

City of Gainesville

City Hall
200 East University Avenue
Gainesville, Florida 32601



Meeting Agenda

January 9, 2020

5:30 PM

MODIFIED

City Hall Auditorium

Utility Advisory Board

Wendell Porter (Member)

Wes Wheeler (Member)

Barry Jacobson (Member)

Carla Miles (Member)

Theresa Spurling-Wood (Non-Voting Member)

Tim Rockwell (Member)

Don Davis (Non-Voting Member)

Persons with disabilities who require assistance to participate in this meeting are requested to notify the Office of the Equal Opportunity at 334-5051 or call TDD phone line at 334-2069 at least two business days in advance.

CALL TO ORDER**ROLL CALL****ADOPTION OF CONSENT ITEMS**[190808.](#)**Minutes of the December 12, 2019 UAB Meeting (B)**

Explanation: Staff has prepared minutes of the December 12, 2019 UAB meeting.

Fiscal Note: None.

RECOMMENDATION

Approve as drafted.

[190808_UAB_FY21_Budget_Calendar_20191212](#)

[190808_UAB_12-12-19_Meeting_Minutes_20200109](#)

ADOPTION OF THE AGENDA

CITIZEN COMMENT - Open comment period for items not on the agenda, limited to three (3) minutes per citizen.

STATE OF THE UTILITY[190811.](#)**GRU Operational Update for the Month of December 2019 (B)**

Explanation: Staff has prepared a report of statistical data from GRU's operations in the month of December 2019.

Fiscal Note: None.

RECOMMENDATION

Receive report.

[190811_Ops_Update_Dec_2019_All_Depts_20200109](#)

OLD BUSINESS**NEW BUSINESS**[190859.](#)**Election of UAB Chair (NB)**

Explanation: Member Michael Selvester, who served as Chair of the UAB, resigned effective December 31, 2019. According to UAB rules, vacancies in the

role of officer must be filled immediately by regular election procedure.

Fiscal Note: None.

RECOMMENDATION

Elect a member to serve as UAB chair to fill the vacancy left by the resignation of the previous chair, for the remainder of the term, which is until April 2020.

[190804.](#)

GRU Generation Transition Plan 2020 to 2022 (B)

Explanation: Five of the eight units in GRU's generation fleet are over 38 years old. Each one of these aging generating plants is fossil fuel burning and will ultimately be retired as part of the plan to reach 100% renewable power generation by 2045.

GRU must develop a transition plan that will economically cover the daily electric load within its territory, while moving away from fossil fuel. As part of developing that overall transition plan, GRU worked with The Energy Authority (TEA) to conduct an Integrated Resource Plan (IRP) that determined how we could reach these goals. GRU also studied utility industry trends, technology and resources available to reach these goals.

After a year of study and analysis, GRU is bringing forward a plan to expand its electric transmission interconnection to FPL to receive up to 450 megawatts of transmission capacity by 2022. FPL has agreed that it would absorb the costs to interconnect with GRU - estimated by GRU to be between \$180 and \$220 million. In exchange, GRU would execute a Network Services Agreement and Network Operating Agreement (together referred to as "Network Agreements"), each of which is governed by the Federal Energy Regulatory Commission (FERC) and whose payments are regulated under a tariff. Initial payments by GRU to FPL under the tariff would be approximately \$9 million annually and would adjust up or down based on rate filings and the cost of transmission service. The term of the Network Agreements would be 30 years.

The normal FPL tariff process requires GRU to request interconnection, at which time FPL and GRU would execute a System Impact Study Agreement. Once the system impact study has been completed, if no additional work is required to interconnect, then the Network Agreements could be executed. If the impact study indicates additional improvements are necessary to interconnect, then the parties would enter into a Facilities Study Agreement. The facilities study would identify additional construction costs associated with the interconnection and would assign costs to GRU or FPL based upon the benefits.

FPL has requested that the City Commission authorize the General Manager to negotiate and execute the Network Agreements prior to the study agreements being executed. This is somewhat unusual and the reason FPL states it wants Commission approval is to allow FPL to avoid

delays in construction of the transmission tie-in by waiting for additional Commission approval once the studies are completed. FPL has stated that they have performed their due diligence and are comfortable with the rates costs they have provided to GRU.

This interconnection opportunity is presenting itself now as a result of FPL's acquisition of Gulf Power earlier in 2019. That acquisition was predicated on connecting Gulf Power to FPL's low-cost generating assets in Central Florida.

GRU is but one of several routes on FPL's short list of transmission options, so the opportunity to avoid spending \$180 to \$220 million to expand our interconnection is not an open-ended offer. FPL must finalize its decision on a transmission route as soon as possible in order to start the regulatory and contractual process. Time is of the essence for the City Commission to take advantage of the opportunity to interconnect with FPL.

