep 13	
Total Billed Commercial Revenue		3,370,976	3,337,149	3,051,803	3,174,190	3,100,691	2,969,539	3,209,338	3,566,973	3,816,060	3,717,103	3,936,184	4,155,783	41,405,7
Bulk Power Rate per kWh		0.067	0.067	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	
Less: Bulk Power Costs		(1,928,485)	(1,913,022)	(1,895,925)	(1,883,564)	(1,852,646)	(1,742,935)	(1,901,262)	(2,132,716)	(2,293,475)	(2,225,831)	(2,369,988)	(2,391,790)	
Energy Charges		1,442,491	1,424,127	1,155,878	1,290,626	1,248,045	1,226,604	1,308,076	1,434,257	1,522,585	1,491,271	1,566,196	1,763,993	16,874,1
Average Blended Per kWh		0.0501	0.0499	0.0451	0.0507	0.0499	0.0521	0.0509	0.0498	0.0491	0.0496	0.0489	0.0546	0.05
PROJECTED ENERGY CHARGES FY 14-15 (using FY 12-13 Actual blended rate)														
Commercial (including demand)		691,092	631,091	540,887	610,691	558,742	590,962	636,350	651,419	689,835	711,176	714,586	829,241	7,860,0
BULK POWER COSTS														
Commercial	Per kWh 0.11	1,516,899	1,391,813	1,318,792	1,324,837	1,232,918	1,248,238	1,374,883	1,439,884	1,533,566	1,577,879	1,607,368	1,671,352	17,258,4
TOTAL BILLED REVENUE														
Commercial		2,245,480	2,060,393	1,897,169	1,973,017	1,829,149	1,876,690	2,048,723	2,128,793	2,284,892	2,326,545	2,359,444	2,538,084	25,568,3

Customer Billing Data - 11 months Sep 13-Jul 14

Customer Class	Number of Accts			
	INSIDE	OUTSIDE	IRS	TOTAL
Residential	9,865	15,916	2,775	28,556
Commercial	2,701	2,206	179	5,086
Commercial Demand	302	260	16	578
Industrial	1	-	-	1
Outdoor Lighting	32	41	7	80
	12,901	18,423	2,977	34,301

Customer Class	Percentage of Total Accounts			
	INSIDE	OUTSIDE	IRS	TOTAL
Residential	34.5%	55.7%	9.7%	100%
Commercial	53.1%	43.4%	3.5%	100%
Commercial Demand	52.2%	45.0%	2.8%	100%
Industrial	100.0%	0.0%	0.0%	100%
Outdoor Lighting	40.0%	51.3%	8.8%	100%
	37.6%	53.7%	8.7%	100%

Customer Class	kWh Sales - Not full FY -11 mos			
	INSIDE	OUTSIDE	IRS	TOTAL
Residential	102,366,572	165,276,926	46,177,422	313,820,920
Commercial	46,312,538	34,457,389	2,222,764	82,992,691
Commercial Demand	95,726,656	128,926,750	6,695,643	231,349,049
Total Commercial	142,039,194	163,384,139	8,918,407	314,341,740
Industrial	17,976,400	-	-	17,976,400
Outdoor Lighting	-	-	-	-
	262,382,166	328,661,065	55,095,829	646,139,060


not available
converted to 12 months
704,878,975

Customer Class	kWh Sales percentage of total			
	INSIDE	OUTSIDE	IRS	TOTAL
Residential	40.6%	52.7%	14.7%	100%
Commercial	55.8%	41.5%	2.7%	100%
Commercial Demand	41.4%	55.7%	2.9%	100%
Total Commercial	47.5%	52.0%	2.8%	100%
Industrial	100.0%	0.0%	0.0%	100%
Outdoor Lighting	40.0%	51.3%	8.8%	100%
	40.6%	50.9%	8.5%	

use % of customer accounts

MEMORANDUM

TO: James R. O'Connor, City Manager

FROM: Cynthia D. Lawson, Finance Director 

DATE: October 29, 2014

SUBJECT: **Impact on Electric Utility of Loss of Customers Outside the City Limits**

Per your request, attached is a financial analysis (Atch A) which estimates the impact of losing all of the electric utility customers outside the City limits on both the City's electric utility rates and its General Fund budget.

Based on the assumptions and data outlined below, the attached spreadsheet provides for rate sufficiency at a revised electric rate of \$ \$164.43 per 1,000 kWh residential customer; this represents an increase of 33% over current rates. In addition, the impact to the General Fund in loss of revenue is \$3,581,854 which is 84% of current property tax revenues.

With the adopted FY 14-15 budget as a baseline, this analysis was prepared using the following data and assumptions:

- Actual customer usage data by class and location (for Sep 13-Jul 14) was used to develop information on the percentage of customer accounts and kWh sales inside vs outside the City (including Indian River Shores).
- Based on this current customer demographic information, a revised retail sales forecast by class was prepared, with total projected sales of 286,419,000 kWh.
- Mr. Tom Richards, Electric Utility Director, prepared a revised purchased power cost forecast using the revised retail sales forecast.
- The analysis assumes that the City's power production would continue, with no change in power plant operating and personnel costs.
- Mr. Richards and Mr. Ted Fletcher, Director of T&D Operations, provided revised estimates of personnel, operating and capital costs for T&D. Customer service and non-departmental costs were also reduced.
- This analysis does not include one time costs for any engineering and construction necessary to revise the City's transmission and distribution system to serve the reduced customer base. It also does not include any one time costs for staffing reductions in T&D and Customer Service.
- The transfer to the General Fund is calculated at 6% of customer revenue.
- The General Fund general & administrative (G&A) charges to the Electric Utility would be decreased.

CC: T. Richards, Electric Utility Director
T. Fletcher, Director of T&D Operations

IMPACT ON ELECTRIC UTILITY - LOSS OF ALL OUTSIDE CITY CUSTOMERS**FY 14-15****SUMMARY OF EXPENSES, REVENUE AND REVENUE SURPLUS (DEFICIENCY)**

	PROJECTED FY 14-15
Operating Expenses	
Power Resources	4,094,637
Purchased Power	26,629,120
Customer Service	868,097
Transmission & Distribution	2,925,931
Electric System Design	312,424
Electric Metering	491,743
Non-Departmental	2,255,895
	-
Total Operating Expenses	<u>37,577,847</u>
Other Revenue Requirements	
Debt Service	5,523,125
Transfer to the R&R Fund (Fund 403)	1,400,000
Transfer to the General Fund (6% of customer revenue)	2,858,146
	-
TOTAL REVENUE REQUIREMENTS	<u>47,359,118</u>
Projected Rate Revenue	
	With rates at: \$ 164.43 per 1,000 kWh Residential
Residential	19,209,444
Commercial	25,568,379
Industrial	2,080,272
Outdoor Lighting	400,800
	-
Total Projected Rate Revenue	<u>47,258,895</u>
Other Revenue	
Interest revenue	50,000
Customer fees and penalties	265,456
Customer Service charges - Water/Sewer & Solid Waste	503,000
Miscellaneous revenue	111,415
	-
TOTAL REVENUE	<u>48,188,766</u>
REVENUE SURPLUS (DEFICIENCY) CURRENT PROJECTED	829,648
GENERAL FUND IMPACT	
DECREASE IN TRANSFER	2,781,854
DECREASE IN G&A EXPENSES	800,000
	-
TOTAL GENERAL FUND IMPACT	<u>3,581,854</u>
FY 14-15 AD VALOREM TAXES	4,278,471
IMPACT AS % OF CURRENT TAXES	84%