The benefits of entering into the NSA are six-fold:

- 1) GRU would be able to reduce its dependence on its aging fleet, whose variable costs per megawatt of generation far exceed the market-based cost of FPL (or other suppliers' cost of power). Using our Gen Trader model, GRU estimates an annual \$10 to \$14 million savings between GRU's fuel costs and the market cost of power.*
- 2) GRU would avoid spending between \$895 million and \$1.954 billion to replace its units and move towards 100% renewable power generation. Having access to 450 megawatts of transmission capacity would allow GRU to utilize FPL's low-cost generation and its territory to enter into green market purchases of power or partner to build renewable generating assets outside of our territory.*
- 3) To end GRU's reliance on its aging generation fleet, we would need to expand our transmission capabilities. The NSA with FPL would allow GRU to avoid spending between \$200 and \$400 million in that expansion, whether it was done through FPL or Duke, respectively.*
- 4) After construction of the 450 megawatts of transmission capabilities, GRU may elect to discontinue its Balancing Authority (BA), which is the system by which the utility balances its load with its generation. Allowing FPL to be the BA could save GRU up to \$2 million annually. It would also shift the risk of managing solar generation and other supplemental power over a larger territory. This process should allow GRU to expand its solar footprint.*
- 5) Limited use of the aging fossil generation plants will result in an acceleration of their retirement and decommissioning. As a result, GRU will save between \$5 and \$8 million in fixed costs, such as maintenance costs and personnel expenses. Unfortunately, there will be a reduction in GRU's Energy Supply workforce, which we plan to accomplish through*

attrition, reassignment and, potentially, some employees being released starting two to three years from now.

6) The savings generated from this new plan would be used to pay down debt, which would make GRU a financially healthier utility. Ultimately, this reduction of debt will result in lower interest expenses, which can be passed on to customers as rate reductions.

However, as advantageous as this agreement appears, the General Manager will only proceed with the execution of the Network Agreements contingent upon the following:

- The studies and due diligence review do not result in or reveal any increases or additions to costs or rates described in this agenda item, and in the responses by FPL and GRU to questions included in the back-up. If there are additional or increased costs, the General Manager will bring the Network Agreements back to the Commission for consideration.
- GRU will continue to perform due diligence in the review and negotiation of the System Impact Study Agreement, the Facilities Agreement, and the Network Agreements.
- GRU's ability to satisfactorily negotiate the terms of the Study Agreements and the Network Agreements. While the agreements presented by FPL are form agreements from the tariff, there are terms that need to be renegotiated.

Fiscal Note: GRU will:

- 1) Avoid between \$200 to \$ 400 million in transmission expansion costs;
- 2) Avoid up to \$2 billion in replacement costs of generation;
- 3) Incur 30 years of payments under the NSA, with initial payments of \$9 million a year.

GRU staff anticipates annual fuel cost savings of \$10 to \$14 million a year, fixed cost savings of \$5 to \$8 million a year and possible savings on shift of Balancing Authority of \$2 million a year.

RECOMMENDATION

The City Commission authorize the General Manager of the Utility to:

- 1) submit a request to FPL for transmission interconnection;
- 2) negotiate the terms of and execute the System Impact Study Agreement and Cost Reimbursement, subject to approval by the City Attorney as to form and legality
- 3) if required, negotiate the terms of and execute

the Facilities Study Agreement, subject to approval by the City Attorney as to form and legality;

4) negotiate the terms of a Network Services Agreement and Network Operating Agreement with FPL, provided that there are no increases in or additions to the costs or rates described in this agenda item and in the responses by FPL and GRU included in the back-up. If there are additional or increased costs, or if the General Manager cannot successfully negotiate the terms of the Network Agreements, the General Manager will bring the Network Agreements back to the Commission for consideration. The Network Agreements are, subject to approval by the City Attorney as to form and legality;

5) Direct GRU to use the savings resulting from the Network Agreements to reduce GRU debt, which would be the basis for future base rate reductions, and/or reduce GRU's fuel adjustment depending on the classification of the Network Services agreement payment as a base cost or a fuel cost.

[190804 GRUTransitionPlan2020 Presentation Rev. 20200109](#)

[190804 Transition Plan Quick Reference 20200109](#)

[190804 NSA DRAFT 20200109](#)

[190804 GRU IRP Report Master 20200109](#)

[190804 FY20 Budget Analysis GenTrader 20200109](#)

[190804 GRU Employee Letter 20200109](#)

[190804 FPL Network Service Obligation Revised 20200109](#)

[190804 Network Service Agreement Questions 20200109](#)

MEMBER COMMENT

CITIZEN COMMENT

NEXT MEETING DATE

January 28, 2019 - Joint Budget Workshop with City Commission

February 13, 2019 - Regular Meeting

ADJOURNMENT